Unaudited Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

MORNEAU SHEPELL INC.

Three months ended March 31, 2019 and 2018
(Unaudited)

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
March 31, 2019, and December 31, 2018

	March 31, 2019	December 31, 2018 (note 3 (i)(a))
Assets		
Current assets:		
Cash	$ 2,589	$ 2,876
Trade and other receivables	94,596	101,973
Unbilled fees	70,192	68,635
Finance lease receivables (note 3 (i)(a))	1,942	–
Prepaid expenses and other	16,080	11,610
Cash and investments held in trust	15,658	13,166
Income taxes receivable	–	89
Deferred implementation costs	12,334	14,190
Currency and interest rate swaps (note 4)	740	–
Total current assets	214,131	212,539
Non-current assets:		
Deferred implementation costs	47,540	44,675
Finance lease receivables (note 3 (i)(a))	4,577	–
Capital assets	106,448	38,213
Intangible assets	440,895	452,473
Interest rate swaps (note 4)	–	403
Goodwill	590,607	594,316
Investments in joint ventures	5,652	5,723
Total non-current assets	1,195,719	1,135,803
Total assets	$ 1,409,850	$ 1,348,342

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
March 31, 2019, and December 31, 2018

	March 31, 2019	December 31, 2018 (note 3 (i)(a))
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 4)	$ 10,775	$ 12,017
Trade and other payables	88,076	96,702
Income taxes payable	327	–
Deferred revenue	20,241	15,404
Insurance premium liabilities	15,658	13,166
Interest rate swaps (note 4)	825	504
Future consideration related to acquisitions	948	920
Dividends payable	4,186	4,173
Lease liabilities (note 3 (i)(a))	13,143	–
Total current liabilities	154,179	142,886
Non-current liabilities:		
Deferred revenue	11,614	12,534
Long-term debt (note 4)	374,752	374,381
Convertible debenture payable	83,383	83,117
Future consideration related to acquisitions	374	863
Interest rate swaps (note 4)	3,201	1,601
Other liabilities	416	19,700
Lease liabilities (note 3 (i)(a))	80,976	–
Provisions	2,944	3,534
Deferred tax liability	102,132	103,322
Total non-current liabilities	659,792	599,052
Equity:		
Share capital	822,895	820,792
Contributed surplus	26,345	27,141
Equity component of convertible debenture	1,045	1,045
Accumulated other comprehensive income	1,533	9,908
Deficit	(255,939)	(252,482)
Total equity	595,879	606,404
Total liabilities and equity	$ 1,409,850	$ 1,348,342

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income
(In thousands of Canadian dollars, except per share amounts)
For the three months ended March 31, 2019 and 2018

	Three months ended March 31, 2019	Three months ended March 31, 2018 (note 3 (i)(a))
Operating revenue	$ 204,695	$ 167,526
Operating expenses:		
Salaries, benefits and contractors	132,766	109,306
Other operating expenses	30,919	24,942
Depreciation and amortization	21,920	10,220
Total operating expenses	185,605	144,468
Finance costs (note 4)	6,962	3,155
Share of income of joint ventures	277	20
Profit before income taxes	12,405	19,923
Income taxes expense (recovery):		
Current	4,576	6,402
Deferred	(830)	(708)
Total income taxes	3,746	5,694
Profit for the period	8,659	14,229
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit:		
Effective portion of change in interest rate cash flow hedges	(2,231)	120
Foreign currency translation differences for foreign operations	(6,582)	1,090
Income taxes on the above items	424	(32)
	(8,389)	1,178
Items that will not be reclassified to profit:		
Actuarial gain on post-employment benefit plans	22	4
Income taxes on the above item	(8)	(1)
	14	3
Other comprehensive income (loss), net of tax effect	(8,375)	1,181
Comprehensive income for the period	$284	$ 15,410
Earnings per share (note 6):		
Basic	$0.13	$0.26
Diluted	$0.13	$0.25

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of Canadian dollars)
For the three months ended March 31, 2019 and 2018

2019	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Equity component of convertible debenture	Total equity
Balance, December 31, 2018	$ 820,792	$ 27,141	$ (252,482)	$ 9,908	$ 1,045	$ 606,404
Adjustment on initial application of IFRS 16 (note 3 (i)(a))	–	–	417	–	–	417
Balance, January 1, 2019, restated	820,792	27,141	(252,065)	9,908	1,045	606,821
Long-term incentive plan – issuance	–	1,307	–	–	–	1,307
Long-term incentive plan – redemption	2,103	(2,103)	–	–	–	–
Profit for the period	–	–	8,659	–	–	8,659
Dividends (note 5)	–	–	(12,533)	–	–	(12,533)
Other comprehensive loss	–	–	–	(8,375)	–	(8,375)
Balance, March 31, 2019	$ 822,895	$ 26,345	$ (255,939)	$ 1,533	$ 1,045	$ 595,879

