EnerCare Inc.

Consolidated Financial Statements

Year Ended December 31, 2014

Dated March 2, 2015

pwc

March 2, 2015

Independent Auditor's Report

To the Shareholders of EnerCare Inc.

We have audited the accompanying consolidated financial statements of EnerCare Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 financial position of EnerCare Inc. and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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EnerCare Inc.

Consolidated Statements of Financial Position

(in thousands of Cdn $) As at December 31,	2014	2013
Assets		
Current assets		
Cash and cash equivalents (note 4)	**$ 68,055**	$ 25,940
Accounts receivable (note 5)	**73,725**	38,086
Inventory (note 6)	**5,649**	-
Prepaid expenses	**2,623**	1,246
	150,052	65,272
Capital assets (note 9)	**499,579**	468,039
Intangible assets (note 10)	**590,195**	238,029
Reimbursement right - pension (note 14)	**15,284**	-
Goodwill (note 11)	**144,295**	2,962
Deferred tax asset (note 15)	**8,327**	4,578
	$ 1,407,732	$ 778,880
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 65,683**	$ 40,320
Current portion of long-term debt (note 13)	**1,258**	1,213
Obligations under finance leases (note 12)	**1,981**	-
Provisions (note 25)	**1,150**	1,187
Interest payable	**4,540**	5,044
Deferred revenue	**5,290**	94
Dividends payable	**5,550**	3,389
	85,452	51,247
Long-term debt (note 13)	**683,691**	535,193
Convertible debentures (note 13)	**3,162**	3,914
Long-term obligations under finance leases (note 12)	**5,473**	-
Employee benefit plans (note 14)	**29,737**	-
Deferred tax liability (note 15)	**122,332**	117,230
	929,847	707,584
Shareholders' equity		
Share capital (note 16)	**956,281**	523,676
Contributed surplus	**989**	863
Accumulated other comprehensive loss	**(251)**	-
Deficit	**(479,134)**	(453,243)
	477,885	71,296
	$ 1,407,732	$ 778,880

Commitments and contingent liabilities are found in notes 19 and 20 respectively.

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

EnerCare Inc.

Consolidated Statements of Income

(in thousands of Cdn $, except per share amounts) For the years ended December 31,		2014		2013
Revenues				
Contracted revenue	$	350,586	$	297,985
Sales and other services		11,361		791
Investment income		806		373
Total revenues		362,753		299,149
Expenses				
Cost of goods sold and services provided				
Commodity charges		97,673		90,671
Maintenance and servicing costs		10,600		-
Sales and other services		8,121		578
Selling, general & administrative (note 24)		70,978		43,394
Amortization				
Capital assets (note 9)		54,242		53,141
Intangibles (note 10)		50,639		46,579
Loss on disposal of equipment		9,874		11,640
Gain on retirement of finance lease obligations		(15)		-
Interest				
Interest expense (note 13)		28,891		31,219
Make-whole charge on early redemption of debt (note 13)		-		13,754
Total expenses		331,003		290,976
Other income (note 23)		408		4,447
Earnings for the year before income taxes		32,158		12,620
Tax expense				
Current tax expense (note 15)		27,287		21,852
Deferred income tax recovery (note 15)		(17,405)		(18,050)
Total tax expense		9,882		3,802
Net earnings for the year	$	22,276	$	8,818
Weighted average number of shares outstanding (note 17)		65,077		58,190
Weighted average number of diluted shares outstanding (note 17)		65,909		58,929
Basic and diluted earnings per share (note 17)	$	0.34	$	0.15

EnerCare Inc.

Consolidated Statements of Comprehensive Income

(in thousands of Cdn $) For the years ended December 31,		2014		2013
Net earnings for the year	$	22,276	$	8,818
Reclassification of cash flow hedge loss to earnings		-		4,023
Items that will not be reclassified to earnings				
Remeasurements of defined benefit plans (note 14)		(341)		-
Tax effect of remeasurements of defined benefit plans		90		-
Comprehensive income for the year	$	22,025	$	12,841

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

EnerCare Inc.
Consolidated Statements of Changes in Equity

(in thousands of Cdn $) For the years ended December 31,	2014	2013
Share Capital		
Balance - beginning of year	$ 523,676	$ 520,997
Shares issued (note 16)	431,781	-
Shares issued on debenture conversion (net of issue costs) (notes 13, 16)	824	2,679
Share Capital - end of year	956,281	523,676
Contributed Surplus		
Balance - beginning of year	863	785
Shares issued on debenture conversion (net of issue costs) (notes 13, 16)	(31)	(131)
Employee share options:		
Value of services recognized	157	209
Contributed Surplus - end of year	989	863
Accumulated Other Comprehensive Loss		
Balance - beginning of year	-	(4,023)
Reclassification of cash flow hedge loss to earnings	-	4,023
Remeasurements of defined benefit plans	(341)	-
Tax effect of remeasurements of defined benefit plans	90	-
Accumulated Other Comprehensive Loss - end of year	(251)	-
Deficit		
Balance - beginning of year	(453,243)	(422,122)
Net earnings for the year	22,276	8,818
Dividends	(48,167)	(39,939)
Deficit - end of year	(479,134)	(453,243)
Shareholders' equity - end of year	$ 477,885	$ 71,296

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

EnerCare Inc.

Consolidated Statements of Cash Flows

(in thousands of Cdn $) For the years ended December 31,		2014		2013
Cash provided by/(used in):				
Operating activities				
Net earnings for the year	**$**	**22,276**	$	8,818
Items not affecting cash				
Amortization				
Capital assets (note 9)		**54,242**		53,141
Intangibles (note 10)		**50,639**		46,579
Loss on disposal of equipment		**9,874**		11,640
Gain on retirement of finance lease obligations		**(15)**		-
Non-cash interest expense		**954**		5,435
Defined benefit plan expense		**809**		-
Employee share options		**157**		209
Deferred income tax recovery (note 15)		**(17,405)**		(18,050)
Contributions to defined benefit pension plan		**(517)**		-
Operating cash flow		**121,014**		107,772
Net change in non-cash working capital (note 26)		**24,615**		7,919
Cash provided by operating activities		**145,629**		115,691
Investing activities				
Purchase of capital assets (note 9)		**(85,573)**		(79,279)
Acquisition of OHCS - net of cash received (note 31)		**(440,113)**		-
Acquisition of ESN (note 30)		**(3,035)**		-
Proceeds from disposal of vehicle leases		**7**		-
Proceeds from disposal of equipment - warranty recoveries		**2,138**		1,517
Proceeds from disposal of equipment - buyout receipts		**3,281**		3,203
Cash used in investing activities		**(523,295)**		(74,559)
Financing activities				
Dividends to shareholders		**(46,006)**		(39,799)
Share issuance, net of costs (note 16)		**318,243**		-
Proceeds from revolving line of credit		**-**		2,000
Proceeds from issuance of long-term debt		**210,000**		285,000
Repayment of revolving line of credit		**-**		(2,000)
Repayment of obligations under finance leases		**(340)**		-
Repayment of long-term debt		**(61,214)**		(271,286)
Financing costs on long-term debt		**(902)**		(1,733)
Cash provided by/(used in) financing activities		**419,781**		(27,818)
Increase in cash and cash equivalents		**42,115**		13,314
Cash and cash equivalents - beginning of year		**25,940**		12,626
Cash and cash equivalents - end of year (note 4)	**$**	**68,055**	$	25,940
Supplementary information				
Interest paid	**$**	**28,441**	$	38,722
Income taxes paid	**$**	**29,624**	$	23,900

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

1. Organization and Nature of Business

EnerCare Inc. ("EnerCare") holds all of the issued and outstanding shares of EnerCare Solutions Inc. ("EnerCare Solutions"), which through its wholly-owned subsidiaries owns a portfolio of water heaters and other assets which are primarily rented to customers in Ontario. EnerCare also owns EnerCare Connections Inc., which operates in the sub-metering ("Sub-metering") business primarily in Ontario. EnerCare Connections Inc. was formed through the amalgamation on January 1, 2012 of Stratacon Inc. and EnerCare Connections Inc.

EnerCare Solutions is the successor to The Consumers' Waterheater Operating Trust (the "Trust"). On October 20, 2014, EnerCare, through a subsidiary of EnerCare Solutions, acquired the Ontario home and small commercial services business ("OHCS") of Direct Energy Marketing Limited ("DE") (the "Acquisition"). The assets acquired and liabilities assumed included components of working capital, capital assets, intangible assets, goodwill, finance leases and employee future benefits (note 31).

OHCS serviced and supported more than 90% of EnerCare's rentals business installed asset base at the time of closing of the Acquisition through origination and co-ownership agreements. Prior to the Acquisition, under the co-ownership agreement, EnerCare was entitled to 65% of the revenue and other payments and OHCS was entitled to the remaining 35% of the revenue. For OHCS' portion of the revenue, it was primarily responsible for servicing and maintaining EnerCare's rentals business capital assets subject to certain exceptions and limitations. In addition, OHCS independently sold protection and maintenance plans for furnaces, air conditioners, boilers and other equipment, sold and financed HVAC equipment and other on demand residential and small commercial equipment and provided maintenance and repair services. The combined business unit is known as "Home Services".

