



Enercare Inc.

Condensed Interim Consolidated Financial Statements

**For the three and nine months ended September 30, 2016 and September 30,
2015**

Dated November 9, 2016

Energcare Inc.
Condensed Interim Consolidated Statements of Financial Position

(unaudited)
(in thousands of Cdn \$) September 30, 2016 December 31, 2015

Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 39,331	\$ 28,413
Accounts and other receivables (note 5)	139,028	98,414
Financing receivables (note 6)	63	-
Inventory (note 7)	16,189	7,852
Collateral deposits (note 11)	10,348	-
Prepaid expenses	10,181	3,653
	215,140	138,332
Capital assets (note 8)	637,437	542,591
Intangible assets (note 9)	713,766	527,463
Reimbursement right - pension (note 16)	-	11,107
Goodwill (note 10)	372,363	147,564
Deferred tax asset	15,457	7,652
Long-term financing receivables (note 6)	1,067	-
Other assets	1,833	1,538
	\$ 1,957,063	\$ 1,376,247
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	\$ 171,724	\$ 66,536
Current portion of long-term debt (note 14)	748	992
Convertible debentures (note 14)	2,199	-
Obligations under finance leases (note 13)	9,740	2,061
Insurance claim provisions (note 11)	9,102	-
Other Provisions	1,153	1,191
Interest payable	5,913	4,694
Deferred revenue and service obligation (note 15)	40,999	8,193
Dividends payable	8,005	6,156
	249,583	89,823
Long-term debt (note 14)	955,073	733,540
Long-term obligations under finance leases (note 13)	16,639	4,634
Long-term convertible debentures (note 14)	-	2,680
Employee benefit plan obligations (note 16)	28,724	27,848
Deferred tax liability	108,392	127,925
	1,358,411	986,450
Shareholders' equity		
Share capital (note 17)	1,149,208	914,074
Treasury shares (note 17)	(1,490)	(815)
Contributed surplus	1,775	1,215
Accumulated other comprehensive (loss) gain	(5,053)	103
Deficit	(545,788)	(524,780)
	598,652	389,797
	\$ 1,957,063	\$ 1,376,247

Commitments and contingent liabilities are found in notes 20 and 21 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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenues				
Contracted revenue	\$ 151,677	\$ 135,054	\$ 423,076	\$ 391,963
Sales and other services	164,246	10,357	279,143	30,072
Investment income	21	44	476	170
Total revenues	315,944	145,455	702,695	422,205
Expenses				
Cost of goods sold and services provided				
Commodity charges	34,032	30,254	86,590	82,662
Maintenance and servicing costs	22,007	16,522	56,082	45,270
Sales and other services	104,480	6,991	175,279	20,634
Selling, general & administrative (note 24)	80,837	34,435	186,836	103,986
Foreign exchange (gain) / loss	(124)	22	(183)	71
Amortization				
Capital assets (note 8)	18,845	14,829	51,577	43,354
Intangible assets (note 9)	19,484	16,777	54,855	50,145
Net loss on disposal of equipment	758	1,055	3,628	4,401
Gain on retirement of finance lease obligations	(24)	(54)	(72)	(76)
Interest expense (note 14)	8,507	6,955	26,047	21,087
Total expenses	288,802	127,786	640,639	371,534
Other income	-	-	-	580
Earnings for the period before income taxes	27,142	17,669	62,056	51,251
Tax expense				
Current tax expense	15,332	2,169	42,847	7,413
Deferred income tax (recovery) / expense	(7,522)	2,376	(24,369)	6,608
Total tax expense	7,810	4,545	18,478	14,021
Net earnings for the period	\$ 19,332	\$ 13,124	\$ 43,578	\$ 37,230
Weighted average number of basic shares outstanding (note 18)	103,839	91,634	96,147	91,815
Weighted average number of diluted shares outstanding (note 18)	104,700	92,470	96,901	92,684
Basic earnings per share (note 18)	\$ 0.19	\$ 0.14	\$ 0.45	\$ 0.41
Diluted earnings per share (note 18)	\$ 0.19	\$ 0.14	\$ 0.45	\$ 0.40

Enercare Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of Cdn \$)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net earnings for the period	\$ 19,332	\$ 13,124	\$ 43,578	\$ 37,230
Items that will not be reclassified to earnings				
Remeasurements of defined benefit plans (note 16)	(4,043)	457	(10,017)	1,298
Tax effect of remeasurements of defined benefit plans	1,071	(122)	2,654	(344)
Items that will be reclassified to earnings				
Net investment hedge of US dollar loans (note 22)	(1,992)	-	(1,992)	-
Foreign currency translation differences from foreign operations	4,197	-	4,199	-
Comprehensive income for the period	\$ 18,565	\$ 13,459	\$ 38,422	\$ 38,184

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

Enercare Inc.
Condensed Interim Consolidated Statements of Changes in Equity

(unaudited) (in thousands of Cdn \$)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Share Capital				
Balance - beginning of period	\$ 1,148,004	\$ 956,644	\$ 914,074	\$ 956,281
Shares issued, net of transaction costs (note 17)	(23)	-	233,564	(30)
Repurchase of shares (note 16)	-	(5,763)	-	(5,763)
Shares issued on debenture conversion (net of issue costs) (notes 14, 17)	166	96	509	489
Shares issued upon exercise of share options	1,061	-	1,061	-
Share Capital - end of period	1,149,208	950,977	1,149,208	950,977
Treasury Shares				
Balance - beginning of period	(1,263)	(430)	(815)	-
Shares repurchased on account of stock purchase plan (note 17)	(227)	(189)	(675)	(619)
Treasury Shares - end of period	(1,490)	(619)	(1,490)	(619)
Contributed Surplus				
Balance - beginning of period	1,559	1,165	1,215	989
Shares issued on debenture conversion (net of issue costs) (notes 14, 17)	(2)	(1)	(7)	(12)
Employee share options and stock purchase plan:				
Value of services recognized	285	145	634	332
Shares issued upon exercise of share options	(67)	-	(67)	-
Contributed Surplus - end of period	1,775	1,309	1,775	1,309
Accumulated Other Comprehensive (Loss) / Gain				
Balance - beginning of period	(4,286)	368	103	(251)
Remeasurements of defined benefit plans (note 16)	(4,043)	457	(10,017)	1,298
Net investment hedge of US dollar loans (note 22)	(1,992)	-	(1,992)	-
Foreign currency translation differences from foreign operations	4,197	-	4,199	-
Tax effect of remeasurements of defined benefit plans (note 16)	1,071	(122)	2,654	(344)
Accumulated Other Comprehensive (Loss) / Gain - end of period	(5,053)	703	(5,053)	703
Deficit				
Balance - beginning of period	(541,129)	(491,869)	(524,780)	(479,134)
Net earnings for the period	19,332	13,124	43,578	37,230
Repurchase of shares	-	(1,781)	-	(1,781)
Dividends (note 19)	(23,991)	(19,229)	(64,586)	(56,070)
Deficit - end of period	(545,788)	(499,755)	(545,788)	(499,755)
Shareholders' equity - end of period	\$ 598,652	\$ 452,615	\$ 598,652	\$ 452,615

