EnerCare Inc.

EnerCare Inc.

Condensed Interim Consolidated Financial Statements

First Quarter ended March 31, 2015

Dated May 13, 2015

EnerCare Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn $)	(unaudited) March 31, 2015	(unaudited - note 2) December 31, 2014
Assets		
Current assets		
Cash and cash equivalents (note 4)	**$ 24,462**	$ 68,055
Accounts receivable (note 5)	**107,006**	73,151
Inventory (note 6)	**6,151**	5,649
Prepaid expenses	**2,124**	2,734
	139,743	149,589
Capital assets (note 9)	**506,560**	499,500
Intangible assets (note 10)	**573,916**	590,195
Reimbursement right - pension (note 14)	**17,379**	17,379
Goodwill (note 11)	**147,540**	147,409
Deferred tax asset	**8,509**	8,503
	$ 1,393,647	$ 1,412,575
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	**$ 51,241**	$ 65,531
Current portion of long-term debt (note 13)	**1,258**	1,258
Obligations under finance leases (note 12)	**2,070**	1,981
Provisions	**1,120**	1,150
Interest payable	**4,789**	4,540
Deferred revenue and service obligation	**8,565**	7,860
Dividends payable	**6,436**	5,550
	75,479	87,870
Long-term debt (note 13)	**683,584**	683,691
Convertible debentures (note 13)	**2,795**	3,162
Long-term obligations under finance leases (note 12)	**4,888**	5,151
Employee benefit plans (note 14)	**34,591**	31,832
Deferred tax liability	**125,554**	122,984
	926,891	934,690
Shareholders' equity		
Share capital (note 15)	**956,669**	956,281
Treasury shares	**(246)**	-
Contributed surplus	**1,049**	989
Accumulated other comprehensive loss	**(1,946)**	(251)
Deficit	**(488,770)**	(479,134)
	466,756	477,885
	$ 1,393,647	$ 1,412,575

Commitments and contingent liabilities are found in notes 18 and 19 respectively.

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

EnerCare Inc.

Condensed Interim Consolidated Statements of Income

(unaudited) (in thousands of Cdn $, except per share amounts)	Three months ended March 31, 2015	2014
Revenues		
Contracted revenue	**$ 131,309**	$ 82,074
Sales and other services	**10,426**	114
Investment income	**77**	37
Total revenues	**141,812**	82,225
Expenses		
Cost of goods sold and services provided		
Commodity charges	**30,973**	28,359
Maintenance and servicing costs	**14,388**	-
Sales and other services	**7,387**	89
Selling, general & administrative (note 21)	**35,587**	11,131
Amortization		
Capital assets (note 9)	**14,169**	12,871
Intangible assets (note 10)	**16,680**	11,635
Loss on disposal of equipment	**1,758**	3,004
Gain on retirement of finance lease obligations	**(6)**	-
Interest expense (note 13)	**7,111**	5,972
Total expenses	**128,047**	73,061
Other income	**-**	408
Earnings for the period before income taxes	**13,765**	9,572
Tax expense		
Current tax expense	**2,954**	6,079
Deferred income tax expense / (recovery)	**2,909**	(3,521)
Total tax expense	**5,863**	2,558
Net earnings for the period	**$ 7,902**	$ 7,014
Weighted average number of shares outstanding (note 16)	**91,898**	58,449
Weighted average number of diluted shares outstanding (note 16)	**92,794**	59,195
Basic and diluted earnings per share (note 16)	**$ 0.09**	$ 0.12

EnerCare Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of Cdn $)	Three months ended March 31, 2015	2014
Net earnings for the period	**$ 7,902**	$ 7,014
Items that will not be reclassified to earnings		
Remeasurements of defined benefit plans (note 14)	**(2,067)**	-
Tax effect of remeasurements of defined benefit plans	**372**	-
Comprehensive income for the period	**$ 6,207**	$ 7,014

