Enercare Inc.

Consolidated Financial Statements

Year Ended December 31, 2016

Dated March 6, 2017

March 6, 2017

Independent Auditor's Report

To the Shareholders of
Enercare Inc.

We have audited the accompanying consolidated financial statements of Enercare Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Enercare Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Enercare Inc.

Consolidated Statements of Financial Position

(in thousands of Cdn $) As at December 31,	2016	2015
Assets		
Current assets		
Cash and cash equivalents (note 4)	$ 38,415	$ 28,413
Accounts and other receivables (note 5)	139,137	98,414
Financing receivables (note 6)	319	-
Inventory (note 7)	16,031	7,852
Collateral deposits (note 11)	9,842	-
Prepaid expenses	11,238	3,653
	214,982	138,332
Capital assets (note 8)	658,133	542,591
Intangible assets (note 9)	699,143	527,463
Reimbursement right - pension (note 16)	-	11,107
Employee benefit plan assets (note 16)	6,246	-
Goodwill (note 10)	376,617	147,564
Deferred tax asset (note 17)	11,120	7,652
Long-term financing receivables (note 6)	2,557	-
Other assets	1,994	1,538
	$ 1,970,792	$ 1,376,247
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	$ 180,503	$ 66,536
Current portion of long-term debt (note 14)	250,615	992
Convertible debentures (note 14)	2,019	-
Obligations under finance leases (note 13)	11,216	2,061
Insurance claim provisions (note 11)	7,990	-
Other Provisions (note 27)	1,107	1,191
Interest payable	4,806	4,694
Deferred revenue and service obligation (note 15)	41,409	8,193
Dividends payable	-	6,156
	499,665	89,823
Long-term debt (note 14)	716,481	733,540
Long-term obligations under finance leases (note 13)	14,408	4,634
Long-term convertible debentures (note 14)	-	2,680
Employee benefit plan obligations (note 16)	22,028	27,848
Deferred tax liability (note 17)	101,746	127,925
	1,354,328	986,450
Shareholders' equity		
Share capital (note 18)	1,151,913	914,074
Treasury shares (note 18)	(1,785)	(815)
Contributed surplus	2,056	1,215
Accumulated other comprehensive income	8,618	103
Deficit	(544,338)	(524,780)
	616,464	389,797
	$ 1,970,792	$ 1,376,247

Commitments and contingent liabilities are found in notes 21 and 22 respectively.

Subsequent events are found in notes 14 and 33.

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

Enercare Inc.

Consolidated Statements of Income

(in thousands of Cdn $, except share and per share amounts) For the years ended December 31,		2016		2015
Revenues				
Contracted revenue	**$**	**574,831**	$	524,161
Sales and other services		**420,511**		39,460
Investment income		**599**		205
Total revenues		**995,941**		563,826
Expenses				
Cost of goods sold and services provided (note 25)				
Commodity charges		**111,482**		106,203
Maintenance and servicing costs		**84,705**		61,164
Sales and other services		**263,534**		27,538
Selling, general & administrative (note 26)		**266,350**		144,268
Foreign exchange (gain) / loss		**(328)**		43
Net loss on disposal of equipment		**4,636**		3,017
Gain on retirement of finance lease obligations		**(230)**		(147)
		730,149		342,086
Other income		**-**		580
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)		**265,792**		222,320
Depreciation and amortization				
Capital assets (note 8)		**70,915**		58,497
Intangible assets (note 9)		**74,409**		66,919
Interest expense (note 14)		**34,601**		28,075
Earnings for the year before income taxes		**85,867**		68,829
Tax expense				
Current tax expense (note 17)		**54,381**		10,197
Deferred income tax (recovery) / expense (note 17)		**(29,644)**		7,677
Total tax expense		**24,737**		17,874
Net earnings for the year	**$**	**61,130**	$	50,955
Weighted average number of basic shares outstanding (note 18)		**98,091**		91,299
Weighted average number of diluted shares outstanding (note 18)		**98,749**		91,998
Basic/diluted earnings per share (note 18)	**$**	**0.62**	$	0.56

Enercare Inc.

Consolidated Statements of Comprehensive Income

(in thousands of Cdn $) For the years ended December 31,		2016		2015
Net earnings for the year	**$**	**61,130**	$	50,955
Items that will not be reclassified to earnings				
Remeasurements of defined benefit plans (note 16)		**3,641**		481
Tax effect of remeasurements of defined benefit plans		**(965)**		(127)
Items that will be reclassified to earnings				
Net investment hedge of US dollar loans (note 23)		**(5,080)**		-
Tax effect of net investment hedge of US dollar loans		**125**		-
Foreign currency translation differences from foreign operations		**10,794**		-
Comprehensive income for the year	**$**	**69,645**	$	51,309

Enercare Inc.

