Consolidated Financial Statements
(In Canadian dollars)

MORNEAU SHEPELL INC.

Years ended December 31, 2016 and 2015

KPMG LLP
Chartered Professional Accountants
Bay Adelaide Centre
Suite 4600
333 Bay Street
Toronto, ON M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Morneau Shepell Inc.

We have audited the accompanying consolidated financial statements of Morneau Shepell Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Morneau Shepell Inc. as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 2, 2017
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

MORNEAU SHEPELL INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
December 31, 2016 and December 31, 2015

	2016	2015 (note 3)
Assets		
Current assets:		
Cash	$ –	$ 1,900
Trade and other receivables (note 5)	67,291	65,579
Unbilled fees	61,131	64,229
Income taxes receivable	–	721
Prepaid expenses and other	8,159	6,092
Cash and investments held in trust	17,211	12,449
Deferred implementation costs (note 6)	7,146	5,440
Total current assets	160,938	156,410
Non-current assets:		
Unbilled fees	5,128	20
Deferred implementation costs (note 6)	19,406	10,831
Capital assets (note 7)	34,499	35,658
Intangible assets (note 8)	230,572	233,305
Goodwill (note 9)	320,757	316,834
Deferred tax asset (note 16)	2,326	2,590
Total non-current assets	612,688	599,238
Total assets	$ 773,626	$ 755,648

MORNEAU SHEPELL INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
December 31, 2016 and December 31, 2015

	2016	2015 (note 3)
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 13)	$ 3,056	$ –
Trade and other payables (note 10)	59,157	54,241
Income taxes payable	2,200	–
Deferred revenue	5,121	2,521
Insurance premium liabilities	17,211	12,449
Future consideration related to acquisitions (note 27)	5,252	1,043
Promissory notes	–	2,481
Dividends payable	3,460	3,120
Interest rate swaps (note 13)	1,625	1,906
Total current liabilities	97,082	77,761
Non-current liabilities:		
Long-term debt (note 13)	166,299	241,846
Convertible debenture payable (note 14)	81,096	73,760
Interest rate swaps (note 13)	–	1,769
Future consideration related to acquisitions (note 27)	2,258	3,538
Other liabilities (note 11)	12,838	13,552
Provisions (note 12)	3,764	2,367
Deferred tax liability (note 16)	48,582	44,631
Total non-current liabilities	314,837	381,463
Equity:		
Share capital (note 19)	552,038	477,500
Contributed surplus (note 19)	27,369	23,312
Equity component of convertible debenture (note 14)	1,045	757
Accumulated other comprehensive loss (note 19)	(2,451)	(2,850)
Deficit	(216,294)	(202,295)
Total equity	361,707	296,424
Total liabilities and equity	$ 773,626	$ 755,648

Commitments and contingencies (notes 4, 25 and 27)

On behalf of the Board:

"John Rogers"
Audit Committee Chair

"Alan Torrie"
President & CEO

See accompanying notes to the consolidated financial statements.

MORNEAU SHEPELL INC.

Consolidated Statements of Income and Comprehensive Income
(In thousands of Canadian dollars, except per share amounts)
Years ended December 31, 2016 and 2015

	2016	2015
Operating revenue	$592,057	$567,286
Operating expenses:		
Salary, benefits and contractors (note 24)	404,142	392,121
Office and administration	68,700	61,099
Rent and occupancy	30,072	26,928
Depreciation and amortization	35,238	32,867
Write-down of deferred implementation costs and impairment (notes 6 and 26)	935	15,100
Total operating expenses	539,087	528,115
Finance costs (note 13)	14,889	15,002
Profit before income taxes	38,081	24,169
Income taxes (recovery) (note 16):		
Current	10,452	9,493
Deferred	1,629	(1,742)
Total income taxes	12,081	7,751
Profit for the year	26,000	16,418
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit:		
Effective portion of change in interest rate cash flow hedges	2,050	(1,562)
Foreign currency translation differences for foreign operations	(1,132)	(229)
Income taxes on the above items	(552)	424
	366	(1,367)
Items that will not be reclassified to profit:		
Actuarial gain on post-employment benefit plans	39	1
Income taxes on the above item	(6)	–
	33	1
Other comprehensive income (loss), net of tax effect	399	(1,366)
Comprehensive income for the year	$ 26,399	$ 15,052
Earnings per share (note 20):		
Basic	$ 0.49	$ 0.33
Diluted	$ 0.49	$ 0.33

See accompanying notes to the consolidated financial statements.

MORNEAU SHEPELL INC.

Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars)
Years ended December 31, 2016 and 2015

2016	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Equity component of convertible debenture	Total equity
Balance, January 1, 2016, as previously reported	$ 477,500	$ 23,312	$ (197,605)	$ (2,850)	$ 757	$ 301,114
IAS 12 opening adjustment (note 3)	–	–	(4,690)	–	–	(4,690)
Balance, January 1, 2016, restated	477,500	23,312	(202,295)	(2,850)	757	296,424
Long-term incentive plan – issuance (notes 18 and 19)	–	5,448	–	–	–	5,448
Long-term incentive plan – redemption	1,417	(1,417)	–	–	–	–
Equity component of convertible debentures issuance (note 14)	–	–	–	–	1,045	1,045
Shares issued upon conversion of convertible debentures (note 14)	73,121	–	–	–	(731)	72,390
Redemption of convertible debentures (note 14)	–	26		–	(26)	–
Profit for the year	–	–	26,000	–	–	26,000
Dividends	–	–	(39,999)	–	–	(39,999)
Other comprehensive income (note 19)	–	–	–	399	–	399
Balance, December 31, 2016	$ 552,038	$ 27,369	$ (216,294)	$ (2,451)	$ 1,045	$ 361,707

2015	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Equity component of convertible debenture	Total equity
Balance, January 1, 2015	$ 474,490	$ 20,812	$ (176,555)	$ (1,484)	$ 757	$ 318,020
IAS 12 opening adjustment (note 3)	–	–	(4,690)	–	–	(4,690)
Balance, January 1, 2015, restated	474,490	20,812	(181,245)	(1,484)	757	313,330
Long-term incentive plan – issuance (notes 18 and 19)	–	5,486	–	–	–	5,486
Long-term incentive plan – redemption	2,986	(2,986)	–	–	–	–
Shares issued upon conversion of convertible debentures	24	–	–	–	–	24
Profit for the year	–	–	16,418	–	–	16,418
Dividends	–	–	(37,468)	–	–	(37,468)
Other comprehensive income (note 19)	–	–	–	(1,366)	–	(1,366)
Balance, December 31, 2015	$ 477,500	$ 23,312	$ (202,295)	$ (2,850)	$ 757	$ 296,424

See accompanying notes to the consolidated financial statements.

MORNEAU SHEPELL INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
Years ended December 31, 2016 and 2015

	2016	2015
Operating activities:		
Profit for the year	$ 26,000	$ 16,418
Items not involving cash:		
Depreciation and amortization	35,238	32,867
Impairment (notes 8 and 26)	–	2,890
Finance costs (note 13)	14,889	15,002
Long-term incentive plan expense (note 18)	4,868	5,194
Income taxes (note 16)	12,081	7,751
Change in provisions	1,397	338
Other	(87)	(330)
	94,386	80,130
Change in non-cash operating working capital (note 22)	(9,734)	4,988
Cash generated from operating activities	84,652	85,118
Finance costs paid	(11,151)	(13,496)
Income taxes paid	(6,462)	(7,724)
Cash provided by operating activities	67,039	63,898
Financing activities:		
Change in revolving loan (net)	(75,071)	19,216
Credit facility agreement amendment fees (note 13)	(794)	(107)
Redemption of convertible debenture (notes 14 and 22)	(2,512)	–
Dividends paid	(39,659)	(37,468)
Proceeds from convertible debentures (net of issuance costs) (note 14)	81,982	–
Repayment of promissory note	(2,500)	(2,500)
Cash used in financing activities	(38,554)	(20,859)
Investing activities:		
Business acquisitions (note 4)	(10,934)	(10,055)
Additions to intangible assets	(13,326)	(15,215)
Additions to capital assets	(9,181)	(10,698)
Cash used in investing activities	(33,441)	(35,968)
(Decrease)/Increase in cash for the year	(4,956)	7,071
Cash/(Bank indebtedness), beginning of year	1,900	(5,171)
(Bank indebtedness)/Cash, end of year	$ (3,056)	$ 1,900

See accompanying notes to the consolidated 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 and is a continuation of Morneau Sobeco Income Fund, which was converted from an income trust structure into Morneau Shepell Inc., effective January 1, 2011.

Morneau Shepell Inc. and its subsidiaries (the "Company") provide health and productivity, administrative and retirement solutions to assist employers in managing the financial security, health and productivity of their employees. The Company's principal and head office is located at One Morneau Shepell Centre, 895 Don Mills Road, Suite 700, Toronto, Ontario, M3C 1W3. 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 consolidated financial statements were approved by the Company's Board of Directors on March 2, 2017.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

(i) interest rate swap is measured at fair value;

(ii) future consideration related to acquisitions is measured at fair value; and

(iii) net pension benefit liability is measured in accordance with employee benefit policy.

(c) Functional currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency and the functional currency of Morneau Shepell Inc. Items included in the financial statements of each of Morneau Shepell Inc.'s subsidiaries are measured using their functional currency, which

is the currency of the primary economic environment in which they operate in. Unless otherwise noted, all financial information presented herein is in thousands of Canadian dollars.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting year.

Estimated values of the reported amounts of assets and liabilities on the consolidated financial statements usually depend upon estimates of the profitability of the related business which, in turn, depend upon assumptions regarding future conditions in the general or specific industry, including the effects of economic cycles, and other factors that affect the operating revenue. These assumptions are limited by the availability of reliable comparable data, economic uncertainty and the uncertainty of predictions concerning future events. Accordingly, by their nature, estimates of fair value are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated value could change by a material amount, and actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis, and revisions to accounting estimates are recognized in the period giving rise to the change.

Information about the most significant estimates and judgments that the Company is required to make is included in the following notes:

(i) Revenue recognition (Administrative Solutions contracts) (note 3(c)):

Where a singular Administrative Solutions contract requires the delivery of multiple components, the Company is required to assess the criteria for the recognition of revenue related to each component. These assessments require judgment by management to determine whether separately identifiable components exist, and where applicable, the appropriate fair value allocations to each. Amongst other factors, management considers whether implementation services have stand-alone value to the customer, and look to budgeted salary costs associated with each phase of the service contract to derive fair value estimates.

