EnerCare Inc.

EnerCare Inc.

Condensed Interim Consolidated Financial Statements

First Quarter Ended March 31, 2012

Dated May 14, 2012

EnerCare Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn $)		(unaudited) **March 31, 2012**		December 31, 2011
Assets				
Current assets				
Cash and cash equivalents (note 4)	**$**	**70,993**	$	75,290
Accounts receivable (note 5)		**26,643**		27,275
Prepaid and other assets		**3,755**		3,590
		101,391		106,155
Capital assets (note 7)		**459,375**		458,890
Intangible assets (note 8)		**319,544**		331,212
Goodwill		**2,962**		2,962
Deferred tax asset		**6,651**		7,739
	$	**889,923**	$	906,958
Liabilities				
Current liabilities				
Current portion of long-term debt (note 9)	**$**	**301,145**	$	61,131
Accounts payable and accrued liabilities (note 6)		**26,063**		34,105
Provisions (note 20)		**1,107**		1,592
Interest payable		**9,879**		7,907
Other liabilities payable (note 3)		**855**		855
Dividends payable		**3,190**		3,091
		342,239		108,681
Long-term debt (note 9)		**273,631**		513,625
Convertible debentures (note 9)		**12,395**		16,806
Deferred tax liability		**142,410**		144,439
		770,675		783,551
Shareholders' equity (note 10)		**119,248**		123,407
	$	**889,923**	$	906,958

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Inc.

Condensed Interim Consolidated Statements of Income

(unaudited)		Three months ended March 31,		
(in thousands of Cdn $, except per share amounts)		**2012**		2011
Revenues				
Rentals and services	**$**	**63,320**	$	61,300
Investment income		**185**		112
Total revenues		**63,505**		61,412
Expenses				
Commodity charges		**12,183**		10,593
Selling, general & administrative (note 18)		**10,302**		9,840
Amortization				
Capital assets		**14,206**		14,607
Intangibles		**11,668**		11,633
Loss on disposal of equipment		**4,115**		4,640
Interest				
Short-term		**27**		78
Long-term		**10,303**		10,613
Total operating expenses		**62,804**		62,004
Other income (note 3)		**1,500**		-
Earnings/(loss) for the period		**2,201**		(592)
Tax expense				
Current tax expense		**3,311**		1,584
Deferred income tax recovery		**(941)**		(1,115)
Total tax expense		**2,370**		469
Net loss for the period	**$**	**(169)**	$	(1,061)
Weighted average number of shares outstanding (notes 10, 11)		**56,554**		54,952
Diluted shares outstanding (notes 10, 11)		**58,742**		58,900
Basic/diluted (loss) per share (note 11)	**$**	**(0.00)**	$	(0.02)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)		Three months ended March 31,		
(in thousands of Cdn $)		**2012**		2011
Net loss for the period	**$**	**(169)**	$	(1,061)
Amortization of accumulated other comprehensive loss to net loss		**922**		919
Comprehensive income/(loss) for the period	**$**	**753**	$	(142)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited) (in thousands of Cdn $)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Deficit	Total
Balance - January 1, 2011	**$ 500,546**	**$ -**	**$ (10,975)**	**$ (348,259)**	**141,312**
Net loss for the period	**-**	**-**	**-**	**(1,061)**	**(1,061)**
Shares issued on debenture conversion (net of issue costs) (note 9)	**2,061**	**-**	**-**	**-**	**2,061**
Other comprehensive loss:					
Amortization	**-**	**-**	**919**	**-**	**919**
Employee share options:					
Value of services recognized	**-**	**21**	**-**	**-**	**21**
Conversion rights - equity allocation	**-**	**1,749**	**-**	**-**	**1,749**
Dividends (note 12)	**-**	**-**	**-**	**(8,918)**	**(8,918)**
Balance - March 31, 2011	**$ 502,607**	**$ 1,770**	**$ (10,056)**	**$ (358,238)**	**$ 136,083**
Balance - January 1, 2012	**$ 509,722**	**$ 1,308**	**$ (7,281)**	**$ (380,342)**	**123,407**
Net loss for the period	**-**	**-**	**-**	**(169)**	**(169)**
Shares issued on debenture conversion (net of issue costs) (note 9)	**4,780**	**(308)**	**-**	**-**	**4,472**
Other comprehensive loss:					
Amortization	**-**	**-**	**922**	**-**	**922**
Employee share options:					
Value of services recognized	**-**	**40**	**-**	**-**	**40**
Dividends (note 12)	**-**	**-**	**-**	**(9,424)**	**(9,424)**
Balance - March 31, 2012	**$ 514,502**	**$ 1,040**	**$ (6,359)**	**$ (389,935)**	**$ 119,248**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

EnerCare Inc.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of Cdn $)		Three months ended March 31, **2012**		2011
Cash provided by/(used in):				
Operating activities				
Net loss for the period	**$**	**(169)**	$	(1,061)
Items not affecting cash				
Amortization				
Capital assets (note 7)		**14,206**		14,607
Intangibles (note 8)		**11,668**		11,633
Loss on disposal of equipment		**4,115**		4,640
Non-cash interest expense		**1,283**		1,325
Employee share options (note 13)		**40**		21
Deferred income tax recovery		**(941)**		(1,115)
Operating cash flow		**30,202**		30,050
Net change in non-cash working capital (note 21)		**(6,088)**		2,887
Cash provided by operating activities	**$**	**24,114**	$	32,937
Investing activities				
Purchase of equipment		**(18,445)**		(17,299)
Acquisitions (note 23)		**(2,053)**		-
Proceeds from disposal of equipment		**1,692**		1,071
Cash used in investing activities	**$**	**(18,806)**	$	(16,228)
Financing activities				
Dividends to shareholders		**(9,325)**		(5,943)
Proceeds from deposits		**-**		1,435
Repayment of long-term debt		**(280)**		(968)
Cash used in financing activities	**$**	**(9,605)**	$	(5,476)
(Decrease)/increase in cash and cash equivalents		**(4,297)**		11,233
Cash and cash equivalents - beginning of period		**75,290**		52,495
Cash and cash equivalents - end of period	**$**	**70,993**	$	63,728
Supplementary information				
Interest paid	**$**	**7,075**	$	6,630
Income taxes paid	**$**	**7,487**	$	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Organization and Nature of Business

