Enercare Inc.

Condensed Interim Consolidated Financial Statements

First Quarter ended March 31, 2016

Dated May 12, 2016

Enercare Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn $)	(unaudited) **March 31, 2016**	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents (note 4)	**$ 17,935**	$ 28,413
Subscription receipts funds held in escrow (note 29)	**236,712**	-
Accounts and other receivables (note 5)	**96,156**	98,414
Financing receivables (note 11)	**31**	-
Inventory (note 6)	**7,758**	7,852
Prepaid expenses	**4,724**	3,653
	363,316	138,332
Capital assets (note 9)	**561,678**	542,591
Intangible assets (note 10)	**510,680**	527,463
Reimbursement right - pension (note 15)	**-**	11,107
Employee benefit plan assets (note 15)	**1,512**	-
Goodwill (note 12)	**147,564**	147,564
Deferred tax asset	**8,822**	7,652
Long-term financing receivables (note 11)	**334**	-
Other assets	**1,699**	1,538
	$ 1,595,605	$ 1,376,247
Liabilities		
Current liabilities		
Subscription receipts payable (note 29)	**$ 236,712**	$ -
Accounts payable and accrued liabilities (note 7)	**73,961**	66,536
Current portion of long-term debt (note 14)	**888**	992
Obligations under finance leases (note 13)	**2,101**	2,061
Provisions	**1,150**	1,191
Interest payable	**6,242**	4,694
Deferred revenue	**9,145**	8,193
Dividends payable	**6,158**	6,156
	336,357	89,823
Long-term debt (note 14)	**733,536**	733,540
Convertible debentures (note 14)	**2,620**	2,680
Long-term obligations under finance leases (note 13)	**4,696**	4,634
Employee benefit plan obligations (note 15)	**21,408**	27,848
Deferred tax liability	**119,224**	127,925
	1,217,841	986,450
Shareholders' equity		
Share capital (note 16)	**914,155**	914,074
Treasury shares (note 16)	**(1,029)**	(815)
Contributed surplus	**1,401**	1,215
Accumulated other comprehensive (loss) gain	**(1,718)**	103
Deficit	**(535,045)**	(524,780)
	377,764	389,797
	$ 1,595,605	$ 1,376,247

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

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

Enercare Inc.

Condensed Interim Consolidated Statements of Income

(unaudited)	Three months ended March 31,	
(in thousands of Cdn $, except per share amounts)	**2016**	2015
Revenues		
Contracted revenue	**$ 135,548**	$ 131,309
Sales and other services	**7,001**	10,426
Investment income	**100**	77
Total revenues	**142,649**	141,812
Expenses		
Cost of goods sold and services provided		
Commodity charges	**27,747**	30,973
Maintenance and servicing costs	**16,268**	14,388
Sales and other services	**5,645**	7,387
Selling, general & administrative (note 23)	**39,161**	35,587
Amortization		
Capital assets (note 9)	**15,524**	14,169
Intangible assets (note 10)	**16,783**	16,680
Net loss on disposal of equipment	**1,946**	1,758
Gain on retirement of finance lease obligations	**(15)**	(6)
Interest expense (note 14)	**8,353**	7,111
Total expenses	**131,412**	128,047
Earnings for the period before income taxes	**11,237**	13,765
Tax expense		
Current tax expense	**12,256**	2,954
Deferred income tax (recovery) / expense	**(9,214)**	2,909
Total tax expense	**3,042**	5,863
Net earnings for the period	**$ 8,195**	$ 7,902
Weighted average number of basic shares outstanding (note 17)	**87,899**	91,898
Weighted average number of diluted shares outstanding (note 17)	**104,507**	92,794
Basic earnings per share (note 17)	**$ 0.09**	$ 0.09
Diluted earnings per share (note 17)	**$ 0.08**	$ 0.09

Enercare Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)	Three months ended March 31,	
(in thousands of Cdn $)	**2016**	2015
Net earnings for the period	**$ 8,195**	$ 7,902
Items that will not be reclassified to earnings		
Remeasurements of defined benefit plans (note 15)	**(2,478)**	(2,067)
Tax effect of remeasurements of defined benefit plans	**657**	372
Comprehensive income for the period	**$ 6,374**	$ 6,207

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 $)	**2016**	2015
Share Capital		
Balance - beginning of period	**$ 914,074**	$ 956,281
Shares issued on debenture conversion (net of issue costs) (notes 14, 16)	**81**	388
Share Capital - end of period	**914,155**	956,669
Treasury Shares		
Balance - beginning of period	**(815)**	-
Shares repurchased on account of stock purchase plan (note 16)	**(214)**	(246)
Treasury Shares - end of period	**(1,029)**	(246)
Contributed Surplus		
Balance - beginning of period	**1,215**	989
Shares issued on debenture conversion (net of issue costs) (notes 14, 16)	**(12)**	(12)
Employee share options and stock purchase plan:		
Value of services recognized	**198**	72
Contributed Surplus - end of period	**1,401**	1,049
Accumulated Other Comprehensive Gain (Loss)		
Balance - beginning of period	**103**	(251)
Remeasurements of defined benefit plans	**(2,478)**	(2,067)
Tax effect of remeasurements of defined benefit plans (note 15)	**657**	372
Accumulated Other Comprehensive Gain - end of period	**(1,718)**	(1,946)
Deficit		
Balance - beginning of period	**(524,780)**	(479,134)
Net earnings for the period	**8,195**	7,902
Dividends	**(18,460)**	(17,538)
Deficit - end of period	**(535,045)**	(488,770)
Shareholders' equity - end of period	**$ 377,764**	$ 466,756