Additional discussion on the Company's revenue recognition policies can be found in note 3(c). Changes in management's estimates could affect the timing of recognizing the revenues and expenses associated with these contracts.

(ii) Unbilled fees:

The Company is required to assess the recoverability of fees on services provided but not yet billed. This assessment requires judgment by management to determine whether fees will be less than fully recoverable through invoicing. Amongst other factors, management considers the solvency of the client, the age of the outstanding unbilled fees balance, the fee arrangement and historic client experience. If future billings differ from estimates, future profits could be materially affected.

(iii) Intangible assets (note 8):

(a) Internally-developed software:

The Company is required to estimate the expected period of benefit over which costs should be amortized. Management considers the anticipated rate and timing of technological obsolescence and competitive pressures, historical usage patterns, and internal business plans for the projected use of the software in deriving its useful life. Due to the rapidly changing technological environment and the uncertainty of the development processes themselves, future results could be affected if management's current assessment of future benefits materially differs from actual performance.

(b) Other intangible assets:

Other intangible assets consist of those acquired through business acquisitions. Purchase price allocations involve significant estimates and assumptions regarding cash flow projections, growth projections, economic risk, and cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could incur increased amortization or impairment charges in future periods.

(iv) Goodwill (note 9):

Goodwill impairment review involves significant estimates and assumptions regarding cash flow projections, growth projections, economic risk, and cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could incur impairment charges in future periods. Additional discussion on impairment of long-lived assets can be found in notes 8 and 9.

(v) Trade receivables (allowance for doubtful accounts) (note 5):

The Company is required to assess whether accounts receivables are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and delinquent accounts, current economic trends, and past experience. If future collections differ from estimates, future profits could be adversely affected.

(vi) Deferred income tax assets and liabilities (utilization of tax losses) (note 16):

Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

(vii) Provisions (note 12):

In identifying required provisions, the Company has to assess the probability of the future outflows of resources. Estimates must subsequently be made by management to approximate the timing and amount of these liabilities. If future events or results differ adversely from these estimates, future profits could be adversely affected.

(viii) Future consideration related to acquisitions (note 27):

The Company may pay future consideration related to acquisitions based upon performance measures contractually agreed at the time of purchase. Management estimates the future consideration payable based on underlying contract terms, and best estimates of the future performance of the acquiree. Depending on the future performance of the acquiree, management estimates of the amounts payable for future consideration related to acquisitions may materially differ from the consideration ultimately paid.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation:

(i) Business combinations:

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured at the acquisition date at the fair value of the consideration transferred, including all contingent consideration. Subsequent changes in contingent consideration are accounted for through the statement of income and comprehensive income.

Goodwill arising on acquisition is initially measured at cost, being the difference between the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree and the net recognized amount (generally fair value) of the identifiable assets and liabilities assumed at the

acquisition date. If the net of the amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Acquisition-related costs, other than those that are associated with the issue of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

(ii) Subsidiaries:

These consolidated financial statements include the assets, liabilities, revenue and expenses of all the Company's subsidiaries. Subsidiaries are entities that the Company controls either when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date control is transferred to the Company, and de-consolidated from the date control ceases.

These consolidated financial statements include the assets, liabilities, revenue and expenses of all the Company's subsidiaries including the following operating entities:

	% Ownership
Morneau Shepell Ltd.	100.0
Morneau Shepell Limited	100.0
Morneau Shepell Asset & Risk Management Ltd.	100.0
Morneau Shepell (Bahamas) Ltd.	100.0
Groupe AST (1993) Inc.	100.0
Morneau Shepell BDA Limited	100.0

All intercompany transactions and balances between subsidiaries have been eliminated upon consolidation.

(b) Foreign currency translation:

Transactions denominated in currencies other than the functional currency are recorded at the exchange rates prevailing at the date of the transaction. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing as at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Assets and liabilities of subsidiaries with applicable functional currencies other than the Canadian dollar are translated at period-end rates of exchange, and operating results are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity.

(c) Revenue recognition and unbilled fees:

Revenues include fees generated from consulting services, Administrative Solutions, Employee Support Solutions (“ESS”), and absence management solutions contracts.

Generally, revenue from the rendering of services is recognized when the following criteria are met:

(i) the amount of revenue can be reliably measured;

(ii) the stage of completion can be reliably measured;

(iii) the receipt of economic benefits is probable; and

(iv) costs incurred and to be incurred can be reliably measured.

Concurrently with the above general principles, the Company applies the following specific revenue recognition policies:

Fees for actuarial and consulting services are billed either on a time-and-material basis or on a fixed-fee basis. Revenue is recognized as services are rendered and expenditures are incurred.

ESS revenue is recognized through a combination of the minimum contracted amount and incremental usage above the minimum thresholds. The minimum contracted amount is recognized on a basis consistent with provision of ESS services. Incremental usage is recognized when the minimum usage threshold is exceeded.

Absence management solutions revenue is recognized on a fixed-fee or time-and-material basis. On fixed-fee basis arrangements, where the provision of service is characterized by an indeterminate number of acts, revenue is recognized on a straight-line basis over the term of the contract. On time-and-material basis arrangements, revenue is recognized as services are rendered and expenditures are incurred.

Administrative Solutions engagements typically involve both an implementation and administration component. Where a single contract requires the delivery of multiple components, revenue recognition criteria are applied to determine whether each component of the contract qualifies for treatment as a separate unit of account. Multiple deliverable arrangements are determined to exist if both of the following criteria are met:

(i) the delivered item has value to the customer on a stand-alone basis; and

(ii) the fair value of the undelivered item can be reliably measured.

If these criteria are not met, deliverables (components) included in an arrangement are accounted for as a single unit of accounting and revenue is deferred and recognized on a basis consistent with elements of the service contract.

Unbilled fees represent fees earned for services rendered but not yet invoiced as at the reporting date; upon billing, this balance will be transferred to trade receivables. Unbilled fees on time and material basis arrangements are recorded at the lower of unbilled hours worked at normal billing rates and at the amount which is estimated to be recoverable upon invoicing. The Company maintains a provision for amounts expected to be unrecoverable.

Other sources of operating revenue include the following:

(i) Investment income earned in the course of normal business operations, and is recorded on the accrual basis.

(ii) Commissions income is recognized when earned, which is at the later of the billing or the effective date of the policy, net of a provision for return commissions due to policy cancellations or change of brokers.

(d) Deferred implementation costs and deferred outsourcing revenues:

Implementation costs incurred in connection with Administrative Solutions contracts, relate to those costs necessary to set up clients and their human resource or benefit programs onto the Company's systems and operating processes. Such costs may include internal and external costs for coding and customizing systems, client data conversion costs, and contract negotiation costs. For Administrative Solutions contracts that are accounted for as a combined unit of accounting, specific, incremental, and direct costs, net of any revenue received from the implementation component, are deferred and amortized over the term of the service contract.

If a client terminates an outsourcing contract prior to its end, a loss on the contract may be recorded (if necessary), and any remaining deferred implementation revenues and costs would be recognized into income over the remaining implementation period through to the date of termination.

(e) Cash and bank indebtedness:

Cash is comprised of bank balances and banker's deposit notes with an original maturity of three months or less, and are primarily held in Canadian and U.S. dollars. Where the cash is in a net overdraft position, it has been presented as bank indebtedness.

(f) Trade and other receivables:

Trade receivables are fees due from customers from the rendering of services in the ordinary course of business. Trade receivables are classified as current if payment is due within one year of the reporting period date, and are initially recognized at fair value and subsequently measured at amortized cost.

The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. An impairment loss is recognized when there is evidence that the Company will not be able to collect the amount due under the original terms of the invoice. Expenses related to doubtful accounts are reported as office and administration expenses.

Other receivables are those amounts incidental to the Company's normal business operations and are classified as current when they are expected to be settled within one year of the reporting period date. Other receivables are initially recognized at fair value, and are subsequently measured at amortized cost, less impairment.

(g) Capital assets:

Capital assets are recognized at initial cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, including those attributable to bringing the asset to its intended working condition. Where significant parts of a capital asset have different useful lives, they are accounted for and depreciated as separate components. Software, to the extent that it is integral to the operation of the related computer equipment, has been included as part of the cost of computer equipment.

Gains and losses on disposals of a capital asset item are determined by comparing the proceeds from disposal with its carrying amount, and is recognized as a gain (loss) on disposal in the consolidated statement of income and comprehensive income.

Depreciation is calculated over the depreciable amount, which is the cost of the asset less its residual value. Depreciation is recognized on a straight-line basis, over the assets' estimated useful lives, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of the Company's capital assets are as follows:

Computer hardware	3 - 5 years
Furniture and fixtures	5 years
Leasehold improvements	Over the term of the lease

Residual values, useful lives, and depreciation methods are reviewed at the end of each reporting period and adjusted prospectively as required.

(h) Intangible assets:

Intangible assets consist of customer relationships, customer contracts, proprietary software, and trade names acquired through acquisitions or business combinations, internally-developed software and purchased software.

Internally-developed software is recognized at the aggregate cost of all eligible development costs, when all the following criteria are met:

(i) it is technically feasible to complete the software so that it will be available for use;

(ii) management intends to complete the software and use or sell it;

(iii) the Company is able to use or sell the software;

(iv) future benefits associated with the software can be demonstrated;

(v) adequate technical, financial, and other resources to complete the development and to use or sell the software are available; and

(vi) the expenditures attributable to the software during its development can be reliably measured.

Eligible expenditures capitalized as part of internally-developed software include external direct costs of materials and services consumed in development, and payroll and payroll-related costs for employees who are directly associated with and who devote time to the development of the software. All costs incurred in the preliminary research stage of the projects are expensed as incurred.

Purchased software is recognized at initial cost.

Other intangible assets acquired as part of business acquisitions are measured initially at fair value.

Intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives. Amortization is recognized over the assets' estimated useful lives as follows:

Customer relationships	5 - 20 years
Customer contracts	1 - 2 years
Proprietary software	5 - 10 years
Clawback agreements	10 years
Trade names	Indefinite
Internally-developed software	3 -10 years
Purchased software	3 years

Intangible assets with an indefinite life are not amortized, but are subject to impairment tests annually or whenever impairment indicators are identified. Trade names have been determined to have an indefinite life based on their strength, history, and expected future use.