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

EnerCare Inc.
Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)	Three months ended March 31,	
(in thousands of Cdn $)	**2015**	2014
Share Capital		
Balance - beginning of period	**$ 956,281**	$ 523,676
Shares issued on debenture conversion (net of issue costs) (notes 13, 15)	**388**	283
Share Capital - end of period	**956,669**	523,959
Treasury Shares		
Balance - beginning of period	**$ -**	$ -
Shares repurchased on account of stock purchase plan (note 15)	**(246)**	-
Treasury Shares - end of period	**(246)**	-
Contributed Surplus		
Balance - beginning of period	**989**	863
Shares issued on debenture conversion (net of issue costs) (notes 13, 15)	**(12)**	(12)
Employee share options and stock purchase plan:		
Value of services recognized	**72**	13
Contributed Surplus - end of period	**1,049**	864
Accumulated Other Comprehensive Loss		
Balance - beginning of period	**(251)**	-
Remeasurements of defined benefit plans	**(2,067)**	-
Tax effect of remeasurements of defined benefit plans	**372**	-
Accumulated Other Comprehensive Loss - end of period	**(1,946)**	-
Deficit		
Balance - beginning of period	**(479,134)**	(453,243)
Net earnings for the period	**7,902**	7,014
Dividends	**(17,538)**	(10,312)
Deficit - end of period	**(488,770)**	(456,541)
Shareholders' equity - end of period	**$ 466,756**	$ 68,282

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

EnerCare Inc.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of Cdn $)	Three months ended March 31, **2015**	2014
Cash provided by/(used in):		
Operating activities		
Net earnings for the period	**$ 7,902**	$ 7,014
Items not affecting cash		
Amortization		
Capital assets (note 9)	**14,169**	12,871
Intangible assets (note 10)	**16,680**	11,635
Loss on disposal of equipment	**1,758**	3,004
Gain on retirement of finance lease obligations	**(6)**	-
Non-cash interest expense	**491**	164
Defined benefit plan expense	**1,064**	-
Employee share options and stock purchase plan	**72**	13
Deferred income tax expense / (recovery)	**2,909**	(3,521)
Contributions to defined benefit pension plan	**(646)**	-
Operating cash flow	**44,393**	31,180
Net change in non-cash working capital (note 22)	**(47,113)**	(10,901)
Cash (used in)/provided by operating activities	**(2,720)**	20,279
Investing activities		
Purchase of capital assets (note 9)	**(24,292)**	(19,863)
Acquisition of OHCS - net of cash received (note 31)	**-**	-
Acquisition of CNI (note 26)	**(880)**	-
Acquisition of ESN	**-**	(3,035)
Proceeds from disposal of vehicle leases	**32**	-
Proceeds from disposal of equipment - warranty recoveries	**563**	456
Proceeds from disposal of equipment - buyout receipts	**1,085**	714
Cash used in investing activities	**(23,492)**	(21,728)
Financing activities		
Dividends to shareholders	**(16,652)**	(10,169)
Purchase of treasury shares	**(246)**	-
Repayment of obligations under finance leases	**(168)**	-
Repayment of long-term debt	**(315)**	(297)
Cash used in financing activities	**(17,381)**	(10,466)
Decrease in cash and cash equivalents	**(43,593)**	(11,915)
Cash and cash equivalents - beginning of period	**68,055**	25,940
Cash and cash equivalents - end of period (note 4)	**$ 24,462**	$ 14,025
Supplementary information		
Interest paid	**$ 6,371**	$ 5,643
Income taxes paid	**$ 10,189**	$ 13,424

The accompanying notes are an integral part of these condensed interim 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 27).

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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014. 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. Additionally, the consolidated statement of financial position as at December 31, 2014 has been revised by the measurement period adjustments as disclosed in note 27.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 13, 2015, the date the board of directors approved these condensed interim consolidated financial statements.

Basis of Measurement

These condensed interim 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 receivable identified as a reimbursement right - pension as described in note 14.

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 these condensed interim 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 March 31, 2015, the Home Services business recorded a revenue accrual of approximately $46,400 (2014 - $1,200) reflecting unbilled service periods. Unbilled protection plans comprise approximately $28,100 (2014 - $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 March 31, 2015, the Sub-metering business recorded a revenue accrual of approximately $11,900 (2014 - $12,200), reflecting unbilled 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 99.49% in 2015 and 99.56% in 2014 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

For all other customers, management evaluates a number of factors and assumptions in the determination of the bad debt provision. The total bad debt provision was approximately $10,792 at March 31, 2015, compared to approximately $8,711 at the end of 2014. Changes in any of the 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 condensed interim 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 condensed interim consolidated financial statements and such differences may be material.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those policies in effect at December 31, 2014.