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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Cash provided by/(used in):				
Operating activities				
Net earnings for the period	\$ 19,332	\$ 13,124	\$ 43,578	\$ 37,230
Items not affecting cash				
Amortization				
Capital assets (note 8)	18,845	14,829	51,577	43,354
Intangible assets (note 9)	19,484	16,777	54,855	50,145
Net loss on disposal of equipment	758	1,055	3,628	4,401
Gain on retirement of finance lease obligations	(24)	(54)	(72)	(76)
Non-cash foreign exchange expense	12	-	22	-
Non-cash interest expense	496	493	1,379	1,475
Non-cash interest income	(42)	-	(126)	-
Defined benefit plan expense	1,134	1,064	3,413	3,192
Employee share options and stock purchase plan	285	145	634	332
Deferred income tax (recovery) / expense	(7,522)	2,376	(24,369)	6,608
Deferred customer inducements	(48)	(997)	(295)	(997)
Financing receivables	(495)	-	(1,130)	-
Contributions to defined benefit pension plan	(674)	(646)	(1,951)	(1,938)
	51,541	48,166	131,143	143,726
Net change in non-cash working capital (note 25)	18,387	6,274	(21,997)	(35,959)
Cash provided by operating activities	69,928	54,440	109,146	107,767
Investing activities				
Purchase of capital assets (note 8)	(36,846)	(28,109)	(112,061)	(77,441)
Purchase of intangible assets (note 9)	(73)	-	(73)	-
Acquisition of Triacta - net of cash received	-	(7,273)	-	(7,273)
Acquisition of SE - net of cash received (note 28)	-	-	(375,163)	-
Acquisition of CNI	-	-	-	(880)
Proceeds from disposal of vehicle leases	376	87	733	150
Proceeds from disposal of equipment - warranty recoveries	516	464	1,703	1,527
Proceeds from disposal of equipment - buyout receipts	2,099	1,317	5,270	3,888
Cash used in investing activities	(33,928)	(33,514)	(479,591)	(80,029)
Financing activities				
Dividends to shareholders	(23,981)	(19,267)	(62,737)	(55,222)
Purchase of treasury shares	(227)	(189)	(675)	(619)
Repurchase of shares	-	(7,544)	-	(7,544)
Share issuance, net of transaction costs - SE (note 17)	(32)	-	230,710	-
Share issuance, net of transaction costs - OHCS	-	-	-	(30)
Proceeds from exercise of employee share options	994	-	994	-
Proceeds from issuance of long-term debt	-	-	258,320	-
Repayment of revolving line of credit	-	-	(40,000)	-
Repayment of obligations under finance leases	(2,275)	(551)	(4,177)	(1,655)
Repayment of long-term debt	(225)	(312)	(770)	(942)
Financing costs on long-term debt	(50)	-	(1,009)	-
Cash (used in) / provided by financing activities	(25,796)	(27,863)	380,656	(66,012)
Effect of foreign currency on cash and cash equivalents	655	-	707	-
Increase / (Decrease) in cash and cash equivalents	10,204	(6,937)	10,211	(38,274)
Cash and cash equivalents - beginning of period	28,472	36,718	28,413	68,055
Cash and cash equivalents - end of period (note 4)	\$ 39,331	\$ 29,781	\$ 39,331	\$ 29,781
Supplementary information				
Interest paid	\$ 9,903	\$ 6,246	\$ 25,647	\$ 19,280
Income taxes paid	\$ 7,717	\$ 1,781	\$ 24,454	\$ 20,969

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

Enercare Inc.

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2016 and 2015

(in thousands of Canadian dollars, unless otherwise stated except shares, per share and per subscription receipt amounts)

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. 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 “Enercare 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 note 28). Enercare purchased 100% of the outstanding shares of Service Experts. Service Experts provides sales, installation, maintenance and repair of heating, ventilation and air conditioning (“HVAC”) systems directly to residential and light commercial customers. There are 90 locations in the United States and Canada. The interim financial statements reflect Enercare’s ownership of Service Experts for the period of May 11, 2016 to September 30, 2016.

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 (the “interim 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.

The interim financial statements have been presented in Canadian dollars, which is Enercare’s functional currency and presentation currency. Certain subsidiaries acquired through the SE Transaction have a functional currency of US dollars.

Enercare’s operations and earnings for interim periods, in particular the Service Experts segment, can be affected by seasonal fluctuations and accordingly, result in changes in demand for its products and services.

Certain comparative balances have been reclassified from the interim financial statements previously presented to conform to the presentation of the 2016 interim financial statements.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of November 9, 2016, the date the board of directors approved these interim financial statements.

Basis of Measurement

These interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities, including insurance provision claims, employee benefit plans and the reimbursement right - pension as described in note 16.

