Unaudited Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

MORNEAU SHEPELL INC.

Three and nine months ended September 30, 2013 and 2012
(Unaudited)

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
September 30, 2013 and December 31, 2012

	September 30, 2013	December 31, 2012 (note 3)
Assets		
Current assets:		
Trade and other receivables	$ 62,077	$ 55,576
Unbilled fees	56,827	44,812
Prepaid expenses and other	5,441	2,532
Cash and investments held in trust	10,887	14,174
Deferred implementation costs	3,655	2,668
Total current assets	138,887	119,762
Unbilled fees	1,437	1,649
Deferred implementation costs	10,828	10,360
Capital assets	22,634	21,273
Intangible assets	229,533	228,325
Goodwill	305,093	304,988
Total assets	$ 708,412	$ 686,357
Liabilities and Equity		
Current liabilities:		
Bank indebtedness (note 5)	$ 5,153	$ 134
Trade and other payables	43,271	47,181
Income taxes payable	2,599	3,949
Deferred revenue	3,462	2,786
Insurance premium liabilities	10,887	14,174
Future consideration related to acquisitions (note 4 and 10)	3,302	2,858
Dividends payable	3,116	3,116
Total current liabilities	71,790	74,198
Long-term debt (note 5)	173,533	153,073
Convertible debenture payable	71,791	71,104
Interest rate swap (note 5)	2,069	3,101
Future consideration related to acquisitions (note 4 and 10)	1,007	451
Other liabilities	8,611	8,526
Provisions	1,284	1,419
Deferred tax liability	33,461	27,867
Total Liabilities	363,546	339,739
Equity:		
Share capital	474,048	473,838
Contributed surplus	15,591	12,674
Equity component of convertible debenture	757	757
Accumulated other comprehensive loss	(1,886)	(3,329)
Deficit	(143,644)	(137,322)
Total equity	344,866	346,618
Total liabilities and equity	$ 708,412	$ 686,357

Contingencies (note 10)

See accompanying notes to unaudited condensed consolidated interim financial statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income
(In thousands of Canadian dollars, except per share amounts)
For the three and nine months ended September 30, 2013 and 2012

	Three months ended September 30, 2013	Three months ended September 30, 2012 (note 3)	Nine months ended September 30, 2013	Nine months ended September 30, 2012 (note 3)
Operating revenue	$ 118,526	$ 101,331	$ 352,584	$ 312,088
Operating expenses:				
Salary, benefits and contractor	79,956	67,418	236,952	210,865
Depreciation and amortization	6,683	5,908	20,178	18,310
Rent and occupancy	5,458	4,811	16,233	13,864
Office and administration	12,628	10,833	37,314	32,997
Total operating expenses	104,725	88,970	310,677	276,036
Finance costs (note 5)	3,647	3,462	10,532	10,562
Profit from operations before income taxes	10,154	8,899	31,375	25,490
Income taxes:				
Current	2,303	1,369	7,480	3,799
Deferred	914	1,425	2,171	4,891
Total income taxes	3,217	2,794	9,651	8,690
Profit for the period	6,937	6,105	21,724	16,800
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net income:				
Effective portion of change in interest rate cash flow hedge	80	528	1,031	1,780
Transfer to profit due to termination of interest rate cash flow hedges	–	–	–	667
Foreign currency translation differences for foreign operations	(94)	(110)	297	(263)
Income taxes on the above items	(21)	(59)	(270)	(626)
	(35)	359	1,058	1,558
Items that will not be reclassified to net income:				
Actuarial gain (loss) on post-employment benefit plans	45	(81)	522	(243)
Income taxes on the above item	(11)	22	(137)	65
	34	(59)	385	(178)
Other comprehensive income (loss), net of tax effect	(1)	300	1,443	1,380
Comprehensive income for the period	$ 6,936	$ 6,405	$ 23,167	$ 18,180
Earnings per share (note 7):				
Basic	$ 0.14	$ 0.13	$ 0.45	$ 0.35
Diluted	$ 0.14	$ 0.12	$ 0.44	$ 0.34

See accompanying notes to Unaudited Condensed Consolidated Interim Financial Statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity
(In thousands of Canadian dollars)
For the nine months ended September 30, 2013 and 2012