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

Enercare Inc.
Condensed Interim Consolidated Statements of Cash Flows

(unaudited)	Three months ended March 31,	
(in thousands of Cdn $)	**2016**	2015
Cash provided by/(used in):		
Operating activities		
Net earnings for the period	**$ 8,195**	$ 7,902
Items not affecting cash		
Amortization		
Capital assets (note 9)	**15,524**	14,169
Intangible assets (note 10)	**16,783**	16,680
Net loss on disposal of equipment	**1,946**	1,758
Gain on retirement of finance lease obligations	**(15)**	(6)
Non-cash interest expense	**427**	491
Non-cash interest income	**(42)**	-
Defined benefit plan expense	**1,148**	1,064
Employee share options and stock purchase plan	**198**	72
Deferred income tax (recovery) / expense	**(9,214)**	2,909
Deferred customer inducements	**(161)**	-
Financing receivables	**(365)**	-
Contributions to defined benefit pension plan	**(639)**	(646)
	33,785	44,393
Net change in non-cash working capital (note 24)	**5,934**	(47,113)
Cash provided by / (used in) operating activities	**39,719**	(2,720)
Investing activities		
Purchase of capital assets (note 9)	**(33,293)**	(24,292)
Acquisition of CNI	**-**	(880)
Proceeds from disposal of vehicle leases	**24**	32
Proceeds from disposal of equipment - warranty recoveries	**615**	563
Proceeds from disposal of equipment - buyout receipts	**1,328**	1,085
Cash used in investing activities	**(31,326)**	(23,492)
Financing activities		
Dividends to shareholders	**(18,458)**	(16,652)
Purchase of treasury shares	**(214)**	(246)
Proceeds from issuance of subscription receipts (note 29)	**236,712**	-
Subscription receipts funds held in escrow (note 29)	**(236,712)**	-
Increase in obligations under finance leases	**692**	(168)
Repayment of obligations under finance leases	**(575)**	-
Repayment of long-term debt	**(316)**	(315)
Cash used in financing activities	**(18,871)**	(17,381)
Decrease in cash and cash equivalents	**(10,478)**	(43,593)
Cash and cash equivalents - beginning of period	**28,413**	68,055
Cash and cash equivalents - end of period (note 4)	**$ 17,935**	$ 24,462
Supplementary information		
Interest paid	**$ 6,378**	$ 6,371
Income taxes paid	**$ 1,882**	$ 10,189

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. (“Enercare Connections”), which operates in the sub-metering (“Sub-metering”) business primarily in Ontario.

Enercare Connections was formed through the amalgamation on January 1, 2012 of Stratacon Inc. and Enercare Connections. On July 15, 2015, Enercare Connections purchased and amalgamated with Triacta Power Technologies Inc. (“Triacta”), a company in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's primary markets are Canada and the U.S.

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 “DE Acquisition”). The assets acquired and liabilities assumed included components of working capital, capital assets, intangible assets, goodwill, finance leases and employee future benefits.

OHCS serviced and supported more than 90% of Enercare’s rentals business installed asset base at the time of closing of the DE Acquisition through origination and co-ownership agreements. Prior to the DE 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 now referred to as “Home Services”.

On May 11, 2016, Enercare through an indirect wholly-owned subsidiary of Enercare Solutions acquired, through a merger, SEHAC Holdings Corporation (“Service Experts”) (the “SE Transaction”), (see notes 29 and 30).

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, 2015. 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 balances have been reclassified from the condensed interim consolidated financial statements previously presented to conform to the presentation of the 2016 condensed interim consolidated financial statements.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 12, 2016, 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 employee benefit plans and the reimbursement right - pension as described in note 15.

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, 2016, the Home Services business recorded a revenue accrual of approximately $45,900 (2015 - $46,400) reflecting accrued service periods. Unbilled protection plans comprise approximately $28,300 (2015 - $28,100) 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 12 months. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

At March 31, 2016, the Sub-metering business recorded a revenue accrual of approximately $10,400 (2015 - $11,900), reflecting accrued service periods, increases in Billable units 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 99.51% in 2016 and 99.49% in 2015 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

Management evaluates a number of factors and assumptions in the determination of the bad debt provision. The total bad debt provision was approximately $11,927 at March 31, 2016, compared to approximately $11,405 at the end of 2015. 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 resides with the company or the customer.

Impairment of Non-Financial Assets and Goodwill

Impairment tests are conducted at least annually, or when events or circumstances indicate an impairment may exist. The recoverable amount is based upon a number of assumptions, including but not limited to: discount rates, billable units, cash flows and expenses. Changes in any of these assumptions may result in a materially different recoverable amount.

Employee Benefit Plans

Employee defined benefit plan balances, as described in note 15, 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 fair value of acquired assets and assumed liabilities and other adjustments related to the acquisition of Triacta (note 28), 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. 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, 2015.

Adoption of New Accounting Standards

Enercare has adopted new or revised standards as required by IFRS, effective January 1, 2016.