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 interim 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 September 30, 2016, the Enercare Home Services segment recorded a revenue accrual of approximately \$44,300 reflecting accrued service periods, compared to \$42,900 at September 30, 2015. Unbilled protection plans comprise approximately \$26,700 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, compared to \$25,900 at September 30, 2015. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

At September 30, 2016, the Sub-metering segment recorded a revenue accrual of approximately \$11,300, reflecting accrued service periods, increases in Billable units and pass through commodity charges, compared to \$10,900 at September 30, 2015.

At September 30, 2016, the Service Experts segment recorded a revenue accrual of approximately \$4,224 reflecting accrued revenue for contracts in progress, compared to \$nil at September 30, 2015.

Bad Debt Provisions

The Enercare Home Services segment 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 comprising the Enercare Home Services, Sub-metering and Service Experts segments was approximately \$11,095 at September 30, 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 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 16, 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 Service Experts (note 28), these interim 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 May 11, 2016. Accordingly, the final fair value determinations may differ from those set forth in these interim financial statements and such differences may be material.

Estimation of Insurance Claims

Insurance liabilities are subject to measurement uncertainty. The recognized amounts of such items are based on Enercare's best information and judgment. Estimates and other judgments are continuously evaluated based on management's experience and expectations about future events, including insurance claims for events that have occurred but not yet been reported to management.

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these interim financial statements are consistent with those policies in effect at December 31, 2015. In addition, Enercare has adopted the following significant accounting policies in the nine months ended September 30, 2016:

Foreign Currency Translation

Transactions in foreign currencies are translated to the respective functional currencies of subsidiaries of Enercare at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-measured to the functional currency at the exchange rate at that date. Foreign currency differences arising on re-measurement are recognized through the statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign currency gains and losses are reported in the statement of income on a net basis. The effect of currency translation adjustments on cash and cash equivalents is presented separately in the statements of cash flows.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated from their functional currency to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency using average exchange rates for the period. Foreign currency differences are recognized in other comprehensive income ("OCI") in the foreign currency translation differences from foreign operations.

Financial instruments designated as a hedge of the foreign currency exposure of a net investment in foreign operations that are effective as a hedge are reported in the same manner as the foreign currency translation adjustment (in OCI) related to the net investment. To the extent that the hedge is ineffective, such differences are recognized in the statement of income.

Insurance Claims Provisions

Enercare has insurance coverage for claims related to workers compensation, automobile and general liability claims. This coverage includes a self-insured component which is funded to a

third-party collateral account based on estimated claim losses for the plan year. The balance of the collateral account at September 30, 2016 represents the net of payments made by Enercare to fund into the collateral account, less payments from the collateral account to fund cost of paid claims (up to the self-insured retention), and is recognized as an asset in the statement of financial position.

Claims provisions are estimated by the appointed actuary and are based on assumptions such as historical loss development factors, payment patterns, future rates of insurance claims frequency and severity, inflation, expenses, taking into consideration the circumstances of the entity and the nature of the insurance policies. These liabilities are recognized on the statement of financial position and changes are recognized within claims expense in selling, general and administrative expenses on the statement of income.

Claims provisions are first determined on a case-by-case basis as insurance claims are reported and then reassessed as additional information becomes known. Included in claims provision is an estimate for the future development of these insurance claims, including insurance claims incurred but not reported by employees, customers, or other third-parties ("IBNR"), as well as a provision for adverse deviations.

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 consolidated 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 twelve-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

	September 30, 2016	December 31, 2015
Cash at bank	\$39,331	\$28,413
Restricted cash	-	-
Ending balance	\$39,331	\$28,413

5. Accounts and Other Receivables

	September 30, 2016	December 31, 2015
Billed accounts receivable	\$ 90,417	\$ 47,221
Unbilled accounts receivable	59,269	56,977
Current taxes receivable	437	5,621
Bad and doubtful debt provision	(11,095)	(11,405)
Accounts receivable (net of provision)	\$139,028	\$ 98,414
Bad and doubtful debt provision:		
Opening balance	\$ 11,405	\$ 8,711
Charge/(write-off) for the period	(310)	2,694
Provision ending balance	\$ 11,095	\$ 11,405

Unbilled accounts receivable of \$26,686 (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. 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 sixty 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 periods ended September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Balance as at January 1	\$ -	\$ -
Financing receivables added in the period	1,252	-
Prepayments	(122)	-
Balance, end of period	\$1,130	\$ -

7. Inventory

	September 30, 2016	December 31, 2015
Inventory	\$17,384	\$8,633
Less: inventory obsolescence	(1,195)	(781)
Inventory (net of provision)	\$16,189	\$7,852
Inventory obsolescence provision:		
Opening balance	\$ 781	\$ 79
Charge for the period	414	702
Provision ending balance	\$ 1,195	\$ 781

During the three and nine months ended September 30, 2016, \$51,050 and \$89,046 (2015 - \$4,156 and \$11,525) of inventory was recognized as part of cost of goods sold and services provided in the condensed interim consolidated statement of income.

8. Capital Assets

	Rental Equipment	Metering Equipment	Vehicles	Building	Land and Improvement s	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	-	-	-	-	-	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	\$ 84,546	\$ 14,331	\$ 6,891	\$ 3,861	\$ 6,100	\$ 8,891	\$ 124,620
Loss on disposal before proceeds	(10,839)	(24)	(471)	-	-	-	(11,334)
Acquisition – Service Experts (note 28)	-	-	23,254	3,234	2,544	3,704	32,736
Foreign exchange	-	-	245	51	40	65	401
Depreciation for the period	(37,584)	(4,444)	(4,847)	(99)	-	(4,603)	(51,577)
At September 30, 2016	\$ 508,493	\$ 60,189	\$ 31,767	\$ 7,047	\$ 8,684	\$ 21,257	\$ 637,437
At September 30, 2016:							
Cost	\$ 956,833	\$ 89,255	\$ 38,807	\$ 7,147	\$ 8,684	\$ 34,805	\$ 1,135,531
Accumulated depreciation	(448,340)	(29,066)	(7,040)	(100)	-	(13,548)	(498,094)
Net book value	\$ 508,493	\$ 60,189	\$ 31,767	\$ 7,047	\$ 8,684	\$ 21,257	\$ 637,437

During the nine months ended September 30, 2016, the non-cash portion of additions consisted of rental equipment of \$778 (December 2015 - \$nil) and metering equipment of \$4,887 (December 2015 - \$nil). Included within the additions is \$6,891 (December 31, 2015 - \$1,930) related to the purchases of vehicles under finance lease, which has also increased the respective obligations under finance leases by \$6,894 (December 31, 2015 - \$1,932). Repayment of obligations under finance leases of \$2,275 for the three months ended September 30, 2016 and \$4,177 for the nine months ended September 30, 2016 has been included within the statements of cash flows.