2018	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Equity component of convertible debenture	Total equity
Balance, December 31, 2017	$ 558,972	$ 27,339	$ (223,491)	$ (2,806)	$ 1,045	$ 361,059
IFRS 15 implementation adjustment	–	–	(4,788)	–	–	(4,788)
Balance, January 1, 2018, restated	558,972	27,339	(228,279)	(2,806)	1,045	356,271
Long-term incentive plan- issuance	–	1,258	–	–	–	1,258
Long-term incentive plan – redemption	48	(48)	–	–	–	–
Profit for the period	–	–	14,229	–	–	14,229
Dividends (note 5)	–	–	(10,498)	–	–	(10,498)
Other comprehensive income	–	–	–	1,181	–	1,181
Balance, March 31, 2018	$ 559,020	$28,549	$ (224,548)	$ (1,625)	$ 1,045	$ 362,441

See accompanying notes to the unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
For the three months ended March 31, 2019 and 2018

	Three months ended March 31, 2019	Three months ended March 31, 2018 (note 3 (i)(a))
Operating activities		
Profit for the period	$ 8,659	$ 14,229
Items not involving cash:		
Depreciation and amortization	21,920	10,220
Finance costs (note 4)	6,962	3,155
Long-term incentive plan expense	1,307	1,051
Income taxes	3,746	5,694
Change in provisions	(546)	(489)
Share of income of joint ventures	(277)	(20)
Other	204	(51)
	41,975	33,789
Change in non-cash operating working capital (note 8)	(3,962)	(7,046)
Cash generated from operating activities	38,013	26,743
Finance costs paid	(6,475)	(3,705)
Income taxes paid	(4,412)	(6,122)
Cash provided by operating activities	27,126	16,916
Financing activities:		
Change in revolving loan	172	2,541
Payment of lease liabilities, net of receipts (note 3 (i)(a))	(3,158)	–
Dividends paid	(12,521)	(10,501)
Cash used in financing activities	(15,507)	(7,960)
Investing activities:		
Business acquisitions	(495)	(1,974)
Additions to intangible assets	(6,597)	(2,659)
Additions to capital assets	(3,572)	(4,191)
Cash used in investing activities	(10,664)	(8,824)
Increase in cash for the period	955	132
Bank indebtedness (net of Cash), beginning of period	(9,141)	(5,416)
Bank indebtedness (net of Cash), end of period (note 8)	$ (8,186)	$ (5,284)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. Organization and nature of the business:

Morneau Shepell Inc. was incorporated pursuant to the laws of the Province of Ontario on October 19, 2010. The Company's principal and head office is located at One Morneau Shepell Centre, 895 Don Mills Road, Suite 700, Toronto, Ontario, M3C 1W3.

Morneau Shepell Inc., its subsidiaries, and joint ventures (the "Company") is a provider of technology-enabled human resource services that support an integrated approach to well-being. The Company's focus is providing everything its clients need to support the mental, physical, social and financial well-being of their people. The Company's business spans services in employee and family assistance, health and wellness, recognition, pension and benefits administration, retirement and benefits consulting, actuarial and investment services. The Company offers its services to organizations that are situated in Canada, in the United States and internationally.

References herein to the Company represent the financial position, results of operations, cash flows and disclosures of Morneau Shepell Inc. and its subsidiaries on a consolidated basis.

These unaudited condensed consolidated interim financial statements ("interim financial statements") were approved by the Company's Board of Directors on May 8, 2019.

2. Basis of preparation:

These interim financial statements for the three months ended March 31, 2019 and 2018 have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018 prepared in accordance with IFRS as issued by the IASB.

This is the first set of the Company's financial statements in which IFRS 16, Leases ("IFRS 16") has been applied. Changes to significant accounting policies are described in Note 3 (i)(a).

3. Significant accounting policies:

(i) Changes in accounting policies:

The Company has adopted the following new standards, along with any consequential amendments. These changes were made in accordance with the applicable provisions.

(a) IFRS 16

The Company has initially adopted IFRS 16 Leases from January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

At the inception of a contract, the Company assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

The Company leases office premises and equipment. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company presents right-of-use assets in “capital assets,” whereas lease liabilities are separately presented in the statement of financial position.