Consolidated Statements of Changes in Equity

(in thousands of Cdn $) For the years ended December 31,	2016	2015
Share Capital		
Balance - beginning of year	**$ 914,074**	$ 956,281
Shares issued, net of transaction costs (note 18)	**233,564**	(30)
Repurchase of shares (note 18)	**-**	(45,763)
Shares issued on debenture conversion (net of issue costs) (notes 14, 18)	**696**	529
Shares issued for Dividend Reinvestment Plan (note 18)	**2,078**	-
Shares issued upon exercise of share options (note 18)	**1,501**	3,057
Share Capital - end of year	**1,151,913**	914,074
Treasury Shares		
Balance - beginning of year	**(815)**	-
Shares repurchased on account of stock purchase plan (note 18)	**(970)**	(815)
Treasury Shares - end of year	**(1,785)**	(815)
Contributed Surplus		
Balance - beginning of year	**1,215**	989
Shares issued on debenture conversion (net of issue costs) (notes 14, 18)	**(8)**	(14)
Employee share options and stock purchase plan:		
Value of services recognized	**916**	512
Shares issued upon exercise of share options	**(67)**	(272)
Contributed Surplus - end of year	**2,056**	1,215
Accumulated Other Comprehensive Income		
Balance - beginning of year	**103**	(251)
Remeasurements of defined benefit plans (note 16)	**3,641**	481
Net investment hedge of US dollar loans (note 23)	**(5,080)**	-
Foreign currency translation differences from foreign operations	**10,794**	-
Tax effect of net investment hedge of US dollar loans	**125**	-
Tax effect of remeasurements of defined benefit plans (note 16)	**(965)**	(127)
Accumulated Other Comprehensive Income - end of year	**8,618**	103
Deficit		
Balance - beginning of year	**(524,780)**	(479,134)
Net earnings for the year	**61,130**	50,955
Repurchase of shares	**-**	(21,838)
Dividends (note 20)	**(80,688)**	(74,763)
Deficit - end of year	**(544,338)**	(524,780)
Shareholders' equity - end of year	**$ 616,464**	$ 389,797

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

Enercare Inc.

Consolidated Statements of Cash Flows

(in thousands of Cdn $) For the years ended December 31,		2016		2015
Cash provided by/(used in):				
Operating activities				
Net earnings for the year	**$**	**61,130**	$	50,955
Items not affecting cash				
Depreciation and amortization				
Capital assets (note 8)		**70,915**		58,497
Intangible assets (note 9)		**74,409**		66,919
Net loss on disposal of equipment		**4,636**		3,017
Gain on retirement of finance lease obligations		**(230)**		(147)
Non-cash foreign exchange expense		**(127)**		-
Non-cash interest expense		**1,892**		1,970
Non-cash interest income		**(168)**		-
Defined benefit plan expense		**4,606**		4,256
Employee share options and stock purchase plan		**916**		512
Deferred income tax (recovery) / expense (note 17)		**(29,644)**		7,677
Deferred customer inducements		**(456)**		(1,538)
Financing receivables		**(2,876)**		-
Contributions to defined benefit pension plan		**(2,596)**		(2,584)
		182,407		189,534
Net change in non-cash working capital (note 28)		**(17,641)**		(25,648)
Cash provided by operating activities		**164,766**		163,886
Investing activities				
Purchase of capital assets (note 8)		**(153,954)**		(114,991)
Purchase of intangible assets (note 9)		**(73)**		-
Acquisition of Triacta - net of cash received		**-**		(7,105)
Acquisition of SE - net of cash received (note 32)		**(375,163)**		-
Acquisition of CNI		**-**		(863)
Proceeds from disposal of vehicle leases		**1,104**		313
Proceeds from disposal of equipment - warranty recoveries		**2,364**		2,118
Proceeds from disposal of equipment - buyout receipts		**7,634**		10,297
Cash used in investing activities		**(518,088)**		(110,231)
Financing activities				
Dividends to shareholders		**(84,766)**		(74,157)
Purchase of treasury shares		**(970)**		(815)
Repurchase of shares		**-**		(67,601)
Share issuance, net of transaction costs - SE (note 18)		**230,710**		-
Share issuance, net of transaction costs - OHCS		**-**		(30)
Proceeds from exercise of employee share options		**1,434**		2,785
Proceeds from revolving credit facility		**15,000**		50,000
Proceeds from issuance of long-term debt		**258,320**		-
Repayment of revolving line of credit		**(50,000)**		-
Repayment of obligations under finance leases		**(6,129)**		(2,222)
Repayment of long-term debt		**(992)**		(1,257)
Financing costs on long-term debt		**(1,009)**		-
Cash provided by / (used in) financing activities		**361,598**		(93,297)
Effect of foreign currency on cash and cash equivalents		**1,726**		-
Increase / (decrease) in cash and cash equivalents		**8,276**		(39,642)
Cash and cash equivalents - beginning of year		**28,413**		68,055
Cash and cash equivalents - end of year (note 4)	**$**	**38,415**	$	28,413
Supplementary information				
Interest paid	**$**	**36,571**	$	25,951
Income taxes paid	**$**	**29,090**	$	19,417

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

1. Organization and Nature of Business

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

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 combined business unit is now referred to as "Enercare Home Services" which rents, sells and finances, water heaters, water treatment, furnaces, air conditioners and other HVAC rental products and provides protection plans and on demand duct cleaning, plumbing and related services.

On May 11, 2016, Enercare, through an indirect wholly-owned subsidiary of Enercare Solutions, acquired, through a merger, SEHAC Holdings Corporation (now SEHAC Holdings LLC or "SEHAC") (the "SE Transaction") (see note 32), which owned the business operated under the Service Experts brands ("Service Experts"). Enercare purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance and repair of heating, ventilation and air conditioning ("HVAC") systems directly to residential and light commercial customers operating in locations in the United States and Canada. The consolidated financial statements reflect Enercare's ownership of Service Experts for the period of May 11, 2016 to December 31, 2016.