Amortization expense has been presented in profit or loss as depreciation and amortization. Assets are removed from asset and accumulated amortization balances once they become fully amortized. Proceeds from disposals are netted against the related assets and accumulated amortization, and resulting gains and losses are included in profit or loss.

Amortization on internally-developed software does not commence until the asset is ready for use as management intended.

(i) Goodwill:

Goodwill represents the excess of the cost of the Company's business acquisitions over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment charges, and is not amortized but is subject to an impairment test annually and whenever impairment indicators are identified.

(j) Impairment of non-financial assets:

The Company's identifiable tangible and intangible assets with finite useful lives are reviewed for indicators of impairment at each statement of financial position date and when events or changes in circumstances indicate that they may be impaired. Impairments are recorded when the recoverable amount of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost of disposal or its value in use.

Similarly, intangible assets with indefinite useful lives and goodwill are tested annually and whenever impairment indicators are identified, by estimating their recoverable amounts and comparing it to their carrying amounts. Where individual assets cannot be tested individually, they are grouped together into cash-generating units ("CGUs"), which represent the smallest group of assets that are capable of generating cash inflows from continuing use largely independent of other groups of assets, and tested on this basis. Goodwill

acquired through a business combination is allocated to each CGU, or groups of CGUs but not larger than an operating segment, that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of the CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss, and those impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of the other non-financial assets in the CGU on a pro rata basis.

Impairment losses in respect of goodwill are not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment charge been recorded.

(k) Provisions:

Provisions are recognized when the Company has a present obligation to a third-party and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The obligation may be legal, regulatory or contractual or it may represent a constructive obligation deriving from the Company's actions where, by an established pattern of past practice or published policies, the Company creates a valid expectation on the part of other parties that the Company will discharge certain responsibilities.

(l) Deferred revenue:

Deferred revenue represents the excess of retainer amounts billed over revenue earned on service contracts. The amount is amortized in profit or loss as services are rendered, in accordance with the revenue recognition policies described above.

(m) Convertible debentures:

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability are recognized in profit or loss.

(n) Share capital:

Common shares are classified as an equity instrument. Incremental costs directly attributable to the issuance of common shares are recognized as a reduction of equity, net of the related tax effect.

(o) Insurance premium liabilities and related cash and investments:

In its capacity as consultants, the Company collects premiums from insurers and remits premiums, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance underwriters. The cash and investment balances and the related liabilities have been presented separately in the Company's consolidated statements of financial position.

(p) Employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company also offers a pension benefit plan for its eligible employees, which includes a defined benefit option and a defined contribution option.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

(i) Defined benefit plan:

The liability recognized in the consolidated statements of financial position in respect of the defined benefit option is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated using the projected benefit method pro-rated on service. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Past service costs are recognized immediately in profit or loss. Interest is recognized on the net defined benefit liability using market yields on high quality bonds.

(ii) Defined contribution plan:

Under the defined contribution option, each member is required to contribute a percentage of earnings. The Company matches this required contribution. Each member may elect to make an optional contribution in addition to the required contribution. The Company contributes 50% of the optional contributions.

For members who had completed at least 10 years of service on December 31, 2010, their contributions follow the grandfathered provisions. Each member is required to contribute a specific dollar amount based on the member's job level classification. Each member may elect to make an optional contribution up to 300% of the member's required contribution. The Company matches required contributions and contributes 75% of optional contributions for grandfathered members and 50% for all other members.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

(q) Share-based compensation plan:

The Company offers an equity-settled compensation plan under which it receives services from employees as consideration for equity instruments of the Company. Under the long-term incentive plan ("LTIP"), the Company may grant participants restricted share units ("RSUs"), retirement deferred share units ("Retirement DSUs"), or post-retirement deferred share units ("Post-Retirement DSUs"), collectively referred to as "LTIP Units".

Expense related to LTIP Units is measured based on the fair value of the awards at the grant date. The expense is recognized as salary, benefit and contractor expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. When LTIP Units are redeemed, they are issued to the participant and are recorded as share capital. At the option of the Company, holders of LTIP Units are entitled to either additional LTIP Units as determined based on the fair market value of those LTIP Units on the date credited or cash bonuses equivalent to the dividends payable had those Units been common shares. LTIP Units credited under the dividend reinvestment policy ("DRIP") vest at the same rate as the LTIP Units to which they are determined. Cash bonuses are recorded as salary, benefit, and contractor expense.

At the end of each reporting period, the Company reassesses its estimates of the number of awards that are expected to vest and be forfeited, and recognizes the impact of any revisions into profit or loss.

(r) Income taxes:

Income tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current taxes are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(s) Financial instruments:

Financial assets and liabilities are recognized initially at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market based inputs. Subsequent measurement of the Company's financial assets and liabilities is dependent on their classification as held for trading, loans and receivables, other financial liabilities or derivative instruments.

The Company initially recognizes loans and receivables on the date that they originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date or when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position, when and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company assesses as at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. When an impairment has occurred, the cumulative loss is recognized into profit or loss. The cumulative loss is measured as the difference between the amortized cost and the current fair value, less any impairment loss previously recognized in profit or loss.

(i) Non-derivative financial assets:

(a) Financial assets at fair value through profit and loss:

Financial assets at fair value through profit and loss are comprised of cash and investments held in trust. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value at each reporting date, and any unrealized gains or losses from market fluctuations are recognized in profit or loss.

(b) Loans and receivables:

Loans and receivables comprise trade and other receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses.

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the trade date at which time the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities of the Company include long-term debt, convertible debenture payable (see note 3(m) above), bank indebtedness, trade and other payables, promissory notes and insurance premium liabilities.

(iii) Derivative financial instruments:

Derivative financial instruments are used by the Company in the management of its interest rate risk exposure on debt financing. Derivatives that have been designated and function effectively as hedges are accounted for using hedge accounting principles (see note 3(t) below). Derivative financial instruments that are not accounted for as a hedging instrument are measured at fair value through profit or loss.

(iv) Fair value of financial instruments:

Fair values of financial instruments are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement.

(t) Cash flow hedge – derivative instruments:

Derivative instruments are initially recognized at fair value on the date the contract is entered into and are subsequently re-measured to fair value at each reporting date. The Company holds derivative instruments for hedging purposes only, and does not enter into derivative contracts for speculative purposes.

The Company prepares formal documentation at the inception of the transaction to detail the relationship between derivative hedging instruments and hedged items, as well as its risk management objectives and strategy in partaking in the hedging transaction. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative used in hedging transactions is highly effective in offsetting the changes in cash flows of the hedged items.

Non-performance risk, inclusive of the Company's credit risk, is considered in determining the fair value of the financial instruments.

The Company has designated its derivative instruments as cash flow hedges. Cash flow hedges are hedges against highly probable forecasted transactions. The effective portion of changes in the fair value of derivatives that are designated as a cash flow hedge is recognized as a component of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately into profit or loss. Amounts accumulated in other comprehensive income are recycled into profit or loss in the period in which the hedged item will affect profit or loss. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the original forecasted transaction is ultimately recognized into profit or loss. If a forecasted transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately recognized into profit or loss.

(u) Changes in accounting policies:

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

(i) IAS 12, Income Taxes (“IAS 12”)

Following the November 2016 publication of the IFRS Interpretations Committee’s agenda decision addressing the expected manner of recovery of intangible assets with indefinite useful lives for the purposes of measuring deferred tax, the Company has retrospectively changed its related accounting policy. The Interpretations Committee noted that, in applying IAS 12, an entity determines its expected manner of recovery of the carrying amount of the intangible asset with an indefinite useful life, and reflects the tax consequences that follow from that expected manner of recovery. Previously, the Company measured deferred taxes on temporary differences arising from indefinite-life intangible assets based upon the tax that would result solely from sales of the assets. Consequently, the Company

has adopted an accounting policy to measure deferred taxes on temporary differences arising from indefinite-life intangible assets based upon the tax consequences that follow from the expected manner of recovery of the assets.

As a result of the retrospective adoption of this accounting policy, certain amounts previously reported in the consolidated financial statements as at and for the year ended December 31, 2015 were amended. The effect of the change in accounting policy was a decrease in shareholders' equity of $4,690 and an increase in deferred tax liabilities of $4,690 as at January 1, 2015 and December 31, 2015.

(v) Future accounting changes:

(i) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

On May 28, 2014, the IASB issued IFRS 15. The new standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018.

We expect the application of IFRS 15 will impact our financial statements in respect of timing of revenue recognition and the accounting for deferred implementation costs related to certain groups of clients within our Administrative Solutions line of business. We have made progress in our implementation of IFRS 15, but it is not yet possible to make a final determination of the impact of the new standard on our financial statements. We expect to report more detailed information in our 2017 financial statements.

(ii) IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB finalized IFRS 9. The standard is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The new standard includes revised guidance on the classification and measurement of financial assets, a new 'expected loss' impairment model and introduces a substantially-reformed approach to hedge accounting. The Company intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard is not expected to be significant.

(iii) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted for those entities that have also adopted IFRS 15.

The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. IFRS 16 supersedes IAS 17, Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, differentiating between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Among other significant changes, the distinction between operating and finance leases is removed and assets and liabilities are recognized in respect of all leases. Furthermore, IFRS 16 results in a front-loaded pattern for the recognition of lease expense over the life of the lease. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

4. Business acquisitions:

(a) Employees Support Solutions acquisitions in the Quebec region

On December 20, 2016, the Company completed the acquisitions of Solareh, Société pour L`Avancement Des Ressources Humaines Inc. (“Solareh”), a national health and wellness services company based in Montreal and Les Consultants Longpré & Associés Inc. (“Longpré”), an employee assistance and wellness program provider based in Montreal. These acquisitions complement the Company’s existing employee support solutions line of business, and expands our presence in the Quebec region.

The consideration for Solerah included an initial payment of $7,650 that was settled on closing, and estimated future cash consideration of $1,350 which is dependent on achieving certain revenue targets and is due within 60 days of 2018. At the date of acquisition, $994 was recognized as an acquisition liability representing the estimated future cash payments discounted.