EnerCare Inc. ("EnerCare") is the successor to The Consumers' Waterheater Income Fund (the "Fund"). EnerCare converted into a dividend paying corporation on January 1, 2011, pursuant to a plan of arrangement under the Canadian Business Corporations Act. The conversion was accounted for on a continuity of interest basis.

EnerCare holds all of the issued and outstanding shares of EnerCare Solutions Inc. ("EnerCare Solutions"). EnerCare Solutions is the successor to The Consumers' Waterheater Operating Trust (the "Trust"). EnerCare Solutions, through its wholly-owned subsidiaries, owns a portfolio of water heaters and other assets which are primarily rented to customers across Ontario ("Rentals").

EnerCare, through, 6814867 Canada Limited (which was continued into Ontario as 1759857 Ontario Limited on December 2, 2011), owned 100% of the issued and outstanding shares of both Stratacon and ECI. On January 1, 2012, 1759857 Ontario Limited, Stratacon Inc. and EnerCare Connections Inc. amalgamated. The name of the amalgamated company is EnerCare Connections Inc.

The head office of EnerCare is located at 4000 Victoria Park Avenue, Toronto, Ontario, M2H 3P4.

2. Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2011. EnerCare has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 14, 2012, the date the board of directors approved the condensed interim consolidated financial statements. The board also has the authority to amend the condensed interim consolidated financial statements after they have been issued.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are described below.

Basis of Measurement

The condensed interim consolidated financial statements have been prepared under a historical cost convention, except for the revaluation of certain financial assets and financial liabilities recorded at fair value, including any derivative instruments.

Consolidation

The condensed interim consolidated financial statements of EnerCare consolidate the accounts of its subsidiaries. All inter-company transactions, balances and unrealized gains and losses from inter-company transactions are eliminated on consolidation.

Subsidiaries are those entities which EnerCare controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether EnerCare controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by EnerCare and are de-consolidated from the date that control ceases. As of the date of these condensed interim consolidated financial statements, 100% of the operating results and equity of the subsidiaries is attributable to EnerCare.

Business Combinations

Business combinations are presented in accordance with IFRS 3. Identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair values. Any excess purchase price over the identifiable net assets will be recorded as goodwill. Acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and short-term investments with maturities of less than 90 days after the date of purchase.

Financial Instruments

Financial assets and liabilities are recognized when EnerCare becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and EnerCare has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is eliminated or EnerCare is no longer required to transfer economic resources to a third party in respect of the obligation.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, EnerCare classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired for the purpose of selling or repurchasing in the short-term.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position, which is classified as non-current. The derivative related to the convertible debentures, prior to the conversion of EnerCare to a corporation and instruments accounted as hedges are classified in this category.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. EnerCare's loans and receivables are comprised primarily of trade receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, provisions, interest payable, other liabilities payable and bank debt and long-term debt. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are recognized at amortized cost using the effective interest rate method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of Financial Assets

At each reporting date, EnerCare assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, EnerCare recognizes an impairment loss on financial assets carried at amortized cost as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Trade Receivables

Trade receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the income statement.

Subsequent recoveries of amounts previously provided for are credited to the statement of income.

Provisions

Provisions for legal claims, where applicable, are recognized in other liabilities when EnerCare has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The discount rate, if applied, would be the risk free rate at the then measurement date. EnerCare performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset, including installation costs, labour, and direct overhead. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to EnerCare and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

The major categories of equipment are depreciated over the estimated useful lives of the assets on a straight-line basis as follows:

Water heaters	16 years
Furniture and fixtures	5 years
Computer equipment	3 years
Computer software	2-10 years
Installed meters	10 years
Other Sub-metering capital	length of the contract, typically 10-25 years
Leasehold improvements	over the term of the lease

Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of loss on disposal of equipment in the statement of income.

Leases

Leasing agreements which transfer to EnerCare substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the finance lease is included in the statement of income. All other leases are operating leases and the rental costs are charged to the statement of income on a straight-line basis over the lease term.

Intangible Assets

Intangible assets are predominantly related to contractual customer relationships and customer contracts acquired in business combinations that are recognized at fair value at the acquisition date. The contractual customer relationships and customer contracts have a finite useful life and are carried at cost less accumulated amortization and impairment charges. Amortization is calculated using the straight-line method over the expected life of 16 years.

Impairment of Non-financial Assets

Intangible assets and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGU”). The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. When there are indications of a potential decrease in a prior period impairment loss a reversal may be recognized through profit and loss. A change in amortization may be required based upon the estimated remaining service life.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. For goodwill, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified. Management monitors goodwill for internal purposes based on its operating segments.

To test for impairment, goodwill must be allocated to each segment that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those segments.

The unit to which goodwill has been allocated is tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit is not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, an impairment loss will be recognized.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order, first, reduce the carrying amount of any goodwill allocated to the unit; and then, reduce the carrying amounts of the other assets of the unit on a pro rata basis.