Enercare Connections was formed through the amalgamation on January 1, 2012 of Stratacon Inc. and Enercare Connections. On July 15, 2015, Enercare, through its wholly-owned subsidiary, Enercare Connections, completed its acquisition of 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 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 paid in full by Triacta of its existing indebtedness and included net working capital of $446. The purchase price allocation was finalized in Q1 2016.

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

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Enercare has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect, except for the adoption of new accounting standards as described in note 3 under "Adoption of New Accounting Standards".

The consolidated 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.

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

These financial statements were approved and authorized for issue by the board of directors on March 6, 2017.

3. Significant Accounting Policies

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

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for insurance provision claims (note 11) and employee benefit plans (note 16).

Consolidation

The consolidated financial statements of Enercare consolidate the accounts of its subsidiaries. All inter-company transactions and balances from inter-company transactions are eliminated on consolidation.

Subsidiaries are those entities which Enercare controls. Enercare controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by Enercare and are de-consolidated from the date that control ceases. As of the date of these consolidated financial statements, 100% of the operating results and equity of the subsidiaries is attributable to Enercare.

Business Combinations

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

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

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

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

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

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, provisions, interest payable, dividends payable, deferred revenue, obligations under finance leases and long-term debt. Amounts are initially recognized at the amount required to be paid less, when material, a discount to reduce the amount to fair value. Subsequently, amounts are recognized at amortized cost using the effective interest rate method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

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

(iv) A portion of the 2016 Term Loan (see Note 14 & 23) is designated as a hedge with respect to the foreign currency exposure as a result of Enercare's net investment in its US operations. The 2016 Term Loan is carried at amortized cost, however the foreign exchange translation adjustment related to the portion designated as a hedge is recorded in OCI along with the cumulative translation adjustment associated with the hedged item.

Impairment of Financial Assets

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

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

Accounts Receivable

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

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

Inventory

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

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

Provisions

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

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 December 31, 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.

Capital Assets

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

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

Rental equipment	16 years
Furniture and fixtures	3-5 years
Computer equipment	3-5 years
Computer software	2-10 years
Installed meters	10 years
Installed meters – other	length of the contract, typically 10-25 years
Vehicles	over the term of the lease
Leasehold improvements	over the term of the lease
Building	20 years
Land	Indefinite life

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

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

Leases

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

Intangible Assets

Intangible assets are predominantly related to contractual customer relationships, customer contracts and proprietary technology acquired in business combinations that are recognized at fair value at the acquisition date. The contractual customer relationships, customer contracts and proprietary technology have a finite useful life and are carried at cost less accumulated amortization and impairment charges. Amortization is calculated using the straight-line method over the expected life of 10 to 20 years. Brands acquired through the SE Transaction are determined to have indefinite lives.

Impairment of Non-financial Assets

Intangible assets and capital assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Indefinite life intangibles are reviewed for impairment annually or at any time if an indicator of impairment exists. For the purposes of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. When there are indications of a potential decrease in a prior period impairment loss, a reversal may be recognized through the consolidated statements of income. A change in amortization may be required based upon the estimated remaining service life.

Goodwill

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

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

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

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

Convertible Debentures

The convertible debentures, issued in June and July 2010, have been recorded as a liability. The value of the debentures has been reduced at issuance to reflect the fair value of the conversion feature of these debentures. The reduction is accreted to earnings over the expected term of the debentures using the effective interest rate method.

Long Term Compensation

Cash Based Payment Plans

Enercare has a Performance Share Unit Plan ("PSUP") for eligible employees as described in note 30. Awards are made in the form of phantom shares, which vest at the end of a three year period.

Enercare has also adopted the Deferred Share Unit Plan ("DSUP") for non-employee directors as described in note 30. In addition to annual grants, pursuant to the DSUP, directors will receive 50% of their fees in the form of deferred share units until the director has met the director's share ownership requirements. Directors may also elect to have vested performance share units settled in deferred share units on a one-for-one basis and may elect once each calendar year to receive any portion of their fees in the form of deferred share units for the year. Such fee election can be changed on a quarterly basis. The vesting period is estimated to be three years.

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

Share Based Plan

Enercare has a stock option plan for officers of Enercare as described in note 30. At the date of grant, options are valued using the Black-Scholes option pricing model giving consideration to the terms of the plan and Enercare's performance. Recorded amounts are reflected in contributed surplus and the consolidated statement of income for the period over the vesting period. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately.

Employee Share Purchase Plan

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

Income Tax

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

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

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

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

Relationship with Franchisees

In certain regions of Ontario, Enercare outsources the sale of air conditioners, boilers, furnaces and other services and protection plans to seven third party franchisees and earns royalties based on the revenue earned by the franchisees. As part of the arrangement, which expires in 2034, Enercare facilitates the invoicing and collection of receivable balances from the franchisees' customers and remits the franchisees' portion of the collected amounts, thereby recognizing as revenue the royalty earned. Royalty revenue of $13,702 (2015 - $14,354) was recognized during the year.