Adoption of New Accounting Standards

EnerCare has adopted new or revised standards as required by IFRS, effective January 1, 2015.

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. This standard is required to be applied for accounting periods beginning on or after January 1, 2015. EnerCare implemented the standard and has determined that it did not have an impact.

Accounting Standards Issued But Not Yet Applied

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

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.

Financial Instruments Disclosures

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. 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

	March 31, 2015	December 31, 2014
Cash at bank	**$24,462**	$67,779
Restricted cash	**-**	276
Ending balance	**$24,462**	$68,055

5. Accounts Receivable

	March 31, 2015	December 31, 2014
Billed accounts receivable	**$ 53,780**	$27,040
Unbilled accounts receivable	**58,355**	54,822
Current taxes receivable	**5,663**	-
Bad and doubtful debt provision	**(10,792)**	(8,711)
Accounts receivable (net of provision)	**$107,006**	$73,151

Bad and doubtful debt provision:		
Opening balance	**$ 8,711**	$ 7,025
Charge for the period	**2,081**	1,686
Provision ending balance	**$ 10,792**	$ 8,711

Unbilled accounts receivable of $28,063 (December 2014 - $27,839), 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 accounts receivable reflect the unbilled service periods for residential water heaters and other products.

6. Inventory

	March 31, 2015	December 31, 2014
Inventory	**$6,493**	$5,728
Less: inventory obsolescence	**(342)**	(79)
Inventory (net of provision)	**$6,151**	$5,649

Inventory obsolescence provision:		
Opening balance	**$ 79**	$ -
Charge for the period	**263**	79
Provision ending balance	**$ 342**	$ 79

During the first quarter ended March 31, 2015, $4,323 (2014 - $29) of inventory was recognized as part of cost of goods sold and services provided in the condensed interim consolidated statement of income.

7. Accounts Payable and Accrued Liabilities

	March 31, 2015	December 31, 2014
Accounts payable	**$ 6,321**	$12,224
Accruals	**31,457**	37,049
Compensation payable	**5,720**	7,163
Current taxes payable	**2,200**	3,772
Other payables	**5,543**	5,323
Ending balance	**$51,241**	$65,531

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 these condensed interim consolidated financial statements related to protection plan contracts are as follows:

Three months ended March 31,	**March 31, 2015**	March 31, 2014
Revenue	**$16,985**	$ -
Cost of service	**8,097**	-

	Three months ended March 31, 2015	Year ended December 31, 2014
Deferred revenue net of service obligation	**$ 2,167**	$ 1,472

9. Capital Assets

	Rental Equipment	Metering Equipment	Leased Vehicles	Other	Total
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	1,230	-	-	-	1,230
Acquisition – OHCS (note 27)	3,441	-	7,557	3,202	14,200
Depreciation for the year	(46,730)	(4,800)	(419)	(2,293)	(54,242)
At December 31, 2014	$436,082	$48,010	$7,123	$ 8,285	$499,500
At December 31, 2014:					
Cost	$849,474	$68,650	$7,242	$13,799	$939,165
Accumulated depreciation	(413,392)	(20,640)	(119)	(5,514)	(439,665)
Net book value	**$436,082**	**$48,010**	**$7,123**	**$ 8,285**	**$499,500**
Additions	$ 20,442	$ 1,746	$ 395	$ 1,709	$ 24,292
Loss on disposal before proceeds	(3,432)	-	(6)	-	(3,438)
Acquisition – Cobourg portfolio (note 26)	375	-	-	-	375
Depreciation for the period	(11,357)	(1,309)	(552)	(951)	(14,169)
At March 31, 2015	$442,110	$48,447	$6,960	$ 9,043	$506,560
At March 31, 2015:					
Cost	$859,801	$70,396	$7,493	$15,508	$953,198
Accumulated depreciation	(417,691)	(21,949)	(533)	(6,465)	(446,638)
Net book value	**$442,110**	**$48,447**	**$6,960**	**$ 9,043**	**$506,560**