The Company recognizes a right-of-use asset and a lease liability at lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not assessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. In accordance with IFRS 16, the Company has elected to measure its right-of-use assets at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Account for leases with a remaining term of less than twelve months as at January 1, 2019 as short-term leases; and
- The use of hindsight in assessing the lease term.

B. As a lessor

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company subleases some of its properties. The Company reassessed the classification of its sublease contracts previously classified as operating leases under IAS 17 and concluded that its subleases were finance leases under IFRS 16. As a result, the Company recognized a finance lease receivable for each sublease and a lease liability under the head lease on transition to IFRS 16. An adjustment to opening

retained earnings reflected the difference between the finance lease receivables and lease liabilities, after considering any amounts previously recognized under IAS 17 or IAS 37.

C. Impacts on financial statements

i. Impacts on transition

The impact on transition is summarized below.

	January 1, 2019
Finance lease receivables	$ 6,612
Right-of-use assets presented in capital assets	70,822
Lease liabilities	97,198
Other liabilities	(20,082)
Provisions	(99)
Retained earnings	417

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 4.8%.

	January 1, 2019
Operating lease commitment (gross) at December 31, 2018 as disclosed in the Company's consolidated financial statements	$ 124,224
Discounted using the incremental borrowing rate at January 1, 2019	(22,454)
Recognition exemptions and other	(4,572)
Lease liabilities recognized at January 1, 2019	97,198

ii. Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized $68,071 of right-of-use assets and $94,119 of lease liabilities as at March 31, 2019. The Company also recognized $6,519 of finance lease receivables related to its subleases as at March 31, 2019.

The Company, as a lessee, has recognized depreciation and interest costs (instead of operating lease expense) and as a lessor, has recognized interest income (instead of sublease income). During the three months ended March 31, 2019, the Company recognized $2,917 of depreciation charges and $1,099 of net finance costs from these leases.

The Company's adoption of IFRS 16 does not impact its ability to comply with the financial covenants described in note 4, as the covenants are calculated throughout the term in accordance with existing lease guidance applicable at the date the credit agreement was amended.

(b) IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("The Interpretation")

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company has initially adopted the interpretation from January 1, 2019.

The Interpretation requires the Company to: a) contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; and b) determine if it is probable that the tax authorities will accept the uncertain tax treatment or if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The adoption of IFRIC 23 did not have a material impact on the Company's interim financial statements.

4. Long-term debt:

The Company's long-term debt obligations can be broken down as follows:

	March 31, 2019	December 31, 2018
Revolving loans	$ 378,095	$ 377,923
Less: debt issuance costs, net of accumulated amortization	(3,343)	(3,542)
	$ 374,752	$ 374,381

The Company has a revolving Credit Facility of $500,000 (including a swing line of $14,000), which matures on July 27, 2023. The interest rates for the Credit Facility Agreement are floating, based on a margin over certain referenced rates of interest. The applicable margin may vary up or down depending on the ratio of the Company's consolidated debt to Adjusted EBITDA, as defined in the agreement. The Credit Facility Agreement is secured by a general assignment of all the assets of the Company and requires the Company to maintain, on a consolidated basis, a debt to Adjusted EBITDA financial covenant of not more than 3.5:1.0 (or not more than 4.0:1.0 for the 12-month period immediately following the completion of a permitted acquisition, as defined in the agreement, with a purchase price of $50,000 or more), and an EBITDA to interest expense ratio of not less than 2.0:1.0.

At March 31, 2019, the Company had utilized the following amounts under the Credit Facility Agreement:

- $180,000 of BA loans under the revolving loan. The BA loans are renewed on a monthly basis, bearing interest at the one-month BA rate plus an applicable margin of 1.45%.

- $5,000 of Prime loans under the revolving loan. The Prime loans are renewed on a monthly basis, bearing interest at the one-month Prime rate plus an applicable margin of 0.45%.

- $12,695 (US$9,500) of U.S. Libor loans under the revolving loan. The U.S. Libor loans are renewed on a monthly basis, bearing interest at the one- month U.S. Libor rate plus an applicable margin of 1.45%.

- $174,500 (US$ 131,000) of U.S. Libor loans under the revolving loan. The U.S. loans are renewed on a monthly basis and is part of the cross currency rate interest rate swap agreement (see details below).

- $5,345 (US$4,000) of U.S. Base Rate loans under the revolving loan. The U.S. Base Rate loans are renewed on a monthly basis, bearing interest at the one- month U.S. Base Rate plus an applicable margin of 0.45%.