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

Revenue

General

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

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

Enercare assesses the revenue recognition for principal versus agent considerations for its Sub-metering contracted revenue and Enercare Home Services franchisee revenues. When a principal relationship exists, revenue is recognized on a gross basis and when an agent relationship exists, revenue is recognized on a net basis.

Contract Revenues

Rental and Sub-metering Revenue

Rental revenue is primarily comprised of the rental of water heaters, furnaces, boilers and air conditioners and is recognized on a monthly basis, in line with the terms of the rental agreement.

Sub-metering revenue is primarily comprised of sub-metering services related to individual suite consumption of electricity, water, thermal energy and gas commodities in multi-residential and commercial buildings. The revenue is recognized on a monthly basis over the term of the service agreement as the services are provided to the customer.

Protection Plans

Within this product offering, Enercare provides both maintenance service contracts and full service protection plans. Under maintenance service contracts, Enercare is obligated to perform one annual maintenance service on the customer's equipment when requested by the customer. Maintenance service revenue is recognized when the service is performed, or when the performance period has expired.

Enercare offers certain arrangements where multiple-element arrangements may exist. The amount of revenue allocated to each element is based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

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

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

Sales and Other Services

Sale and Installation of Equipment

Sale and installation of equipment in the Home Services segment is primarily comprised of residential furnaces, boilers and air conditioners through both the corporate and franchised regions. In the Service Experts segment, sales and installations of equipment is primarily comprised of residential and commercial furnaces and air conditioners. Revenue is recognized as the service is provided. For Sub-metering, revenue related to the sale and installation of water conservation products in apartments and condominiums sales is recognized as the service is provided.

Other Services

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

Interest Expense and Financing Charges

Costs associated with the arrangement of long-term financing are netted against the carrying value of the debt and amortized on an effective interest rate method over the expected term of the debt.

Foreign Currency Translation

Transactions in foreign currencies are translated to the respective functional currencies 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.

Dividends

Dividends on shares are recognized in Enercare’s consolidated financial statements in the period in which the dividends are approved by Enercare’s board of directors.

Enercare has adopted a dividend reinvestment plan (“DRIP”), which allows all Canadian shareholders to elect to have some or all cash dividends reinvested in additional shares on a monthly basis. Shares issued under DRIP are at a price equal to 95% of the weighted average purchase price of the shares during the five business days immediately prior to the dividend payment date. Dividend shares and the 5% bonus shares are recognized in Enercare's consolidated financial statements in the period in which the dividends are approved by Enercare's board of directors.

Additional IFRS Measures Presented – EBITDA

During the year, Enercare introduced the presentation of an additional IFRS measure, EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") within the Consolidated Statements of Income. This measure is comprised of net earnings plus income taxes, interest expense, and depreciation and amortization expense. EBITDA is one metric 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.

Critical Accounting Estimates and Judgments

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

Revenue Accruals

At December 31, 2016, the Enercare Home Services segment recorded a revenue accrual of approximately $46,400 reflecting accrued service periods, compared to $47,200 at December 31, 2015. Unbilled protection plans comprise approximately $28,200 of this balance, compared to $28,700 at December 31, 2015. This balance is predominantly made up of protection plans sold in franchisee service areas, which are recognized as royalty revenue at inception but are invoiced over a period of twelve months. The remaining unbilled revenues reflect accrued service revenues for rental water heaters and other products.

At December 31, 2016, the Service Experts segment recorded a revenue accrual of approximately $1,700 reflecting accrued revenue for contracts in progress, compared to $nil at December 31, 2015.

At December 31, 2016, the Sub-metering segment recorded a revenue accrual of approximately $10,000, reflecting accrued service periods, compared to $9,800 at December 31, 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 $11,800 at December 31, 2016, compared to approximately $11,400 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 of Service Experts (note 32), these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing date of May 11, 2016. Accordingly, the final fair value determinations may differ from those set forth in these consolidated 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.

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. As a result of adopting this amendment, Enercare has introduced the presentation of an additional IFRS measure, EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization"), within the Consolidated Statements of Income. Refer to "*Additional IFRS Measures Presented – EBITDA", above.*

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 has assessed the impact of adopting this amendment on the consolidated financial statements, and notes that additional disclosure of the movements in net debt between changes arising from cash flows and non-cash changes may be required.

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 has begun to assess the terms and conditions of its inventory of revenue contracts with customers, and continues to evaluate the impact of adopting this standard on the consolidated financial statements. Quantification of the impact is expected in 2017.

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. Quantification of the impact is expected in 2017.

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

As at December 31,	**2016**	2015
Cash at bank	**$38,415**	$28,413
Ending balance	**$38,415**	$28,413

5. Accounts and Other Receivables

As at December 31,	**2016**	2015
Billed accounts receivable	**$ 89,902**	$ 47,221
Unbilled accounts receivable	**58,699**	56,977
Current taxes receivable	**2,342**	5,621
Bad and doubtful debt provision	**(11,806)**	(11,405)
Accounts and other receivables (net of provision)	**$ 139,137**	$ 98,414

Bad and doubtful debt provision:		
Opening balance	**$ 11,405**	$ 8,711
Charge for the year	**401**	2,694
Provision ending balance	**$ 11,806**	$ 11,405

Unbilled accounts receivable of $28,179 (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, which can be financed up to 180 months. Outstanding balances can be repaid at any time without penalty. At the end of the 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 December 31, 2016 and 2015:

As at December 31,	**2016**	2015
Balance as at January 1	**$ -**	$ -
Financing receivables added in the period	**3,172**	-
Prepayments	**(296)**	-
Balance, end of period	**$2,876**	$ -

7. Inventory

As at December 31,	**2016**	2015
Inventory	**$17,032**	$8,633
Less: inventory obsolescence	**(1,001)**	(781)
Inventory (net of provision)	**$16,031**	$7,852

Inventory obsolescence provision:		
Opening balance	**$ 781**	$ 79
Charge for the year	**220**	702
Provision ending balance	**$ 1,001**	$ 781

During the year ended December 31, 2016, $128,372 (2015 - $20,207) of inventory was recognized as part of cost of goods sold and services provided in the consolidated statement of income.

8. Capital Assets

	Rental Equipment	Metering Equipment	Vehicles	Buildings	Land and Improvements	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	$ 118,671	$ 18,902	$ 7,943	$ 4,295	$ 6,100	$ 12,482	$ 168,393
Loss on disposal before proceeds	(14,876)	(43)	(819)	-	-	-	(15,738)
Acquisition – Service Experts (note 32)	-	-	23,254	3,234	2,544	3,704	32,736
Foreign exchange	(1)	-	654	125	101	187	1,066
Depreciation for the year	(50,818)	(5,989)	(7,386)	(165)	-	(6,557)	(70,915)
At December 31, 2016	$ 525,346	$ 63,196	$30,341	$ 7,489	$ 8,745	$23,016	$ 658,133
At December 31, 2016:							
Cost	$ 979,804	$ 93,646	$39,636	$ 7,658	$ 8,745	$38,529	$1,168,018
Accumulated depreciation	(454,458)	(30,450)	(9,295)	(169)	-	(15,513)	(509,885)
Net book value	**$ 525,346**	**$ 63,196**	**$30,341**	**$ 7,489**	**$ 8,745**	**$23,016**	**$ 658,133**

During the year ended December 31, 2016, the non-cash portion of additions consisted of rental equipment of $332 (2015 - $nil) and metering equipment of $6,164 (2015 - $nil). Included within the additions is $7,943 (2015 - $1,930) related to the purchases of vehicles under finance lease, which has also increased the respective obligations under finance leases by $7,943 (2015 - $1,932). Repayment of obligations under finance leases of $6,129 for the twelve months ended December 31, 2016 has been included within the statements of cash flows. Additions related to building, land and improvements primarily include Enercare's corporate headquarters purchased during 2016

During the fourth quarter of 2015, a sub-metering customer exercised its buy-out option on metering equipment. This resulted in a gain on disposal of equipment of $2,484.

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 32)	$ 161,450	$ -	$73,621	$2,786	$ 237,857
Additions	-	-	73	-	73
Foreign exchange	5,521	-	2,555	83	8,159
Amortization for the year	(73,937)	(92)	-	(380)	(74,409)
At December 31, 2016	$ 615,863	$ 916	$76,249	$6,115	$ 699,143
At December 31, 2016:					
Cost	$1,313,650	$ 33,270	$76,249	$6,669	$1,429,838
Accumulated depreciation	(697,787)	(32,354)	-	(554)	(730,695)
Net book value	**$ 615,863**	**$ 916**	**$76,249**	**$6,115**	**$ 699,143**

10. Goodwill

The following table provides details by reporting segment regarding the changes in the carrying amounts of goodwill for the years ended December 31, 2016 and 2015.

	Enercare Home Services	Sub-metering	Service Experts	Total
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 32)	$ -	$ -	**$221,259**	**$221,259**
Foreign exchange	-	-	7,794	7,794
At December 31, 2016	**$142,666**	**$4,898**	**$229,053**	**$376,617**

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

For the annual impairment tests of goodwill and indefinite lived intangible assets, recoverable amounts are determined based on fair value less cost of disposal using discounted cash flows. The cash flow projections relating to the goodwill for the Sub-metering, Enercare Home Services and Service Experts segments were established based on various assumptions. The following table summarizes the critical assumptions that were used in estimating fair value for the various entities:

Assumptions	Range
Estimated average revenue growth rate	3.7% to 13.3%
Terminal growth factor	3.0%
Post tax discount rate	8.1% to 13.5%

Management has concluded that no impairment charge was required for the year ended December 31, 2016.

11. Collateral Deposits and Insurance Claims Provisions

Enercare's Service Experts business uses 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.

As at December 31,	**2016**	2015
Collateral Deposits		
Opening balance January 1, 2016	$ -	$ -
Acquisition – Service Experts (note 32)	9,122	-
Additional deposits during the period	3,391	-
Claims spending during the period	(3,040)	-
Foreign exchange	369	-
Ending balance	**$ 9,842**	$ -
Insurance Claim Provisions		
Opening balance January 1, 2016	$ -	$ -
Acquisition – Service Experts (note 32)	8,234	-
Additional provisions charged to the consolidated statement of income	2,483	-
Claims spending during the period	(3,040)	-
Foreign exchange	313	-
Ending balance	**$ 7,990**	$ -

12. Accounts Payable and Accrued Liabilities

As at December 31,	**2016**	2015
Accounts payable	**$ 41,177**	$13,887
Accruals	**56,209**	27,381
Compensation payable	**31,391**	9,800
Accrued commodity	**10,534**	9,812
Current taxes payable	**34,370**	173
Other payables	**6,822**	5,483
Ending balance	**$180,503**	$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%,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 January 2017 and August 2022. During the year ended December 31, 2016, Enercare recognized $526 (2015 - $248) of interest expense related to the obligations under finance leases.