10. Intangible Assets

	Customer Relationships	Customer Contracts	Total
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	$ 1,805	$ -	$ 1,805
Acquisition – OHCS (note 27)	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**
Acquisition – Cobourg portfolio (note 26)	$ 401	$ -	$ 401
Amortization for the period	(16,657)	(23)	(16,680)
At March 31, 2015	$ 572,838	$ 1,078	$ 573,916
At March 31, 2015:			
Cost	$1,146,542	$ 33,270	$1,179,812
Accumulated depreciation	(573,704)	(32,192)	(605,896)
Net book value	**$ 572,838**	**$ 1,078**	**$ 573,916**

11. Goodwill

The following table provides details by reporting segment regarding the carrying value of goodwill.

	Home Services	Sub-metering	Total
Balance at January 1 and at December 31, 2013	$ -	$2,962	$ 2,962
Acquisition – OHCS (note 27)	144,447	-	144,447
At December 31, 2014	**$144,447**	**$2,962**	**$147,409**
Acquisition – Cobourg portfolio (note 26)	131	-	131
At March 31, 2015	**$144,578**	**$2,962**	**$147,540**

Goodwill is reviewed for impairment annually, or at any time an indicator of impairment exists.

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 that are 2.5% above the one month banker's acceptance rate, per annum. The finance leases mature at dates ranging between April 2015 and January 2021. During the first quarter ended March 31, 2015, EnerCare recognized $69 (2014 - $0) of interest expense related to the obligations under finance leases.

	March 31, 2015	December 31, 2014
Obligations under finance leases	**$ 6,958**	$ 7,132
Less: current portion	**(2,070)**	(1,981)
	$ 4,888	$ 5,151

Future minimum lease payments under finance leases are as follows:

	Principal	Interest	Lease Payments
Due in 2015	$ 1,573	$ 183	$ 1,756
Due in 2016	1,856	178	2,034
Due in 2017	1,539	113	1,652
Due in 2018	1,121	61	1,182
Due in 2019	653	24	677
Thereafter	216	6	222
	$ 6,958	$ 565	$ 7,523

13. Debt

Bank indebtedness, current and long term debts:

	March 31, 2015	December 31, 2014
Current portion of long term debt:		
Opening balance January 1	**$ 1,258**	$ 1,213
Repayment of debt	**(315)**	(1,214)
Current portion of Stratacon debt	**315**	1,259
Total current portion of long term debt	**$ 1,258**	$ 1,258
Non-current portion of long term debt:		
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)
Opening balance January 1	**$683,691**	$535,193
Current portion of Stratacon debt	**$ (315)**	$ (1,259)
Repayment of debt	**-**	(60,000)
Issuance of debt	**-**	210,000
Financing costs	**-**	(902)
Amortization of financing costs	**208**	659
Total non-current portion	**$683,584**	$683,691
Senior debt principal amount	**$685,000**	$685,000
Stratacon debt principal amount	**1,498**	1,813
Unamortized financing costs and interest accretion	**(2,914)**	(3,122)
Total non-current portion of long term debt	**$683,584**	$683,691

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 March 31, 2015, 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 March 31, 2015, 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, which bears interest at a variable rate based upon the banker's acceptance rate plus 1%, which was 2% at March 31, 2015. Deferred financing costs of $902 were incurred in relation to the issuance of the $210,000 Term Loan.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of $2,756 as at March 31, 2015 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.

EnerCare was in compliance with all covenants under the 2012 Notes, 2013 Notes, Revolver and Term Loan as at March 31, 2015.

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:

	March 31, 2015	December 31, 2014
Convertible Debentures:		
Opening principal	**$3,257**	$4,081
Financing costs	**(95)**	(167)
Opening balance at January 1:	**$3,162**	$3,914
Principal conversions	**$ (388)**	$ (824)
Transfer of financing costs to equity upon conversion	**12**	31
Amortization of financing costs to expense	**9**	41
Ending balance	**$2,795**	$3,162
Principal balance	**$2,869**	$3,257
Financing costs	**(74)**	(95)
Ending balance	**$2,795**	$3,162

From April 1, 2015 to May 11, 2015, approximately $5 principal amount of additional convertible debentures were converted to shares.