Convertible Debentures

The convertible debentures, issued in June and July 2010, have been recorded as a liability. The value of the debentures has been reduced at issuance to reflect the fair value of the conversion feature of these debentures. The reduction will be accreted to earnings over the term of the debentures using the effective interest method. For the period from the date of issue through to EnerCare's conversion to a corporation on January 1, 2011, the value of the conversion feature was reflected in other liabilities and revalued to fair value each reporting period. Changes in the fair value have been reflected through earnings. On January 1, 2011, the fair value of the conversion feature of $1,749 was transferred to equity of EnerCare and will no longer be subject to fair value adjustments each reporting period.

Long Term Compensation

Cash Based Payment Plans

The Performance Share Unit Plan ("PSUP") was originally implemented in 2007 to reward senior management and EnerCare's directors and amended in 2011 to, among other things, reflect conversion to a corporation. Awards are made in the form of phantom shares, which vest at the end of a three year period.

EnerCare adopted the Deferred Share Unit Plan ("DSUP") effective January 1, 2011 for non-employee directors. In addition to annual grants, pursuant to the DSUP, directors will receive 50% of their fees in the form of deferred share units until the director has met the director's share ownership requirements. Directors may also elect to have vested performance share units settled in deferred share units on a one-for-one basis and may elect once each calendar year to receive any portion of their fees in the form of deferred share units for the year. Such fee election can be changed on a quarterly basis. The vesting period is estimated to be three years.

The PSUP and DSUP plan liabilities are based upon the product of the number of share units, the vesting period, the average volume weighted share price for the five days preceding the last trading day of the period and performance criteria established for each grant and plan at each statement of financial position date. EnerCare's obligation for each plan is recorded in accounts payable and paid in cash, unless a director elects to have vested performance share units settled in deferred share units.

Share Based Payment Plan

Effective January 1, 2011, EnerCare implemented a stock option plan for officers of EnerCare. At the date of grant, options are valued using the Black-Scholes option pricing model giving consideration to the terms of plan and EnerCare's performance. Recorded amounts are reflected in contributed surplus and profit and loss for the period over the vesting period. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately.

Income Tax

EnerCare uses the liability method to determine the deferred income tax liability and related earnings impact. Under this method, deferred income tax assets and liabilities are determined based on differences between the accounting and tax value of assets and liabilities and are measured using the currently enacted, or substantially enacted, tax rates that will be in effect when the differences are anticipated to reverse. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantially enacted, at the end of the reporting period, and any adjustment to tax payable in respect to previous years.

Deferred income tax assets and liabilities are presented as non-current.

Revenue

Revenue is recognized when it is probable that the economic benefits will flow to EnerCare and delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are met at the time the equipment is installed and, depending on the delivery condition, title and risk have been passed to the customer and acceptance of the product, when contractually required, has been obtained. Revenue is measured based on the contract price, net of discounts at the time of sales.

The Rental business earns revenue based on the rental agreements that are managed under: (a) the co-ownership agreement with Direct Energy Marketing Limited ("DE") as well as (b) other third party arrangements. Under the co-ownership agreement with DE, EnerCare earns 65% of gross revenues, and the remaining 35% is earned by DE for installing and servicing the equipment. For all other portfolio assets that are not under the co-ownership agreement, including the Sub-metering assets, EnerCare recognizes 100% of the revenues, together with related operating and service costs.

Interest Expense and Financing Charges

Interest charges on debt are classified as an operating activity. Costs associated with the arrangement of long-term financing are netted against the carrying value of the debt and amortized on an effective interest method over the expected term of the debt.

Hedge Accounting

In 2009, EnerCare completed a series of cash flow hedge transactions which resulted in a charge to other comprehensive income. This loss is being amortized into income using the effective interest method based upon the maturity of the 6.20%, $60,000, Series 2009-1 Senior notes and the 6.75%, $270,000 Series 2009-2 Senior notes ("2009 Notes").

Dividends

Dividends on shares are recognized in EnerCare's financial statements in the period in which the dividends are approved by EnerCare's directors.

Critical Accounting Estimates and Judgments

EnerCare makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Billing and Servicing Matters

Earnings Items

DE, through Enbridge Gas Distribution Inc. ("EGD"), provides billing and collection services for substantially all of EnerCare's water heaters and other assets. Following the September 2009 billing system conversion implemented by DE, which coincided with a billing system conversion by EGD, EnerCare's ICFR identified issues principally associated with DE's system conversion impacting EnerCare's customers, including issues in respect of the allocation of customer payments, customer collections, and billing issues, including completeness of billing, billing in respect of new customers and implementation of new rental rates. EnerCare continues to work closely with DE to resolve billing issues as well as billing completeness.

At December 31, 2011, EnerCare estimated and recorded revenue accruals of $1,700 in respect of billings and adjustments expected to be recovered from customers, but did not include any amounts that EnerCare may recover from DE for lost revenues arising from the billing system conversion. During the first quarter of 2012, EnerCare collected $1,200. At March 31, 2012, EnerCare has $860 accrued resulting in an increase in income in the quarter of $360. The remaining balance is expected to be collected in 2012.

As reported in the second quarter of 2011, EnerCare reached an agreement in principle with DE to receive a payment of approximately $2,200 representing EnerCare's entitlement to unremitted customer payments for rentals outside of the EGD territory. The definitive agreement in respect of this settlement was entered into and payment in respect thereof was received in the first quarter of 2012. EnerCare continues to work with DE to resolve remaining billing, collection and remittance issues in respect of the non-EGD territory.