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

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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, except for the adoption of new accounting standards as described in note 3.

Certain comparative amounts have been reclassified to conform to the current period's presentation, as a result of the Acquisition which include contracted revenue, sales and other services revenues, cost of goods sold and services provided – sales and other services, prepaid expenses and capital assets.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 2, 2015, the date the board of directors approved the consolidated financial statements.

3. Significant Accounting Policies

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

Basis of Measurement

The consolidated financial statements have been prepared under a historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments, employee benefit plans and the reimbursement right - pension as described in note 14.

Consolidation

The 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. EnerCare controls an entity when it is exposed to, 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 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 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 3R. 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 period 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 financial 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 financial liabilities are offset and the net amount is reported in the consolidated 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 financial 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 consolidated statement of income. Gains and losses arising from changes in fair value are presented in the consolidated statement of income within other gains and losses in the period in which they arise. Financial assets and financial 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 consolidated statement of financial position, which is classified as non-current.

(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 accounts receivable and cash and cash equivalents, 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 accounts payable and accrued liabilities, provisions, interest payable, dividends payable, deferred revenue, obligations under finance leases and long-term debt. Amounts are initially recognized at the amount required to be paid less, when material, a discount to reduce the amount to fair value. Subsequently, amounts are recognized at amortized cost using the effective interest rate method. Long-term debt is 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.

Accounts Receivable

Accounts receivable 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 an accounts receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the consolidated statement of income.

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

Inventory

Inventory consists of residential furnaces, boilers, air conditioners held for sale or parts used in servicing equipment. Inventory is stated at the lower of cost and net realizable value. The cost of inventory is determined on a weighted average cost basis.

Inventory is considered for obsolescence based on current estimates of future use.

Provisions

Provisions for legal claims, where applicable, are recognized 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 measurement date. EnerCare performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Capital Assets

Capital assets are 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 consolidated statement of income during the period in which they are incurred.

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

Rental equipment	16 years
Furniture and fixtures	3-5 years
Computer equipment	3-5 years
Computer software	2-10 years
Installed meters	10 years
Installed meters – other	length of the contract, typically 10-25 years
Vehicles	over the term of the lease
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 consolidated 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 leases is included in the consolidated statement of income. All other leases are operating leases and the rental costs are charged to the consolidated 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 to 20 years.

Impairment of Non-financial Assets

Intangible assets and capital assets 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 of disposal 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 EnerCare's share of the identifiable net assets of the acquired business 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 consolidated statement of financial position date or more frequently when indicators of impairment are identified.

For the purposes of impairment testing, goodwill is allocated to a CGU or group of CGUs which corresponds to the level at which goodwill is internally monitored by the Chief Operating Decision Maker.

The recoverable amount is the higher of value in use and fair value less costs of disposal. A goodwill impairment is recognized for any excess of the carrying amount of the CGU or groups of CGUs over its recoverable amount. Goodwill impairments are not reversible.

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 rate method.

Long Term Compensation

Cash Based Payment Plans

EnerCare has a Performance Share Unit Plan ("PSUP") for eligible employees as described in note 28. Awards are made in the form of phantom shares, which vest at the end of a three year period.

EnerCare has also adopted the Deferred Share Unit Plan ("DSUP") for non-employee directors as described in note 28. 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 consolidated 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

EnerCare has a stock option plan for officers of EnerCare as described in note 28. 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 the consolidated statement of income 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.

Employee Share Purchase Plan

Effective November 1, 2014, EnerCare implemented an Employee Share Purchase Plan ("ESPP") for all eligible employees of EnerCare. Under the plan, employees can purchase shares of EnerCare, up to a maximum of $10 per year or 5% of base salary. EnerCare will award one matching share for every two shares purchased by an employee over a two year vesting period during which EnerCare will recognize an expense over the vesting period. Employee contributions held by EnerCare at the end of a period are classified as restricted cash until such time the funds are transferred to the administrative agent for the purchase of EnerCare shares.

Income Tax

EnerCare uses the liability method and determines deferred income tax assets and liabilities based on differences between the accounting and tax value of assets and liabilities. These 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 consolidated 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.

Relationship with Franchisees

In certain regions of Ontario, EnerCare outsources the sale of air conditioners, boilers, furnaces and other services and protection plans to seven third party franchisees and earns royalties based on the revenue earned by the franchisees. As part of the arrangement, which expires in 2034, EnerCare facilitates the invoicing and collection of receivable balances from the franchisees' customers and remits the franchisees' portion of the collected amounts, thereby recognizing as revenue the royalty earned. Royalty revenue of $9,248 (2013 - $0) was recognized during the year.

EnerCare also manages an advertising fund ("Ad Fund"), established to collect and administer funds contributed by the franchisees for use in advertising programs. Contributions to the Ad Fund are based on a percentage of each franchisee's revenue. In accordance with IAS 18 "Revenue", these contributions are not recorded as revenue but are netted against the advertising expenses incurred by EnerCare as it is acting in substance, as an agent for the franchisees with regard to these contributions.

Revenue

General

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 service is provided or 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 sale.

Amounts invoiced in advance of revenue recognition are recorded as deferred revenue. Revenue recognized prior to invoicing is recorded as unbilled accounts receivable and is included in accounts receivable.

Contract Revenues

Rental and Sub-metering Revenue

Prior to October 20, 2014, rental revenue was based on the rental agreements that were managed under: (a) the co-ownership agreement with DE as well as (b) other third party arrangements. Under the co-ownership agreement with DE, EnerCare earned 65% of gross revenues, and the remaining 35% was earned by DE for installing and servicing the equipment. As of the Acquisition, EnerCare recognizes 100% of these revenues together with related operating and service costs in non-franchised regions. In certain areas of Ontario, franchisees service the equipment and receive revenues net of a royalty payable to EnerCare.

For all other portfolio assets that were not under the co-ownership agreement, including the Sub-metering assets, EnerCare recognizes 100% of the revenues, together with related operating and service costs.

Protection Plans

Within this product offering, EnerCare provides both maintenance service contracts and full service protection plans. Under maintenance service contracts, EnerCare has the obligation to perform one annual maintenance service on the customer's equipment when requested by the customer. Maintenance service revenue is recognized when the service is performed, or when EnerCare no longer has an obligation to provide the maintenance service.

Full service protection plans consist of fixed-fee service contracts for residential air conditioners and furnaces directly with the end customer. These fixed-fee service contracts are for a 12 month term and are billed annually, quarterly or monthly in advance. Amounts billed are initially recorded as deferred revenue and recognized as revenue on a straight-line basis over the term of the service period, which represents an estimate of the incidence of risk over the contract term. For protection plan sales originated by franchisees, EnerCare earns royalties when the contract is initiated with the customer as the franchisee retains the service obligation.

These full service protection plan arrangements are considered insurance contracts under IFRS 4. In the event that the estimated future costs of full service protection plan contracts exceed the associated revenue to be recognized, a loss is recognized in net income immediately.

Sales and Other Services

Sale and Installation of Equipment

Sale and installation of equipment in the Home Services segment is primarily comprised of residential furnaces, boilers, air conditioners through both the corporate and franchised regions. For Sub-metering, revenue related to the sale and installation of water conservation products in apartments and condominiums sales is recognized when installation is complete.

Other Services

Other services include chargeable services such as on demand repairs and maintenance and duct cleaning, and royalties thereon when the services are performed by third party franchisees. Revenue from other services is recognized when the services are provided.

Interest Expense and Financing Charges

Interest charges on debt are classified as an operating expense. Costs associated with the arrangement of long-term financing are netted against the carrying value of the debt and amortized on an effective interest rate 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 was being amortized into income using the effective interest rate method based upon the maturity of the 6.20% $60,000, Series 2009-1 Senior Unsecured Notes (the "2009-1 Notes") and the 6.75% $270,000 Series 2009-2 Senior Unsecured Notes (the "2009-2 Notes"). The Series 2009-1 Notes matured in April 2012, while the Series 2009-2 Notes were redeemed in March 2013.

Dividends

Dividends on shares are recognized in EnerCare's consolidated financial statements in the period in which the dividends are approved by EnerCare's board of 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 consolidated financial statements. Management continually evaluates estimates and judgments which 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.

Revenue Accruals

At December 31, 2014, the Home Services business recorded a revenue accrual of approximately $45,800 (2013 - $900) reflecting accrued service periods. Unbilled protection plans comprise approximately $28,400 (2013 - $0) of this balance which is predominantly made up of protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of twelve months. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

At December 31, 2014, the Sub-metering business recorded a revenue accrual of approximately $10,850 (2013 - $14,350), reflecting accrued service periods, increases in Billable units, reductions in the backlog of non-billing customers and pass through commodity charges.