The consideration for Longpré included an initial payment of $2,250 that was settled on closing and estimated future cash consideration of $1,650 which is dependent on achieving certain revenue targets, $750 of which is due within 80 days of 2018 and the remaining $900 which is to be paid over the next five years. At the date of acquisition, $1,107 was recognized as an acquisition liability representing the estimated future cash payments discounted.

These acquisitions have been accounted for using the acquisition method of accounting. The allocation of the purchase considerations for these acquisitions is preliminary, and is as follows:

Net working capital	$	764
Capital assets		667
Intangible assets		7,989
Goodwill		3,111
Deferred tax liability		(530)
	$	12,001

The goodwill is attributable primarily to the network of providers acquired and from the ability to expand the Company's existing employee support solutions practice. The goodwill is deductible for tax purposes.

From the date of acquisition up to and including December 31, 2016, these acquisitions have contributed revenues of $527 and profit of $76. Had these acquisitions occurred on January 1, 2016, the Company estimates that the consolidated revenues of the Company would have been higher by approximately $12,400 and the profit would have been higher by $542. In determining these amounts, the Company has assumed that the fair value adjustments that arose on the acquisition date would have been the same had the acquisition occurred on January 1, 2016.

(b) Other Acquisition during year ended December 31, 2016

In 2016, the Company completed one other smaller strategic acquisition which complements the Administrative Solutions line of business for total cash consideration of $605 ($450 US) which is expected to be paid in 2017, and $351 of which is dependent on achieving certain revenue targets.

At December 31, 2016, $604 has been recognized as an acquisition liability on the statement of financial position, representing the fair value of future cash consideration discounted.

This acquisition has been accounted for using the acquisition method of accounting. The allocation of the $604 purchase consideration for this acquisition is final, and is as follows:

Intangible assets	$ 585
Capital assets	19
	$604

(c) Bensigner Du Pont & Associates, Inc.

On November 30, 2015, the Company completed the acquisition of 100% of the outstanding shares of Bensigner Du Pont & Associates, Inc. ("BDA"), a U.S. based company providing problem gambling services, drug testing management and employee and family assistance programs. This acquisition complements the Company's existing employee support solutions line of business, and expands the Company's operations and service offerings in the U.S.

The consideration for this acquisition included an initial payment of $9,217 (US $7,000) that was settled on closing, an additional $236 (US $170) in cash consideration for working capital and other adjustments which was settled in the first quarter of 2016, and estimated future cash consideration of $2,671 (US $2,000) which is dependent on achieving certain revenue targets and is due within 120 days of 2017. At the date of acquisition, $2,229 was recognized as an acquisition liability representing the estimated future cash payments discounted.

This acquisition has been accounted for using the acquisition method of accounting. The allocation of the $11,446 purchase consideration for this acquisition is final, and is as follows:

Working capital	$ 397
Intangible assets	5,613
Goodwill	5,436
	$ 11,446

The goodwill is attributable primarily to the network of providers acquired and from the ability to expand the Company's existing employee support solutions practice in the U.S. The goodwill is deductible for tax purposes.

From the date of acquisition up to and including December 31, 2015, BDA has contributed revenues of $1,147 and profit of $100. Had this acquisition occurred on January 1, 2015, the Company estimates that the consolidated revenues of the Company would have been higher by $10,700 and the profit would remain unchanged for the year ended December 31, 2015. In determining these amounts, the Company has assumed that the fair value adjustments that arose on the acquisition date of BDA would have been the same had the acquisition occurred on January 1, 2015.

(d) Other Acquisitions during year ended December 31, 2015

In 2015, the Company completed two other smaller strategic acquisitions. On March 13, 2015, the Company completed the acquisition of PAE Consultants Inc. ("PAE"). This acquisition complements the Company's existing Employee Support Solutions line of business, and expands the Company's market presence. On August 1, 2015, the Company acquired the U.S. health and welfare benefits administration business of Ceridian. This acquisition expands the Company's U.S. presence and complements the Company's existing Administrative Solutions line of business. The total consideration for the above acquisitions was as follows:

Amounts paid on closing	$288
Future consideration, discounted	$1,598

Of the future consideration, $1,191 is dependent on achieving certain revenue targets, and $216 has been paid during the year ended December 31, 2016.

These acquisitions have been accounted for using the acquisition method of accounting. The allocation of the $1,886 purchase consideration for these acquisitions is final, and is as follows:

Intangible assets	$ 1,868
Capital assets	72
Deferred tax liability	(54)
	$ 1,886

5. Trade and other receivables:

The Company's trade and other receivables are as follows:

	December 31, 2016	December 31, 2015
Trade receivables	$ 68,205	$ 65,357
Less: allowance for doubtful accounts	(1,111)	(802)
Net trade receivables	67,094	64,555
Other receivables	197	1,024
	$ 67,291	$ 65,579

The aging of trade receivables at each reporting date was as follows:

	December 31, 2016	December 31, 2015
Current	$ 37,697	$ 21,304
Past due 1 - 30 days	14,933	20,350
Past due 31 - 90 days	9,507	12,937
Past due > 90 days	6,068	10,766
	$ 68,205	$ 65,357

The change in allowance for doubtful accounts was as follows:

Balance, January 1, 2015	$ 803
Additions	2,966
Amounts written off as uncollectible	(2,967)
Balance, December 31, 2015	802
Additions	811
Amounts written off as uncollectible	(502)
Balance, December 31, 2016	$ 1,111

6. Deferred implementation costs:

The Company's deferred implementation costs comprise the following:

	Cost	Accumulated amortization	Net book value
Balance, January 1, 2015	$ 33,041	$ (12,421)	$ 20,620
Deferred implementation costs for the year, net of revenue	13,282	–	13,282
Write-down of deferred implementation costs (note 26)	–	(12,210)	(12,210)
Amortization for the year	–	(7,316)	(7,316)
Effect of movements in exchange rates	3,727	(1,832)	1,895
Balance, December 31, 2015	50,050	(33,779)	16,271
Deferred implementation costs for the year, net of revenue	17,114	–	17,114
Write-down of deferred implementation costs (note 26)	–	(935)	(935)
Amortization for the year	–	(5,936)	(5,936)
Effect of movements in exchange rates	(486)	524	38
Balance, December 31, 2016	$ 66,678	$ (40,126)	$ 26,552
Less current portion			7,146
Non-current portion			$ 19,406

7. Capital assets:

The Company's capital assets comprise the following:

	Computer hardware	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance, January 1, 2015	$ 29,483	$ 11,288	$ 32,783	$ 73,554
Additions	6,218	1,250	3,230	10,698
Acquired through business acquisitions (note 4)	72	–	–	72
Disposals of fully depreciated assets	(14,169)	(4,309)	(8,618)	(27,096)
Effect of movements in exchange rates	382	238	597	1,217
Balance, December 31, 2015	21,986	8,467	27,992	58,445
Additions	7,132	811	1,238	9,181
Acquired through business acquisitions (note 4)	405	161	120	686
Disposals of fully depreciated assets	(4,846)	(448)	(2,571)	(7,865)
Effect of movements in exchange rates	(83)	(41)	(119)	(243)
Balance, December 31, 2016	$ 24,594	$ 8,950	$ 26,660	$ 60,204

	Computer hardware	Furniture and fixtures	Leasehold improvements	Total
Accumulated depreciation				
Balance, January 1, 2015	$ 18,466	$ 6,197	$ 14,432	$ 39,095
Depreciation	5,982	1,308	3,007	10,297
Disposals of fully depreciated assets	(14,169)	(4,309)	(8,618)	(27,096)
Effect of movements in exchange rates	257	74	160	491
Balance, December 31, 2015	10,536	3,270	8,981	22,787
Depreciation	6,533	1,371	2,960	10,864
Disposals of fully depreciated assets	(4,846)	(448)	(2,571)	(7,865)
Effect of movements in exchange rates	(27)	(7)	(47)	(81)
Balance, December 31, 2016	$ 12,196	$ 4,186	$ 9,323	$ 25,705
Carrying amount				
December 31, 2015	$ 11,450	$ 5,197	$ 19,011	$ 35,658
December 31, 2016	$ 12,398	$ 4,764	$ 17,337	$ 34,499

8. Intangible assets:

The Company's intangible assets comprise the following:

	Indefinite useful life	Finite useful life						
	Trade names	Customer relationships	Customer contracts	Proprietary software	Internally-developed software	Purchased software	Other	Total
Cost								
Balance, January 1, 2015	$ 70,000	$ 226,065	$ 4,720	$ 4,092	$ 35,637	$ 13,658	$ 155	$ 354,327
Internally developed	–	–	–	–	13,338	–	–	13,338
Purchased	–	–	–	–	–	1,877	–	1,877
Acquired through business acquisitions	–	7,481	–	–	–	–	–	7,481
Disposals of fully depreciated assets	–	–	–	–	–	(7,861)	–	(7,861)
Effects of movements in exchange rates	–	226	–	87	–	141	–	454
Balance, December 31, 2015	70,000	233,772	4,720	4,179	48,975	7,815	155	369,616
Internally developed	–	–	–	–	11,349	–	–	11,349
Purchased	–	–	–	–	–	1,977	–	1,977
Acquired through business acquisitions	–	8,322	–	–	–	252	–	8,574
Disposals of fully depreciated assets	–	–	–	–	(3,223)	(3,188)	–	(6,411)
Effects of movements in exchange rates	–	(208)	–	–	–	9	–	(199)
Balance, December 31, 2016	$ 70,000	$ 241,886	$ 4,720	$ 4,179	$ 57,101	$ 6,865	$ 155	$ 384,906

	Indefinite useful life	Finite useful life						
	Trade names	Customer relationships	Customer contracts	Proprietary software	Internally-developed software	Purchased software	Other	Total
Accumulated amortization								
Balance, January 1, 2015	$ –	$ 95,976	$ 4,259	$ 749	$ 8,924	$ 8,771	23	$ 118,702
Amortization	–	13,379	395	400	5,211	3,170	15	22,570
Impairment charges (note 26)	–	–	–	–	2,890	–	–	2,890
Disposals of fully depreciated assets	–	–	–	–	–	(7,861)	–	(7,861)
Effects of movements in exchange rates	–	–	–	–	–	10	–	10
Balance, December 31, 2015	–	109,355	4,654	1,149	17,025	4,090	38	136,311
Amortization	–	14,039	66	400	7,157	2,708	15	24,385
Disposals of fully depreciated assets	–	–	–	–	(3,223)	(3,188)	–	(6,411)
Effects of movements in exchange rates	–	45	–	–	–	4	–	49
Balance, December 31, 2016	$ –	$ 123,439	$ 4,720	$ 1,549	$ 20,959	$ 3,614	$ 53	$ 154,334
Carrying amount								
Balance, December 31, 2015	$ 70,000	$ 124,417	$ 66	$ 3,030	$ 31,950	$ 3,725	$ 117	$ 233,305
Balance, December 31, 2016	$ 70,000	$ 118,447	$ –	$ 2,630	$ 36,142	$ 3,251	$ 102	$ 230,572

As at December 31, 2016, $7,428 (2015 - $6,360) of internally-developed software remained under development and had not been put into use.