9. Intangible Assets

	Customer Relationships	Customer Contracts	Brands	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	-	-	-	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
Acquisition – Service Experts (note 28)	\$ 161,450	\$ -	\$73,621	\$2,786	\$ 237,857
Additions	-	-	73	-	73
Foreign exchange	2,190	-	1,005	33	3,228
Amortization for the period	(54,501)	(69)	-	(285)	(54,855)
At September 30, 2016	\$ 631,968	\$ 939	\$74,699	\$6,160	\$ 713,766
At September 30, 2016:					
Cost	\$1,310,209	\$ 33,270	\$74,699	\$6,619	\$1,424,797
Accumulated depreciation	(678,241)	(32,331)	-	(459)	(711,031)
Net book value	\$ 631,968	\$ 939	\$74,699	\$6,160	\$ 713,766

The brands have been determined to have indefinite lives.

10. Goodwill

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

	Enercare		Service Experts	Total
	Home Services	Sub-metering		
Opening balance January 1, 2015	\$142,535	\$2,962	\$ -	\$145,497
Acquisition – Cobourg portfolio	131	-	-	131
Acquisition – Triacta	-	1,936	-	1,936
At December 31, 2015	\$142,666	\$4,898	-	\$147,564
Acquisition – Service Experts (Note 28)	\$ -	\$ -	\$221,730	\$221,730
Foreign exchange	-	-	3,069	3,069
At September 30, 2016	\$142,666	\$4,898	\$224,799	\$372,363

11. Collateral Deposits and Insurance Claims Provisions

Enercare's Service Experts business utilizes a third-party insurance company to provide coverage for workers compensation, automotive and general liability claims. Certain amounts paid to this insurance company are utilized to settle claim amounts above Enercare's insurance deductible limit, if and when these arise. The balance of the payments to this insurance company are to a general collateral deposit account which has been classified as a current asset and is used to fund claim payments related to insurance claim provision. The insurance claims provision is a current liability

estimating the amounts required to settle outstanding claims related to insured events below Enercare's insurance deductible limit. There is no legal right to offset the collateral amount with the claims provision.

	September 30, 2016	December 31, 2015
Collateral Deposits		
Opening balance January 1, 2016	\$ -	\$ -
Acquisition – Service Experts (note 28)	9,122	-
Additional deposits during the period	2,105	-
Claims spending during the period	(1,031)	-
Foreign exchange	152	-
Ending balance	\$ 10,348	\$ -
Insurance Claim Provisions		
Opening balance January 1, 2016	\$ -	\$ -
Acquisition – Service Experts (note 28)	8,234	-
Additional provisions charged to the consolidated statement of income	1,765	-
Claims spending during the period	(1,031)	-
Foreign exchange	134	-
Ending balance	\$ 9,102	\$ -

12. Accounts Payable and Accrued Liabilities

	September 30, 2016	December 31, 2015
Accounts payable	\$ 40,822	\$13,887
Accruals	86,051	39,804
Compensation payable	13,708	7,189
Current taxes payable	25,751	173
Other payables	5,392	5,483
Ending balance	\$171,724	\$66,536

13. Obligations Under Finance Leases

Obligations under vehicle finance leases are secured by the leased vehicles. Enercare has Master Lease Agreements with various lessors, where the lessors will acquire vehicles and lease them to Enercare.

The obligations under finance leases in the Enercare Home Services segment bear floating interest rates that are either 2.5% above the one month banker's acceptance rate per annum or equal to the yield of interest rate swaps as quoted in the Federal Reserve system per annum. The obligations under vehicle finance leases in the Service Experts segment during the period bear fixed interest rates of 1.05% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate or 0.35% above the one month LIBOR rate per annum. The finance leases mature at dates ranging between October 2016 and August 2022. During the three and nine months ended September 30, 2016, Enercare recognized \$183 and \$352 (2015 - \$59 and \$189) of interest expense related to the obligations under finance leases.

	September 30, 2016	December 31, 2015
Obligations under finance leases	\$26,379	\$ 6,695
Less: current portion	(9,740)	(2,061)
	\$16,639	\$ 4,634

Future minimum lease payments under finance leases are as follows:

	Principal	Interest	Lease Payments
Due in 2016	\$ 1,882	\$ 165	\$2,047
Due in 2017	7,097	544	7,641
Due in 2018	6,488	364	6,852
Due in 2019	5,615	206	5,821
Due in 2020	3,994	81	4,075
Thereafter	1,303	17	1,320
	\$26,379	\$1,377	\$27,756

14. Debt

Bank indebtedness, current and long term debts:

	September 30, 2016	December 31, 2015
Current portion of long term debt:		
Opening balance January 1	\$ 992	\$ 1,258
Repayment of debt	(770)	(1,257)
Current portion of Stratacon debt	526	991
Total current portion of long term debt	\$ 748	\$ 992
Non-current portion of long term debt:		
Senior debt principal amount	\$475,000	\$475,000
Term Loan	210,000	210,000
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	\$ (526)	\$ (991)
Draw from revolving credit facility	-	50,000
Repayment of revolving credit facility	(40,000)	-
Draw from 2016 Term Loan	258,320	-
Deferred financing costs on 2016 Term Loan	(1,009)	-
Amortization of financing costs	728	840
Foreign exchange	4,020	-
Total non-current portion	\$955,073	\$733,540
Senior debt principal amount	\$475,000	\$475,000
Term Loans	472,340	210,000
Revolving credit facility	10,000	50,000
Stratacon debt principal amount	296	822
Unamortized financing costs and interest accretion	(2,563)	(2,282)
Total non-current portion of long term debt	\$955,073	\$733,540

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 0.25% and at September 30, 2016, \$10,000 was drawn bearing interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.12% at September 30, 2016.