Bad Debt Provisions

The Home Services business is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge Gas Distribution Inc. ("EGD") within its service territory and secondarily when billed by EnerCare or are billed by EGD outside of its service territory. For billing within the EGD service territory, EnerCare is guaranteed payment by EGD for 99.56% in 2014 and 99.46% in 2013 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

As a result of a Sub-metering billing backlog following the implementation of a new billing system, EnerCare modified some of its collection programs in the latter half of 2012 and implemented full collection procedures during the second quarter of 2013. During the fourth quarter of 2013, EnerCare reassessed the bad debts provision in light of the completion of the billing backlog and collection results and increased the bad debts expense by $2,046, resulting in a bad debt expense of $3,246 for 2013. Bad debt expenses of $160 in the fourth quarter of 2014 resulted in a bad debt expense of $1,135 for 2014.

Management evaluates a number of factors and assumptions in the determination of the bad debt provisions which was approximately $8,711 at December 31, 2014, compared to approximately $7,025 in 2013. Changes in any of variables or assumptions may result in a materially different amount.

Leases

Management applies judgment in its assessment of EnerCare's arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership lie with the company or the customer.

Impairment of Non-Financial Assets and Goodwill

Impairment tests are conducted at least annually, or as warranted by prevailing circumstances at the time of reporting. The recoverable amount is based upon a number of assumptions, including but not limited to: discount rates, billing suites, cash flows and expenses. Changes in any of these assumptions may result in a materially different recoverable amount.

Employee Benefit Plans

Employee defined benefit pension plan balances, as described in note 14, are subject to a number of assumptions. The actuarial valuations rely on estimates and assumptions including those for wage escalation, mortality, health care and dental costs inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have a material impact on the employee benefit plans liability and employee benefit plan costs.

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that realization is considered probable. Judgments regarding projected future income and tax planning strategies are considered in making this assessment.

Business Combination

With respect to the preliminary estimated fair value of acquired assets and assumed liabilities and other adjustments related to the Acquisition, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the Acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing date of October 20, 2014. Accordingly, the final fair value determinations may differ from those set forth in these consolidated financial statements and such differences may be material.

Adoption of New Accounting Standards

EnerCare has adopted new or revised standards as required by IFRS, effective January 1, 2014.

IFRIC 21, "Levies" provides guidance on accounting for levies in accordance with IAS 37, "Provisions, contingent liabilities and contingent assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. Management has determined that this new interpretation did not have any material impact on the amounts recognized in EnerCare's consolidated financial statements.

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. EnerCare has modified its disclosures to meet the amendments in IAS 36.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by EnerCare in future years:

Employee Future Benefits

IAS 19, "Employee Benefits" ("IAS 19"), was amended in November 2013. The amendments include changes to the accounting treatment of employee or third-party contributions to defined benefit plans under certain circumstances, and will be effective for EnerCare on January 1, 2015.

Revenue Recognition

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. EnerCare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial Instruments

The final version of IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the IASB in July 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. EnerCare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Presentation of Financial Statements

IAS 1, "Presentation of Financial Statements" ("IAS 1") was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated statements of financial position and consolidated statements of income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the consolidated statements of income in the form of additional subtotals as they are relevant to understanding the entity's financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. EnerCare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

4. Cash and Cash Equivalents

As at December 31,	**2014**	2013
Cash at bank	**$67,779**	$25,940
Restricted cash	**276**	-
Ending balance	**$68,055**	$25,940

On December 30, 2014, EGD settled approximately $30,000 of EnerCare's December billings in advance of its normal settlement dates. Under the OBA cash is typically paid 21 days after billing.

Restricted cash consists of employee contributions to the ESPP which were held by EnerCare at the end of the year and will be used, on behalf of employees, to purchase EnerCare shares in the following period.

5. Accounts Receivable

As at December 31,	**2014**	2013
Billed accounts receivable	**$25,671**	$29,861
Unbilled accounts receivable	**56,765**	15,250
Bad and doubtful debt provision	**(8,711)**	(7,025)
Accounts receivable (net of provision)	**$73,725**	$38,086

Bad and doubtful debt provision:		
Opening balance	**$ 7,025**	$ 3,100
Charge for the year	**1,686**	3,925
Ending balance	**$ 8,711**	$ 7,025

Unbilled accounts receivables represent $28,439 (2013 - $0), primarily related to protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of twelve months. The remaining unbilled receivables reflect the accrued service periods for residential water heaters and other products.

6. Inventory

As at December 31,	**2014**	2013
Inventory	**$5,728**	$ -
Less: inventory obsolescence	**(79)**	-
Inventory (net of provision)	**$5,649**	$ -

Inventory obsolescence provision:		
Opening balance	**$ -**	$ -
Charge for the year	**79**	-
Ending balance	**$ 79**	$ -

During the year ended December 31, 2014, $3,850 (2013 - $16) of inventory was recognized as part of cost of goods sold and services provided in the consolidated statement of income.

7. Accounts Payable and Accrued Liabilities

As at December 31,	**2014**	2013
Accounts payable	**$12,224**	$10,762
Accruals	**37,049**	16,821
Compensation payable	**7,163**	3,715
Current taxes payable	**3,772**	6,109
Other payables	**5,475**	2,913
Ending balance	**$65,683**	$40,320

8. Protection Plan Contracts

Full service protection plans are fixed-fee service contracts for residential air conditioners and furnaces. The contracts protect the customer against the risk of breakdowns, resulting in the transfer of an element of risk to EnerCare. Benefits provided to the customer vary in accordance with the terms and conditions of the contract entered into however, they generally include maintenance, repair and/or replacement of items affected. A provision for anticipated claims is not recognized due to the short elapsed time between an incident and settlement.

The levels of risk exposure and service provision to customers are dependent on the occurrence of uncertain future events, in particular the nature and frequency of faults and the cost of repair or replacement of the items affected. Accordingly, the timing and amount of future cash outflows associated with the contracts is uncertain. The key terms and conditions that affect future cash flows are as follows:

The provision of parts and labour for repairs, dependent on the agreement and associated level of service; and

There is no limit to the number of call-outs to carry out repair work and limits on certain servicing and repair costs.

When the estimated future costs of protection plan contracts exceed the associated revenue to be recognized, a loss is recognized in net earnings immediately. The future costs of the protection plan contracts are dependent on the number and nature of service requests for the associated equipment. Management estimates the future costs of protection plan contracts based on its historical experience of service requests for similar equipment and manages risk by monitoring the cost of service requests, product reliability and limiting the contract term to one year.

Amounts recognized in the consolidated financial statements related to protection plan contracts is as follows:

	2014	2013
Revenue	**$11,128**	$ -
Cost of service	**5,826**	-
Deferred revenue net of service obligation	**$1,472**	$ -

9. Capital Assets

2014 and 2013	Rental Equipment	Metering Equipment	Leased Vehicles	Other	Total
At December 31, 2012:					
Cost	$791,969	$51,702	$ -	$10,120	$853,791
Accumulated depreciation	(380,929)	(11,847)	-	(2,754)	(395,530)
Net book value	**$411,040**	**$39,855**	**$ -**	**$ 7,366**	**$458,261**
Additions	$ 68,709	$9,477	$ -	$ 1,093	$ 79,279
Loss on disposal before proceeds	(16,360)	-	-	-	(16,360)
Depreciation for the year	(47,521)	(3,993)	-	(1,627)	(53,141)
At December 31, 2013	$415,868	$45,339	$ -	$ 6,832	$468,039
At December 31, 2013:					
Cost	$813,787	$61,179	$ -	$10,073	$885,039
Accumulated depreciation	(397,919)	(15,840)	-	(3,241)	(417,000)
Net book value	**$415,868**	**$45,339**	**$ -**	**$ 6,832**	**$468,039**
Additions	$ 77,558	$ 7,471	$ -	$ 544	$ 85,573
Loss on disposal before proceeds	(15,285)	-	(15)	-	(15,300)
Acquisition – Niagara portfolio (note 30)	1,230	-	-	-	1,230
Acquisition – OHCS (note 31)	3,441	-	7,636	3,202	14,279
Depreciation for the year	(46,730)	(4,800)	(419)	(2,293)	(54,242)
At December 31, 2014	$436,082	$48,010	$7,202	$ 8,285	$499,579
At December 31, 2014:					
Cost	$849,474	$68,650	$7,321	$13,799	$939,244
Accumulated depreciation	(413,392)	(20,640)	(119)	(5,514)	(439,665)
Net book value	**$436,082**	**$48,010**	**$7,202**	**$ 8,285**	**$499,579**

10. Intangible Assets

2014 and 2013	Customer Relationships	Customer Contracts	Total
At December 31, 2012:			
Cost	$ 743,336	$ 33,270	$ 776,606
Accumulated depreciation	(460,104)	(31,894)	(491,998)
Net book value	**$ 283,232**	**$ 1,376**	**$ 284,608**
Amortization for the year	$ (46,396)	$ (183)	$ (46,579)
At December 31, 2013	$ 236,836	$ 1,193	$ 238,029
At December 31, 2013:			
Cost	$ 743,336	$ 33,270	$ 776,606
Accumulated depreciation	(506,500)	(32,077)	(538,577)
Net book value	**$ 236,836**	**$ 1,193**	**$ 238,029**
Acquisition – Niagara portfolio (note 30)	$ 1,805	$ -	$ 1,805
Acquisition – OHCS (note 31)	401,000	-	401,000
Amortization for the year	(50,547)	(92)	(50,639)
At December 31, 2014	**$ 589,094**	**$ 1,101**	**$ 590,195**
At December 31, 2014:			
Cost	$1,146,141	$ 33,270	$1,179,411
Accumulated depreciation	(557,047)	(32,169)	(589,216)
Net book value	**$ 589,094**	**$ 1,101**	**$ 590,195**

11. Goodwill

The following table provides details by reporting segment about the changes in the carrying amounts of goodwill for the years ended December 31, 2014 and 2013.