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 implemented the standard and has determined that it did not have any impact.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by Enercare in future periods:

Statement of Cash flows

IAS 7, "Statement of cash flows" ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning or after January 1, 2017. Enercare is currently evaluating the impact of adopting this standard on the interim financial statements.

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, 2018, 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.

Leases

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

4. Cash and Cash Equivalents

	March 31, 2016	December 31, 2015
Cash at bank	**$17,935**	$28,413
Ending balance	**$17,935**	$28,413

5. Accounts and Other Receivables

	March 31, 2016	December 31, 2015
Billed accounts receivable	**$50,953**	$47,221
Unbilled accounts receivable	**56,306**	56,977
Current taxes receivable	**824**	5,621
Bad and doubtful debt provision	**(11,927)**	(11,405)
Accounts receivable (net of provision)	**$96,156**	$98,414

Bad and doubtful debt provision:		
Opening balance	**$11,405**	$ 8,711
Charge for the period	**522**	2,694
Provision ending balance	**$11,927**	$11,405

Unbilled accounts receivable of $28,321 (2015 - $28,656), primarily relate 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, 2016	December 31, 2015
Inventory	**$8,680**	$8,633
Less: inventory obsolescence	**(922)**	(781)
Inventory (net of provision)	**$7,758**	$7,852

Inventory obsolescence provision:		
Opening balance	**$ 781**	$ 79
Charge for the period	**141**	702
Provision ending balance	**$ 922**	$ 781

During the first quarter ended March 31, 2016, $3,814 (2015 - $4,323) 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, 2016	December 31, 2015
Accounts payable	**$14,589**	$13,887
Accruals	**40,166**	39,804
Compensation payable	**7,773**	7,189
Current taxes payable	**5,750**	173
Other payables	**5,683**	5,483
Ending balance	**$73,961**	$66,536

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, 2016**	March 31, 2015
Revenue	**$19,084**	$ 16,985

	Three months ended March 31, 2016	Year ended December 31, 2015
Deferred revenue	**$3,566**	$ 2,142

9. Capital Assets

	Rental Equipment	Metering Equipment	Leased Vehicles	Other	Total
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	$ 96,505	$10,203	$1,930	$ 8,285	$ 116,923
Loss on disposal before proceeds	(13,221)	(2,378)	(146)	-	(15,745)
Acquisition – Cobourg portfolio	372	-	-	-	372
Acquisition – Triacta (note 28)	-	-	-	38	38
Depreciation for the year	(47,368)	(5,509)	(2,212)	(3,408)	(58,497)
At December 31, 2015	$472,370	$50,326	$6,695	$13,200	$ 542,591
At December 31, 2015:					
Cost	$905,742	$74,970	$9,226	$22,162	$1,012,100
Accumulated depreciation	(433,372)	(24,644)	(2,531)	(8,962)	(469,509)
Net book value	**$472,370**	**$50,326**	**$6,695**	**$13,200**	**$ 542,591**
Additions	$ 27,499	$ 9,199	$ 693	$ 1,133	$ 38,524
Loss on disposal before proceeds	(3,891)	(6)	(16)	-	(3,913)
Depreciation for the period	(12,184)	(1,449)	(575)	(1,316)	(15,524)
At March 31, 2016	$483,794	$58,070	$6,797	$13,017	$ 561,678
At March 31, 2016:					
Cost	$920,050	$84,151	$9,861	$23,295	$1,037,357
Accumulated depreciation	(436,256)	(26,081)	(3,064)	(10,278)	(475,679)
Net book value	**$483,794**	**$58,070**	**$6,797**	**$13,017**	**$561,678**

During the first quarter ended March 31, 2016, the non-cash portion of additions consisted of rental equipment of $1,197 (December 2015 - $0) and metering equipment of $4,034 (December 2015 - $0).

10. Intangible Assets

	Customer Relationships	Customer Contracts	Proprietary Technology	Total
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	$ 387	$ -	$ -	$ 387
Acquisition – Triacta (note 28)	-	-	3,800	3,800
Amortization for the year	(66,652)	(93)	(174)	(66,919)
At December 31, 2015	**$ 522,829**	**$ 1,008**	**$3,626**	**$ 527,463**
At December 31, 2015:				
Cost	$1,146,528	$ 33,270	$3,800	$1,183,598
Accumulated depreciation	(623,699)	(32,262)	(174)	(656,135)
Net book value	**$ 522,829**	**$ 1,008**	**$3,626**	**$ 527,463**
Amortization for the period	(16,665)	(23)	(95)	(16,783)
At March 31, 2016	$ 506,164	$ 985	$3,531	$510,680
At March 31, 2016:				
Cost	$1,146,528	$33,270	$3,800	$1,183,598
Accumulated depreciation	(640,364)	(32,285)	(269)	(672,918)
Net book value	**$ 506,164**	**$ 985**	**$3,531**	**$ 510,680**

11. Financing Receivables

Financing receivables consist of loans to customers resulting from HVAC sales. Outstanding balances can be repaid at any time without penalty. At the end of the 60 month term, customers have the option of renewing on a month by month basis. The following table summarizes the activity related to the financing receivables for the period ended March 31, 2016 and December 31, 2015:

	March 31, 2016	December 31, 2015
Balance as at January 1	**$ -**	$ -
Financing receivables added in the period	**365**	-
Balance, end of period	**$ 365**	$ -

12. Goodwill

The following table provides details by reporting segment regarding the changes in the carrying amounts of goodwill.