Nine months ended September 30, 2013	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Equity component of convertible debentures	Total equity
Balance, January 1, 2013, as previously reported	$ 473,838	$ 12,674	$ (137,322)	$ (2,623)	$ 757	$ 347,324
IAS 19 opening adjustment (note 3)	–	–	–	(706)	–	(706)
Balance, January 1, 2013, restated	$ 473,838	$ 12,674	$ (137,322)	$ (3,329)	$ 757	$ 346,618
Long-term incentive plan	–	3,127	–	–	–	3,127
Shares issued on redemption of long-term incentive plan	210	(210)	–	–	–	–
Profit for the period	–	–	21,724	–	–	21,724
Dividends	–	–	(28,046)	–	–	(28,046)
Other comprehensive income	–	–	–	1,443	–	1,443
Balance, September 30, 2013	$ 474,048	$ 15,591	$ (143,644)	$ (1,886)	$ 757	$ 344,866

Nine months ended September 30, 2012	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Equity component of convertible debentures	Total equity
Balance, January 1, 2012, as previously reported	$ 473,838	$ 8,721	$ (120,328)	$ (4,648)	$ –	$ 357,583
IAS 19 opening adjustment (note 3)	–	–	–	(468)	–	(468)
Balance, January 1, 2012, restated	$ 473,838	$ 8,721	$ (120,328)	$ (5,116)	$ –	$ 357,115
Long-term incentive plan	–	2,362	–	–	–	2,362
Long-term incentive plan - DRIP	–	457	(457)	–	–	–
Profit for the period	–	–	16,800	–	–	16,800
Dividends	–	–	(28,046)	–	–	(28,046)
Other comprehensive income (note 3)	–	–	–	1,380	–	1,380
Equity component of convertible debenture	–	–	–	–	757	757
Balance, September 30, 2012	$ 473,838	$ 11,540	$ (132,031)	$ (3,736)	$ 757	$ 350,368

See accompanying notes to Unaudited Condensed Consolidated Interim Financial Statements.

MORNEAU SHEPELL INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
For the nine months ended September 30, 2013 and 2012

	Nine months ended September 30, 2013	2012
Operating activities:		
Profit for the period	$ 21,724	$ 16,800
Items not involving cash:		
Depreciation and amortization	20,178	18,310
Finance costs (note 5)	10,532	10,562
Long-term incentive plan	2,688	2,362
Current income taxes	7,480	3,799
Deferred income taxes	2,171	4,891
Change in provisions	(135)	(423)
Other	–	70
	64,638	56,371
Change in non-cash operating working capital (note 9)	(24,505)	(25,298)
Cash generated from operating activities	40,133	31,073
Finance costs paid	(10,389)	(8,850)
Income taxes paid	(5,815)	(310)
Cash provided by operating activities	23,929	21,913
Financing activities:		
Change in revolving loan	20,118	(50,551)
Proceeds from convertible debentures offering	–	75,000
Expenses related to issuance of convertible debentures	–	(3,568)
Dividends paid	(28,046)	(28,046)
Cash used in financing activities	(7,928)	(7,165)
Investing activities:		
Business acquisition – initial and contingent payment, SBC Systems Company Inc.	(500)	(4,678)
Business acquisition – initial payment, Dion, Durrell + Associates Inc. workers' compensation practice (note 4(a))	(3,754)	–
Business acquisition – Collage Pediatric Therapy Centre Inc. (note 4(b))	(948)	–
Additions to intangible assets	(8,471)	(6,938)
Additions to capital assets	(7,347)	(3,153)
Cash used in investing activities	(21,020)	(14,769)
Decrease in cash for the period	(5,019)	(21)
Bank indebtedness, beginning of period	(134)	(807)
Bank indebtedness, end of period	$ (5,153)	$ (828)

See accompanying notes to Unaudited Condensed Consolidated Interim Financial Statements.

1. Organization and nature of the business:

Morneau Shepell Inc. (the "Company") provides health and productivity, administrative and retirement solutions to assist employers in managing the financial security, health and productivity of their employees. The principal 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.

The Company was incorporated pursuant to the laws of the Province of Ontario on October 19, 2010.

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

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 13, 2013.

2. Basis of preparation:

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2013 and 2012 have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

These interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012 prepared in accordance with IFRS as issued by the IASB.

3. Significant accounting policies:

Except as described below, the accounting policies applied by the Company in these unaudited condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2012.

Changes in accounting policies:

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

(a) IAS 1 Amendment, Presentation of Items of Other Comprehensive Income ("IAS 1"):

The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

(b) IFRS 10, Consolidated Financial Statements ("IFRS 10"):

IFRS 10 replaces International Accounting Standard ("IAS") 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation - Special Purpose Entities. This new standard contains a single consolidation model that identifies control as the basis for consolidation for all types of entities, sets forth factors to consider in assessing control, and requires control to be assessed on a continuous basis. The Company has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

(c) IAS 19, Employee Benefits ("IAS 19")

IAS 19, Employee Benefits (amended in 2011), amends certain accounting requirements for defined benefit plans.