- $6,495 of the swing line available. The swing line carries interest at prime plus an applicable margin of 0.45%.

As at March 31, 2019, the Company complied with all the required financial covenants.

(a) Interest rate swaps:

In July 2017, the Company entered into a forward-starting interest rate swap agreement to hedge against the variable interest rate component on $50,000 notional amount borrowed under the Credit Facility Agreement for the period from November 29, 2017 up to and ending December 20, 2020. The notional amount of this swap is $50,000 and is used to fix the variable component of the interest rate at 1.79%, before the applicable margin, for the duration of this period. In August 2018, the Company entered into a syndicated forward-starting interest rate swap agreement to hedge against the variable interest rate component on $130,000 notional amount borrowed under the Credit Facility Agreement for the period from September 4, 2018 up to and ending July 27, 2023. The notional amount of this syndicated swap is $130,000 and is used to fix the variable component of the interest rate at 2.59%, before the applicable margin, for the duration of this period. The two swaps have been designated as cash flow hedges. The fair value of these interest rate swaps at March 31, 2019 was a liability of $3,933 (December 31, 2018 - $403).

(b) Cross currency interest rate swap:

The Company uses cross-currency interest rate swap agreement to help manage its interest costs. As at March 31, 2019 the Company had a swap arrangement with a counterparty to exchange US $131,000 of debt for $174,500 during the duration of the arrangement for purpose of interest expense management. On maturity of the swap, the Company will receive the US$ principal that it initially exchanged and hence removing any foreign exchange risk. The swap has not been designated as a cash flow hedge and the fair value of the swap at March 31, 2019 was an asset of $647.

5. Dividends:

The monthly dividend rate, approved by the Board of Directors, was $0.065 for the three months ended March 31, 2019 (2018 - $0.065). Dividends declared for the three months ended March 31, 2019 were $12,533 (2018 - $10,498). The Company continued to declare the same monthly dividend amount in April and May 2019.

6. Earnings per share:

Basic earnings per share was calculated by dividing profit attributable to common shareholders by the sum of the weighted average number of common shares outstanding during the period, plus vested LTIP awards.

Diluted earnings per share was calculated using the basic calculation described above, and adjusting for the potentially dilutive effect of total number of additional common shares that would have been issued by the Company on unvested LTIP awards and the conversion of the convertible debentures.

The following details the earnings per share, basic and diluted, calculations for the three months ended March 31, 2019 and 2018:

	Three months ended March 31, 2019	2018
Profit attributable to common shareholders (basic and diluted)	$ 8,659	$ 14,229
Weighted average number of common shares (in number of shares):		
January 1	64,205,330	53,853,225
Issued on redemption of LTIP[1]	19,331	539
Vested LTIP awards	1,637,373	1,746,307
Basic	65,862,034	55,600,071
Dilutive effect of unvested LTIP awards	484,684	670,524
Diluted	66,346,718	56,270,595
Earnings per share:		
Basic	$ 0.13	$ 0.26
Diluted	$ 0.13	$ 0.25

[1] During the three months ended March 31, 2019, 205,052 shares (2018 – 852 shares) were issued on redemption of LTIP units.

Due to its anti-dilutive effect, the potential issuance related to the convertible debentures has been excluded from the earnings per share calculation.

7. Segmented information:

The Company has four core lines of business, consisting of Well-Being, Pension and Benefits Administration, Retirement Solutions, and Health and Productivity Solutions. As at March 31, 2019, aggregation of operating segments was applied to determine that the Company had only one reportable segment.

The Company operates primarily within two geographical areas: Canada and the United States. The following details the revenues and total assets by geographical area, reconciled to the Company's unaudited condensed consolidated interim financial statements:

	Three months ended March 31, 2019	Three months ended March 31, 2018 (note 3 (i)(a))
Revenue:		
Canada	$ 148,405	$ 141,910
United States and International	56,290	25,616
Consolidated Total	$ 204,695	$ 167,526

	March 31, 2019	December 31, 2018 (note 3 (i)(a))
Total assets:		
Canada	$ 914,136	$ 841,657
United States and International	495,714	506,685
Consolidated Total	$ 1,409,850	$ 1,348,342