	Home Services	Sub-metering	Total
Opening balance January 1, 2015	$142,535	$2,962	$145,497
Acquisition – Cobourg portfolio	131	-	131
Acquisition – Triacta (note 28)	-	1,936	1,936
At December 31, 2015 and March 31, 2016	**$142,666**	**$4,898**	**$147,564**

13. 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 2016 and January 2022. During the quarter ended March 31, 2016, Enercare recognized $61 (2015 - $69) of interest expense related to the obligations under finance leases.

	March 31, 2016	December 31, 2015
Obligations under finance leases	**$ 6,797**	$ 6,695
Less: current portion	**(2,101)**	(2,061)
	$ 4,696	$ 4,634

Future minimum lease payments under finance leases are as follows:

	Principal	Interest	Lease Payments
Due in 2016	$1,599	$163	$1,762
Due in 2017	1,880	156	2,036
Due in 2018	1,484	95	1,579
Due in 2019	1,024	50	1,074
Due in 2020	568	20	588
Thereafter	242	5	247
	$6,797	$489	$7,286

14. Debt

Bank indebtedness, current and long term debts:

	March 31, 2016	December 31, 2015
Current portion of long term debt:		
Opening balance January 1	**$ 992**	$ 1,258
Repayment of debt	**(316)**	(1,257)
Current portion of Stratacon debt	**212**	991
Total current portion of long term debt	**$ 888**	$ 992
Non-current portion of long term debt:		
Senior debt principal amount	**$685,000**	$685,000
Revolving credit facility	**50,000**	-
Stratacon debt principal amount	**822**	1,813
Unamortized financing costs and interest accretion	**(2,282)**	(3,122)
Opening balance January 1	**$733,540**	$683,691
Current portion of Stratacon debt	**$ (212)**	$ (991)
Draw from revolving credit facility	**-**	50,000
Amortization of financing costs	**208**	840
Total non-current portion	**$733,536**	$733,540
Senior debt principal amount	**$685,000**	$685,000
Revolving credit facility	**50,000**	50,000
Stratacon debt principal amount	**610**	822
Unamortized financing costs and interest accretion	**(2,074)**	(2,282)
Total non-current portion of long term debt	**$733,536**	$733,540

On October 20, 2014, Enercare Solutions entered into a $100,000, five-year revolving, non-amortizing variable rate credit facility (the " 2014 Revolver"), replacing the former $35,000 facility. The 2014 Revolver has a standby fee of 0.25% and at March 31, 2016, $50,000 was drawn bearing interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.122% at March 31, 2016. Enercare Solutions is subject to two principal financial covenants as defined in the 2014 Revolver and term loan credit facility (the "2014 Term Loan") documents. The covenants address interest and debt coverage. At March 31, 2016, 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.

The senior debt also consists of a $210,000 non-revolving, non-amortizing variable rate 2014 Term Loan, maturing on October 20, 2018, which bears interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.118% at March 31, 2016. Deferred financing costs of $902 were incurred in relation to the issuance of the $210,000 2014 Term Loan.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of $1,498 as at March 31, 2016 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, Stratacon Debt, 2014 Revolver and 2014 Term Loan as at March 31, 2016.

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 could have redeemed 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 was 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, 2016	December 31, 2015
Convertible Debentures:		
Opening principal	**$2,728**	$3,257
Financing costs	**(48)**	(95)
Opening balance at January 1:	**$2,680**	$3,162
Principal conversions	**$ (81)**	$ (529)
Transfer of financing costs to equity upon conversion	**12**	14
Amortization of financing costs to expense	**9**	33
Ending balance	**$2,620**	$2,680
Principal balance	**$2,647**	$2,728
Financing costs	**(27)**	(48)
Ending balance	**$2,620**	$2,680

From April 1, 2016 to May 11, 2016, approximately $252 principal amount of additional convertible debentures were converted to shares.

Interest Expense:

Three months ended March 31,	**2016**	2015
Interest expense payable in cash	**$6,629**	$6,620
Interest payable on subscription receipts	**1,108**	-
Equity bridge financing fees	**189**	-
Non-cash items:		
Notional interest on employee benefit plans	**210**	274
Amortization of financing costs	**217**	217
Interest expense	**$8,353**	$7,111

Interest expense payable in cash is primarily associated with debt and convertible debenture activity. Notional interest relates to employee benefits plans and amortization of financing costs include previously unamortized costs associated with debt.

As part of the SE Transaction (as defined in note 1), SE Subscription Receipts were issued and were subsequently exchanged for Shares in conjunction with the closing of the SE Transaction (see notes 29 and 30). While the SE Subscription Receipts remained outstanding, they were classified as a financial liability at amortized cost, resulting in interest expense of $1,108, which was equivalent to the dividend payments on such subscription receipts had they been Shares. Equity bridge financing fees of $189 were incurred as part of the SE Transaction.

15. Employee Benefit Plans

Defined Benefit Plans

In connection with the DE Acquisition, 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.