Buyout processing and other miscellaneous items from 2010 remain outstanding. EnerCare has recorded amounts expected to be charged to customers by DE and continues to work with DE to resolve issues relating to buyout processing.

Settlement with DE for an amount in excess of revenues recorded and recovery of any expenses accrued would result in an increase to previously stated EBITDA amounts.

Capital Items

At December 31, 2011, EnerCare was in discussions with DE regarding $3,672 of certain installation costs billed by DE for water heater installations. EnerCare came to an agreement with DE on account of installation costs to be borne by EnerCare and received a $1,500 payment from DE which was recorded as other income. EnerCare subsequently released approximately $2,172 reflecting the net balance of amounts previously withheld.

Contingent Consideration

The contingent consideration is re-measured based on revised estimates each reporting period with any differences recognized through earnings. As at December 31, 2010, the estimated contingent consideration of $4,300 decreased by $700 from $5,000 as at January 1, 2010 on account of a reduction in the estimated total obligation. As at March 31, 2012, an amount of $855 remained payable.

4. Cash and Cash Equivalents

	March 31, 2012	December 31, 2011
Cash at bank and in hand	**$ 5,056**	$ 17,344
Short-term deposits	**65,937**	57,946
Ending balance	**$ 70,993**	$ 75,290

5. Accounts Receivable

	March 31, 2012	December 31, 2011
Accounts receivable (net of provision)	**$ 26,643**	$ 27,275
Bad and doubtful debt provision:		
Opening balance	**$ 1,422**	$ 351
Charge for the period	**(265)**	1,071
Ending balance	**$ 1,157**	$ 1,422

6. Accounts Payable and Accrued Liabilities

	March 31, 2012	December 31, 2011
Accounts payable	**$ 13,187**	$ 14,968
Accruals	**7,760**	9,847
Long term compensation payables	**2,226**	1,657
Current taxes payable	**1,525**	5,708
Other payables	**1,365**	1,925
Ending balance	**$ 26,063**	$ 34,105

7. Capital Assets

As at March 31, 2012	Cost	Accumulated Depreciation	Net Book Value
Water Heaters	**$ 785,615**	**$ (364,887)**	**$ 420,728**
Sub-metering	**42,906**	**(9,968)**	**32,938**
Other	**7,877**	**(2,168)**	**5,709**
	$ 836,398	**$ (377,023)**	**$ 459,375**

As at December 31, 2011	Cost	Accumulated Depreciation	Net Book Value
Water Heaters	$ 782,854	$ (360,529)	$ 422,325
Sub-metering	41,306	(9,289)	32,017
Other	6,531	(1,983)	4,548
	$ 830,691	$ (371,801)	$ 458,890

During the quarter, EnerCare purchased $17,550 of water heater and HVAC equipment and $1,600 of sub-metering equipment. Due to asset changes, attrition and buyouts on contracts, EnerCare recorded a loss of $4,115 from the disposal of assets and recorded $1,692 of buyout revenues.

EnerCare also acquired a portfolio of water heaters and HVAC equipment for a purchase price of $2,053 (note 23). All amounts were recorded in capital assets.

8. Intangible Assets

As at March 31, 2012	Cost	Accumulated Depreciation	Net Book Value
Customer Relationships	**$ 743,336**	**$ (425,310)**	**$ 318,026**
Customer Contracts	**30,865**	**(29,347)**	**1,518**
	$ 774,201	**$ (454,657)**	**$ 319,544**

As at December 31, 2011	Cost	Accumulated Depreciation	Net Book Value
Customer Relationships	$ 743,336	$ (413,711)	$ 329,625
Customer Contracts	30,865	(29,278)	1,587
	$ 774,201	$ (442,989)	$ 331,212

9. Debt

	March 31, 2012	December 31, 2011
Current portion of long term debt:		
Opening balance as at January 1	**$ 61,131**	$ 1,195
Current portion of long-term debt	**240,294**	61,131
Repayment of debt	**(280)**	(1,195)
Total current portion	**$ 301,145**	$ 61,131
Non-current portion of long term debt and convertible debentures:		
Opening balance as at January 1	**$ 530,431**	$ 599,166
Current portion of long-term debt	**(240,294)**	(61,131)
Repayment of debt	**-**	(591)
Debenture conversions	**(4,913)**	(9,522)
Net deferred financing costs and interest accretion	**802**	2,509
Total non-current portion	**$ 286,026**	$ 530,431

Non-current long term debt	**$ 273,631**	$ 513,625
Convertible debentures	**12,395**	16,806

Under its revolving credit facility, which matures on January 28, 2014, EnerCare has a standby charge of 0.31%. EnerCare Solutions is subject to three principal financial covenants as defined in the loan documents. The covenants address interest and debt coverage. At March 31, 2012, EnerCare Solutions complied with these covenants and is able to fully utilize the revolver limit of $35,000. As at March 31, 2012, no amounts had been drawn on this revolver.

The long term debt balance includes the following items:

The 2009 senior debt consists of $60,000 6.20% 2009-1 Notes maturing on April 30, 2012 and $270,000 6.75% 2009-2 Notes maturing on April 30, 2014. Semi-annual interest payments are due on April 30 and October 30 in each year. These notes are collectively the “2009 Notes”. On April 30, 2012, EnerCare repaid the $60,000 2009-1 notes with cash on hand.

On February 19, 2010, EnerCare Solutions issued debt consisting of $240,000 5.25% 2010 Notes (the “2010 Notes”) with semi-annual interest payments on March 15 and September 15 in each year, with a maturity date of March 15, 2013.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of $6,422 was arranged in a series of advances bearing interest at rates between 7.50% and 8.75% with repayment terms ranging from 4 to 14 years ending in 2022.