IAS 19 (revised 2011) requires the net defined benefit liability (asset) to be recognized on the balance sheet without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net income when incurred. Expected returns on plan assets are no longer included in post- employment benefits' expense. Instead, post-employment benefits' expense includes market yields on high quality bonds on the net defined benefit liability. Actuarial gains and losses and any change in the asset ceiling are recognized in other comprehensive income.

The Company adopted these amendments retrospectively and accordingly adjusted its accumulated other comprehensive income as at January 1, 2012 to recognize previously unrecognized actuarial losses for post-employment plans. The adjustments for each financial statement line item affected are presented in the tables below.

(In thousands of Canadian dollars)

Adjustments to the unaudited condensed consolidated interim statements of financial position

	Deferred tax liability	Other liabilities	Trade and other payables	Accumulated other comprehensive income
Balance at January 1, 2012 as previously reported	$ 20,560	$ 7,670	$ 47,092	$ (4,648)
Actuarial gain (loss) on post-employment benefit plans	(169)	637	–	(468)
Balance at January 1, 2012 after accounting change	$ 20,391	$ 8,307	$ 47,092	$ (5,116)

	Deferred tax liability	Other liabilities	Trade and other payables	Accumulated other comprehensive income
Balance at December 31, 2012 as previously reported	$ 28,122	$ 7,656	$ 47,090	$ (2,623)
Actuarial gain (loss) on post-employment benefit plans	(255)	870	91	(706)
Balance at December 31, 2012 after accounting change	$ 27,867	$ 8,526	$ 47,181	$ (3,329)

Adjustments to the unaudited condensed consolidated interim statements of income and comprehensive income

	Three months ended September 30, 2012	Nine months ended September 30, 2012
Other comprehensive income, net of tax effect as previously reported	$ 359	$ 1,558
Actuarial loss on post-employment benefit plans	(81)	(243)
Income tax on the above item	22	65
Other comprehensive income, net of tax effect after accounting change	$ 300	$ 1,380

There was no impact on earnings per share or the Unaudited Condensed Consolidated Interim Statements of Cash Flows as a result of the Company's adoption of these new and revised accounting standards. The total impact on other comprehensive income for the year ended December 31, 2012 as a result of the adoption of these new and revised accounting standards is $(238).

(d) IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

4. Business acquisitions:

(a) Dion, Durrell + Associates Inc. workers' compensation practice:

On July 5, 2013, the Company completed the acquisition of Dion, Durrell + Associates Inc. workers' compensation practice ("Dion Durrell Workers' Compensation"). This acquisition complements the Company's existing Organizational Health Solutions line of business, and expands the Company's market presence.

The consideration for this acquisition included an initial payment of $3,754 that was settled on closing, and future payments of cash and long-term incentive plan units ("LTIP units") totaling $1,589 and $250, respectively, due within 45 days of June 30 over the next three years. The future payments of LTIP units will be settled in equal instalments of $83, and the future instalments to be settled in cash are dependent on achieving certain revenue targets. The Company expects to pay cash consideration of $333 in year one, $613 in year two, and $643 in year three. At September 30, 2013, $1,312 has been recognized as an acquisition liability on the statement of financial position, representing the three future cash instalments discounted. Future payments of $250 to be settled through the issuance of LTIP units of the Company have been recognized as contributed surplus on the statement of financial position.

This acquisition has been accounted for using the purchase method of accounting. As at September 30, 2013 the valuation of the net assets acquired has not been completed. The purchase consideration of $5,284 has been allocated to intangible assets and is preliminary pending finalization of the valuation of the net assets acquired. During the measurement period, any excess of the purchase price over the net assets acquired will result in an addition to goodwill.

(In thousands of Canadian dollars)

(b) Collage Pediatric Therapy Centre Inc.:

On August 30, 2013, the Company completed the acquisition of Collage Pediatric Therapy Centre Inc. ("Collage Pediatric Therapy") which specializes in providing multidisciplinary health services to children. This acquisition complements the Company's existing Children's Support Solutions portfolio, and will expand the Company's market presence.

The consideration for this acquisition consisted of a cash payment of $948 that was settled on closing.

This acquisition has been accounted for using the purchase method of accounting. As at September 30, 2013 the valuation of the net assets acquired has not been completed. The purchase consideration of $948 has been allocated to intangible assets and is preliminary pending finalization of the valuation of the net assets acquired. During the measurement period, any excess of the purchase price over the net assets acquired will result in an addition to goodwill.