Interest Expense:

Three months ended March 31,	**2015**	2014
Interest expense payable in cash	**$6,620**	$5,808
Non-cash items:		
Notional interest on employee benefit plans	**274**	-
Amortization of financing costs	**217**	164
Interest expense	**$7,111**	$5,972

Interest expense payable in cash is associated with debt and convertible debenture activity in 2015 and 2014. Notional interest of $274 in 2015 relates to the employee benefits plan acquired as part of the Acquisition. Amortization of financing costs include previously unamortized costs associated with debt.

14. Employee Benefit Plans

Defined Benefit Plans

In connection with the Acquisition (note 27), 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 March 31, 2015 in the amount of $17,379. 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. 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.

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

Three months ended March 31,	**2015**	2014
Pension		
Current service cost	**$832**	$ -
Interest	**81**	-
	$913	$ -
OPEB		
Current service cost	**$232**	$ -
Net interest cost	**193**	-
	$425	$ -

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

Three months ended March 31,	2015	2014
Pension and OPEB		
Actuarial gains and losses arising from changes in financial assumptions	**$1,414**	$ -
Actuarial gains and losses arising from demographic and other experience	**(11)**	-
	$1,403	$ -

15. Share Capital and Treasury Shares

(000's)	March 31, 2015		December 31, 2014	
Shares Issued and Outstanding	**Shares**	**Dollars**	Shares	Dollars
Opening balance at January 1:	**91,880**	**$956,281**	58,425	$523,676
Issued:				
New share issuance – (note 27)	**-**	**-**	33,328	431,781
Principal conversion of debentures	**60**	**388**	127	824
Transfer of financing costs to equity	**-**	**(12)**	-	(31)
Transfer from contributed surplus	**-**	**12**	-	31
Totals [(1)]	**91,940**	**$956,669**	91,880	$956,281

(1) Excludes the impact of Treasury Shares.

EnerCare's articles of incorporation provide for the issuance of an unlimited number of common shares and 10,000,000 preferred shares. At March 31, 2015, 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 which upon closing of the Acquisition on October 20, 2014, were exchanged for one common share of EnerCare, resulting in the issuance of 25,635,525 shares. 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.

As at March 31, 2015, there were 16,957 shares (2014 – 0) that were purchased and held as treasury shares. These shares related to the employer portion of the ESPP and were purchased during the quarter for $246 (2014 - $0).

16. 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:

Three months ended March 31,

(in thousands – except per share amounts)	**2015**	2014
Net earnings	**$ 7,902**	$ 7,014
After tax impact of long term stock compensation and convertible debentures	**57**	53
Fully diluted net earnings	**7,959**	7,067
Weighted average shares outstanding	**91,898**	58,449
Dilutive impact of long term stock compensation	**453**	160
Dilutive impact of convertible debentures	**443**	586
Weighted average diluted shares outstanding	**92,794**	59,195
Basic and diluted earnings per share	**$ 0.09**	$ 0.12

17. Dividends

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

Three months ended March 31, (in thousands – except per share amounts)	**2015**	2014
Dividends declared per share during the period	**$0.1908**	$ 0.176
Dividends declared after March 31, April		
Dollars	**$ 6,435**	$ 3,532
Shares	**91,923**	58,478
Per share/unit amount	**$ 0.07**	$ 0.0604

The total amount of dividends declared after March 31, 2015 are estimated above and are subject to change dependent upon the actual convertible debenture conversions prior to the record date, if any.

18. Commitments

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

	March 31, 2015
Due in 2015	**$ 1,258**
Due in 2016	**1,705**
Due in 2017	**606**
Due in 2018	**-**
Due in 2019	**-**
Thereafter	**-**
Total commitments under non-cancellable operating leases	**$3,569**

The operating lease payments recognized in the consolidated statement of income for the quarter ended March 31, 2015 were $885 (2014 - $293).

19. 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 condensed interim consolidated financial statements.

20. 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 99.49% 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 March 31, 2015, a provision for all amounts at risk of collection and impaired has been made in these condensed interim 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 monitors 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. 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 March 31, 2015.

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 March 31, 2015.