On June 8, 2010 and July 6, 2010, EnerCare issued a total of $27,883 of 6.25% convertible unsecured subordinated debentures, $24,774 net of issue costs, with interest payable semi-annually on June 30 and December 31, commencing December 31, 2010, until maturity in June 2017. Each convertible debenture is convertible into common shares of EnerCare at the option of the holder at a conversion price of $6.48 per Share (or 154.3210 shares per $1,000 principal amount of convertible debentures). The convertible debentures are not redeemable by EnerCare prior to June 30, 2013. On and after June 30, 2013, and prior to June 30, 2015, EnerCare may redeem with proper notice the convertible debentures provided that the volume weighted average trading price of the shares for the 20 trading days prior to the 5th trading day before the redemption notification date is not less than 125% of the conversion price. On or after June 30, 2015, EnerCare may redeem with proper notice the convertible debentures for the principal amount plus accrued and unpaid interest. As at March 31, 2012, the principal balance of the convertible debentures was $13,448 as a result of debenture holder conversions. Convertible debenture principal of $4,913 was converted to shares during the first quarter ended March 31, 2012, as compared to $2,297 for the same period in 2011.

The following table summarizes the movement of the convertible debentures:

	March 31, 2012	December 31, 2011
Debt:		
Opening balance	**$ 18,361**	$ 27,883
Conversion of debentures	**(4,913)**	(9,522)
Ending principal	**$ 13,448**	$ 18,361
Unamortized transaction costs and discount:		
Opening balance	**$ (1,555)**	$ (2,863)
Conversion impact	**441**	943
Accretion	**61**	365
Ending transaction costs and discount	**$ (1,053)**	$ (1,555)
Total convertible debentures	**$ 12,395**	$ 16,806
Equity:		
Opening balance	**$ 10,328**	$ 1,749

Shares issued on debenture conversions	**4,780**	9,176
Transfer from contributed surplus to share capital	**(308)**	(597)
Ending equity impact	**$ 14,800**	$ 10,328

As of May 14, 2012, an additional $4,752 principal amount of convertible debentures converted to shares.

10. Share Capital

		March 31, 2012		March 31, 2011
Shares Issued and Outstanding	**Shares**	**Net Proceeds**	Shares	Net Proceeds
Opening balance at January 1:	**56,203**	**$ 509,722**	54,734	$ 500,546
Issued	**759**	**4,780**	354	2,061
Totals	**56,962**	**$ 514,502**	55,088	$ 502,607

EnerCare's articles of incorporation provide for the issuance of an unlimited number of common shares and 10,000,000 preferred shares. Shares issued after 2010 arise from the conversion of convertible debentures. At March 31, 2012, there were no preferred shares outstanding. Each series of preferred shares will have such rights, privileges, restrictions and conditions as may be determined by the board of directors prior to the issuance thereof. Holders of preferred shares, except as required by law, will not be entitled to vote at meetings of shareholders of EnerCare. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of EnerCare, whether voluntary or involuntary, the preferred shares are entitled to preference over the common shares and any other shares ranking junior to the preferred shares.

11. Earnings per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding during the period. Dilutive computations are based upon: (i) an if converted approach where interest expense attributable to the convertible debentures on an after tax basis is added back to earnings as part of the numerator and the impact of additional shares as a result of the conversion feature of 154.3210 shares per $1,000 principal amount is added to the denominator and (ii) stock options whereby the number of dilutive shares is calculated as the difference between the number of shares issued and the number of shares that would have been issued at the average market price during the period based upon the assumed initial proceeds. Options are not dilutive if the average price is below the strike price.

The convertible debentures and stock options were anti-dilutive for 2012 and therefore were excluded from the calculation of diluted earnings per share.

The computations of basic and diluted earnings per share are shown below:

Three months ended March 31,	**2012**	2011
Net loss	**$ (169)**	$ (1,061)
After tax impact of convertible debentures	**224**	374
Fully diluted net earnings/(loss)	**55**	(687)
Weighted average shares outstanding	**56,554**	54,952
Dilutive impact of convertible debentures and stock options	**2,188**	3,948
Fully diluted shares outstanding	**58,742**	58,900
Basic/Diluted earnings/(loss) per share	**$ (0.00)**	$ (0.02)

12. Dividends

The following table outlines the dividend declarations as approved by the board of directors and the related per share amounts.

Three months ended March 31,	**2012**	2011
Dividends declared per share during the period	**$ 0.166**	$ 0.162
Dividends declared after March 31,		
April		
Dollars	**$ 3,190**	$ 2,975
Shares	**56,962**	55,089
Per share/unit amount	**$ 0.056**	$ 0.054

13. Long Term Compensation Plans

EnerCare operates the following share based compensation plans: the PSUP, DSUP and the Share Option Plan ("SOP").

Cash Based Payment Plans

The PSUP awards phantom shares to management in consideration for past services provided, support achievement of EnerCare's performance objectives; align interests of key persons with the success of EnerCare, and to retain management. These phantom shares vest equally over a three year period, and are based on the achievement of certain service and/or performance criteria, and are non-forfeitable. Dividends on the phantom shares accrue at the same rates as dividends on the shares.

EnerCare adopted the DSUP effective January 1, 2011 for non-employee directors to assist EnerCare to promote a greater alignment of interests between the directors and the shareholders, provide a compensation system for the directors that is reflective of the responsibility, commitment and risk accompanying board membership; assist EnerCare to attract and retain individuals with experience and ability to serve as members of the board; and allow the directors to participate in the long-term success of EnerCare. Pursuant to the DSUP, directors will receive 50% of their fees in the form of deferred share units until the director has met the director's share ownership requirements. Directors may also elect once each calendar year to receive any portion of their fees in the form of deferred share units for the year, such election can be changed on a quarterly basis. A director's entitlement under the DSUP may be redeemed only when the director ceases to be a director and must be redeemed no later than the end of the calendar year following the date the director ceases to be a director. Dividends on these deferred shares accrue at the same rates as dividends on the shares.