	Home Services	Sub-metering	Total
Balance at January 1 and December 31, 2013	$ -	$2,962	$ 2,962
Acquisition – OHCS (note 31)	141,333	-	141,333
Ending balance at December 31, 2014	**$141,333**	**$2,962**	**$144,295**

As described in note 3, Significant Accounting Policies, goodwill is reviewed for impairment annually, or at any time if an indicator of impairment exists.

For the annual impairment tests, recoverable amounts are determined based on value in use using discounted cash flows. The five-year cash flow projections relating to the goodwill arising from the Acquisition were established using an EBITDA growth rate of 6.5% and a 3% terminal growth factor, discounted at a pre-tax rate of 13.5%.

12. Obligations under finance leases

Obligations under finance leases are secured by the leased vehicles. EnerCare has a Master Lease Agreement with the lessor, where the lessor will acquire vehicles and lease them to EnerCare.

The obligations under finance leases bear floating interest rates ranging from 0.5% to 7% per annum. The finance leases mature at dates ranging between January 2015 and December 2020. During the year ended December 31, 2014, EnerCare recognized $71 (2013 - $0) of interest expense related to the obligations under finance leases.

As at December 31,	**2014**	2013
Obligations under finance leases	**$7,454**	$ -
Less: current portion	**(1,981)**	-
	$5,473	$ -

Future minimum lease payments under finance leases are as follows:

As at December 31,	Principal	Interest	Lease Payments
Due in 2015	$1,981	$361	$2,342
Due in 2016	1,808	268	2,076
Due in 2017	1,551	177	1,728
Due in 2018	1,160	96	1,256
Due in 2019	701	39	740
Thereafter	253	6	259
	$7,454	$947	$8,401

13. Debt

Bank indebtedness, current and long term debt:

As at December 31,	2014	2013
Bank indebtedness:		
Opening balance January 1	**$ -**	$ -
Revolver – drawdown	**-**	2,000
Revolver – repayment	**-**	(2,000)
Total bank indebtedness	**$ -**	$ -
Current portion of long term debt:		
Opening balance January 1	**$ 1,213**	$ 1,198
Repayment of debt	**(1,214)**	(1,198)
Current portion of Stratacon debt	**1,259**	1,213
Total current portion of long term debt	**$ 1,258**	$ 1,213
Non-current portion of long term debt:		
Senior debt principal amount	**$535,000**	$520,000
Stratacon debt principal amount	**3,072**	4,373
Unamortized financing costs and interest accretion	**(2,879)**	(2,492)
Opening balance January 1	**$535,193**	$521,881
Current portion of Stratacon debt	**$ (1,259)**	$ (1,213)
Repayment of debt	**(60,000)**	(270,088)
Issuance of debt	**210,000**	285,000
Financing costs	**(902)**	(1,733)
Amortization of financing costs	**659**	1,346
Total non-current portion	**$683,691**	$535,193
Senior debt principal amount	**$685,000**	$535,000
Stratacon debt principal amount	**1,813**	3,072
Unamortized financing costs and interest accretion	**(3,122)**	(2,879)
Total non-current portion of long term debt	**$683,691**	$535,193

On October 20, 2014, EnerCare Solutions' entered into a $100,000, five-year revolving, non-amortizing variable rate credit facility (the "Revolver"), replacing the former $35,000 facility. The Revolver has a standby fee of 0.20% and at December 31, 2014, no amounts were drawn. EnerCare Solutions is subject to two principal financial covenants as defined in the Revolver and term loan credit facility (the "Term Loan") documents. The covenants address interest and debt coverage. At December 31, 2014, EnerCare Solutions complied with these covenants.

The long term debt balance includes the following items:

The senior debt consists of the $250,000 4.30% 2012-1 Senior Unsecured Notes (the "2012 Notes") maturing on November 30, 2017 and the $225,000 4.60% 2013-1 Senior Unsecured Notes (the "2013 Notes") maturing on February 3, 2020, with semi-annual interest payments due on May 30 and November 30 and February 3 and August 3 in each year, respectively.

On January 28, 2013, EnerCare Solutions entered into a $60,000 variable rate, single draw, term loan maturing on January 28, 2016 ("Previous Term Loan"). On October 20, 2014, the Previous Term Loan was repaid through the proceeds of the $210,000 non-revolving, non-amortizing variable rate Term Loan, maturing on October 20, 2018. Deferred financing costs of $902 were incurred in relation to the issuance of the $210,000 Term Loan.

In March 2013, the 2009-2 Notes were redeemed, including a make-whole payment of $13,754, from proceeds of the issuance of the 2013 Notes and drawdown of the Previous Term Loan.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of $3,071 as at December 31, 2014 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.

Convertible Debentures:

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 were 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.

The following table summarizes the movement of the convertible debentures:

As at December 31,	**2014**	2013
Convertible Debentures:		
Opening principal	**$4,081**	$6,760
Financing costs	**(167)**	(364)
Opening balance at January 1:	**$3,914**	$6,396
Principal conversions	**$ (824)**	$(2,679)
Transfer of financing costs to equity upon conversion	**31**	131
Amortization of financing costs to expense	**41**	66
Ending balance	**$3,162**	$3,914
Principal balance	**$3,257**	$4,081
Financing costs	**(95)**	(167)
Ending balance	**$3,162**	$3,914

From January 1, 2015 to February 27, 2015, approximately $326 principal amount of additional convertible debentures were converted to shares.

Interest Expense:

(000s)	**2014**	2013
Interest expense payable in cash	**$24,065**	$25,784
Interest paid on subscription receipts	**3,097**	-
Equity bridge financing fees	**775**	-
Make-whole payment on early redemption of debt	**-**	13,754
Non-cash items:		
Notional interest on employee benefit plans	**254**	-
Amortization of OCI and financing costs	**700**	5,435
Interest expense	**$28,891**	$44,973

Interest expense payable in cash is associated with debt and convertible debenture activity in 2014 and 2013. As part of the Acquisition, subscription receipts were issued and subsequently converted to Shares upon the closing of the Acquisition on October 20, 2014. While the subscription receipts were outstanding, they were classified as a financial liability, resulting in interest expense of $3,097, which was equivalent to the dividend payments on such subscription receipts had they been Shares. Equity bridge financing fees of $775 were incurred as part of the Acquisition. The make-whole payment of $13,754 was incurred upon the early redemption of the 2009-2 Notes and the drawdown of the Previous Term Loan. Notional interest of $254 in 2014 relates to the employee benefits plan acquired as part of the Acquisition. Amortization of OCI and financing costs for 2013 include the previously unamortized costs associated with the 2009-2 Notes and $4,023 of accumulated OCI which was fully reclassified to earnings in the first quarter of 2013.

14. Employee Benefit Plans

Defined Benefit Plans

In connection with the Acquisition (note 31), DE established a mirror pension plan ("RPP") to their current registered pension plan ("DE Plan"). The RPP has both defined benefit and defined contribution components. The defined benefits provide for partially indexed pensions based on years of service and the final 5 years' average earnings for contributory service and final 3 years' average earning for non-contributory service.

Subject to regulatory approval, the pension assets and liabilities of DE employees who transferred to EnerCare at the closing of the Acquisition ("Transferred Employees") will transfer from the DE Plan to the RPP. Until such time, in accordance with the asset purchase agreement ("Asset Purchase Agreement"), DE has committed to fund the solvency deficit relating to these employees and remains responsible for the sponsorship and administration of the pension plan, including exposure to the return on any plan assets. The RPP must be fully funded, on a solvency basis, prior to being transferred to EnerCare. Accordingly, EnerCare has recognized a receivable, identified as a "Reimbursement Right - Pension" in the consolidated statement of financial position as at December 31, 2014 in the amount of $15,284. As the ultimate amount of the reimbursement is not yet known at the acquisition date, any changes that occur through to the final settlement of the reimbursement amount and transfer of the plan will be recognized as a measurement period adjustment under purchase accounting.