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	$ 943	$17,284	$ 1,573	$ 183	$ 2,516	$17,467
Due in 2016	992	21,505	1,856	178	2,848	21,683
Due in 2017	253,484	21,269	1,539	113	255,023	21,382
Due in 2018	210,126	10,360	1,121	61	211,247	10,421
Due in 2019	25	10,356	653	24	678	10,380
Thereafter	225,055	5,178	216	6	225,271	5,184
Total	$690,625	$85,952	$ 6,958	$ 565	$697,583	$86,517

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 March 31, 2015 and December 31, 2014. 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.

	March 31, 2015		December 31, 2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 24,462**	**$ 24,462**	$ 68,055	$ 68,055
Accounts receivable	**107,006**	**107,006**	73,151	73,151
Total financial assets	**$131,468**	**$131,468**	$141,206	$141,206
Financial liabilities measured at amortized cost:				
Gross senior borrowings	**$685,000**	**$710,222**	$685,000	$700,418
Gross convertible debentures	**2,869**	**6,975**	3,257	7,263
Stratacon debt	**2,756**	**2,756**	3,071	3,071
Obligations under finance lease	**6,958**	**6,958**	7,132	7,132
Total borrowings	**$697,583**	**$726,911**	$698,460	$717,884
Other obligations and payables	**72,151**	**72,151**	84,631	84,631
Total financial liabilities	**$769,734**	**$799,062**	$783,091	$802,515

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.

21. Selling, General and Administrative

Three months ended March 31,	**2015**	2014
Employee compensation and benefits	**$14,821**	$4,596
Professional fees	**2,606**	1,371
Selling, office and other	**6,280**	949
Billing and servicing	**9,274**	2,391
Claims and bad debt	**2,606**	1,824
Total	**$35,587**	$11,131

During the first quarter of 2015, EnerCare recorded $612 (2014 - $0) of SG&A expenses associated with the integration of the Acquisition, primarily related to re-branding marketing expenditures.

22. Changes in Working Capital

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

Three months ended March 31,	**2015**	2014
Accounts receivable	**$(33,855)**	$(5,859)
Inventory	**(502)**	-
Prepaid expenses	**610**	(312)
Deferred revenue	**705**	1
Accounts payable and accrued liabilities	**(14,290)**	(4,963)
Provisions	**(30)**	67
Interest payable	**249**	165
Total	**$(47,113)**	$(10,901)

23. Related Parties

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:

Three months ended March 31,	**2015**	2014
Salaries and short-term benefits	**$ 705**	$ 724
Other employment benefits	**41**	37
Long term benefits	**709**	372
Total	**$1,455**	$1,133

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 27 – "Acquisition of Direct Energy's Home and Small Commercial Services Business in Ontario".

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:

Three months ended March 31,	**2015**	2014
Origination agreement:		
Capital expenditures	**$ -**	$12,429
Inventory service fee	**-**	794
Other capital expenditures	**-**	4,639
Other expenses, including billing and servicing costs	**-**	841
Total	**$ -**	$18,703

24. 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 20% volatility measure; and
- Dividend yield was based on historical levels preceding the date of grant.

The weighted average remaining contractual life is approximately 4.38 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 condensed interim 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 March 31, 2015, there was no restricted cash on hand (December 2014 - $276).

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

2015	PSUP		DSUP		SOP		ESPP
(in thousands except price)	#	$	#	$	#	$	$
At January 1, 2015	379	14.59	251	14.59	1,138	8.85	-
Granted	131	14.59	29	14.59	340	14.63	-
Director's optional purchases	-	-	3	15.56	-	-	-
Phantom dividends	4	-	3	-	-	-	-
Performance objective modifier	-	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-	-
Exercised	(164)	14.59	-	-	-	-	-
Expired	-	-	-	-	-	-	-
At March 31, 2015	350	15.56	286	15.56	1,478	10.18	-
Expensed in the period	-	581	-	374	-	51	21
Liabilities payable	-	2,175	-	3,546	-	-	-

2014	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

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.