Impairment test of indefinite-lived intangible assets:

For the purposes of impairment testing, the cash flows associated with the Company's trade name have been allocated to the ESS CGU. In accordance with our policy described in note 2, an impairment test for the trade name was performed as part of the impairment testing of goodwill included in the ESS CGU (see note 9), and no impairment charge was required.

9. Goodwill:

(i) The change in goodwill was as follows:

Balance, January 1, 2015	$ 311,659
Acquired through business combination – BDA	4,401
Effect of movements in exchange rates	774
Balance, December 31, 2015	316,834
Acquired through business combination – BDA (note 4)	1,035
Acquired through business acquisition – Solareh (note 4)	3,111
Effect of movements in exchange rates	(223)
Balance, December 31, 2016	$ 320,757

(ii) Impairment test of goodwill

For the purposes of impairment testing, goodwill has been allocated to the Company's lines of business, which represent the Company's operating segments and the lowest level within the Company at which goodwill is monitored for internal management purposes, as defined in IAS 36. The aggregate carrying amount of goodwill allocated to each prior to the recognition of any impairment charges was as follows:

	December 31, 2016	December 31, 2015
Consulting	$ 113,536	$ 113,536
Administrative Solutions	65,059	65,136
Employee Support Solutions	126,459	122,459
Absence Management Solutions	15,703	15,703
	$ 320,757	$ 316,834

Goodwill impairment is assessed on an annual basis and whenever there is an indication that the asset may be impaired. For the year ended December 31, 2016 annual impairment review, the most recent calculations from the preceeding year were carried forward as the calculation of the recoverable amount exceeded the carrying amount by a substantial margin, the assets and liabilities making up the CGUs had not changed significantly and no events had occurred or circumstances changed, such that the likelihood of the carrying amount exceeding the recoverable amount was remote. The valuation techniques, significant assumptions and sensitivities applied in the goodwill impairment test as at December 31, 2015 are described below.

(a) Valuation technique:

The recoverable amount of each CGU was calculated based on its fair value less costs of disposal, using an income approach to estimate its fair value. The recoverable amount of each CGU was as follows:

	December 31, 2015
Consulting	$ 370,400
Administrative Solutions	336,000
Employee Support Solutions	343,900
Absence Management Solutions	72,900
	$ 1,123,200

The income approach is predicated upon the value of the future cash flows that the business is expected to generate going forward. The discounted cash flow ("DCF") method was used which involved projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that will commensurate with the risks associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, prevailing tax rates, and discount rates, which are Level 3 inputs based on the fair value hierarchy.

The significant assumptions and sensitivities of this methodology considered are described below.

(b) Growth and EBITDA margins:

The assumptions used were based on the Company's internal forecasts. The Company projected revenue, EBITDA margins, working capital, and capital expenditures for a period of five years, and applied a perpetual long-term growth rate thereafter. Customer retention rates, past experience, economic trends (i.e. GDP, CPI, interest rate, and unemployment rate projections), and human resource industry and market trends were also considered in deriving these forecasts. A perpetuity growth rate of 2.5% was applied in determining the recoverable amount of the CGUs.

(c) Discount rate:

A discount rate was required in order to calculate the present value of projected cash flows. The discount rate represented a weighted average cost of capital ("WACC") applicable to each CGU. The WACC is an estimate of the overall required after-tax rate of return on investment required by all investors of capital and serves as the basis for developing the appropriate discount rate. Determination of the discount rate requires separate analysis of the cost of equity and debt, and considers a market risk premium based on an assessment of specific risks related to the projected cash flows of each CGU. Discount rates represent the volatility assessment of expected cash flows based on past performance, competition, market conditions, and other factors.

The following discount rates were applied in determining the recoverable amount of the CGU:

	December 31, 2015
Consulting	10.8%
Administrative Solutions	11.0%
Employee Support Solutions	9.9%
Absence Management Solutions	11.9%

The recoverable amounts of the Consulting, Administrative Solutions, Employee Support Solutions, and Absence Management Solutions CGUs assessed as at December 31, 2016 and 2015, were all in excess of their respective carrying amounts.

The Company has also performed a sensitivity analysis on the perpetuity growth rate and discount rate in assessing the recoverable amounts of each of the CGUs. Sensitivity analysis indicates reasonable changes to key assumptions will not result in an impairment loss for the CGUs.

10. Trade and other payables:

The Company's trade and other payables comprise the following:

	December 31, 2016	December 31, 2015
Trade payables and accrued liabilities	$ 27,142	$ 24,524
Accrued salaries and compensation	28,651	26,926
Other current liabilities	3,364	2,791
	$ 59,157	$ 54,241

11. Other liabilities:

The Company's other liabilities were as follows:

	December 31, 2016	December 31, 2015
Acquired above-market leases	$ 1,073	$ 1,486
Deferred lease obligations	11,821	11,909
Net pension benefit liability/(asset) (note 17)	(56)	157
	$ 12,838	$ 13,552

12. Provisions:

The Company has recognized sublease loss provisions associated with the lease of excess office space, and for expenditures related to contingency reserves on legal matters that the Company may become aware of in the normal course of operations. The sublease loss provision has been initially measured at the discounted present value of the minimum rental payments liable on the subleased properties and related commissions, net of sublease income related to these premises, and subsequently measured at best estimate. The estimate of the contingency reserve corresponds to the expenditure likely to be incurred by the Company to settle its obligation.

	December 31, 2016	December 31, 2015
Contingency reserve	$ 277	$ 596
Sublease loss provisions	3,487	1,771
	$ 3,764	$ 2,367

The following tables present the movement in provisions for the years ended December 31, 2016 and 2015:

	Sublease loss provisions	Contingency reserve	Total provisions
Balance, January 1, 2015	$ 1,468	$ 561	$ 2,029
Accrual and accretion	1,000	90	1,090
Utilization and amortization	(697)	(55)	(752)
Balance, December 31, 2015	$ 1,771	$ 596	$ 2,367
Accrual and accretion	2,200	150	2,350
Utilization and amortization	(484)	(469)	(953)
Balance, December 31, 2016	$ 3,487	$ 277	$ 3,764

13. Long-term debt:

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

	December 31, 2016	December 31, 2015
Revolving loans	$ 167,385	$ 242,456
Less: debt issuance costs, net of accumulated amortization	(1,086)	(610)
	$ 166,299	$ 241,846

The Company had a credit facility agreement (the “Credit Facility Agreement”) maturing on November 29, 2017 which provided for a revolving facility of $300,000 (including a swing line of $7,000).

During the fourth quarter of 2016, the Credit Facility Agreement was amended to form the amended credit facility agreement (the “Amended Credit Facility Agreement”). The Amended Credit Facility Agreement matures on December 20, 2020 and provides for a revolving facility of $300,000 (including a swing line of $14,000).

Under IAS 39, the amendments to the Credit Facility Agreement were not substantive and therefore, amounts owing under the Credit Facility Agreement at the date of amendment were not deemed to be extinguished.

The interest rates for the Amended 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 Amended Credit Facility Agreement.

The Amended 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 3:1 or for the twelve month period immediately following the completion of a permitted acquisition as defined in the Amended Credit Facility Agreement with a purchase price of $25,000 or more, not more than 3.5:1.0, and an EBITDA to interest expense ratio of not less than 3:1.

In the calculation of the consolidated Debt to Adjusted EBITDA financial covenant under the Amended Credit Facility Agreement, Debt excludes the Convertible Debenture payable.

EBITDA in the Amended Credit Facility Agreement is defined as profit before finance costs, income taxes, depreciation, amortization, non-controlling interest, non-recurring gains, and limited non-recurring losses. Adjusted EBITDA is defined as EBITDA plus the pro-forma EBITDA from permitted acquisitions' entities.

At December 31, 2016, the Company had utilized the following amounts under the Amended Credit Facility Agreement:

- $160,000 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%.

- $5,371 (US $4,000) 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 Libor rate plus an applicable margin of 1.45%.

- $2,014 (US $1,500) 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%.

- $2,781 of the swing line available. The swing line carries interest at prime plus an applicable margin of 0.45%.

As at December 31, 2016, the Company complied with all of the required financial covenants.

(a) Interest rate swaps:

The Company entered into a forward starting interest-rate swap agreement in February 2014 to hedge against the variable interest rate component on $160,000 notional amount borrowed under the Credit Facility Agreement for the period from January 5, 2015 up to and ending November 29, 2017. The notional amount of this swap is $160,000 and is used to fix the variable component of the interest rate at 1.98%, before the applicable margin, for the duration of this period and has been designated as a cash flow hedge. As detailed above, the amendments to the Credit Facility Agreement were not considered substantive and therefore the variable interest payments on this revolving facility, the hedged item under the designated cash flow hedge, were not deemed to be extinguished under IAS 39. Therefore, the designated cash flow hedge was not required to be discontinued upon the amendment of the credit facility arrangement.

The fair value of the interest rate swap at December 31, 2016 was a liability of $1,625 (December 31, 2015 - $3,675).