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 Term Loan consists of a \$210,000 non-revolving, non-amortizing variable rate term loan (the "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 2.13% at September 30, 2016.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of \$1,044 as at September 30, 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.

In conjunction with the SE Transaction, on May 11, 2016, Enercare Solutions entered into a USD \$200,000 4-year variable rate term credit facility, (the "2016 Term Loan") maturing on May 11, 2020, which bears interest at LIBOR plus 125 basis points, or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof which was 2.07% at September 30, 2016.

Deferred financing costs during the period of \$1,009 are in relation to the 2016 Term Loan entered into in conjunction with the SE Transaction.

The 2016 Term Loan contains covenants that have substantially the same terms as the Term Loan. Enercare Solutions entered into an amendment to the Term Loan to give effect to the SE Transaction and 2016 Term Loan which included (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 Term Loan included enhancements to certain of the financial covenants that include: (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.

Enercare was in compliance with all covenants under the 2012 Notes, 2013 Notes, Stratacon Debt, Revolver, Term Loan and 2016 Term Loan as at September 30, 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). On or after September 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:

	September 30, 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	\$ (509)	\$ (529)
Transfer of financing costs to equity upon conversion	7	14
Amortization of financing costs to expense	21	33
Ending balance	\$2,199	\$2,680
Principal balance	\$2,219	\$2,728
Financing costs	(20)	(48)
Ending balance	\$2,199	\$2,680

Interest Expense:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Interest expense payable in cash	\$8,011	\$6,462	\$22,253	\$19,612
Interest payable on subscription receipts	-	-	2,217	-
Equity bridge financing fees	-	-	198	-
Non-cash items:				
Notional interest on employee benefit plans	210	274	630	822
Amortization of financing costs	286	219	749	653
Interest expense	\$8,507	\$6,955	\$26,047	\$21,087

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

As part of the SE Transaction, SE Subscription Receipts were issued and were subsequently exchanged for shares in conjunction with the closing of the SE Transaction (see note 28). Equity bridge financing fees of \$198 were incurred as part of the SE Transaction.

15. 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 a majority of the contract terms to one year.

Amounts recognized relating to revenues related to protection plans and maintenance contracts are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Revenue	\$27,479	\$19,443	\$68,985	\$ 55,997

Total deferred revenue and service obligations recognized on the interim financial statements include the following:

	September 30, 2016	December 31, 2015
Deferred revenue	\$28,469	\$8,193
Service obligations	12,530	-
Deferred revenue and service obligations	\$40,999	\$8,193

The movement relating to the service obligation as a result of the SE Transaction is as follows:

	September 30, 2016
Opening balance January 1, 2016	\$ -
Additions to obligations through acquisition of Service Experts	25,393
Reduction during the period	(13,102)
Foreign exchange	239
Service obligation	\$12,530

16. 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 relating to the DE Acquisition, 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 September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Pension				
Current service cost	\$922	\$832	\$2,766	\$2,496
Interest (income)/expense	(42)	81	(126)	243
Administrative expenses	3	-	21	-
	\$883	\$913	\$2,661	\$2,739
OPEB				
Current service cost	\$209	\$232	\$ 626	\$ 696
Net interest cost	210	193	630	579
	\$419	\$425	\$1,256	\$1,275

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Pension				
Actuarial (loss)/gain	\$(2,753)	\$ -	\$ (6,378)	\$ (114)
OPEB				
Actuarial (loss)/gain arising from changes in financial assumptions	\$(1,305)	\$445	\$ (3,684)	\$ 1,378
Actuarial (loss)/gain arising from demographic and other experience	15	12	45	34
	\$(1,290)	\$457	\$ (3,639)	\$ 1,412
	\$(4,043)	\$457	\$(10,017)	\$ 1,298

17. Share Capital and Treasury Shares

(000's)	September 30, 2016		December 31, 2015	
	Shares	Dollars	Shares	Dollars
Shares Issued and Outstanding				
Opening balance at January 1:	87,949	\$ 914,074	91,880	\$956,281
Issued:				
New share issuance (note 28)	15,835	233,564	-	(30)
Shares issued upon exercise of share options	98	1,061	388	3,057
Shares repurchased and cancelled	-	-	(4,400)	(45,763)
Principal conversion of debentures	78	509	81	529
Transfer of financing costs to equity	-	(7)	-	(14)
Transfer from contributed surplus	-	7	-	14
Totals⁽¹⁾	103,960	\$1,149,208	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 September 30, 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.

In conjunction with the SE Transaction, Enercare completed an offering of 15,834,600 SE Subscription Receipts at a price of \$15.25 per subscription receipt (including 1,429,600 SE Subscription Receipts sold as a result of the exercise in full of the over-allotment option by the underwriters and 109,000 SE Subscription Receipts sold in a concurrent private placement to certain U.S. persons, including the Chief Executive Officer and certain other officers of Service Experts). In accordance with the terms of the agreement pursuant to which the SE Subscription Receipts were issued, upon closing of the SE Transaction on May 11, 2016, each outstanding SE Subscription Receipt was exchanged for one share, resulting in the issuance of 15,834,600 shares 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. 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. Transaction costs associated with the issuance of SE Subscription Receipts of \$7,914 or \$10,768 net of deferred tax of \$2,854 relate to commissions, legal and underwriter fees incurred and have been netted against proceeds.

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. On July 15, 2016, Enercare renewed its NCIB. The purchases commenced on July 20, 2016, and the NCIB will terminate on July 19, 2017. No shares have been repurchased at this time under the 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.

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 September 30, 2016, there were 94,501 shares (2015 – 55,909) that were purchased and held as treasury shares. These shares relate to the employer portion of the employee share purchase plan. For the nine months ended September 30, 2016, 41,278 (2015 – 43,373) shares were purchased for \$675 (2015 - \$619). During the nine months ended, 2,686 shares were cancelled.