Regulatory approval was received in December of 2015 and the pension assets and liabilities of DE employees who transferred to Enercare at the closing of the DE Acquisition ("Transferred Employees") were transferred from the DE Plan to the RPP on January 28, 2016 at which time Enercare assumed sponsorship and administration of the RPP.

Prior to this transfer, in accordance with the asset purchase agreement ("Asset Purchase Agreement"), DE funded the solvency deficit relating to these employees and remained responsible for the sponsorship and administration of the pension plan, including exposure to the return on any plan assets. The RPP was fully funded, on a solvency basis, prior to being transferred to Enercare. Accordingly, Enercare had recognized a receivable, identified as a "Reimbursement Right - Pension" in the consolidated statement of financial position as at December 31, 2015 in the amount of $11,107.

On January 28, 2016, the Reimbursement Right – Pension was settled through a $11,107 transfer received from DE representing $84,360 of pension liabilities (solvency basis), net of $73,453 of pension assets and $200 of wind up expenses.

Enercare was only responsible for current service cost contributions relating to Transferred Employees until Enercare assumed 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 total cost of the employee benefit plans recognized in selling, general and administrative, interest income and interest expense are as follows:

Three months ended March 31,	**2016**	2015
Pension		
Current service cost	**$922**	$832
Interest (income) / expense	**(42)**	81
Administrative expenses	**18**	-
	$898	$913
OPEB		
Current service cost	**$208**	$232
Net interest cost	**210**	193
	$418	$425

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

Three months ended March 31,	**2016**	2015
Pension		
Actuarial gain	**$1,233**	$ -
OPEB		
Actuarial gain	**$1,245**	$1,403
	$2,478	**$1,403**

16. Share Capital and Treasury Shares

(000's)	**March 31, 2016**		December 31, 2015	
Shares Issued and Outstanding	**Shares**	**Dollars**	Shares	Dollars
Opening balance at January 1:	**87,949**	**$914,074**	91,880	$956,281
Issued:				
New share issuance	**-**	**-**	-	(30)
Shares issued from treasury upon exercise of share options	**-**	**-**	388	3,057
Shares repurchased and cancelled	**-**	**-**	(4,400)	(45,763)
Principal conversion of debentures	**25**	**81**	81	529
Transfer of financing costs to equity	**-**	**(12)**	-	(14)
Transfer from contributed surplus	**-**	**12**	-	14
Totals[1]	**87,974**	**$914,155**	87,949	$914,074

[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, 2016, 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.

On July 16, 2015, Enercare announced that it had filed with the TSX a Notice of Intention to make a normal course issuer bid ("NCIB"), as approved by Enercare's board of directors, pursuant to which Enercare may purchase for cancellation up to 9,161,779 of its common shares, representing approximately 10% of its public float of issued and outstanding common shares as of July 3, 2015. The purchases commenced on July 20, 2015, and the NCIB will terminate on July 19, 2016, or on such earlier date as Enercare may complete its purchases under its NCIB. The purchases made by Enercare are implemented through the facilities of the TSX or other Canadian marketplaces and are in accordance with applicable rules at market prices prevailing at the time of purchase. The actual amount of common shares that may be purchased under the NCIB is subject to, and cannot exceed, limits referred to above and the timing of such purchases will be determined by Enercare. All common shares purchased under the normal course issuer bid will be cancelled. In addition to purchases under the NCIB, Enercare may from time to time make other purchases of its common shares in accordance with applicable securities laws and rules of the applicable stock exchange.

On November 20, 2015, Enercare purchased for cancellation 3,846,154 shares under its NCIB at a price of $15.61 per share for an aggregate price of approximately $60,000. The shares were purchased from DE by way of a block trade and were cancelled. The shares were originally issued to DE as partial consideration for the DE Acquisition. The purchase price for the shares was funded from cash on hand and a drawdown under Enercare's revolving credit facility (see note 14).

During 2015, including the above, Enercare purchased for cancellation a total of 4,400,154 shares under its NCIB at an average price $15.36.

As at March 31, 2016, there were 69,418 Shares (2015 – 55,909) that were purchased and held as treasury shares. These shares related to the employer portion of the employee share purchase plan. During the quarter ended March 31, 2016, 13,509 (2015 – 16,957) of shares were purchased for $214 (2015 - $246).

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 convertible debentures, stock options and subscription receipts, were dilutive and therefore were included in the calculation of diluted earnings per share.

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

Three months ended March 31, (in thousands – except per share amounts)	**2016**	2015
Net earnings	**$ 8,195**	$ 7,902
After tax impact of long term stock compensation and convertible debentures	**122**	57
Fully diluted net earnings	**$ 8,317**	$ 7,959
Weighted average shares outstanding	**87,899**	91,898
Dilutive impact of long term stock compensation	**365**	453
Dilutive impact of convertible debentures	**408**	443
Dilutive impact of subscription receipts	**15,835**	-
Weighted average diluted shares outstanding	**104,507**	92,794
Basic earnings per share	**$ 0.09**	$ 0.09
Diluted earnings per share	**$ 0.08**	$ 0.09

18. 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)	**2016**	2015
Dividends declared per share during the period	**$0.21**	$0.1908
Dividends declared after March 31, April		
Dollars	**$6,158**	$ 6,435
Shares	**87,974**	91,923
Per share/unit amount	**$ 0.07**	$ 0.07

The total amount of dividends declared after March 31, 2016 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 and sponsorship agreements, Enercare is required to make annual minimum payments. The aggregate amount of future minimum payments is as follows:

	March 31, 2016
Due in 2016	**$ 1,926**
Due in 2017	**1,702**
Due in 2018	**1,079**
Due in 2019	**1,027**
Due in 2020	**1,027**
Thereafter	**4,116**
Total commitments under non-cancellable operating leases	**$10,877**

The operating lease and sponsorship payments recognized in the consolidated statement of income for the quarter ended March 31, 2016 were $1,115, (2015 - $885).