25. 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:

	Three months ended March 31, 2015				Three months ended March 31, 2014			
Segment Data	**Home Services**	**Sub-metering**	**Corporate**	**Total**	Home Services	Sub-metering	Corporate	Total
Revenues:								
Contracted sales	**$ 93,653**	**$37,656**	**$ -**	**$131,309**	$48,602	$33,472	$ -	$ 82,074
Sales and other services	**10,360**	**66**		**10,426**	34	80	-	114
Total revenue	**$104,013**	**$37,722**	**$ -**	**$141,735**	$48,636	$33,552	$ -	$ 82,188
Expenses:								
Cost of goods & services:								
Cost of services	**$ (14,388)**	**$ -**	**$ -**	**$ (14,388)**	$ -	$ -	$ -	$ -
Cost of goods sold	**(7,328)**	**(59)**	**-**	**(7,387)**	(29)	(60)	-	(89)
Commodity	**-**	**(30,973)**	**-**	**(30,973)**	-	(28,359)	-	(28,359)
SG&A	**(26,581)**	**(3,706)**	**(5,300)**	**(35,587)**	(3,421)	(3,671)	(4,039)	(11,131)
Net loss on disposal	**(1,752)**	**-**	**-**	**(1,752)**	(3,004)	-	-	(3,004)
EBITDA[1]	**53,964**	**2,984**	**(5,300)**	**51,648**	42,182	1,462	(4,039)	39,605
Amortization	**(28,590)**	**(1,309)**	**(950)**	**(30,849)**	(23,006)	(1,089)	(411)	(24,506)
Investment income				**77**				37
Interest expense				**(7,111)**				(5,972)
Other income	**-**	**-**	**-**	**-**	408	-	-	408
Current taxes				**(2,954)**				(6,079)
Deferred tax recovery				**(2,909)**				3,521
Net earnings				**7,902**				7,014
Adjusted EBITDA[1,2]	**55,716**	**2,984**	**(5,300)**	**53,400**	45,594	1,462	(4,039)	43,017
Segment assets	**1,282,720**	**77,422**	**33,505**	**1,393,647**	666,389	79,579	20,472	766,440
Capital additions	**$ 22,226**	**$ 1,814**	**$ 252**	**$ 24,292**	$ 17,745	$ 2,092	$ 26	$ 19,863

(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 condensed interim consolidated financial statements. These assets are allocated based on the operation of the segment. Equipment additions exclude any acquisition amounts.

26. Acquisition of Cobourg Network Inc. Rental Portfolio

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 $880. The completion of the purchase price allocation resulted in a fair value of approximately $375 for electric water heaters, a customer relationship intangible value of $401, deferred tax liabilities of $27 and goodwill of $131. 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.

27. Acquisition of Direct Energy's Home and Small Commercial Services Business in Ontario

On October 20, 2014, 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 receivable identified as 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 15), $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 15). 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 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.

During the first quarter of 2015, EnerCare recorded an additional $612 of SG&A expenses associated with the integration of the Acquisition, primarily related to re-branding marketing expenditures (note 21).

The following table summarizes the preliminary allocation and adjustments to the 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. EnerCare continues to refine the purchase price allocation related to the Acquisition. The adjustments below primarily relate to changes in the working capital balances, pension plan and the related reimbursement right (see note 14).

	October 20, 2014	Adjustments	Revised
Cash and cash equivalents	$ 815	$ -	$ 815
Accounts receivable (note 5)	56,824	(1,443)	55,381
Inventory	5,645	-	5,645
Prepaid expenses	385	111	496
Capital assets (note 9)	14,279	(79)	14,200
Intangible assets – customer relationships	401,000	-	401,000
Reimbursement right - pension (note 14)	15,284	2,095	17,379
Goodwill (note 11)	141,333	3,114	144,447
Deferred tax asset	3,596	176	3,772
Total assets acquired	639,161	3,974	643,135
Less:			
Accounts payable and accrued liabilities (note 7)	21,736	(152)	21,584
Deferred revenue and service obligation (note 8)	3,856	1,701	5,557
Long-term obligations under finance lease (note 12)	7,809	(322)	7,487
Employee benefit plan liabilities (note 14)	28,850	2,095	30,945
Deferred tax liability	26,520	652	27,172
Total net assets acquired	$550,390	$ 3,974	$550,390
Fair value of consideration transferred:			
Cash consideration	$450,000	$ -	$450,000
Preliminary working capital adjustment	(9,072)	-	(9,072)
DE Private Placement - 7,692,308 common shares	109,462	-	109,462
Total consideration transferred	$550,390	$ -	$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.