EnerCare is responsible for current service cost contributions relating to Transferred Employees until such time that EnerCare assumes sponsorship and administration of the RPP. The defined benefit component of the RPP is closed to new members.

EnerCare also provides other post-employment benefits other than pensions to qualifying employees ("OPEB"), these include medical, dental and insurance benefits. The OPEB is closed to new members.

The cost of employee benefit plans is recognized as the Transferred Employees provide service to EnerCare and the obligation for these plans were measured individually at December 31, 2014 and October 20, 2014, as the present value of the benefit obligation less the fair value of plan assets. The cost of the defined benefit plan is actuarially determined using the projected unit credit method and the use of best estimates of compensation level increase, retirement ages of workers, mortality rates, health costs and other factors. Remeasurements, which include actuarial gains and losses, are recognized in other comprehensive income, with the exception of any changes to the reimbursement amount and transfer of the plan, as described above.

Regulatory Framework

The RPP is a registered pension plan under the Ontario Pension Benefits Act ("PBA"), which requires certain minimum benefit standards and funding levels. Minimum funding requirements under the PBA are determined based on actuarial valuations on both a going concern and solvency basis that are required at a minimum of every three years. The last actuarial valuation for funding purposes was as at October 20, 2014 and a subsequent valuation is being prepared prepared as of December 31, 2014. Deficits under the going concern basis may be funded over a period up to 15 years, beginning one year from the valuation date. In addition, solvency valuations must be performed which simulate a plan wind-up. Deficiencies established on a solvency basis may be funded over a period of up to five years, beginning one year from the valuation date (post-retirement cost of living adjustments are not required to be included in the solvency liabilities).

The OPEB is not funded in advance.

Funding of the RPP

EnerCare's practice is to contribute to the RPP the minimum required under the PBA, but additional contributions may be made at EnerCare's discretion. The employees do not make contributions to RPP.

Governance of Defined Benefit Pension Plans

DE will continue as the sponsor and administrator for the RPP until regulatory approval is received for the transfer of the plan assets to the RPP and assumption of the RPP by EnerCare. As a result, DE's pension committee oversees the administration of the pension plans, on EnerCare's behalf, in accordance with applicable legislation and approves the governance structure, including the mandates of those to whom administrative duties and responsibilities have been delegated.

Risks

While DE administers the RPP, EnerCare is responsible for current service cost contributions and accordingly, the most significant risks related to the RPP is if EnerCare does not make such contributions in a timely manner. EnerCare will only bear the risk for factors such as market returns and inflation related to the RPP, when EnerCare assumes sponsorship and administration of the RPP. Sources of risks for EnerCare's defined benefit plans as at December 31, 2014 include:

Corporate Bond Yields

The discount rate used when reporting the liability for balance sheet purposes is determined in reference to corporate bond yields. When yields decrease the liabilities in the plans rise, and conversely when yields increase the liabilities in the plans decrease. While some of the assets for the funded plan are invested in corporate bonds, this represents a small portion of the overall liabilities in the plans. This mismatch means that the overall deficit position is subject to the movements in corporate bond yields. This risk is a significant source of variation in the employee benefit plans liability from year to year.

Government Bond Yields

The discount rate used when determining the RPP plan's solvency position for funding purposes is determined in reference to government bond yields. When yields decrease the liabilities in the plan rise, and conversely when yields increase the liabilities in the plan decrease. While some of the assets are invested in government bonds, the weighting is less than the overall liabilities in the plan. This mismatch means that the funded status of the plan is subject to movements in government bond yields. Government bond yields represent a significant risk associated with the cash funding requirements of the RPP.

Longevity

The benefits payable to members are generally provided for the life of the member as well as the member's spouse. The life expectancy of members is a significant assumption used in the determination of the plans' liabilities, and increases in life expectancy, or the survival experience of members being higher than expected, will lead to increases in the plans' liability. This risk is particularly significant because the cost of benefits in all plans is linked to inflation, further increasing the cost of benefits if members live longer than expected.

Inflation

The benefits payable to members in the RPP are increased by a proportion of the increase of the Consumer Price Index each year. In addition, active member's benefits are linked to final average earnings, and earnings increases are typically seen to increase in high inflationary environments. The benefits payable to members in the post-retirement benefits plan generally increase with increases in medical costs. All of these assumptions are linked to inflation. An increase in the inflation assumption, or a period of high inflation, will generally increase the liabilities. Given the strong link the benefits have to inflation this is a significant source of risk. The medical trend rate, while linked with inflation, has traditionally been higher than inflation and represents an additional, and significant, source of inflation risk for the post-retirement benefits plan.

Risk Controls

DE manages the risks (other than then in respect of OPEB, which is managed by EnerCare) through plan design reviews, as appropriate, and regular valuations of the plan and DE will manage such risks until regulatory approval is granted and EnerCare assumes sponsorship and administration of the RPP.

The total cost of the employee benefit plans recognized in selling, general and administrative and interest expense are as follows:

As at December 31,	**2014**	2013
Pension		
Current service cost	**$636**	$ -
Interest	**103**	
	$739	$ -
OPEB		
Current service cost	**$173**	$ -
Net interest cost	**151**	
	$324	$ -

Remeasurements of the employee benefit plans recognized in other comprehensive income are as follows:

As at December 31,	**2014**	2013
OPEB		
Actuarial gains and losses arising from changes in financial assumptions	**$434**	$ -
Actuarial gains and losses arising from demographic and other experience	**(93)**	-
	$341	$ -

Employee Benefit Plan Liability

The liability for the employee benefit plans is comprised of the following:

As at December 31,	**2014**	2013
Pension		
Present value of defined benefit obligations	**$(74,928)**	$ -
Fair value of plan assets	**64,077**	-
	$(10,851)	$ -
OPEB		
Present value of unfunded defined benefit obligations	**$(18,886)**	$ -
	$(29,737)	$ -

Defined Benefit Obligations

The movements in the total present value of defined benefit obligations are as follows:

As at December 31,	**2014**	2013
Pension		
Obligation, beginning of year	**$ -**	$ -
Acquisition of OHCS	**73,691**	-
Current service cost	**636**	-
Interest expense on the defined benefit obligations	**601**	-
Obligation, end of year	**$74,928**	$ -
OPEB		
Obligation, beginning of year	**$ -**	$ -
Acquisition of OHCS	**18,221**	-
Current service cost	**173**	-
Interest expense	**151**	-
Actuarial loss	**341**	-
Benefits paid	**-**	-
Obligation, end of year	**$18,886**	$ -

Fair Value of the Plan Assets

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

As at December 31,	**2014**	2013
Pension		
Fair value, beginning of year	**$ -**	$ -
Acquisition of OHCS	**61,025**	-
Interest income	**498**	-
Actuarial gains	**2,037**	-
Contributions	**517**	-
Fair value, end of year	**$64,077**	$ -

Reimbursement Right – Pension

The movement in the total fair value of the Reimbursement Right - Pension is as follows:

As at December 31,	**2014**	2013
Pension		
Balance, beginning of year	**$ -**	$ -
Acquisition of OHCS adjustments	**13,473**	-
Interest income	**110**	-
Actuarial gains	**1,701**	-
Balance, end of year	**$15,284**	$ -

Actuarial Assumptions

The significant actuarial assumptions used in the determination of the present value of the defined benefit obligation are as follows:

As at December 31,		2014	2013
Pensions			
Discount rate (RPP)		**4.10%**	-%
Salary growth rate - Union	Until 2014	**0.00%**	-%
	From 2015	**3.00%**	-%
Salary growth rate - Non-Union	Until 2015	**3.75%**	-%
	From 2016	**4.25%**	-%
Inflation		**2.00%**	-%
Increase in maximum pension limit		**3.00%**	-%
Mortality table		**CPM Private using projection scale CPM-B**	
Male life expectancy, age 60		**25.9 years**	
Male life expectancy, age 65		**21.5 years**	
Female life expectancy, age 60		**28.7 years**	
Female life expectancy, age 65		**24.0 years**	
OPEB			
Weighted average assumptions to determine defined benefit obligations:			
Discount rate		**4.10%**	-%
Mortality table		**Final CPM 2014 Private Mortality Table with scale CPM-B**	
Immediate health care cost trend rate		**5.86%**	-%
Ultimate health care cost trend rate		**4.00%**	-%
Year reached ultimate health care cost trend rate		**2029**	
Weighted average assumptions to determine defined benefit costs:			
Discount rate		**4.20%**	-%
Mortality table		**Final CPM 2014 Private Mortality Table with scale CPM-B**	
Immediate health care cost trend rate		**5.90%**	-%
Ultimate health care cost trend rate		**4.00%**	-%
Year reached ultimate health care cost trend rate		**2029**	