Share Based Payment Plans

Effective January 1, 2011, EnerCare implemented a stock option plan for officers of EnerCare. The purpose of the plan is to support the achievement of the corporation's objectives, align officer interests with the success of the corporation and provide compensation opportunities to attract retain and motivate key management employees. Options must be exercised within 8 years after the grant date with vesting equally over the first 3 years. All vested options must be exercised within 2 years, 1 year or 90 days of the termination date in respect of retirement/disability, death and termination, respectively. Options are settled through the issuance of treasury shares for the strike price consideration.

The fair value of the options at the date of grant was determined using the Black-Scholes option pricing model giving consideration to the terms of the plan and EnerCare's performance. The significant variables included in the model were as follows:

- An expected option life of approximately 5.5 years;
- A risk free rate based upon Government of Canada bonds corresponding to the expected option life;
- Stock prices based upon the daily close for the past 36 months resulting in a 33% volatility measure; and
- Dividend yield was based on historical levels preceding the date of grant.

The weighted average remaining contractual life is approximately 8 years.

Changes in the number of long term compensation plan awards outstanding and their related weighted average prices are as follows:

	PSUP		DSUP		SOP	
(in thousands except price)	#	$	#	$	#	$
At January 1, 2012	216	9.39	95	9.39	453	-
Granted	130	9.50	29	9.50	-	-
Director's optional purchases	-	-	8	9.88	-	-
Phantom dividends	7	-	2	-	-	-
Forfeited	-	-	-	-	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
At March 31, 2012	**353**	**9.88**	**134**	**9.88**	**453**	**-**
Expensed in the period	**-**	**377**	**-**	**203**	**-**	**40**
Liabilities payable	**-**	**1,444**	**-**	**782**	**-**	**-**

	PSUP		DSUP		SOP	
(in thousands except price)	#	$	#	$	#	$
At January 1, 2011	299	6.84	-	-	-	-
Granted	71	6.84	29	6.84	416	7.22
Director's optional purchases	-	-	6	6.84	-	-
Phantom dividends	5	-	1	-	-	-
Forfeited	(102)	-	-	-	-	-
Exercised	(31)	6.84	-	-	-	-
Expired	(17)	-	-	-	-	-
At March 31, 2011	225	6.64	36	6.64	416	-
Expensed in the period		111		37		21
Liabilities payable		480		37		-

Price per share is the average price per share at the close of market on the day preceding the last trading day of the month or the five day weighted dollar volume average immediately preceding the last trading day of the month as applicable to the terms of the plans.

14. Commitments

Under operating lease agreements for office premises and office equipment, EnerCare is required to make annual minimum lease payments. The aggregate amount of future minimum payments is as follows:

	March 31, 2012
Payments due within 2012	**$ 290**
Payments due in 2013	**321**
Payments due in 2014	**248**
Payments due in 2015	**363**
Payments due in 2016	**386**
Payments due in 2017	**64**
Total commitments under non-cancellable operating leases	**$ 1,672**

The operating lease payments recognized in the condensed interim consolidated statement of income for the period ended March 31, 2012 is $184 (2011 - $179).

15. Contingent Liabilities

EnerCare is a party to a number of product liability claims and lawsuits in the ordinary course of business. Management is of the opinion that any liabilities that may arise from these lawsuits have been adequately provided for in these condensed interim consolidated financial statements.

16. Financial Instruments

The main risks EnerCare's financial instruments are exposed to include credit risk, liquidity risk and market risk.

Credit Risk

EnerCare is exposed to credit risk on accounts receivable from customers. EnerCare's credit risk is considered to be low.

EnerCare's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. For less than 5% of its Rental portfolio, EnerCare is exposed to credit risk in the normal course of business for customers who are billed by DE or are billed by EGD outside their service territory. For accounts receivable from customers billed on EGD invoices within their service territory, EnerCare is guaranteed payment by EGD for 99.42% of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued. A related trust agreement also serves to mitigate EnerCare's credit exposure on receivables owing from EGD. EnerCare is exposed to credit risk in the Sub-metering business for billable service charges and commodity charges when paid on behalf of the landlord and passed through to customers. For a small percentage of Sub-metering buildings, customer payments are collected by EnerCare and remitted net of service charges to landlords, mitigating credit risk.

There are no amounts that are past due nor impaired that have not been provided for.

Liquidity Risk

EnerCare believes it has low liquidity risks given the makeup of its accounts payable and accrued liabilities, provisions, interest payable, other liabilities payable and dividends payable. EnerCare measures liquidity risk through comparisons of current financial ratios with the financial covenants contained in its credit facility agreement, Master Trust Indenture and Supplemental Trust Indentures as applicable. To reduce liquidity risk, EnerCare has maintained financial ratios which comply with the financial covenants applicable to the borrowings and has staggered its senior debt maturity dates through to April 30, 2014.

The covenants under the 2009 Notes and 2010 Notes are contained in a Master Trust Indenture and Supplemental Trust Indentures effective January 29, 2010 and February 19, 2010, respectively. Under the terms of these indentures, EnerCare may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the incurrence test is less than 3.8 to 1. The incurrence test is the ratio of defined EBITDA over defined interest expense calculated 12 months in arrears. EnerCare exceeded this threshold requirement at March 31, 2012.