18. 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 and stock options 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:

(in thousands – except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net earnings	\$19,332	\$13,124	\$43,578	\$37,230
After tax impact of long term stock compensation and convertible debentures	171	91	409	221
Fully diluted net earnings	\$19,503	\$13,215	\$43,987	\$37,451
Weighted average shares outstanding	103,839	91,634	96,147	91,815
Dilutive impact of long term stock compensation	519	409	412	442
Dilutive impact of convertible debentures	342	427	342	427
Weighted average diluted shares outstanding	104,700	92,470	96,901	92,684
Basic earnings per share	\$ 0.19	\$ 0.14	\$ 0.45	\$ 0.41
Diluted earnings per share	\$ 0.19	\$ 0.14	\$ 0.45	\$ 0.40

19. Dividends

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

(in thousands – except per share amounts)	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2016	2015	2016	2015
Dividends declared per share during the period	\$ 0.231	\$0.210	\$ 0.665	\$ 0.611
Dividends declared during the period	23,991	19,229	64,586	56,070
Dividends declared after September 30				
October				
Dollars			\$ 8,006	\$ 6,398
Shares			103,968	91,407
Per share			\$ 0.077	\$ 0.070

The total amount of dividends declared after September 30, 2016 are estimated above and are subject to change dependent upon the actual convertible debenture conversions prior to the record date, if any.

20. 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:

	September 30, 2016
Due in 2016	\$ 2,429
Due in 2017	8,755
Due in 2018	6,441
Due in 2019	4,063
Due in 2020	2,948
Thereafter	8,097
Total commitments under non-cancellable operating leases	\$32,733

The operating lease and sponsorship payments recognized in the consolidated statement of income for the three months and year to date ended September 30, 2016 were \$3,214 and \$6,548, respectively (2015 - \$1,040 and \$2,690).

21. 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, other claims, ongoing proceedings 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 interim financial statements.

22. 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 Enercare Home Services, moderate for both Sub-metering and Service Experts.

Enercare's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. The majority of Enercare 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.

Enercare's Service Experts business provides services in both Canada and the United States. Credit risk primarily consists of receivables from a variety of customers, including general contractors, property owners, developers and commercial and industrial companies. Service Experts is exposed to credit risk related to changes in the business and economic factors throughout the United States within the mechanical services industry. However, Service Experts is entitled to payment for work performed and have certain lien rights in that work. Service Experts believes that their contract acceptance, billing and collection policies are adequate to manage potential credit risk. Service Experts has a diverse customer base, with no single customer accounting for more than 10% of revenues or receivables.

For accounts receivable as at September 30, 2016, a provision for all amounts at risk of collection and impairment has been made in these interim 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 monitors liquidity risk through comparisons of current financial ratios with the financial covenants contained in its Revolver, Term Loan and 2016 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 and term loan maturity dates through to May 11, 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 twelve-months in arrears. Enercare exceeded this threshold requirement at September 30, 2016.

In conjunction with the SE Transaction, Enercare entered into an amendment to its existing Term Loan and Revolver with the lenders to give effect to the SE Transaction and 2016 Term Loan. 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 September 30, 2016.

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

Period	Debt		Finance Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Due in 2016	\$ 223	\$ 8,006	\$ 1,882	\$ 165	\$ 2,105	\$ 8,171
Due in 2017	252,833	31,377	7,097	544	259,930	31,921
Due in 2018	210,126	19,637	6,488	364	216,614	20,001
Due in 2019	10,024	15,944	5,615	206	15,639	16,150
Due in 2020	487,367	7,179	3,994	81	491,361	7,260
Thereafter	30	-	1,303	17	1,333	17
Total	\$ 960,603	\$ 82,143	\$26,379	\$1,377	\$ 986,982	\$ 83,520

Market Risk

Fair Value

The carrying values of cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities, obligations under vehicles 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 September 30, 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.

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 39,331	\$ 39,331	\$ 28,413	\$ 28,413
Accounts receivable	139,028	139,028	98,414	98,414
Financing receivables	1,130	1,130	-	-
Collateral deposits	10,348	10,348	-	-
Total financial assets	\$ 189,837	\$ 189,837	\$126,827	\$126,827
Financial liabilities measured at amortized cost:				
Senior borrowings	\$ 475,000	\$ 493,338	\$475,000	\$495,118
Term Loans	472,340	472,340	210,000	210,000
Revolving credit facility	10,000	10,000	50,000	50,000
Gross convertible debentures	2,219	6,435	2,728	7,111
Stratacon debt	1,044	1,044	1,814	1,814
Obligations under finance lease	26,379	26,379	6,695	6,695
Total borrowings	\$ 986,982	\$1,009,536	\$746,237	\$770,738
Other obligations and payables	236,896	236,896	86,770	86,770
Total financial liabilities	\$1,223,878	\$1,246,432	\$833,007	\$857,508

Fair values of the following financial assets and liabilities are classified as Level 3 financial instruments:

- Accounts receivable;
- Financing receivables;
- Stratacon debt; and
- Other obligations and payables.

Cash and cash equivalents, collateral deposits, revolving credit facility, Term Loans and obligations under finance lease are classified as Level 2 financial instruments and senior borrowings, 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 \$2,649 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 \$197 impact on earnings.

Enercare is exposed to foreign currency risk through transactions conducted in currencies other than the Canadian dollar, and also through its financial liabilities that are denominated in US dollar currency. Enercare has subsidiaries that have a functional currency of US dollars. Enercare's foreign currency risk management objective is to mitigate the impact of foreign currency rate fluctuations on total equity. Enercare manages foreign currency risk on its liabilities that are not hedged by operating subsidiaries in the same currency as the liabilities to which they relate.

Enercare designates \$100,000 USD drawn under the 2016 Term Loan as a hedge of the foreign currency exposure of its net investment in Enercare's US operations. The related foreign currency translation gain or loss on the \$100,000 USD notional of the 2016 Term Loan that is designated as, and is effective as, a hedge of the net investment in the US operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment.

Enercare may nevertheless, from time to time, experience gains or losses resulting from fluctuations in the values of these foreign currencies, which may favourably or adversely affect operating results.