Sensitivity Analysis

	Increase in Liability December 31, 2014	Increase
Pensions		
100 basis point decrease in the discount rate	**$17,531**	23.4%
100 basis point increase in the long term salary rate	**5,919**	7.9%
Impact on the cost of living adjustments of a 100 basis point increase in inflation	**4,870**	6.5%
90% of mortality rates	**1,345**	1.8%
OPEB		
100 basis point decrease in the discount rate	**24,058**	127.4%
Impact of a 1 year increase in life expectancy	**19,504**	103.3%
100 basis point increase in health care cost trend rates	**23,511**	124.5%

Maturity Analysis

The approximate duration of the pension plans is 23.4 years while the approximate duration of the other long-term benefits plan is 25.0 years. The undiscounted liabilities of the plan can be broken into the following durations:

	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at December 31, 2014					
Pension	**$583**	**$852**	**$4,204**	**$180,543**	**$186,182**
OPEB	**45**	**97**	**676**	**57,085**	**57,903**
Total	**$628**	**$949**	**$4,880**	**$237,628**	**$244,085**

15. Income Taxes

Income tax expense is recognized based on management's best estimates of the weighted average annual income tax rate for the full financial year. The estimated average annual rate used for each of the years ended December 31, 2014 and 2013 was 26.50%. The provisions for income taxes in the consolidated statements of earnings reflect an effective rate that differs from the combined Canadian federal and provincial rates, as follows:

For the year ended December 31,	**2014**	2013
Tax expense at statutory rate of 26.50%	**$ 8,522**	$ 3,344
Tax effects of:		
Future tax rate differential	**-**	-
Non-deductible expenses	**1,330**	852
Recognition of previously unrecognized losses	**-**	(632)
Other	**30**	238
Total	**$ 9,882**	$ 3,802
Current tax expense	**27,287**	21,852
Deferred income tax recovery	**(17,405)**	(18,050)
Total tax expense	**$ 9,882**	$ 3,802

The provision for income taxes in 2014 reflects both a provision for temporary difference expected to be reversed in the future and the impact of future changes in tax rates applicable to EnerCare.

Deferred income tax asset and liability

The deferred income tax asset and liability on EnerCare's consolidated statement of financial position reflect the estimated tax on temporary and other differences. The movement of the deferred income tax accounts are as follows:

As at December 31,	**2014**	2013
As at January 1:	**$(112,652)**	$(130,702)
Step up of deferred income tax on Acquisition (note 31)	**(22,924)**	-
Deferred tax related to share issuance costs	**4,076**	-
Deferred tax on remeasurements of defined benefit plan	**90**	-
Deferred income tax recovery	**17,405**	18,050
Total	**$(114,005)**	$(112,652)

EnerCare's management expects that the future tax assets will be recoverable based on the expected growth and profitability of the Home Services and Sub-metering businesses.

The balance of the deferred income tax asset and liability classified by temporary differences is as follow:

As at December 31,	2014	2013
Deferred tax asset		
Loss carry forwards	**$ 4,566**	$ 4,990
Allowances and provisions	**4,417**	2,390
Financing fees	**3,472**	-
Employee future benefit obligations	**3,830**	-
Other	**-**	1,114
	16,285	8,494
Deferred tax liability		
Equipment and intangible assets	**(119,965)**	(102,127)
Temporary difference – subsidiary tax year end	**(9,934)**	(18,780)
Other	**(391)**	(239)
	(130,290)	(121,146)
Total	**$(114,005)**	$(112,652)

Classification

As at December 31,	2014	2013
Deferred tax asset	**$ 8,327**	$ 4,578
Deferred tax liability	**(122,332)**	(117,230)
Total	**$(114,005)**	$(112,652)

Tax loss carry forward expiry schedule

As at December 31,	2014	2013
Expire in 2022	**$ 109**	$ 109
Expire in 2023	**914**	914
Expire in 2024	**2,902**	2,902
Expire in 2025	**3,055**	3,055
Thereafter	**10,249**	12,031
Total loss carry forwards	**$17,229**	$19,011

16. Share Capital

As at December 31,		2014		2013
Shares Issued and Outstanding	**Shares**	**Dollars**	Shares	Dollars
Opening balance at January 1:	**58,425**	**$523,676**	58,012	$520,997
Issued:				
New share issuance – note 31	**33,328**	**431,781**	-	-
Principal conversion of debentures	**127**	**824**	413	2,679
Transfer of financing costs to equity	**-**	**(31)**	-	(131)
Transfer from contributed surplus	**-**	**31**	-	131
Totals	**91,880**	**$956,281**	58,425	$523,676

EnerCare's articles of incorporation provide for the issuance of an unlimited number of common shares and 10,000,000 preferred shares. At December 31, 2014, 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.

In conjunction with the Acquisition, EnerCare completed an offering of 25,635,525 subscription receipts at a price of $13.00 per subscription receipt (which included 1,788,525 subscription receipts sold as a result of the exercise in full of the over-allotment option by the underwriters). In accordance with the terms of the agreement pursuant to which the subscription receipts were issued, upon closing of the Acquisition on October 20, 2014, each outstanding subscription receipt was exchanged for one common share of EnerCare, resulting in the issuance of 25,635,525 shares and a cash payment equal to $0.1208 per subscription receipt. The cash payment was equal to the aggregate amount of dividends per share for which record dates occurred since the issuance of the subscription receipts, less any withholding taxes, if any. Transaction costs associated with the issuance of the subscription receipts of $15,019, or $10,943 net of deferred tax of $4,076, relate to commissions, legal and underwriter fees incurred and have been netted against proceeds.

In addition to the offering of Subscription Receipts, the Acquisition was partially financed through a private placement of 7,692,308 common shares of EnerCare to DE, with a fair value of the common shares at closing of $109,462. The common shares issued to DE are subject to a 12-month lock-up and thereafter, one-half of such shares are subject to a further 6-month lock-up.

17. 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 net 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 computations of basic and diluted earnings per share are shown below:

For the year ended December 31, (in thousands – except per share amounts)	**2014**	2013
Net earnings	**$22,276**	$ 8,818
After tax impact of options and convertible debentures	**193**	307
Fully diluted net earnings	**22,469**	9,125
Weighted average shares outstanding	**65,077**	58,190
Dilutive impact of options	**329**	109
Dilutive impact of convertible debentures	**503**	630
Weighted average diluted shares outstanding	**65,909**	58,929
Basic and diluted earnings per share	**$ 0.34**	$ 0.15

18. Dividends

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

For the year ended December 31,	**2014**	2013
Dividends declared per share during the year	**$ 0.72**	$ 0.69
Dividends declared after December 31,		
January		
Dollars	**$ 5,551**	$ 3,390
Shares	**91,910**	58,455
Per share/unit amount	**$ 0.06**	$ 0.058
February		
Dollars	**$ 5,553**	$ 3,391
Shares	**91,930**	58,462
Per share/unit amount	**$ 0.06**	$ 0.058

The total amount of dividends declared after December 31, 2014 are estimated above and are subject to change dependent upon the actual convertible debenture conversions prior to the record date, if any.

19. 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:

As at December 31,	**2014**	2013
Due in 2015	**$ 1,616**	$ 379
Due in 2016	**1,705**	397
Due in 2017	**606**	70
Due in 2018	**-**	-
Due in 2019	**-**	-
Thereafter	**-**	-
Total commitments under non-cancellable operating leases	**$3,927**	$ 846

The operating lease payments recognized in the consolidated statement of income for the year ended December 31, 2014 were $1,671 (2013 - $1,064).

20. Contingent Liabilities

EnerCare and a subsidiary of EnerCare Solutions have been named in legal proceedings commenced by certain competitors seeking specified and unspecified damages based on allegations that EnerCare, its service provider, EcoSmart Home Services Inc., and others engaged in unlawful surveillance and other unlawful activities aimed at the door to door sales efforts of the competitors.

EnerCare is also 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 consolidated financial statements.

21. 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 for Home Services and moderate for Sub-metering.

EnerCare's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. For more than 95% of Home Services revenues EnerCare is guaranteed payment by EGD for 99.56% of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued. EnerCare is exposed to credit risk in the normal course of business for customers who are billed directly by EnerCare or are billed by EGD outside its service territory. For accounts receivable from customers billed on EGD invoices within its service territory 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 normal course of business associated with the billing of Sub-metering customers and landlords. Since EnerCare employs various billing models with Sub-metering, credit risk exposure fluctuates based on the type of customer. In the case where a landlord is responsible for commodity expenses, credit risk is low. On accounts where EnerCare is responsible for commodity expenses, credit risk is higher. This credit risk tends to be lower where customers own their unit as opposed to renting them. EnerCare has the ability to lower this risk through various contractual protections with landlords, as well as EnerCare's ability to disconnect electricity for non-payment.

For accounts receivable as at December 31, 2014, a provision for all amounts at risk of collection and impaired has been made in the consolidated financial statements based upon a number of factors which include, but are not limited to, the type of account and credit characteristics, aging, and net future cash flows.