EnerCare is examining opportunities to refinance its 2010 Notes and 2009-2 Notes in order to take advantage of the current low interest environment. In respect of the $60,000 2009-1 Notes, EnerCare paid the entire amount from cash on hand on April 30, 2012. In respect of the $240,000 of 5.25% Series 2010-1 Senior Unsecured Notes, which mature on March 15, 2013, EnerCare is examining opportunities to refinance these notes on or before March 15, 2013 in order to take advantage of the current low interest environment. EnerCare continues to generate considerable cash flow from operations as a result cash and cash equivalents from December 31, 2011 decreased by $4,297 to $70,993 as of March 31, 2012. In addition, as of March 31, 2012, EnerCare had an unused line of credit of $35,000 available.

The summary of financial obligations and contractual maturities related to undiscounted non-derivative financial liabilities excluding accounts payable was as follows:

Period	Principal Payments	Interest Payments
Within the remainder of 2012	$ 60,851	$ 27,596
Due in 2013	241,198	25,777
Due in 2014	271,251	10,265
Due in 2015	1,299	1,049
Due in 2016	1,003	951
Due in 2017 and thereafter	14,268	482
Total	$ 589,870	$ 66,120

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of EnerCare. Short-term instruments (accounts receivable, accounts payable and accrued liabilities) are not subject to market risk.

Following the completion of financing activities through to July 2010, EnerCare's borrowings are fixed rate obligations maturing in 2012, 2013 and 2014. The fixed rate obligations assumed with the Stratacon acquisition have maturities through 2022.

EnerCare's market risk is considered to be low.

Fair Value

The carrying values of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities approximate their fair values due to their relatively short periods to maturity.

Fair value measurements recognized in the consolidated statement of financial position must be categorized in accordance with the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

The following table presents the carrying amounts and the fair values of EnerCare's financial assets and liabilities at March 31, 2012 and December 31, 2011. The estimated fair values of the financial instruments are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

		March 31, 2012		December 31, 2011
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 70,993**	**$ 70,993**	$ 75,290	$ 75,290
Trade and other receivables in the scope of IAS 39	**26,643**	**26,643**	27,275	27,275
Total financial assets	**$ 97,636**	**$ 97,636**	$102,565	$102,565
Financial liabilities measured at amortized cost:				
Gross senior borrowings	**$570,000**	**$593,217**	$570,000	$591,717
Gross convertible debentures	**13,448**	**20,577**	18,361	26,264
Stratacon debt	**6,422**	**6,422**	6,702	6,702
Deferred transaction costs	**(2,699)**	**-**	(3,501)	-
Total borrowings	**587,171**	**620,216**	591,562	624,683
Trade and other payables in the scope of IAS 39	**41,094**	**41,094**	47,550	47,550
Total financial liabilities	**$628,265**	**$661,310**	$639,112	$672,233

All financial assets and liabilities recorded at fair value are classified as Level 1 financial instruments.

17. Capital Risk Management

EnerCare's capital management strategy is designed to maintain financial strength and flexibility to support profitable growth in all business environments. EnerCare continually monitors its capital management strategy and makes adjustments as appropriate. EnerCare's capital management strategy, objectives, evaluation measures, definitions and targets have not changed significantly from the prior year.

EnerCare was in compliance with all covenants under the 2009 Notes, 2010 Notes and revolver as at March 31, 2012.

18. Selling, General and Administrative

Three months ended March 31,	**2012**	2011
Employee compensation and benefits	**$ 3,167**	$ 2,434
Billing and servicing	**2,808**	2,598
Selling, office and other	**1,786**	1,819
Professional fees	**1,348**	1,642
Claims and bad debt	**1,193**	1,347
Total	**$ 10,302**	$ 9,840

19. Related Parties and Transactions with DE

Key Management

Key management includes EnerCare's officers and directors. External director's fees are included in professional fees as part of total selling, general and administrative expenses. Total compensation and benefits to key management for employee services is shown below:

Three months ended March 31,	**2012**	2011
Salaries and short-term benefits	**$ 1,125**	$ 1,138
Other employment benefits	**15**	13
Long term benefits	**335**	132
Total	**$ 1,475**	$ 1,283

Transactions with DE

EnerCare's relationship with DE is significant, as DE services and supports more than 90% of EnerCare's customers and installed asset base. The following agreements govern the principal affairs between EnerCare and DE.

Co-ownership Agreement:

Under this agreement, DE receives, subject to certain exceptions, 35% of the gross revenue generated by the co-owned portfolio of assets and is obligated to service that asset portfolio, effectively operating the day-to-day activities of that portion of the Rentals business. Pursuant to an agreement between DE and EnerCare, DE is entitled to put forth one individual for consideration by EnerCare's board for inclusion in EnerCare's annual management information circular for election as a director of EnerCare for as long as it is servicer under the co-ownership agreement.

Origination Agreement:

Under this agreement, subject to certain exceptions, DE must offer to sell all rental water heaters to EnerCare at prescribed prices, essentially at DE's cost plus an inventory service fee and a set installation fee. EnerCare has no obligation to purchase any water heaters. The agreement also establishes an incentive fee payable to DE should certain growth targets be achieved. The initial term of the origination agreement is through December 2022 and is subject to extension or early termination in certain circumstances.

Other Agreements with DE:

In addition to the above agreements, EnerCare and DE have entered into an agreement for the servicing of TH Energy units, as these units are not subject to the co-ownership agreement. This agreement provides for the administration and servicing of the portfolio on a fee-for-service basis.