In addition to the above lease and sponsorship commitments, Enercare was liable for 50%, or $4,765, of the fees associated with the offering of subscription receipts, upon closing, as discussed further in note 29. Offering fees were paid in May 2016 upon closing of the SE Transaction (see note 30).

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. The majority of Home Services' contracted revenues are subject to a guaranteed payment by EGD for 99.51% 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, 2016, 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 2014 Revolver and 2014 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, 2016.

The covenants under the 2014 Revolver and 2014 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, 2016.

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 2016	677	19,738	$1,599	$163	2,276	19,901
Due in 2017	253,262	25,988	1,880	156	255,142	26,144
Due in 2018	210,125	14,373	1,484	95	211,609	14,468
Due in 2019	50,025	11,108	1,024	50	51,049	11,158
Due in 2020	225,027	5,179	568	20	225,595	5,199
Thereafter	29	-	242	5	271	5
Total	739,145	76,386	$6,797	489	745,942	76,875

Market Risk

Fair Value

The carrying values of cash and cash equivalents, accounts and other receivables, 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, 2016 and December 31, 2015. 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, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 17,935**	**$ 17,935**	$ 28,413	$ 28,413
Subscription receipts funds held in escrow	**236,712**	**236,712**	-	-
Accounts receivable	**96,156**	**96,156**	98,414	98,414
Financing receivables	**365**	**365**	-	-
Total financial assets	**$ 351,168**	**$ 351,168**	$126,827	$126,827
Financial liabilities measured at amortized cost:				
Gross senior borrowings	**$ 685,000**	**$ 700,770**	$685,000	$705,118
Revolving credit facility	**50,000**	**50,000**	50,000	50,000
Gross convertible debentures	**2,647**	**7,036**	2,728	7,111
Subscription receipts payable	**236,712**	**236,712**	-	-
Stratacon debt	**1,498**	**1,498**	1,814	1,814
Obligations under finance lease	**6,797**	**6,797**	6,695	6,695
Total borrowings	**$ 982,654**	**$1,002,813**	$746,237	$770,738
Other obligations and payables	**96,656**	**96,656**	86,770	86,770
Total financial liabilities	**$1,079,310**	**$1,099,469**	$833,007	$857,508

Fair values of all financial assets and liabilities are classified as Level 3 financial instruments, except cash and cash equivalents, subscription receipts funds held in escrow, revolving credit facility and obligations under finance lease which are classified as Level 2 financial instruments and gross senior borrowings, subscription receipts payables and gross convertible debentures which are classified as Level 1.

Enercare is subject to variable interest rate risk on its revolving credit facility and a portion of its gross senior borrowings. A 0.5% change in interest rates will have approximately a $1,300 impact on earnings. Enercare is also subject to interest rate risk on its cash on hand where a 0.5% change in interest rates will have approximately a $90 impact on earnings.

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. Enercare's capital management strategy, objectives, and definitions have not materially changed during the quarter ended March 31, 2016.

Enercare was in compliance with all covenants under the 2012 Notes, 2013 Notes, 2014 Revolver and 2014 Term Loan as at March 31, 2016.

23. Selling, General and Administrative

Three months ended March 31,	**2016**	2015
Employee compensation and benefits	**$17,495**	$14,821
Professional fees	**5,516**	2,606
Selling, office and other	**7,487**	6,280
Billing and servicing	**6,487**	9,274
Claims and bad debt	**2,176**	2,606
Total	**$39,161**	$35,587

24. 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,	**2016**	2015
Accounts receivable	**$2,258**	$(33,855)
Inventory	**94**	(502)
Prepaid expenses	**(1,071)**	610
Deferred revenue	**952**	705
Accounts payable and accrued liabilities	**2,194**	(14,290)
Provisions	**(41)**	(30)
Interest payable	**1,548**	249
Total	**$5,934**	$(47,113)

25. 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,	**2016**	2015
Salaries and short-term benefits	**$1,158**	$ 705
Other employment benefits	**59**	41
Long term benefits	**430**	709
Total	**$1,647**	$1,455

26. 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 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 19% volatility measure; and
- Dividend yield was based on historical levels preceding the date of grant.

The weighted average remaining contractual life is approximately 6.48 years.

Employee Share Purchase Plan

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 at March 31, 2016, there were 69,418 shares (December 31, 2015 – 55,909) that were purchased and held as treasury shares. These shares related to the employer portion of the employee share purchase plan. During the quarter ended March 31, 2016, 13,509 (2015 – 16,957) of shares were purchased for $214 (2015 - $246).