Liquidity Risk

EnerCare believes it has low liquidity risks given the makeup of its accounts payable and accrued liabilities, provisions, interest payable, dividends payable and debt. EnerCare measures liquidity risk through comparisons of current financial ratios with the financial covenants contained in its Revolver and Term Loan agreements and its senior unsecured trust indenture, as supplemented, 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 February 3, 2020.

The covenants under the 2012 Notes and 2013 Notes are contained in the senior unsecured trust indenture, as supplemented. Under the terms of this indenture, 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 December 31, 2014.

The covenants under the Revolver and Term Loan are an amendment and restatement of the Previous Revolver. The principal covenant tests measure the ratio of total debt to adjusted EBITDA and the ratio of adjusted EBITDA to cash interest expense. Total debt, Adjusted EBITDA and cash interest expense are defined in the agreements and may not be the same as terms used in the MD&A. EnerCare was in compliance with these covenants at December 31, 2014.

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

	Debt		Finance Lease Obligations		Total	
Period	Principal	Interest	Principal	Interest	Principal	Interest
Due in 2015	$ 1,258	$22,890	$1,981	$361	$ 3,239	$23,251
Due in 2016	992	21,530	1,808	268	2,800	21,798
Due in 2017	253,872	21,269	1,551	177	255,423	21,446
Due in 2018	210,126	10,360	1,160	96	211,286	10,456
Due in 2019	25	10,356	701	39	726	10,395
Thereafter	225,055	5,178	253	6	225,308	5,184
Total	$691,328	$91,583	$7,454	$947	$698,782	$92,530

Market Risk

Fair Value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deferred revenue, obligations under finance leases and other payables approximate their fair values due to their relatively short periods to maturity.

Fair value measurements are determined 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 December 31, 2014 and 2013. The estimated fair values of the financial instruments are at 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.

As at December 31,	**Carrying Value**	**2014 Fair Value**	Carrying Value	2013 Fair Value
Cash and cash equivalents	**$ 68,055**	**$ 68,055**	$ 25,940	$ 25,940
Accounts receivable	**73,725**	**73,725**	38,086	38,086
Total financial assets	**$141,780**	**$141,780**	$ 64,026	$ 64,026
Financial liabilities measured at amortized cost:				
Gross senior borrowings	**$685,000**	**$700,418**	$535,000	$548,110
Gross convertible debentures	**3,257**	**7,263**	4,081	6,183
Stratacon debt	**3,071**	**3,071**	4,285	4,285
Obligations under finance lease	**7,454**	**7,454**	-	-
Total borrowings	**$698,782**	**$718,206**	$543,366	$558,578
Other obligations and payables	**82,213**	**82,213**	50,034	50,034
Total financial liabilities	**$780,995**	**$800,419**	$593,400	$608,612

Fair values of all financial assets and liabilities are classified as Level 3 financial instruments, except cash and cash equivalents, gross senior borrowings and gross convertible debentures which are classified as Level 1.

22. 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 considers capital to be primarily cash and cash equivalents, long-term debt and shareholder's equity and makes adjustments as appropriate to such variables as cash on hand, additional capital expenditures, debt capacity, available credit facilities, covenant restrictions, and equity leverage. As a result of the Acquisition certain targets and evaluation measures were modified, however, EnerCare's capital management strategy, objectives, and definitions have not materially changed during 2014.

EnerCare was in compliance with all covenants under the 2012 Notes, 2013 Notes, Revolver and Term Loan as at December 31, 2014.

23. Other Income

During 2014, EnerCare realized a settlement of $408 from DE on account of the reclassification of certain water heaters under the co-ownership agreement to EnerCare's owned portfolio, originally associated with the Toronto Hydro Energy Services Inc. portfolio acquisition. During 2013, EnerCare realized settlements from DE of $4,447, including income of approximately $2,769 on account of water heater installation costs, billing and collection deficiencies and third-party claims, and $1,678 on account of billing and collection in respect of water heater buyouts.

24. Selling, General & Administrative

For the year ended December 31,	**2014**	2013
Employee compensation and benefits	**$27,660**	$15,502
Professional fees	**11,534**	4,564
Selling, office and other	**8,234**	5,046
Billing and servicing	**17,109**	9,227
Claims and bad debt	**6,441**	9,055
Total	**$70,978**	$43,394

25. 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 incidents as at December 31, 2014.

For the year ended December 31,	**2014**	2013
Opening balance:	**$ 1,187**	$ 726
Charged/(credited) to the consolidated statement of income:		
Additional provision	**2,396**	3,395
Claims spending during the year	**(2,433)**	(2,934)
Ending balance	**$ 1,150**	$ 1,187

All claims generated during the periods ended are typically paid out within 12 months, therefore the provisions have not been discounted.

26. Changes in Working Capital

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

For the year ended December 31,	**2014**	2013
Accounts receivable	**$21,185**	$3,216
Inventory	**(4)**	-
Prepaid expenses	**(992)**	(33)
Deferred revenue	**1,340**	24
Accounts payable and accrued liabilities	**3,627**	3,435
Provisions	**(37)**	461
Interest payable	**(504)**	816
Total	**$24,615**	$7,919

27. 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 earned by key management for services are shown below:

For the year ended December 31,	**2014**	2013
Salaries and short-term benefits	**$3,032**	$2,492
Other employment benefits	**78**	87
Long term benefits	**4,194**	1,991
Total	**$7,304**	$4,570

Transactions with DE

Prior to October 20, 2014, EnerCare's relationship with DE was significant, as DE serviced and supported approximately 90% of EnerCare's rentals customers and rentals installed asset base. The following agreements governed the principal affairs between EnerCare and DE prior to October 20, 2014. These agreements were assigned to a subsidiary of EnerCare on October 20, 2014. See note 31 – "Acquisition of Direct Energy's Home and Small Commercial Services Business in Ontario" and note 14 – "Employee Benefit Plans" for further discussion regarding DE and EnerCare's reimbursement right.

Co-ownership Agreement:

Under this agreement, DE received, subject to certain exceptions, 35% of the gross revenue generated by the co-owned portfolio of assets and was obligated to service that asset portfolio, effectively operating the day-to-day activities of that portion of EnerCare's business. Pursuant to an agreement between DE and EnerCare, DE was 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 was servicer under the co-ownership agreement.

Origination Agreement:

Under this agreement, subject to certain exceptions, DE was required to 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 had no obligation to purchase any water heaters. The agreement also established an incentive fee payable to DE had certain growth targets been achieved.

Other Agreements with DE:

In addition to the above agreements, EnerCare and DE were parties to an agreement for the servicing of Toronto Hydro Energy Services Inc. units, as these units were not subject to the co-ownership agreement. This agreement provided for the administration and servicing of the portfolio on a fee-for-service basis.

EnerCare and DE were also parties to an agreement for the origination and servicing of HVAC rental units, whereby DE originated HVAC rental customers and provided servicing to these HVAC rental customers. EnerCare had the right to originate HVAC rental customers outside of this arrangement with DE.

Details of amounts paid or payable under these agreements to DE are as follows:

For the year ended December 31,	**2014**	2013
Origination agreement:		
Capital expenditures	**$42,474**	$54,759
Inventory service fee	**2,713**	3,521
Other capital expenditures	**17,846**	11,234
Other expenses, including billing and servicing costs	**2,925**	2,956
Total	**$65,958**	$72,470

At December 31 2014, EnerCare had accounts receivable owing from DE of approximately $541 for 2014, and had accounts payable of $7,609 for 2013.

28. Compensation Plans

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

Cash Based Payment Plans

The PSUP awards phantom shares to management in consideration for past services provided to support achievement of EnerCare's performance objectives, align interests of key persons with the success of EnerCare, and retain management. These phantom shares vest equally over a 3 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 has a DSUP 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 in attracting and retaining 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

EnerCare has 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 5.81 years.

Effective November 1, 2014, EnerCare implemented the ESPP for all eligible employees of EnerCare. Under the plan, employees can purchase shares of EnerCare, up to a maximum of $10 per year or 5% of base salary. EnerCare will award one matching share for every two shares purchased and held by an employee for at least two years. Shares related to both the employee and employer portions are purchased in the month following the employee contributions. Expenses related to the company match portion are recorded equally over the 2 year vesting period and are reflected in the consolidated statement of income. Employee contributions held by EnerCare at the end of a period are classified as restricted cash which will be used to purchase EnerCare shares in the following period. As of December 31, 2014, there was $276 of restricted cash on hand and no shares had been purchased for either the employee or employer portions.