(b) Finance costs:

The Company's finance costs comprise the following:

	2016	2015
Interest on term loan, revolving loan, bank indebtedness and other charges	$ 7,712	$ 8,874
Interest on convertible debenture	4,478	4,521
Amortization of debt issuance costs	1,748	998
Other	951	609
	$ 14,889	$ 15,002

14. Convertible debentures:

On March 27, 2012, the Company issued $75,000 principal amount of $5.75% Convertible Unsecured Subordinated Debentures (the “5.75% Convertible Debentures”) for net proceeds of $71,432 with a maturity date of March 31, 2017. The 5.75% Convertible Debentures were convertible at the option of the holder to common shares at a conversion price of $15.00 per common share, and the Company had the option to redeem the 5.75% Convertible Debentures after March 31, 2016 at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest. In May 2016, the Company issued a notice of redemption for the remaining outstanding 5.75% Convertible Debentures. During the six months ended June 30, 2016, 5.75% Convertible Debentures in the principal amount of $72,392 were converted by holders to common shares. In June 2016, the Company exercised its option to redeem the $2,512 principal amount of 5.75% Convertible Debentures that still remained issued and outstanding for cash.

The following table indicates the changes in the 5.75% Convertible Debentures during the year:

	Debt component	Equity component
Balance January 1, 2016	$ 73,760	$ 757
Accretion and amortization*	1,124	–
Conversion of 5.75% Convertible Debenture holders	(72,390)	(731)
Redemption of 5.75% Convertible Debenture holders	(2,494)	(26)
Balance, December 31, 2016	$ –	$ –

* Included in accretion and amortization is $750 of unamortized debenture issuance costs and remaining accretion on 5.75% Convertible Debentures when the Company notified these debenture holders of its intention to redeem these debentures prior to maturity.

In June 2016, the Company issued $86,000 principal amount of 4.75% Convertible Unsecured Subordinated Debentures (the "4.75% Convertible Debentures") for net proceeds of $81,982. The 4.75% Convertible Debentures pay interest semi-annually on June 30 and December 31, commencing with the initial interest payment on December 31, 2016 and have a maturity date of June 30, 2021. These debentures are convertible at the option of the holder to common shares at a conversion price of $25.10 per common share.

The Company has the option to redeem the 4.75% Convertible Debentures on and after June 30, 2019 and at any time prior to June 30, 2020 at a redemption price equal to 100% of their principal plus accrued and unpaid interest provided that the weighted average trading price for the 20 consecutive trading days ending five days preceding the date on which the notice of redemption is given is at least 125% of the conversion price of $25.10. On and after June 30, 2020, but prior to the maturity date, the 4.75% Convertible Debentures will be redeemable at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest. On redemption or maturity the Company may elect to repay the principal and satisfy its interest obligations by issuing common shares.

Upon issuance of the 4.75% Convertible Debentures, the liability component of the 4.75% Convertible Debentures was recognized initially at the fair value of a similar liability that does not have an equity conversion option, using an effective interest rate of 5.2%. The fair value of $84,504 was allocated to the long-term debt component and the difference of $1,496 versus the principal amount has been recorded as the equity component, before allocation of the transaction costs.

The discount on the 4.75% Convertible Debentures is being accreted such that the liability at maturity will equal the face value of $86,000. The transaction costs of $4,018 were proportionally allocated to the liability and equity components.

The 4.75% Convertible Debentures have been allocated as follows:

Long-term liability, net of transaction costs	$	80,556
Equity component, net of transaction costs and deferred tax		1,045
Deferred tax on equity component of convertible debentures		381
Transaction costs		4,018
Face value	$	86,000

The following table indicates the changes in the 4.75% convertible debentures during the year:

	Debt component	Equity component
Balance June, 2016	$ 80,556	$ 1,045
Accretion and amortization on convertible debentures	540	–
Balance, December 31, 2016	$ 81,096	$ 1,045

15. Financial instruments:

(a) Financial risk management:

The Company's financial instruments are exposed to certain financial risks, including interest rate risk, credit risk, currency risk and liquidity risk. The Company's exposure to these risks and its methods of managing the risks remain consistent.

(i) Interest rate risk:

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. Specifically, the Company is subject to interest rate risk as its long-term debt bears interest at market rates. Interest rate swap agreements are used as part of the Company's program to manage the floating interest rate mix of the Company's total debt outstanding and related overall cost of borrowing.

The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based.

Interest rate sensitivity analysis:

A sensitivity analysis that assumes interest rates increased or decreased by 50 basis points with all other variables held constant would result in an increase or decrease of the Company's interest expense, excluding the interest subjected to interest-rate swap agreements, by $246 (2015 - $381).

(ii) Credit risk:

The Company's exposure to credit risk is limited to the carrying amount of cash and accounts receivable recognized at the reporting date.

No allowance for credit losses on financial assets was required as of December 31, 2016, other than the allowance for doubtful accounts (note 5). The Company determines its allowance for doubtful accounts based on its best estimate of the net recoverable amount by customer account. Accounts that are considered uncollectible are written off. The Company's bad debt expense for the year ended December 31, 2016 was $811 (2015 - $2,966).

The Company believes that the credit risk of accounts receivable is limited for the following reasons:

(a) Risk associated with concentration of credit risk with respect to accounts receivable is limited due to the credit rating of the Company's top 10 clients.

(b) Management regularly reviews and assesses customer accounts and credit risk. Historically, bad debt as a percentage of revenue has been minimal.

The credit risk on cash and investments held in trust is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(iii) Currency risk:

The Company realizes a portion of sales in U.S. dollars and has operations in the United States and thus is exposed to fluctuations in the value of the U.S. dollar relative to the Canadian dollar. Morneau Shepell Inc.’s U.S. operation’s functional currency is the U.S. dollar. Any fluctuations in the value of the U.S. dollar relative to the Canadian dollar on the Company’s U.S. operation’s net assets will result in a change in other comprehensive income for the year. The net revenue exposure after accounting for related expenses denominated in U.S. dollars for the year ended December 31, 2016 was $ 13,853 (2015 - $7,855).

Foreign exchange sensitivity analysis:

As at December 31, 2016, the Company's net exposure to currency risk through its current assets and liabilities denominated in U.S. dollars was US $11,310. An appreciation (depreciation) of the Canadian

dollar against the U.S. dollar would have resulted in an increase (decrease) of $760 in the Company's profit and other comprehensive income as a result of the Company's net exposure to currency risk through its current assets and liabilities denominated in U.S. dollars. This analysis is based on a foreign currency exchange rate variance of 5% which the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

(iv) Liquidity risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company manages liquidity risk through regular monitoring of financial results and actual cash flows, and also the management of its capital structure and financial leverage as outlined in note 28.

The Company's principal liquidity needs arise from working capital requirements, debt servicing and repayment obligations, capital expenditures, dividends to shareholders and acquisition funding requirements. The Company has historically utilized cash from operations to satisfy the above needs, with the exception of acquisition funding requirements.

The tables below set forth non-derivative and derivative financial liabilities by maturity based on the remaining period from December 31 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2016	<1 year	1 - 2 years	3 -5 years
Non-derivative financial liabilities:			
Bank indebtedness	$ 3,056	$ –	$ –
Trade and other payables	59,157	–	–
Dividends payable	3,460	–	–
Insurance premium liabilities	17,211	–	–
Future consideration related to acquisitions	5,252	1,964	294
Long-term debt	–	–	167,385
Convertible debentures	–	–	86,000
Derivative financial liabilities:			
Cash flow hedges–interest rate swaps	1,625	–	–
	$ 89,761	$ 1,964	$ 253,679

2015	<1 year	1 - 2 years	3 -5 years
Non-derivative financial liabilities:			
Trade and other payables	$ 54,241	$ –	$ –
Dividends payable	3,120	–	–
Insurance premium liabilities	12,449	–	–
Future consideration related to acquisitions	1,043	3,346	192
Long-term debt	–	242,456	–
Convertible debentures	–	74,904	–
Promissory note	2,500	–	–
Derivative financial liabilities:			
Cash flow hedges - interest rate swaps	1,906	1,769	–
	$ 75,259	$ 322,475	$ 192

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(b) Fair values:

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		
	December 31, 2016	December 31, 2015	Level
Assets carried at fair value:			
Cash and investments held in trust	$ 17,211	$ 12,449	2
	$ 17,211	$ 12,449	
Liabilities carried at fair value:			
Bank indebtedness	3,056	–	1
Interest rate swaps	1,625	3,675	2
Future consideration related to acquisitions	7,510	4,581	3
	$ 12,191	$ 8,256	

Fair value hierarchy:

Below is a discussion of the Company's determination of fair value for financial instruments carried at fair value. The three levels of fair value hierarchy are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data

During the year ended December 31, 2016, there were no transfers between any levels.

The interest rate swaps are financial instruments carried at fair value through other comprehensive income.

The future consideration related to acquisitions is a financial instrument carried at fair value through profit or loss. Contingent consideration arose on the acquisitions of Solareh, Longpré, Dion Durrell Workers' Compensation, PAE, BDA and the U.S. health and welfare benefits administration business of Ceridian. In these acquisitions, there is a clause that entitles the seller to an amount based on exceeding revenue targets. The fair value of the future consideration related to these acquisitions is determined considering the estimated payment, discounted to present value (Level 3). The contingent consideration remaining to be paid for these acquisitions ranges from a contractual amount of $nil to a contractual maximum as follows:

	December 31, 2016	December 31, 2015
Solareh	$ 1,350	$ –
Longpré	1,650	–
BDA	4,028	4,150
U.S. health and welfare benefits administration business of Ceridian	1,470	1,290
Other acquisitions	516	1,054
	$ 9,014	$ 6,494

The estimated payment is calculated considering different scenarios of projected revenue and EBITDA, and the amount to be paid under each scenario, weighted by the probability of each scenario. The key unobservable inputs include anticipated revenue and EBITDA, and the discount rate. The estimated fair value increases the higher the annual revenue and EBITDA, and the lower the discount rate, with estimated payments being limited to a contractual maximum for each of the acquisitions.

Management considers that changing the above mentioned unobservable inputs to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

The following tables indicate the changes in the future consideration related to acquisitions during the year ended December 31, 2016 and December 31, 2015:

2016	Future consideration related to acquisitions
Balance at January 1, 2016	$ 4,581
Fair value for acquisitions	2,705
Installment contingent consideration for BDA, PAE and Dion Durrell Workers' Compensation	(1,034)
Accretion	779
Foreign exchange	(112)
Re-measurement	591
	$ 7,510

2015		Future consideration related to acquisitions
Balance at January 1, 2015	$	1,347
Fair value for acquisitions		3,827
Second installment contingent consideration for Dion Durrell Workers' Compensation		(550)
Accretion		256
Foreign exchange		98
Re-measurement		(397)
	$	4,581

Financial instruments carried at amortized cost:

The carrying values of trade and other receivables, 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 $81,096 (December 31, 2015 - $73,760) and a fair value of $90,300 (December 31, 2015 - $77,900). The fair value is determined using quoted market values (Level 1) for the convertible debentures at the end of the year. The long-term debt has a carrying value of $166,299 (December 31, 2015 - $241,846) and a fair value of $167,385 (December 31, 2015 - $242,456). The fair value is determined based on the cost of borrowing for a company with a similar risk profile (Level 2).