In the first quarter of 2016, no share matching was required under the ESPP. During 2015, no share matching was required under the ESPP, except regarding the grant of 421 Shares at a market value of $16.20 per Share in connection with employee retirements. No amounts were expensed or payable in the first quarter of 2016. The amount expensed for the year ended December 31, 2015 was $231 with no liabilities payable.

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

2016	PSUP		DSUP		SOP	
(in thousands except price)	#	$	#	$	#	$
At January 1, 2016	357	16.02	309	16.02	1,109	11.31
Granted	204	16.02	26	16.02	462	15.58
Director's optional purchases	-	-	3	15.44	-	-
Phantom dividends	7	-	4	-	-	-
Performance objective modifier	-	-	-	-	-	-
Forfeited	(11)	-	-	-	-	-
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
At March 31, 2016	557	15.44	342	15.44	1,571	12.58
Expensed in the period	-	703	-	68	-	83
Liabilities payable	-	3,298	-	4,475	-	-

2015	PSUP		DSUP		SOP	
(in thousands except price)	#	$	#	$	#	$
At January 1, 2015	379	14.59	251	14.59	1,138	8.85
Granted	187	14.59	29	14.59	359	14.65
Director's optional purchases	-	-	12	14.70	-	-
Phantom dividends	22	-	17	-	-	-
Performance objective modifier	67	-	-	-	-	-
Forfeited	(2)	-	-	-	-	-
Exercised	(296)	15.23	-	-	(388)	7.19
Expired	-	-	-	-	-	-
At December 31, 2015	357	16.02	309	16.02	1,109	11.31
Expensed in the period	-	3,196	-	1,235	-	281
Liabilities payable	-	4,790	-	4,406	-	-

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.

27. Segment Information

Management has determined the operating segments based on the reports reviewed by the President and CEO (who has been identified as the chief operating decision maker), 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 operating segments on a measure of EBITDA as follows:

	Three months ended March 31, 2016				Three months ended March 31, 2015			
Segment Data	**Home Services**	**Sub-metering**	**Corporate**	**Total**	Home Services	Sub-metering	Corporate	Total
Revenues:								
Contracted sales	**$100,331**	**$35,217**	**$ -**	**$135,548**	$ 93,653	$37,656	$ -	$131,309
Sales and other services	**6,098**	**903**	**-**	**7,001**	10,360	66		10,426
Investment Income	**78**	**22**	**-**	**100**	72	5	-	77
Total revenue	**$106,507**	**$36,142**	**$ -**	**142,649**	$104,085	$37,727	$ -	$141,812
Expenses:								
Cost of goods & services:								
Cost of services	**$(16,268)**	**$ -**	**$ -**	**$(16,268)**	$ (14,388)	$ -	$ -	$ (14,388)
Cost of goods sold	**(5,281)**	**(364)**	**-**	**(5,645)**	(7,328)	(59)	-	(7,387)
Commodity	**-**	**(27,747)**	**-**	**(27,747)**	-	(30,973)	-	(30,973)
SG&A	**(25,912)**	**(4,705)**	**(8,544)**	**(39,161)**	(26,581)	(3,706)	(5,300)	(35,587)
Net loss on disposal	**(1,925)**	**(6)**		**(1,931)**	(1,752)	-	-	(1,752)
EBITDA[1]	**57,121**	**3,320**	**(8,544)**	**51,897**	54,036	2,989	(5,300)	51,725
Amortization	**(30,036)**	**(1,622)**	**(649)**	**(32,307)**	(29,114)	(1,339)	(396)	(30,849)
Interest expense				**(8,353)**				(7,111)
Other income	**-**	**-**	**-**	**-**	-	-	-	-
Current taxes				**(12,256)**				(2,954)
Deferred tax recovery				**9,214**				(2,909)
Net earnings				**8,195**				7,902
Adjusted EBITDA[1,2]	**59,046**	**3,326**	**(8,544)**	**53,828**	55,788	2,989	(5,300)	53,477
Segment assets	**1,237,909**	**90,032**	**267,664**	**1,595,605**	1,276,206	77,422	33,505	1,387,133
Capital additions	**$ 28,991**	**$ 9,361**	**$ 172**	**$ 38,524**	$ 22,226	$ 1,814	$ 252	$ 24,292

(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.

28. Acquisition of Triacta Power Technologies Inc.

On July 15, 2015, Enercare, through its wholly-owned subsidiary, Enercare Connections completed its acquisition of Triacta. Enercare acquired all of the issued and outstanding shares of Triacta, through a plan of arrangement under the Ontario Business Corporations Act. The purchase price for the acquisition was $7,500, subject to certain working capital and other adjustments, and payment in full by Triacta of its existing indebtedness. Enercare paid the purchase price using cash on hand.

During the first quarter of 2016, Enercare recorded $nil (2015 - $379) of transaction costs within SG&A expenses primarily related to professional fees associated with the acquisition of Triacta.

The following table summarizes the final allocation of total consideration allocated to the net assets acquired.