23. 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 September 30, 2016.

Enercare was in compliance with all covenants under the 2012 Notes, 2013 Notes, Revolver, the 2016 Term Loan and Term Loan as at September 30, 2016.

24. Selling, General and Administrative

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2016	2015	2016	2015
Employee compensation and benefits	\$42,703	\$16,386	\$ 95,709	\$46,403
Professional fees	6,486	3,088	17,435	8,316
Selling, office and other	21,059	5,764	44,014	19,641
Billing and servicing	7,469	7,181	21,825	22,562
Claims and bad debt	3,120	2,016	7,853	7,064
Total	\$80,837	\$34,435	\$186,836	\$103,986

25. Changes in Working Capital

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

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2016	2015	2016	2015
Accounts receivable	\$(1,271)	\$ 324	\$(16,148)	\$(34,818)
Inventory	169	(205)	695	(1,411)
Prepaid expenses	1,397	(233)	(239)	(207)
Collateral deposits	(442)	-	(1,074)	-
Deferred revenue	3,494	(1,026)	7,048	(245)
Accounts payable and accrued liabilities	14,504	7,233	(14,193)	399
Other provisions	(27)	(35)	(38)	(8)
Insurance claim provisions	326	-	733	-
Interest payable	237	216	1,219	331
Total	\$18,387	\$ 6,274	\$(21,997)	\$(35,959)

26. 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 Sept. 30,		Nine months ended Sept. 30,	
	2016	2015	2016	2015
Salaries and short-term benefits	\$1,792	\$ 859	\$4,462	\$2,427
Other employment benefits	38	26	137	93
Long term benefits	966	1,200	2,071	1,709
Total	\$2,796	\$2,085	\$6,670	\$4,229

27. Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (CODM), which has been identified as the Executive Leadership Team (consisting of the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Officer, the Chief Operating Officer for Enercare Home Services, the General Manager for Sub-Metering, the Chief Executive Officer for Service Experts, the Chief Information Officer, the Chief Human Resource Officer, and the Chief Marketing Officer). Prior to the second quarter of 2016, the CODM was identified as the Chief Executive Officer.

The Executive Leadership Team 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, (b) the sub-metering of multi-unit residential and commercial properties, and (c) sales and services relating to HVAC units in the newly acquired Service Experts subsidiaries (see note 28).

The Enercare 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 division that was formerly part of DE. 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 Service Experts segment consists primarily of the sales and servicing of HVAC equipment to residential and light commercial customers in the United States and Canada. Corporate reports the costs for management oversight of the combined business, public reporting and filings, financing activities, corporate governance and related expenses.

Enercare equally assessed its performance of the operating segments on a measure of EBITDA as follows:

Segment Information	For the three months ended September 30, 2016					For the three months ended September 30, 2015				
	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:										
Contracted sales	\$ 103,010	\$ 6,741	\$ 41,926	\$ -	\$ 151,677	\$ 97,987	\$ -	\$ 37,067	\$ -	\$ 135,054
Sales and other services	7,967	155,609	670	-	164,246	8,833	-	1,524	-	10,357
Investment Income	77	(59)	3	-	21	38	-	6	-	44
Total revenue	\$ 111,054	\$ 162,291	\$ 42,599	\$ -	\$ 315,944	\$ 106,858	\$ -	\$ 38,597	\$ -	\$ 145,455
Expenses:										
Cost of goods & services:										
Cost of services	\$ (17,065)	\$ (4,942)	\$ -	\$ -	\$ (22,007)	\$ (16,522)	\$ -	\$ -	\$ -	\$ (16,522)
Cost of goods sold	(5,508)	(98,672)	(300)	-	(104,480)	(6,119)	-	(872)	-	(6,991)
Commodity	-	-	(34,032)	-	(34,032)	-	-	(30,254)	-	(30,254)
SG&A	(23,818)	(43,956)	(4,917)	(8,146)	(80,837)	(24,772)	-	(4,293)	(5,370)	(34,435)
Foreign exchange	37	45	40	2	124	(22)	-	2	(2)	(22)
Other income	-	-	-	-	-	-	-	-	-	-
Net (loss)/gain on disposal	(778)	44	-	-	(734)	(1,001)	-	-	-	(1,001)
EBITDA ⁽¹⁾	63,922	14,810	3,390	(8,144)	73,978	58,422	-	3,180	(5,372)	56,230
Amortization	(30,729)	(5,229)	(1,720)	(651)	(38,329)	(29,646)	-	(1,577)	(383)	(31,606)
Interest expense					(8,507)					(6,955)
Current taxes					(15,332)					(2,169)
Deferred tax recovery/(expense)					7,522					(2,376)
Net earnings					19,332					13,124
Adjusted EBITDA ⁽¹⁾⁽²⁾	64,700	14,766	3,390	(8,144)	74,712	59,423	-	3,180	(5,372)	57,231
Segment assets ⁽³⁾	1,236,741	596,519	96,753	27,050	1,957,063	1,283,306	-	89,747	14,929	1,387,982
Capital additions	\$ 32,132	\$ 6,642	\$ 3,771	\$ 442	\$ 42,987	\$ 24,266	\$ -	\$ 4,235	\$ 112	\$ 28,613