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

	PSUP		DSUP		SOP		ESPP
(in thousands except price)	#	$	#	$	#	$	$
At January 1, 2014	325	9.94	188	9.94	817	8.06	-
Granted	86	9.94	35	9.94	379	10.71	-
Director's optional purchases	-	-	14	12.69	-	-	-
Phantom dividends	18	-	14	-	-	-	-
Performance objective modifier	44	-	-	-	-	-	-
Forfeited	(8)	-	-	-	(58)	-	-
Exercised	(86)	9.94	-	-	-	-	-
Expired	-	-	-	-	-	-	-
At December 31, 2014	379	14.59	251	14.59	1,138	8.85	-
Expensed in the period	-	2,730	-	1,577	-	157	-
Liabilities payable	-	3,991	-	3,172	-	-	276

	PSUP		DSUP		SOP		ESPP
(in thousands except price)	#	$	#	$	#	$	$
At January 1, 2013	338	8.27	172	8.27	390	7.12	-
Granted	94	8.27	23	8.27	427	8.92	-
Director's optional purchases	-	-	19	9.36	-	-	-
Phantom dividends	21	-	13	-	-	-	-
Performance objective modifier	25	-	-	-	-	-	-
Forfeited	(16)	-	-	-	-	-	-
Exercised	(137)	8.27	(39)	8.27	-	-	-
Expired	-	-	-	-	-	-	-
At December 31, 2013	325	9.94	188	9.94	817	8.06	-
Expensed in the period	-	1,663	-	451	-	209	-
Liabilities payable	-	2,120	-	1,595	-	-	-

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 volume weighted average immediately preceding the last trading day of the month as applicable to the terms of the plans.

29. 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 evaluates and makes decisions on operating performance by business segment. The reportable operating segments derive their revenue primarily from (a) the rental of water heaters, HVAC and other equipment, protection plans, HVAC sales and other chargeable service offerings, and (b) the sub-metering of multi-unit residential and commercial properties.

The Home Services segment consists mainly of a portfolio of rental water heaters, HVAC and other assets, and contracted protection plans offered 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.

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

				December 31, 2014				December 31, 2013
Segment Data	**Home Services**	**Sub-Metering**	**Corporate**	**Total**	Home Services	Sub-Metering	Corporate	Total
Revenues:								
Contracted sales	**$ 231,454**	**$119,132**	**$ -**	**$350,586**	$189,388	$108,597	$ -	$297,985
Sales and other services	**10,880**	**481**		**11,361**	50	741	-	791
Total revenue	**$ 242,334**	**$119,613**	**$ -**	**$361,947**	$189,438	$109,338	$ -	$298,776
Expenses:								
Cost of goods & services:								
Cost of services	**$ (10,600)**	**$ -**	**$ -**	**$ (10,600)**	$ -	$ -	$ -	$ -
Cost of goods sold	**(7,743)**	**(378)**	**-**	**(8,121)**	(22)	(556)	-	(578)
Commodity	**-**	**(97,673)**	**-**	**(97,673)**	-	(90,671)	-	(90,671)
SG&A	**(39,604)**	**(13,877)**	**(17,497)**	**(70,978)**	(15,189)	(13,387)	(14,818)	(43,394)
Loss on disposal	**(9,859)**	**-**	**-**	**(9,859)**	(11,640)	-	-	(11,640)
EBITDA[1]	**174,528**	**7,685**	**(17,497)**	**164,716**	162,587	4,724	(14,818)	152,493
Amortization	**(97,790)**	**(4,800)**	**(2,291)**	**(104,881)**	(94,100)	(3,993)	(1,627)	(99,720)
Investment income				**806**				373
Interest expense				**(28,891)**				(44,973)
Other income	**408**	**-**	**-**	**408**	4,447	-	-	4,447
Current taxes				**(27,287)**				(21,852)
Deferred tax recovery				**17,405**				18,050
Net earnings				**22,276**				8,818
Adjusted EBITDA[1,2]	**184,795**	**7,685**	**(17,497)**	**174,983**	178,674	4,724	(14,818)	168,580
Segment assets	**1,255,425**	**75,967**	**76,340**	**1,407,732**	669,323	76,785	32,772	778,880
Capital additions	**$ 77,558**	**$ 7,501**	**$ 514**	**$ 85,573**	$ 68,709	$ 9,477	$ 1,093	$ 79,279

(1) EBITDA and Adjusted EBITDA are Non-IFRS financial measures and are metrics that can be used to determine EnerCare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders.

(2) Adjusted EBITDA is comprised of total revenues and other income, less cost of goods and services and SG&A.

The amounts provided to the President and CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operation of the segment. Equipment additions exclude any acquisition amounts.

30. Acquisition of Energy Services Niagara

In February 2014, EnerCare, through a subsidiary of EnerCare Solutions, acquired the rental portfolio of Energy Services Niagara Inc. (“ESN”), comprised of approximately 2,468 electric and gas-fired water heaters for cash consideration of $3,035, plus inventory of $38. The completion of the purchase price allocation resulted in a fair value of approximately $1,230 for the electric and gas-fired water heaters and a customer relationship intangible value of $1,805. In connection with the acquisition, ESN and EnerCare entered into a transitional agreement, as well as an assignment, assumption and consent agreement with EGD in respect of the ESN open bill access agreement (“ESN OBA”). At the time of acquisition, approximately 97% of ESN’s customers were billed through the ESN OBA. The rental revenue from the ESN water heaters were not subject to the co-ownership agreement.

31. Acquisition of Direct Energy’s Home and Small Commercial Services Business in Ontario

On October 20, 2014, EnerCare, through a subsidiary of EnerCare Solutions, acquired through the Asset Purchase Agreement the Ontario home and small commercial services business of DE. The purchase price of the Acquisition was approximately $550,390, subject to final working capital adjustments. The acquired assets and liabilities assumed included components of working capital, capital assets, intangible assets and obligations under finance leases. It also includes employee future benefit related assets and obligations, including a reimbursement right in respect thereof from DE (see note 14). The Acquisition is accounted for as a business combination.

The Acquisition was financed through a combination of debt and equity, including approximately $333,262 of subscription receipts ($317,000 net of fees) (note 16), $150,000 from debt facilities (note 13) entered into in connection with the Acquisition, and a private placement of 7,692,308 of EnerCare common shares to DE (note 16). The common shares issued to DE are subject to a 12-month lock-up and thereafter, one-half of such shares are subject to a further 6-month lock-up.

Concurrent with the closing of the Acquisition, EnerCare and DE entered into a transition services agreement pursuant to which DE provides certain transition services to EnerCare relating to, among other things, the provision of ongoing information technology, other support and information technology decoupling services for an initial period of 15-months, subject to extension by either party for up to two additional 3-month terms.

As part of the Acquisition, EnerCare has recorded total expenses of $11,594 and interest income of $531 during 2014. Total expenses include $3,872 of interest expense from $3,097 of interest paid in respect of the subscription receipts issued, along with equity bridge financing fees of $775. SG&A expenses include $7,722 of costs associated with the Acquisition, of which approximately $6,770 were professional fees. Interest income of $531 was earned from proceeds related to the subscription receipts issued.

The following table summarizes the preliminary allocation of total consideration allocated to the net assets acquired. The allocation of the purchase price is preliminary for certain amounts including capital assets, intangible assets, certain working capital accounts, employees future benefits, reimbursement right - pension (see note 14), and tax balances and is therefore subject to change.

	October 20, 2014
Cash and cash equivalents	$ 815
Accounts receivable	56,824
Inventory	5,645
Prepaid expenses	385
Capital assets	14,279
Intangible assets – customer relationships	401,000
Reimbursement right - pension (note 14)	15,284
Goodwill	141,333
Deferred tax asset	3,596
Total assets acquired	639,161
Less:	
Accounts payable and accrued liabilities	21,736
Deferred revenue	3,856
Long-term obligations under finance lease	7,809
Employee benefit plan liabilities	28,850
Deferred tax liability	26,520
Total net assets acquired	$550,390
Fair value of consideration transferred:	
Cash consideration	$450,000
Preliminary working capital adjustment	(9,072)
DE Private Placement - 7,692,308 common shares	109,462
Total consideration transferred	$550,390

Goodwill is calculated as the difference between the fair value of consideration transferred and the preliminary fair value of the assets acquired and liabilities assumed. The goodwill is primarily attributable to the addition of new customers and the corresponding projected cash flows to be earned. Goodwill is not amortized for accounting, however is deductible for tax purposes.

OHCS revenues of $46,065 and earnings of $1,732 are included in the statement of net income since October 20, 2014.

EnerCare's consolidated revenues and net earnings for the year ended December 31, 2014 would have been higher by approximately $171,935 and $2,620 respectively, had the OHCS acquisition occurred on January 1, 2014.

32. Subsequent Events

On March 2, 2015, EnerCare, through a subsidiary of EnerCare Solutions, acquired the rental portfolio of Cobourg Network Inc. ("CNI"), comprised of approximately 1,380 electric water heaters for cash consideration of $890, subject to post-closing adjustments. In connection with the acquisition, CNI and EnerCare entered into a transitional agreement pursuant to which CNI provides transitional support and billing and collection services on behalf of EnerCare.