	Original and as reported at September 30, 2015	Adjustments	Revised
Cash and cash equivalents	$ 96	$ -	$ 96
Accounts and other receivables	1,307	(12)	1,295
Inventory	1,013	7	1,020
Prepaid expenses	104	(54)	50
Capital assets	38	-	38
Intangible assets – proprietary technology	4,200	(400)	3,800
Goodwill	1,798	138	1,936
Deferred tax asset	725	256	981
Total assets acquired	$9,281	$ (65)	$9,216
Less:			
Accounts payable and accrued liabilities	$1,001	$ 52	$1,053
Payable to Enercare Connections	580	-	580
Deferred revenue	331	51	382
Total net assets acquired	$7,369	$(168)	$7,201
Fair value of consideration transferred:			
Cash consideration	$7,500	$ -	$7,500
Preliminary working capital adjustment	(131)	(168)	(299)
Total consideration transferred	$7,369	$(168)	$7,201

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 and is not deductible for tax purposes.

29. Agreement to Acquire Service Experts and Issuance of Subscription Receipts

In March 2016, Enercare and Enercare Solutions announced that Enercare Solutions entered into a definitive merger agreement pursuant to which an indirect wholly-owned subsidiary of Enercare Solutions will acquire, through a merger, SEHAC Holdings Corporation for consideration of US$340,750, excluding transaction costs (the "Consideration"), subject to customary working capital and other adjustments.

In conjunction with the SE Transaction, Enercare also announced that it had entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, approximately $218,000 of subscription receipts plus approximately $21,800 of subscription receipts issuable pursuant to an overallotment option granted to the underwriters (collectively, the "SE Subscription Receipts") to partially finance the equity component of the Consideration, SE Transaction-related costs and general working capital requirements (the "Offering"). In order to finance the remainder of the Consideration, Enercare Solutions entered into a commitment with two Canadian chartered banks (the "Lenders") pursuant to which the Lenders committed, subject to customary conditions, to provide debt financing to Enercare Solutions in the form of an unsecured 4-year variable rate term credit facility in an aggregate amount of US$200,000 (the "2016 Term Loan"), which Enercare Solutions fully drew at closing of the SE Transaction.

In addition, the Lenders also provided a fully committed bridge facility in the amount of US$140,750 in the event the Offering did not close. This bridge facility was terminated by Enercare Solutions in conjunction with the closing of the Offering.

Enercare completed the Offering of 15,725,600 SE Subscription Receipts at a price of $15.25 per SE Subscription Receipt (which included 1,429,600 SE Subscription Receipts sold as a result of the exercise in full of the overallotment option by the underwriters) in March 2016. The Offering raised gross proceeds of $239,815.

In addition to the SE Subscription Receipts issued pursuant to the Offering, the Chief Executive Officer and certain other officers of Service Experts subscribed for an aggregate of 109,000 of SE Subscription Receipts at the Offering price on a private placement basis (the "Concurrent Private Placement"). The Concurrent Private Placement raised gross proceeds of $1,662.

The SE Subscription Receipts, classified as financial liabilities, are being carried at amortized cost, with the common share dividend equivalent recognized as interest. As of March 31, 2016, Enercare recorded $1,108 of interest payable to the holders of SE Subscription Receipts. The proceeds from the Offering, net of transaction costs of $4,765, representing 50% of the underwriters fees paid, were held in escrow by an escrow agent until the closing of the SE Transaction.

30. Subsequent Events

On May 11, 2016, Enercare and Enercare Solutions announced that Enercare Solutions completed the SE Transaction. The purchase price for the SE Transaction was approximately US$340,750 excluding transaction costs, and subject to customary working capital and other adjustments. The acquired assets and liabilities assumed included components of working capital, capital assets, intangible assets, goodwill and capital leases. The initial accounting for this business combination is incomplete as at the date hereof.

The SE Transaction was financed through a combination of debt and equity, including approximately $241,478 of SE Subscription Receipts ($231,947 net of fees), inclusive of the Concurrent Private Placement, and US$200,000 from the 2016 Term Loan.

In accordance with the terms of the agreement pursuant to which the SE Subscription Receipts were issued, each outstanding SE Subscription Receipt was exchanged for one Share, resulting in the issuance of 15,834,600 Shares (including 109,000 Shares issued to certain U.S. persons, including the Chief Executive Officer and certain other officers of Service Experts in exchange for the SE Subscription Receipts issued to them in the Concurrent Private Placement) and a cash payment equal to $0.14 per SE 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 SE Subscription Receipts, less any withholding taxes, if any, to the date of closing of the SE Transaction. The Shares issued in exchange for the SE Subscription Receipts issued in the Concurrent Private Placement are subject to a contractual hold period of six months from closing of the Offering.

In conjunction with the SE Transaction, Enercare Solutions entered into an amendment to the 2014 Term Loan and 2014 Revolver with the Lenders to give effect to the SE Transaction and 2016 Term Loan which included, among other things (i) modifying the definition of Adjusted EBITDA to exclude SE Transaction and integration costs up to $10,300 in the aggregate, (ii) adding Service Experts and its subsidiaries as guarantors, (iii) increasing certain of the “basket” sizes permitted under certain covenants and events of default (to take into account the increase of assets under management due to the SE Transaction) and (iv) the enhancement of certain financial covenants as described below.

The amendment to the 2014 Term Loan and 2014 Revolver included enhancements to certain of the financial covenants as follows: (i) the ratio of total debt (other than subordinated debt) to Adjusted EBITDA must now only be equal to or less than 4.75:1 and (ii) the ratio of Adjusted EBITDA to Cash Interest Expense must now only be equal to or greater than 3.00:1.