Segment Information	For the nine months ended September 30, 2016					For the nine months ended September 30, 2015				
	Enercare Home Services	Service Experts ⁽⁴⁾	Sub-metering	Corporate	Total	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:										
Contracted sales	\$ 305,060	\$ 8,486	\$ 109,530	\$ -	\$ 423,076	\$ 288,965	\$ -	\$ 102,998	\$ -	\$ 391,963
Sales and other services	20,335	256,073	2,735	-	279,143	28,241	-	1,831	-	30,072
Investment Income	238	18	28	192	476	154	-	16	-	170
Total revenue	\$ 325,633	\$ 264,577	\$ 112,293	\$ 192	\$ 702,695	\$ 317,360	\$ -	\$ 104,845	\$ -	\$ 422,205
Expenses:										
Cost of goods & services:										
Cost of services	\$ (49,738)	\$ (6,344)	\$ -	\$ -	\$ (56,082)	\$ (45,270)	\$ -	\$ -	\$ -	\$ (45,270)
Cost of goods sold	(16,101)	(157,935)	(1,243)	-	(175,279)	(19,520)	-	(1,114)	-	(20,634)
Commodity	-	-	(86,590)	-	(86,590)	-	-	(82,662)	-	(82,662)
SG&A	(73,226)	(75,376)	(14,573)	(23,661)	(186,836)	(77,247)	-	(11,882)	(14,857)	(103,986)
Foreign exchange	15	50	52	66	183	(94)	-	20	3	(71)
Other income	-	-	-	-	-	-	-	580	-	580
Net (loss)/gain on disposal	(3,587)	(3)	34	-	(3,556)	(4,325)	-	-	-	(4,325)
EBITDA ⁽¹⁾	182,996	24,969	9,973	(23,403)	194,535	170,904	-	9,787	(14,854)	165,837
Amortization	(90,910)	(8,565)	(4,995)	(1,962)	(106,432)	(88,016)	-	(4,309)	(1,174)	(93,499)
Interest expense					(26,047)					(21,087)
Current taxes					(42,847)					(7,413)
Deferred tax recovery/(expense)					24,369					(6,608)
Net earnings					43,578					37,230
Adjusted EBITDA ⁽¹⁾⁽²⁾	186,583	24,972	9,939	(23,403)	198,091	175,229	-	9,787	(14,854)	170,162
Segment assets ⁽³⁾	1,236,741	596,519	96,753	27,050	1,957,063	1,283,306	-	89,747	14,929	1,387,982
Capital additions	\$ 90,405	\$ 7,601	\$ 15,269	\$ 11,345	\$ 124,620	\$ 70,050	\$ -	\$ 8,095	\$ 434	\$ 78,579

(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.

(3) Certain comparative balances have been reclassified from the interim financial statements previously presented to conform to the presentation of the 2016 interim financial statements.

(4) Service Experts' segment information is from May 11, 2016 to September 30, 2016.

Geographic Information	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2016	2015	2016	2015
Revenues⁽⁵⁾				
Canada	\$ 179,617	\$ 145,455	\$ 478,959	\$ 422,205
United States	136,327	-	223,736	-
	\$ 315,944	\$ 145,455	\$ 702,695	\$ 422,205
			September 30,	December 31,
			2016	2015
Segment Assets⁽⁶⁾				
Canada			\$ 1,439,107	\$ 1,376,247
United States			517,956	-
			\$ 1,957,063	\$ 1,376,247

(5) Revenues are based on the country of delivery of the product or service sold.

(6) Segment assets include non-current capital and intangible assets, long-term financing receivables and other assets.

28. Acquisition of Service Experts

On May 11, 2016 Enercare, through an indirect wholly-owned subsidiary of Enercare Solutions acquired through a definitive merger agreement, SEHAC Holdings Corporation, for consideration of USD\$340,750 or CAD\$440,113, excluding agreed upon closing adjustments regarding Enercare's assumption of certain liabilities and transaction costs (the "Consideration"), subject to final working capital and other adjustments. The acquired assets and liabilities assumed included components of working capital, capital assets, intangible assets, collateral deposits, goodwill, insurance claim provisions, deferred revenue and service obligations, deferred tax liability and obligations under finance leases. The SE Transaction is accounted for as a business combination.

The SE Transaction was financed through a combination of debt and equity, including approximately \$241,478 of SE Subscription Receipts (\$230,710 net of fees), inclusive of the concurrent private placement (see Note 17) and USD\$200,000 from the 2016 Term Loan (see Note 14).

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 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.

As part of the SE Transaction, Enercare has recorded total expenses of \$13,297. Total expenses include \$2,217 of interest expense from interest paid in respect of the SE Subscription Receipts issued, along with equity bridge financing fees of \$198, all included within interest expense. SG&A expenses include \$10,882 of costs associated with the SE Transaction, which consists predominately of professional fees.

The following table summarizes the preliminary allocation of total consideration allocated to the net assets acquired. The allocation of the purchase price is preliminary for certain amounts including capital assets, intangible assets, obligation under finance leases, certain working capital accounts and tax balances and is therefore subject to change.

	May 11, 2016	Adjustments	Revised
Cash and cash equivalents	\$ 8,976	\$ -	\$ 8,976
Accounts receivable	31,805	(1,163)	30,642
Inventory	8,316	646	8,962
Prepaid expenses	6,205	-	6,205
Capital assets (note 8)	31,277	1,459	32,736
Intangible assets (note 9)	239,149	(1,292)	237,857
Collateral deposits (note 11)	9,122	-	9,122
Goodwill (note 10)	223,920	(2,190)	221,730
Total assets acquired	\$558,770	\$ (2,540)	\$556,230
Less:			
Accounts payable and accrued liabilities	\$115,917	\$ 3,140	\$119,057
Deferred revenue and service obligations (note 15)	25,393	-	25,393
Short-term obligations under finance lease (note 13)	4,477	960	5,437
Insurance claim provisions (note 11)	8,234	-	8,234
Long-term obligations under finance lease (note 13)	10,870	561	11,431
Deferred tax liability	5,882	(3,343)	2,539
Total net assets acquired	\$387,997	\$ (3,858)	\$384,139
Consideration before closing adjustments	\$440,113	\$ -	\$440,113
Working capital adjustments	5,211	(3,858)	1,353
	445,324	(3,858)	441,466
Less: Closing adjustments*	\$ (57,327)	\$ -	\$ (57,327)
Cash consideration (net of closing adjustments)	\$387,997	\$ (3,858)	\$384,139

* Includes adjustments relating to share appreciation rights, taxes payable and other provisions.

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 US tax purposes.

Service Experts revenues of \$264,577 and earnings of \$10,514 are included in the statement of comprehensive income since May 11, 2016.

Enercare's consolidated revenues and net earnings for the nine months ended September 30, 2016 would have been higher by approximately \$188,691 and \$nil, respectively, had the SE Transaction occurred on January 1, 2016.