5. Long- term debt:

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

	September 30, 2013	December 31, 2012
Non-revolving loan	$ 130,000	$ 130,000
Revolving loan	44,100	23,985
	174,100	153,985
Less: debt issuance costs, net of accumulated amortization	567	912
	$ 173,533	$ 153,073

The Company has a credit facility agreement with a term of four years, maturing on January 5, 2015. The credit facility provides for a term loan of $130,000 and a revolving facility of $100,000 (which includes a swing line of $7,000).

The interest rates for the credit facilities 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 calculated in the credit facility agreement.

The credit facilities are secured by a general assignment of all the assets of the Company and require the Company to maintain, on a consolidated basis, Debt to Adjusted EBITDA financial covenant of not more than 3.00:1.00 and an EBITDA to interest expense ratio of not less than 3.00:1.00.

EBITDA in the amended and restated credit agreement is defined as profit before finance costs, income taxes, depreciation, amortization, non-controlling interest, and non-recurring expenditures. Adjusted EBITDA is defined as EBITDA plus the pro-forma EBITDA from permitted acquisitions' entities.

At September 30, 2013, the Company had utilized the following loans under the credit facility:

- $130,000 of term loan. The term loan is repayable in full on January 5, 2015 and bears interest at the one-month BA rate plus an applicable margin of 2.375%.

- $39,500 of BA loan under the revolving loan. The BA loan is renewed on a monthly basis, bearing interest at the one-month BA rate plus an applicable margin of 2.375%.

- $1,000 of prime loan under the revolving loan. The prime loan bears interest at the prime rate plus an applicable margin of 1.375%.

- $3,500 USD ($3,600 CDN) of Libor loan under the revolving loan. The Libor loan is renewed on a monthly basis, bearing interest at the one- month Libor rate plus an applicable margin of 2.375%.

- $4,984 of the swing line available. The swing line carries interest at prime plus an applicable margin of 1.375%. This amount borrowed under the swing line is included in bank indebtedness.

As at September 30, 2013, the Company complied with all the required financial covenants. At September 30, 2013, the Debt to Adjusted EBITDA ratio was 2.1:1.0 and the EBITDA to interest expense ratio was 6.2:1.0.

(a) Interest rate swaps:

The Company entered into an interest-rate swap agreement to hedge against the variable interest rate component of the term loan outstanding. The notional amount of the swap is $130,000, for the period from February 1, 2011 up to and ending January 5, 2015. This swap is used to fix the variable component of the interest rate at 2.48%, before the applicable margin, for the duration of the term and has been designated as a cash flow hedge. The fair value of the interest rate swap at September 30, 2013 was a liability of $2,069 (December 31, 2012 - $3,101). The change in the fair value of the cash flow hedge has been recognized as a component of other comprehensive income.

(In thousands of Canadian dollars)

(b) Finance costs:

The Company's finance costs comprise the following:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Interest on term loan	$ 1,609	$ 1,515	$ 4,672	$ 4,908
Interest on revolving loan, bank indebtedness and other charges	501	435	1,354	1,672
Interest on convertible debenture	1,141	1,141	3,387	2,332
Amortization of debt issuance costs	289	292	868	710
Immediate recognition and amortization of terminated interest rate swap	–	–	–	667
Other	107	79	251	273
	$ 3,647	$ 3,462	$ 10,532	$ 10,562

6. Dividends:

The monthly dividend rate, approved by the Board of Directors, was $0.065 for the three and nine months ended September 30, 2013 (2012 - $0.065). The Company continued to declare the same monthly dividend amount in October 2013.

7. 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 conversion of the convertible debenture.

The following table details the earnings per share, basic and diluted, calculations for the three and nine months ended September 30, 2013 and 2012. All numbers are in thousands of Canadian dollars, except per share amounts and the number of common shares:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Profit attributable to common shares (basic and diluted)	$ 6,937	$ 6,105	$ 21,724	$ 16,800
Weighted average number of common shares:				
January 1	47,940,409	47,940,409	47,940,409	47,940,409
Shares issued during the period on redemption of LTIP[1]	7,296	–	2,468	–
Vested LTIP awards	852,435	519,920	774,777	519,920
Basic	48,800,140	48,460,329	48,717,654	48,460,329
Dilutive effect of unvested LTIP awards	541,578	518,421	555,965	495,757
Diluted	49,341,718	48,978,750	49,273,619	48,956,086
Earnings per share:				
Basic	$ 0.14	$ 0.13	$ 0.45	$ 0.35
Diluted	$ 0.14	$ 0.12	$ 0.44	$ 0.34

[1] During the nine-month period ended September 30, 2013, 17,212 shares (2012- nil shares) were issued on redemption of LTIP units.