As at December 31,	**2016**	2015
Obligations under finance leases	**$ 25,624**	$ 6,695
Less: current portion	**(11,216)**	(2,061)
	$ 14,408	$ 4,634

Future minimum lease payments under finance leases are as follows:

As at December 31,	Principal	Interest	Lease Payments
Due in 2017	$ 7,304	$ 570	$ 7,874
Due in 2018	6,702	386	7,088
Due in 2019	5,841	223	6,064
Due in 2020	4,223	92	4,315
Due in 2021	1,391	20	1,411
Thereafter	163	4	167
	$25,624	$1,295	$26,919

14. Debt

Bank indebtedness, current and long term debts:

As at December 31,	2016	2015
Current portion of long term debt:		
Opening balance January 1	**$ 992**	$ 1,258
Repayment of debt	**(992)**	(1,257)
Current portion of senior debt	**250,000**	-
Current portion of Stratacon debt	**615**	991
Total current portion of long term debt	**$250,615**	$ 992
Non-current portion of long term debt:		
Senior debt principal amount	**$475,000**	$ 475,000
2014 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	**$ (615)**	$ (991)
Current portion of senior debt	**(250,000)**	
Draw from revolving credit facility	**15,000**	50,000
Repayment of revolving credit facility	**(50,000)**	-
Draw from 2016 Term Loan	**258,320**	-
Deferred financing costs on 2016 Term Loan	**(1,009)**	-
Amortization of financing costs	**1,025**	840
Foreign exchange	**10,220**	-
Total non-current portion	**$716,481**	$733,540
Senior debt principal amount	**$225,000**	$475,000
Term Loans	**478,540**	210,000
Revolving credit facility	**15,000**	50,000
Stratacon debt principal amount	**207**	822
Unamortized financing costs and interest accretion	**(2,266)**	(2,282)
Total non-current portion of long term debt	**$716,481**	$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”), which has a standby fee of 0.25%. At December 31, 2016, a total of $15,000 was drawn bearing interest at a variable rate based upon the banker’s acceptance rate plus 1.25%, which was 2.95% at December 31, 2016. During the fourth quarter, Enercare Solutions increased the 2014 Revolver limit to $200,000, maintaining the same terms. As of March 6, 2017, $30,000 was drawn on the 2014 Revolver.

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 2014 Term Loan consists of a $210,000 non-revolving, non-amortizing variable rate term loan (the “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 2.14% at December 31, 2016.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of $822 as at December 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.

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 2.20% at December 31, 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.

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of Senior Unsecured Notes (see Note 33). The proceeds of the offering were used to redeem the 2014 Term Loan on February 23, 2017 and will be used to redeem the 2012 Notes in 2017 with the balance to be used to repay a portion of the 2014 Revolver.

The 2016 Term Loan covenants have substantially the same terms as the 2014 Term Loan. Enercare Solutions entered into an amendment to the 2014 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.

Enercare was in compliance with all covenants under the 2012 Notes, 2013 Notes, Stratacon Debt, 2014 Revolver, 2014 Term Loan and 2016 Term Loan as at December 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 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:

As at December 31,	**2016**	2015
Convertible Debentures:		
Opening principal	**$2,728**	$3,257
Financing costs	**(48)**	(95)
Opening balance at January 1:	**$2,680**	$3,162
Principal conversions	**$ (696)**	$ (529)
Transfer of financing costs to equity upon conversion	**8**	14
Amortization of financing costs to expense	**27**	33
Ending balance	**$2,019**	$2,680
Principal balance	**$2,032**	$2,728
Financing costs	**(13)**	(48)
Ending balance	**$2,019**	$2,680

From January 1, 2017 to March 6, 2017, approximately $86 principal amount of additional convertible debentures were converted to shares.

Interest Expense:

(000s)	**2016**	2015
Interest expense payable in cash	**$30,294**	$26,105
Interest payable on subscription receipts	**2,217**	-
Equity bridge financing fees	**198**	-
Non-cash items:		
Notional interest on employee benefit plans	**840**	1,096
Amortization of financing costs	**1,052**	874
Interest expense	**$34,601**	$28,075

Interest expense payable in cash is primarily associated with debt and convertible debenture activity in 2016 and 2015. Notional interest relates to employee benefits plans acquired and amortization of financing costs includes 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 32). 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:

	2016	2015
Revenue	**$105,132**	$77,940

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

As at December 31,	**2016**	2015
Deferred revenue	**$32,063**	$8,193
Service obligations	**9,346**	-
Deferred revenue and service obligations	**$41,409**	$8,193

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

	December 31, 2016
Opening balance January 1, 2016	**$ -**
Additions to obligations through acquisition of Service Experts	**25,393**
Released during the period	**(16,549)**
Foreign exchange	**502**
Service obligation	**$ 9,346**

16. Employee 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 cost of employee benefit plans is recognized as the Transferred Employees provide service to Enercare and the obligation for these plans were measured individually at December 31, 2016 and 2015, as the present value of the benefit obligation less the fair value of plan assets. The cost of the defined benefit plan is actuarially determined using the projected unit credit method and the use of best estimates of compensation level increase, retirement ages of workers, mortality rates, health costs and other factors. Remeasurements, which include actuarial gains and losses, are recognized in other comprehensive income, with the exception of any changes to the reimbursement amount prior to the transfer of the plan, as described above.