8. Supplementary cash flow information:

	2019	2018 (note 3 (i)(a))
Trade and other receivables	$ 7,378	$ (6,619)
Unbilled fees, current and non-current	(1,557)	657
Prepaid expenses and other	(4,469)	(1,061)
Deferred implementation costs, current and non-current	(833)	(231)
Trade and other payables	(8,574)	(1,758)
Deferred revenue, current and non-current	4,093	1,966
	$ (3,962)	$ (7,046)

Bank indebtedness reconciliation for the periods ended March 31, 2019 and December 31, 2018 was as follows:

	March 31, 2019	December 31, 2018
Bank indebtedness	$ (10,775)	$ (12,017)
Cash	2,589	2,876
Bank indebtedness (net of Cash)	(8,186)	(9,141)

9. Financial instruments:

Financial instruments carried at fair value:

Fair value represents management's estimates at a given point in time. The fair value of the Company's financial assets and liabilities, with the exception of convertible debentures and long-term debt, approximate their carrying values due to their short-term nature.

The following table summarizes information regarding the carrying value, fair value and level used to determine the fair value measurement of the Company's financial assets and liabilities carried at fair value:

	Carrying Value and Fair Value		
	March 31, 2019	December 31, 2018	Level
Assets carried at fair value:			
Currency and interest rate swaps	$ 740	$ 403	2
	$ 740	$ 403	
Liabilities carried at fair value:			
Interest rate swaps	$ 4,026	$ 2,105	2
Future consideration related to acquisitions	$ 1,322	$ 1,783	3
	$ 5,348	$ 3,888	

During the three months ended March 31, 2019, there were no transfers between any levels.

The future consideration related to acquisitions is a financial instrument carried at fair value through profit or loss. The fair value of the future consideration related to these acquisitions is determined considering the estimated payment, discounted to present value. The total aggregate contingent consideration remaining to be paid for these acquisitions ranges from a contractual amount of $nil to maximum of $1,350.

Financial instruments carried at amortized cost:

The carrying values of trade and other receivables, cash and investments held in trust, bank indebtedness, trade and other payables, insurance premium liabilities, and dividends payable are amortized cost and approximate their fair value because of their short-term nature.

The convertible debenture payable and long-term debt are financial instruments carried at amortized cost whose carrying values do not equal their fair market values. The convertible debenture payable has a carrying value of $83,383 (December 31, 2018 - $83,117) and a fair value of $99,760 (December 31, 2018 - $95,021). The fair value is determined using quoted market values (Level 1) for the convertible debentures at the end of the period. The long-term debt has a carrying value of $374,752 (December 31, 2018 - $374,381) and a fair value of $378,095 (December 31, 2018 - $377,923). The fair value is determined based on the cost of borrowing for a company with a similar risk profile (Level 2).

Credit Risk:

The Company's exposure to credit risk is limited to the carrying amount of cash and investments held in trust, unbilled fees (which are contract assets), and accounts receivable recognized at the reporting date. As at March 31, 2019, one U.S. public sector customer comprised $12,468 (December 31, 2018- $14,752) of the trade and other

receivables balance, of which $7,471 (December 31, 2018- $8,495) is greater than ninety days past due. Subsequent to March 31, 2019, the Company has collected $0 of the $12,468 trade and other receivables balance owed by this U.S. public sector customer.

10. Revenue:

The following shows the disaggregation of revenue by the Company's lines of business:

	Three months ended March 31, 2019	2018 (restated)
Well-Being	$ 88,718	$ 60,111
Pension and Benefits Administration	60,968	52,396
Retirement Solutions	29,435	29,328
Health and Productivity Solutions	25,574	25,691
	$ 204,695	$ 167,526

The Company realigned its core lines of business towards the goal of being more responsive to changing client needs. The Company has four core lines of business, consisting of Well-Being, Pension and Benefits Administration, Retirement Solutions, and Health and Productivity Solutions. The Company restated its comparative period revenue to align comparative period.

11. Subsequent events:

On May 6, 2019, the Company announced that it had entered into an agreement to acquire the stand-alone, large market, health and defined benefit pension plan administration business of Mercer in the United States for a purchase price of up to US$57,000 (approximately $76,000) subject to certain adjustments. The cash payment consists of US$45,000 (approximately $60,000) upon closing and US$12,000 (approximately $16,000) within 60 days of the first anniversary of the date of closing. The transaction is expected to close in the third quarter of fiscal 2019 and the Company plans to draw from its existing credit facility to finance the purchase consideration. The acquisition will expand the Company's presence in the United States and strengthen its competitive position in the large market sector.

The acquisition will be accounted for using the acquisition method of accounting. The assets acquired through this purchase include: intangible assets, goodwill and net working capital.