16. Income taxes:

The income taxes recognized in profit or loss comprise the following:

		2016		2015
Current tax expense:	$	10,452	$	9,493
Deferred tax expense (benefit):				
Origination and reversal of temporary differences		1,637		(2,008)
Effect of changes in tax rates		(8)		266
		1,629		(1,742)
Total income tax expense	$	12,081	$	7,751

The difference between income taxes calculated using the Company's effective income tax rates and the amounts that would result from the application of the statutory income tax rates arises from the following:

	2016	2015
Income taxes at statutory rates:		
Federal	15.00%	15.00%
Provincial	11.81%	11.71%

	2016	2015
Income tax provision applied to profit before income taxes:		
Combined basic federal and provincial income taxes at statutory rates	$ 10,210	$ 6,456
Non-deductible expenses	1,805	1,916
Adjustment to deferred income taxes and liabilities for change in income tax rate	(8)	266
Other	74	(887)
	$ 12,081	$ 7,751

The income taxes recognized on components of other comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

	Before taxes	Tax expense (benefits)	2016 Net of taxes
Change in fair value of interest rates swaps	$ (2,050)	$ 552	$ (1,498)
Actuarial gain on post-employment benefit plans	39	(6)	33
	$ (2,011)	$ 546	$ (1,465)

	Before taxes	Tax expense (benefits)	2015 Net of taxes
Change in fair value of interest rates swaps	$ 1,562	$ (424)	$ 1,138
Actuarial gain on post-employment benefit plans	1	–	1
	$ 1,563	$ (424)	$ 1,139

The approximate tax effect of each item that gives rise to the Company's deferred tax assets and liabilities are as follows:

	December 31, 2016	December 31, 2015
Loss carry forwards	$ 6,080	$ 4,171
Interest rate swaps	435	987
Post-employment benefit plans	168	174
Other assets	4,991	3,962
Deferred implementation costs	(9,043)	(5,236)
Capital assets	(1,728)	(1,799)
Intangible assets	(44,853)	(43,437)
Other liabilities	(2,306)	(863)
Net deferred income tax liabilities	$ (46,256)	$ (42,041)
Recorded on the consolidated statements of financial position as follows:		
Deferred income tax assets	$ 2,326	$ 2,590
Deferred income tax liabilities	(48,582)	(44,631)
Net deferred income tax (liabilities) assets	$ (46,256)	$ (42,041)

The Company has losses available to offset future taxable income of $19,681 ($17,081 of which have been recognized) that expire commencing from 2034.

Movement in temporary differences during the year 2016:

	Balance at January 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition & other	Balance at December 31, 2016
Capital assets	$ (1,799)	$ 71	$ –	$ –	$ (1,728)
Intangible assets	(43,437)	(885)	–	(531)	(44,853)
Tax value – losses carried forward	4,171	1,909	–	–	6,080
Interest rate swaps	987	–	(552)	–	435
Post-employment benefit plans	174	–	(6)	–	168
Deferred implementation	(5,236)	(3,807)	–	–	(9,043)
Other	3,099	1,083	–	(1,497)	2,685
	$ (42,041)	$ (1,629)	$ (558)	$ (2,028)	$ (46,256)

Movement in temporary differences during the year 2015:

	Balance at January 1, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition & other	Balance at December 31, 2015
Capital assets	$ (1,140)	$ (659)	$ –	$ –	$ (1,799)
Intangible assets	(42,296)	(1,088)	–	(53)	(43,437)
Tax value – losses carried forward	3,889	282	–	–	4,171
Interest rate swaps	563	–	424	–	987
Post-employment benefit plans	174	–	–	–	174
Deferred implementation	(5,229)	1,664	–	(1,671)	(5,236)
Other	790	1,544	–	765	3,099
	$ (43,249)	$ 1,743	$ 424	$ (959)	$ (42,041)

17. Employee future benefits:

The Company offers a pension benefit plan for its employees, which includes a defined benefit option and a defined contribution option. Under the defined contribution option, each member is required to contribute a percentage of earnings. The Company matches this required contribution. Each member may elect to make an optional contribution in addition to the required contribution. The Company contributes 50% of the optional contributions. For members who had completed at least 10 years of service on December 31, 2010, their contributions follow the grandfathered provisions.

The defined benefit option was closed effective January 1, 1998 and included 56 members as at December 31, 2016, comprising active employees, retirees, and deferred vested members. All other employees are covered by the defined contribution option of the plan.

The pension benefit plan is administered by Morneau Shepell Ltd. and is registered under the Pension Benefits Act (Ontario).

(a) Funding:

The defined benefit option is funded by the Company based on the pension plan's actuaries' calculation. The members are not required to contribute to the defined benefit option.

The Company expects to contribute $30 to the defined benefit option during the upcoming fiscal year.

(b) Amounts recognized in the consolidated financial statements:

The amounts recognized in the consolidated statements of financial position in respect of the defined benefit option are determined as follows:

	December 31, 2016	December 31, 2015
Present value of funded obligations	$ 4,530	$ 4,640
Fair value of plan assets	(4,683)	(4,580)
Impact of minimum funding requirement/asset ceiling	97	97
(Asset)/Liability in the consolidated statements of financial position	$ (56)	$ 157

The movement in the defined benefit obligation over the year is as follows:

	2016	2015
Defined benefit obligations at January 1	$ 4,640	$ 4,641
Included in profit or loss:		
Current service cost	30	29
Interest cost	169	171
	199	200
Included in other comprehensive income:		
Actuarial losses (gains) arising from experience adjustments	–	–
Actuarial losses arising from changes in demographic assumptions	–	–
Changes in financial assumptions	–	–
	–	–
Other:		
Benefits paid by the plan	(309)	(201)
Defined benefit obligations at December 31	$ 4,530	$ 4,640

The movement in the fair value of plan assets during the year is as follows:

	2016	2015
Fair value of plan assets at January 1	$ 4,580	$ 4,294
Included in profit or loss:		
Estimated interest income on plan assets	166	160
Included in other comprehensive income:		
Return on plan assets in excess of estimated interest income	39	87
Other:		
Employer contributions	207	240
Benefits paid	(309)	(201)
	(102)	39
Fair value of plans assets at December 31	$ 4,683	$ 4,580

The movement in the impact of the minimum funding requirement/asset ceiling is as follows:

	2016	2015
Minimum funding requirement/asset ceiling at January 1	$ 97	$ 11
Included in profit or loss:		
Interest on asset ceiling	–	–
Included in other comprehensive income:		
Change in asset ceiling, excluding amounts recognized in interest expense	–	86
Minimum funding requirement/asset ceiling at December 31	$ 97	$ 97

(c) Plan Assets:

The allocation of fair value of plan assets as a percentage of total plan assets was as follows:

	December 31, 2016	December 31, 2015
Pooled Equities Fund	55%	52%
Pooled Bond Fund	43%	43%
Pooled Low Volatility Fund	2%	5%
	100%	100%

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the pension plan's proportionate share of the fair value of the underlying net assets.

The strategic investment policy of the defined benefit option of the pension plan, implemented in 2013, can be summarized as follows:

A strategic asset mix comprising 29% to 73% equity securities (return and yield funds), 30% to 45% fixed income investments, and 0% to 23% low volatility investments (mortgages, real estate and infrastructure), with a target asset mix of 42% equity securities, 45% fixed income investments and 13% low volatility investments.

(d) Actuarial assumptions:

The principal actuarial assumptions were as follows:

	2016	2015
Discount rate at the end of the current fiscal period used to determine the accrued benefit obligation	3.75%	3.75%
Discount rate at the end of preceding period used to determine the benefit cost	3.75%	3.75%
Rate of compensation increase used to determine the accrued benefit obligation	3.50%	3.50%
Rate of compensation increase used to determine the benefit cost	3.50%	3.50%

(e) Mortality assumptions:

Assumptions regarding future mortality experience are based on published statistics and mortality tables.

The calculation of the defined benefit obligation is sensitive to mortality assumptions. For the Company, an increase in life expectancy of one year across all age groups would result in a $213 increase in the defined benefit obligation as of December 31, 2016.

18. Long-term incentive plan:

Under the LTIP, the Company may grant participants restricted share units, retirement deferred share units, or post-retirement deferred share units, collectively referred to as LTIP Units. The characteristics of each are as follows:

(a) Retirement DSU:

Retirement DSUs generally vest three years after the date of grant and become redeemable only on the participant's termination of employment. Retirement DSUs are redeemable either for one common share or for an amount in cash equal to the fair market value of one common share (at the option of the Company). The value of the award is determined at grant date, and the related salary expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. Participants are entitled to receive cash bonuses or additional Units equivalent to the dividends payable had those Units been common shares. The number of DSUs awarded as bonus is determined based on the fair market value of those DSUs on the date credited.

(b) Post-Retirement DSU:

Post-Retirement DSUs vest at such times as determined by the Company, with each being redeemable for one common share issued from treasury of the Company. Except in certain circumstances or in the retirement of a participant, any unvested LTIP Units will terminate on their termination date.

The value of the award is determined as at grant date, and related salary expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

(c) RSU:

RSUs generally vest three years after the date of grant. RSUs are redeemable either for one common share or for an amount in cash equal to the fair market value of one common share (at the option of the Company). The value of the award is determined at grant date, and the related salary expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. Participants are entitled to receive cash bonuses or additional Units equivalent to the dividends payable had those Units been common shares. The number of RSUs awarded as bonus is determined based on the fair market value of those RSUs on the date credited.

The fair value at grant date is calculated with reference to the closing price of the Company's common shares on the Toronto Stock Exchange ("TSX") for the five business days preceding grant date.