EnerCare and DE have also entered into an agreement for the origination and servicing of HVAC rental units, whereby DE originates HVAC rental customers and provides servicing to these HVAC rental customers. EnerCare has the right to originate HVAC rental customers outside of this arrangement with DE.

Details of amount paid or payable to DE are as follows:

Three months ended March 31,	**2012**	2011
Origination agreement:		
Capital expenditures	**$ 13,328**	$ 13,260
GreenSource acquisition	**2,053**	-
Inventory service fee	**858**	839
Other capital expenditures	**1,401**	1,454
Other expenses, including billing and servicing costs	**829**	870
Total payments	**$ 18,469**	$ 16,423

20. Provisions

On a regular basis, EnerCare evaluates key accounting estimates based upon historical information, internal and external factors and probability factors to measure provisions. The key provision is on account of claims as a result of water damage caused by faulty water heaters. The claims provision is a current liability estimated as the product of the average anticipated dollar loss and the current and anticipated incidents.

	March 31, 2012	December 31, 2011
Opening balance:	**$ 1,592**	$ 2,728
Charged/(credited) to the statement of income:		
Additional provision	**872**	3,719
Reversals	**(424)**	(1,167)
Claims spending during the period	**(933)**	(3,688)
	$ 1,107	$ 1,592

All claims generated during the years ended are typically paid out within 12 months, therefore no discounting in the provisions have been calculated.

21. Changes in Working Capital

The following table reconciles the changes in working capital during the comparative periods as presented in the condensed interim consolidated statement of cash flows.

Three months ended March 31,	**2012**	2011
Accounts and other receivables	**$ 632**	$ 30
Prepaid and other assets	**(165)**	(941)
Accounts payable and accrued liabilities	**(8,042)**	1,128
Provisions	**(485)**	(66)
Interest payable	**1,972**	2,736
Total	**$(6,088)**	$ 2,887

22. Segment information

Management has determined the operating segments based on the reports reviewed by the President and CEO that are used to make strategic decisions.

The President and CEO considers EnerCare from a product perspective. The reportable operating segments derive their revenue primarily from (a) the rental of water heaters and other energy related assets and, (b) the sub-metering of multi-unit residential and commercial properties.

The Rentals segment consists of a portfolio of approximately 1.2 million installed water heaters and other assets, rented primarily to residential customers in Ontario. The Sub-metering segment is engaged principally in providing the equipment and services to allow sub-metering and remote measurement of electricity and water consumption in individual units in condominiums, apartment buildings and commercial properties primarily in Ontario. The Corporate segment reports the costs for management oversight of the combined business, public reporting and filings, financing activities, corporate governance and related expenses. There are no transfers between the Rentals and Sub-metering segments so no inter-segment eliminations are required.

EnerCare assessed its performance of the reporting units on a measure of EBITDA as follows:

	Three months ended March 31, 2012				Three months ended March 31, 2011			
Segment Data	**Rentals**	**Sub-Metering**	**Corporate**	**Total**	Rentals	Sub-Metering	Corporate	Total
Total revenue	**$ 46,847**	**$ 16,473**	**$ -**	**63,320**	$ 46,895	$ 14,405	-	$ 61,300
Expenses:								
Commodity	**-**	**(12,183)**	**-**	**(12,183)**	-	(10,593)	-	(10,593)
SG&A	**(3,532)**	**(2,784)**	**(3,986)**	**(10,302)**	(3,834)	(2,653)	(3,353)	(9,840)
Adjusted EBITDA	**43,315**	**1,506**	**(3,986)**	**40,835**	$ 43,061	$ 1,159	$ (3,353)	$ 40,867
Loss on disposal	**(4,115)**	**-**	**-**	**(4,115)**	(4,640)	-	-	(4,640)
EBITDA	**39,200**	**1,506**	**(3,986)**	**36,720**	38,421	1,159	(3,353)	36,227
Amortization	**(24,938)**	**(748)**	**(188)**	**(25,874)**	(25,436)	(580)	(224)	(26,240)
Interest income				**185**				112
Interest expense				**(10,330)**				(10,691)
Other income				**1,500**				-
Current taxes				**(3,311)**				(1,584)
Deferred tax recovery				**941**				1,115
Net earnings/(loss)				**(169)**				(1,061)
Segment assets	**757,920**	**55,301**	**76,702**	**889,923**	819,154	47,049	65,101	931,304
Equipment additions	**17,550**	**1,600**	**1,348**	**20,498**	15,341	1,788	170	17,299
Segment liabilities	**470,675**	**13,974**	**286,026**	**770,675**	182,167	16,414	596,640	795,221

The amounts provided to the President and CEO with respect to total assets and total liabilities are measured in a manner consistent with that of the condensed interim consolidated financial statements. These assets and liabilities are allocated based on the operation of the segment. Segment assets for 2011 have been restated to conform to the 2012 presentation. EnerCare has reclassified the intangibles related to the Sub-metering business from the corporate segment to the Sub-metering segment.

23. Acquisition of Water Heaters from GreenSource Capital Inc.

On February 29, 2012, EnerCare acquired approximately 3,421 water heaters and HVAC equipment from GreenSource Capital Inc., a subsidiary of DE, for cash consideration of $2,053, of which $5 in acquisition costs were expensed. EnerCare is in the process of validating the assets and as such the purchase price is preliminary and subject to adjustment. The estimated fair value of the net assets acquired is entirely allocated to equipment with a fair value for $2,053

The rental revenue from GreenSource is not subject to the Co-ownership Agreement between EnerCare and DE. Rental revenue and profit in the current period, related to GreenSource, was approximately $68 and $53, respectively. EnerCare has entered into a transitional services agreement with DE to provide service support to customers on a fee-for-service basis.