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

8. 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 September 30, 2013, on the basis of the type of services provided and in accordance with IFRS 8, Operating Segments, the Company was represented by and had one reportable segment.

(In thousands of Canadian dollars)

The Company operates primarily within two geographical areas: Canada and the United States. The following details the revenues and total assets by geographical area, reconciled to the Company's Unaudited Condensed Consolidated Interim Financial Statements:

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Revenue:				
Canada	$ 109,681	$ 95,858	$ 328,211	$ 295,668
United States	8,845	5,473	24,373	16,420
Consolidated total	$ 118,526	$ 101,331	$ 352,584	$ 312,088

	September 30, 2013	December 31, 2012
Total assets:		
Canada	$ 690,760	$ 674,038
United States	17,652	12,319
Consolidated total	$ 708,412	$ 686,357

9. Supplementary cash flow information:

The change in non-cash operating working capital for the nine months ended September 30, 2013 and 2012 was as follows:

	2013	2012
Trade and other receivables	$ (6,501)	$ (15,062)
Unbilled fees, current and non-current	(11,805)	1,516
Prepaid expenses and other	(2,908)	(1,188)
Deferred implementation costs, current and non-current	(1,455)	(1,694)
Trade and other payables	(2,512)	(8,869)
Deferred revenue	676	(1)
	$ (24,505)	$ (25,298)

(In thousands of Canadian dollars)

10. Financial instruments:

Financial instruments carried at fair value:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a given point in time. 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		Fair Value		
	Sep. 30, 2013	Dec. 31, 2012	Sep. 30, 2013	Dec. 31, 2012	Level
Assets carried at fair value:					
Cash and investments held in trust	$ 10,887	$ 14,174	$ 10,887	$ 14,174	2
	$ 10,887	$ 14,174	$ 10,887	$ 14,174	
Liabilities carried at fair value:					
Cash flow hedges - interest rate swaps	$ 2,069	$ 3,101	$ 2,069	$ 3,101	2
Bank indebtedness	5,153	134	5,153	134	2
Future consideration related to acquisitions	4,309	3,309	4,309	3,309	3
	$ 11,531	$ 6,544	$ 11,531	$ 6,544	

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 that the entity can access at the measurement date

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3: unobservable inputs for the asset or liability

During the period ended September 30, 2013, there were no transfers between any levels.

(In thousands of Canadian dollars)

The interest rate swap is a financial instrument carried at fair value. The liability is measured at fair value through other comprehensive income. For the period ending September 30, 2013, the liability was $2,069 (December 31, 2012 - $3,101).

The future consideration related to acquisitions is a financial instrument carried at fair value. The liability is measured at fair value through the statement of income. For the period ending September 30, 2013, the liability was $4,309 (December 31, 2012 - $3,309). Contingent consideration arose on the acquisitions of Jacques Lamarre & Associates, SBC Systems Company Inc. ("SBC Systems Company") and Dion Durrell Workers' Compensation.

In the acquisitions of Jacques Lamarre & Associates, SBC Systems Company and Dion Durrell Workers' Compensation, 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.

The estimated payment is calculated considering different scenarios of projected revenue and the amount to be paid under each scenario, weighted by the probability of each scenario. The key unobservable inputs included anticipated revenue and the discount rate. The estimated fair value increases the higher the annual revenue and the lower the discount rate, with estimated payments being limited to a contractual maximum for each of the Jacques Lamarre & Associates, SBC Systems Company and Dion Durrell Workers' Compensation 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 table indicates the changes in the future consideration related to acquisitions during the period ended September 30, 2013:

	Future consideration related to acquisitions
Balance at January 1, 2013	$ 3,309
First instalment contingent payment to SBC Systems Company	(500)
Fair value of contingent payments to Dion Durrell Workers' Compensation	1,280
Accretion on future consideration related to acquisitions	201
Foreign exchange on future consideration related to acquisitions	19
	$ 4,309

Financial instruments carried at amortized cost:

The carrying value of trade and other receivables, trade and other payables, insurance premium liabilities, and dividends payable are financial instruments carried at amortized cost whose values approximate their fair values 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 $71,791 (December 31, 2012 - $71,104) and a fair value of $78,480 (December 31, 2012 - $79,875). The fair value is determined using the quoted market values for the convertible debentures at the end of the period. The long-term debt has a carrying value of $173,533 (December 31, 2012 - $153,073) and a fair value of $174,100 (December 31, 2012 - $153,985). The fair value is determined based on the cost of borrowing for a company with a similar risk profile.