The change in the number of awards outstanding, and their related weighted average grant prices for the years ended December 31, 2016 and 2015 were as follows:

	RSU	Retirement DSU	Post-retirement DSU	Total
Awards outstanding, January 1, 2015	54,028	2,204,429	93,094	2,351,551
Granted (at $17.11 per unit)	28,326	249,473	24,674	302,473
Exercised	(36,129)	(205,741)	–	(241,870)
Forfeited	(629)	(20,855)	–	(21,484)
Awards outstanding, December 31, 2015	45,596	2,227,306	117,768	2,390,670
Granted (at $15.23 per unit)	149,502	417,989	36,435	603,926
Exercised	(39,883)	(52,812)	(37,199)	(129,894)
Forfeited	(12,190)	(62,783)	–	(74,973)
Awards outstanding, December 31, 2016	143,025	2,529,700	117,004	2,789,729

	RSU	Retirement DSU	Post-retirement DSU	Total
Total vested awards, December 31, 2015	–	1,347,270	117,768	1,465,038
Total vested awards, December 31, 2016	–	1,760,887	117,004	1,877,891

Share-based compensation expense, year ended December 31, 2015	$ 5,194
Share-based compensation expense, year ended December 31, 2016	$ 4,868

19. Equity:

(a) Share capital:

(i) Common shares:

The Company is authorized to issue an unlimited number of common shares, with no par value.

(ii) Preferred shares:

The Company is authorized to issue 10 million preferred shares, with no limit on their value. As of December 31, 2016 and 2015, no preferred shares were issued or outstanding.

(iii) Dividends:

Dividends are declared in Canadian dollars. The monthly dividend rate was $0.065 for the year ended December 31, 2016 (2015 - $0.065). The Company continued to declare the same monthly dividend amount in January and February of 2017.

The change in share capital, including contributed surplus was as follows:

	Number of common shares	Share capital	Contributed surplus
Balance, January 1, 2015	47,999,712	$ 474,490	$ 20,812
LTIP issuance	–	–	5,486
Shares issued on redemption of LTIP	271,071	2,986	(2,986)
Shares issued on conversion of convertible debentures	1,666	24	–
Balance, December 31, 2015	48,272,449	477,500	23,312
LTIP issuance	–	–	5,448
Shares issued on redemption of LTIP	129,894	1,417	(1,417)
Shares issued on conversion of convertible debentures	4,826,127	73,121	–
Redemption of convertible debentures	–	–	26
Balance, December 31, 2016	53,228,470	$ 552,038	$ 27,369

(b) Accumulated other comprehensive income:

The changes in the components of accumulated other comprehensive income, net of tax, are as follows:

	Cash flow hedge reserve	Post-employment benefit plans	Foreign exchange translation reserve	Total
Balance, January 1, 2015	$ (1,532)	$ (470)	$ 518	$ (1,484)
Actuarial gain on post-employment benefit plans	–	1	–	1
Effective portion of change in interest rate cash flow hedges	(1,138)	–	–	(1,138)
Foreign currency translation differences for foreign operations	–	–	(229)	(229)
Balance, December 31, 2015	(2,670)	(469)	289	(2,850)
Actuarial gain on post-employment benefit plans	–	33	–	33
Effective portion of change in interest rate cash flow hedges	1,498	–	–	1,498
Foreign currency translation differences for foreign operations	–	–	(1,132)	(1,132)
Balance, December 31, 2016	$ (1,172)	$ (436)	$ (843)	$ (2,451)

20. Earnings per share:

Basic earnings per share was calculated by dividing profit attributable to common shares 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 redemption of convertible debentures.

The following details the earnings per share, basic and diluted, calculations for the years ended December 31, 2016 and 2015:

	2016	2015
Profit attributable to common shares (basic and diluted)	$ 26,000	$ 16,418
Weighted average number of common shares (in actual number of shares):		
January 1	48,272,449	47,999,712
Shares issued on redemption of LTIP	22,780	43,794
Shares issued upon redemption of convertible debentures	2,766,002	1,598
Vested LTIP awards	1,747,447	1,446,049
Basic	52,808,678	49,491,153
Dilutive effect of unvested LTIP awards	579,673	613,105
Diluted	53,388,351	50,104,258

	2016	2015
Earnings per share:		
Basic	$ 0.49	$ 0.33
Diluted	$ 0.49	$ 0.33

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

21. Segmented information:

The Company provides health and productivity, administrative and retirement solutions to assist employers in managing the financial security, health and productivity of their employees. As at December 31, 2016, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included that the long-term average gross margins and growth rates across the segments are similar, the nature of the services provided by the segments are all related to helping employers with their human resources needs, and the similarity in the regulatory environments that the segments operate in.

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 consolidated financial statements:

	2016	2015
Revenue:		
Canada	$ 512,660	$ 500,021
United States	79,397	67,265
Consolidated total	$ 592,057	$ 567,286

	2016	2015
Total assets:		
Canada	$ 712,779	$ 704,684
United States	60,847	50,964
Consolidated total	$ 773,626	$ 755,648

22. Supplementary cash flow information:

Change in non-cash operating working capital for the years ended December 31, 2016 and 2015 was as follows:

	2016	2015
Trade and other receivables	$ 576	$ 11,027
Unbilled fees, current and non-current	(1,818)	(3,578)
Prepaid expenses and other	(1,712)	(1,636)
Deferred implementation costs, current and non-current [1]	(10,243)	6,244
Trade and other payables	1,573	(6,755)
Deferred revenue	1,890	(314)
	$ (9,734)	$ 4,988

[1] Includes write-down of deferred implementation costs

Significant non-cash transactions for the year ended December 31, 2016 included the conversion of the 5.75% convertible debentures (see note 14).

23. Related parties:

These consolidated financial statements include the assets, liabilities, revenue and expenses of the Company's subsidiaries; all intercompany balances and transactions have been eliminated upon consolidation and therefore are not disclosed in this note.

(a) Compensation of key management personnel:

Key management personnel include the Company's executive officers and directors; remuneration related to this group was as follows:

	2016	2015
Salaries and other benefits	$ 7,957	$ 8,316
Share-based payments	3,594	3,720
	$ 11,551	$ 12,036

(b) Unconsolidated structured entities:

The Company’s wholly owned subsidiary, Morneau Shepell Asset & Risk Management Ltd. is the sponsor and manages the financial and operating activities of the Company’s funds. In exchange, each fund pays an administrative fee of 0.08% of the fund’s net asset value to cover regulatory filing fees and other day-to-day operating expenses. The Company does not hold any units of the funds.

The Company is considered to sponsor the funds as it was significantly involved in their design and formation, and has continuing involvement as described above. The Company does not control the funds and therefore, does not consolidate them. The Company has no interests in the funds apart from the agreements outlined above. The Company did not transfer any assets to the funds during the reporting periods.

24. Salary, benefits and contractors:

The Company's salary, benefit and contractor expenses are comprised of the following:

	2016	2015
Salaries and other benefits	$ 342,557	$ 332,239
Contractors	61,585	59,882
	$ 404,142	$ 392,121

25. Commitments:

The Company has lease commitments for office premises and equipment with options for renewal. As at December 31, 2016, the minimum payments not including operating expenses, due in each of the next five years and thereafter, are expected to be as follows for each year ending December 31:

	Gross commitment	Sublease income	Net commitment
2017	$ 16,494	$ (994)	$ 15,500
2018	15,308	(820)	14,488
2019	14,392	(756)	13,636
2020	14,100	(709)	13,391
2021	13,455	(714)	12,741
Thereafter	31,106	(689)	30,417
Total	$ 104,855	$ (4,682)	$ 100,173

The Company is party to various subleases to which the Company would be liable for the rental payment in the case of a default by the subtenants. The minimal payments and the aggregate sublease income related to these premises have been included above. The Company considers the risk of default by the subtenants to be low therefore no accrual has been setup.

26. Write-down of deferred implementation costs and impairment

In 2016, as a result of an Order of Rehabilitation entered by the Superior Court of New Jersey for Health Republic Insurance of New Jersey, the Company determined that deferred implementation costs specifically related to this client were no longer recoverable and recorded a pre-tax write-down in the amount of $935.

During the year ended December 31, 2015, as a result of the wind down of business directive issued by the New York State Department of Financial Services, the Centers for Medicare and Medicaid Services, and the New York State of Health to Health Republic Insurance of New York (HRINY), one of the Company's U.S. Health Exchange outsourcing clients, the Company determined that deferred implementation costs specifically related to HRINY were no longer recoverable and recorded a pre-tax write-down in the amount of $12,210 ($8,608 after-tax). Furthermore, the Company also assessed the recoverable amount of certain of the Company's capital assets and intangible assets in the U.S. Health Exchange Services business. As a result of this assessment, it was determined that the carrying amount of the Company's internally developed assets exceeded their recoverable amount and a pre-tax impairment loss of $2,890 ($2,121 after-tax) was recognized.

The write-down of deferred implementation assets and impairment are included in the "Write-down of deferred implementation costs and impairment" in the consolidated statement of income and comprehensive income.

27. Contingencies:

(a) Lawsuits and legal claims:

From time to time, the Company is involved in routine litigation incidental to the Company's business. Management believes that adequate provisions have been made where required and the ultimate resolution with respect to any claim will not have a material adverse effect on the financial position or results of operations of the Company.

(b) Business combinations:

The Company has obligations to pay additional consideration for prior acquisitions, typically based upon performance measures contractually agreed at the time of purchase.

As at December 31, 2016, the fair value of the contingent consideration has been recognized as future consideration related to acquisitions on the consolidated statements of financial position.

28. Management of capital:

The Company views its capital as the combination of its cash (bank indebtedness), long-term debt, convertible debentures and shareholders' equity. As at December 31, 2016 the Company’s capital is $612,158 (2015 - $613,930), comprised of $250,451 (2015 - $317,506) cash and debt, and $361,707 (2015- $296,424) equity. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern while maintaining dividends to its shareholders and the growth of the Company's business through organic growth and new acquisitions.

The Company manages the capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as taking into consideration changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new or repurchase existing shares and assume new or repay existing debt.

No changes were made in the objectives, policies or processes for managing capital during the year.

The credit facilities require the Company to maintain certain financial covenants. Management also uses these ratios as key indicators in managing the Company's capital. Dividends are made to shareholders monthly. Ratios of dividends to free cash flow, cash from operating activities, and EBITDA are used by management to assist with the determination of dividends.

The Company is subject to externally imposed capital requirements to maintain certain financial covenants as mentioned above. The Company complied with all the required financial covenants at December 31, 2016.