Regulatory Framework

The RPP is a registered pension plan under the Ontario Pension Benefits Act ("PBA"), which requires certain minimum benefit standards and funding levels. Minimum funding requirements under the PBA are determined based on actuarial valuations on both a going concern and solvency basis that are required at a minimum of every three years. The last actuarial valuation for funding purposes was as at August 1, 2014 and the next valuation will be prepared prior to August 1, 2017. Deficits under the going concern basis may be funded over a period up to 15 years, beginning one year from the valuation date. In addition, solvency valuations must be performed which simulate a plan wind-up. Deficiencies established on a solvency basis may be funded over a period of up to five years, beginning one year from the valuation date (post-retirement cost of living adjustments are not required to be included in the solvency liabilities).

The OPEB is not funded in advance.

Funding of the RPP

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

Governance of Defined Benefit Pension Plans

Enercare assumed the sponsorship and administration of the RPP on January 28, 2016 from DE. Enercare now oversees the administration of the pension plans in accordance with applicable legislation and approved the governance structure, including the mandates of those to whom administrative duties and responsibilities were delegated.

Risks

Given that employees do not make contributions to the employee benefit plans, Enercare generally bears the risks associated with the defined benefit plans. Sources of risks for Enercare's defined benefit plans as at December 31, 2016 include:

Investment Risk

The pension plans invest their assets in a variety of asset classes including Canadian equity, US equity, international equity, emerging markets, universe and long term fixed income, and real estate. All of these asset classes contain investment risk. Fixed income investments are generally a better match to the liability profile of a pension plan, but other asset classes are generally expected to earn a higher return over a long time horizon.

As the RPP plan is a funded plan and is invested in a variety of asset classes, market return is a significant source of risk to the pension plan. Asset return impacts both the progression of the balance sheet liability over time and the contributions that are required to keep the plan funded over the long term.

Corporate Bond Yields

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

Government Bond Yields

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

Longevity

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

Inflation

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

Risk Controls

Enercare manages the risks through plan design reviews, as appropriate, and regular valuations of the plan. Investment risks are managed through external quarterly monitoring. Pension plan risks are controlled through the governance process in place with the Compensation Committee.

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

As at December 31,	**2016**	2015
Pension		
Current service cost	**$3,687**	$3,328
Interest (income)/expense	**(168)**	324
Administrative expenses	**83**	-
	$3,602	$3,652
OPEB		
Current service cost	**$ 836**	$ 928
Net interest cost	**840**	773
	$1,676	$1,701

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

As at December 31,	**2016**	2015
Pension		
Actuarial gain/(loss)	**$4,291**	$(362)
OPEB		
Actuarial gain/(loss)	**$ (650)**	$ 843
	$3,641	$ 481

Employee Benefit Plan Assets and Liability

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

As at December 31,	**2016**	2015
Pension		
Present value of defined benefit obligations	**$(90,701)**	$(87,690)
Fair value of plan assets	**96,947**	79,586
	$ 6,246	$ (8,104)
OPEB		
Present value of unfunded defined benefit obligations	**$(22,028)**	$(19,744)
	$(15,782)	$(27,848)

Defined Benefit Obligations

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

As at December 31,	**2016**	2015
Pension		
Obligation, beginning of year	**$87,690**	$74,928
Transfers of employees after acquisition date	**172**	4,764
Current service cost	**3,687**	3,328
Interest expense on the defined benefit obligations	**3,490**	3,072
(Gains)/losses arising from demographic and other experiences	**-**	306
(Gains)/losses arising from changes in financial assumptions	**(2,912)**	1,378
Benefits paid	**(1,426)**	(86)
Obligation, end of year	**$90,701**	$87,690
OPEB		
Obligation, beginning of year	**$19,744**	$18,886
Current service cost	**836**	928
Interest expense	**840**	773
Actuarial loss (gain)	**650**	(843)
Benefits paid	**(42)**	-
Obligation, end of year	**$22,028**	$19,744

Fair Value of the Plan Assets

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

As at December 31,	**2016**	2015
Pension		
Fair value, beginning of year	**$79,586**	$68,254
Transfers of employees after acquisition date	**172**	4,764
Interest income	**3,658**	2,748
Actuarial gains	**1,379**	1,322
Reimbursement right contributions	**11,107**	-
Contributions	**2,554**	2,584
Benefits paid	**(1,426)**	(86)
Administrative expenses	**(83)**	-
Fair value, end of year	**$96,947**	$79,586

Reimbursement Right – Pension

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

As at December 31,	**2016**	2015
Pension		
Balance, beginning of year	**$ 11,107**	$11,107
Settlement	**(11,107)**	-
Balance, end of year	**$ -**	$11,107

Plan assets are comprised of the following:

	2016	2015
Plan assets by major category		
Canadian large cap equities	**10.0%**	9.9%
Canadian small cap equities	**3.5%**	3.6%
US equities	**16.8%**	17.8%
International equities	**11.0%**	11.4%
Emerging markets	**3.5%**	3.5%
Canadian universe bonds	**0.0%**	21.9%
Canadian long bonds	**45.2%**	22.0%
Real estate pooled funds	**10.0%**	9.9%
Cash and short term	**0.0%**	0.0%
Total	**100.0%**	100.0%

Actuarial Assumptions

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

As at December 31,		2016	2015
Pensions			
Discount rate (RPP)		**4.14%**	4.00%
Salary growth rate - Union	From 2015	**3.00%**	3.00%
Salary growth rate - Non-Union	Until 2015	**3.75%**	3.75%
	From 2016	**4.25%**	4.25%
Inflation		**2.00%**	2.00%
Increase in maximum pension limit		**3.00%**	3.00%
Mortality table		**CPM Private using projection scale CPM-B**	CPM Private using projection scale CPM-B
Male life expectancy, age 60		**26.1 years**	26.0 years
Male life expectancy, age 65		**21.6 years**	21.6 years
Female life expectancy, age 60		**28.8 years**	28.7 years
Female life expectancy, age 65		**24.1 years**	24.0 years
OPEB			
Weighted average assumptions to determine defined benefit obligations:			
Discount rate		**4.12%**	4.27%
Mortality table		**Final CPM 2014 Private Mortality Table with scale CPM-B**	Final CPM 2014 Private Mortality Table with scale CPM-B
Immediate health care cost trend rate		**5.65%**	5.75%
Ultimate health care cost trend rate		**4.00%**	4.00%
Year reached ultimate health care cost trend rate		**2029**	2029
Weighted average assumptions to determine defined benefit costs:			
Discount rate		**4.27%**	4.10%
Mortality table		**Final CPM 2014 Private Mortality Table with scale CPM-B**	Final CPM 2014 Private Mortality Table with scale CPM-B
Immediate health care cost trend rate		**5.75%**	5.86%
Ultimate health care cost trend rate		**4.00%**	4.00%
Year reached ultimate health care cost trend rate		**2029**	2029

Sensitivity Analysis

	Increase in Liability December 31, 2016
Pensions	
100 basis point decrease in the discount rate	**$20,045**
100 basis point increase in the long term salary rate	**7,256**
Impact on the cost of living adjustments of a 100 basis point increase in inflation	**5,896**
90% of mortality rates	**1,541**
100% basis point increase in the prior year pensionable earnings	**900**
OPEB	
100 basis point decrease in the discount rate	**$ 5,652**
Impact of a 1 year increase in life expectancy	**730**
100 basis point increase in health care cost trend rates	**5,205**

Maturity Analysis

The approximate duration of the pension plans is 22.1 years while the approximate duration of the other long-term benefits plan is 22.6 years. The undiscounted liabilities of the plan can be broken into the following durations:

As at December 31, 2016	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Pension	**$ 895**	**$1,173**	**$5,579**	**$198,959**	**$206,606**
OPEB	**140**	**213**	**1,147**	**59,537**	**61,037**
Total	**$1,035**	**$1,386**	**$6,726**	**$258,496**	**$267,643**

17. Income Taxes

The reconciliation of income taxes computed at the statutory tax rates to income tax expense/(recovery) is as follows:

For the year ended December 31,	**2016**	2015
Tax expense at statutory rate of 26.50%	**$22,755**	$18,240
Tax effects of:		
(Non-taxable)/non-deductible expenses	**(159)**	500
Tax rate differentials	**2,254**	-
Book to return differences	**14**	(827)
Other	**(127)**	(39)
Total	**$24,737**	$17,874
Current tax expense	**54,381**	10,197
Deferred income tax (recovery) / expense	**(29,644)**	7,677
Total tax expense	**$24,737**	$17,874

Enercare operates in multiple jurisdictions with differing tax rates. Enercare's effective tax rates are dependent on the jurisdiction to which income relates.

Deferred income tax asset and liability

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

As at December 31,	2016	2015
As at January 1:	**$(120,273)**	$(113,423)
Step up of deferred income tax on the SE Transaction (note 32)	**(2,068)**	-
Deferred tax asset tax on Triacta acquisition	**-**	981
Deferred tax liability on Cobourg Network Inc. acquisition	**-**	(27)
Deferred tax related to share issuance costs	**2,854**	-
Deferred tax on remeasurements of defined benefit plan and other items booked to OCI	**(840)**	(127)
Other foreign exchange	**57**	-
Deferred income tax (expense) / recovery	**29,644**	(7,677)
Total	**$(90,626)**	$(120,273)

Enercare's management expects that the deferred tax assets will be recoverable based on the expected growth and profitability of the Enercare Home Services, Service Experts and Sub-metering businesses.

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

As at December 31,	2016	2015
Deferred tax asset		
Loss carry-forwards	**$ 1,717**	$ 4,353
Research and development	**876**	739
Allowances and provisions	**15,134**	6,858
Financing fees	**3,904**	2,397
Employee future benefit obligations	**4,182**	4,437
	25,813	18,784
Deferred tax liability		
Equipment and intangible assets	**(115,597)**	(112,626)
Temporary difference – subsidiary tax year end	**(678)**	(26,248)
Other	**(164)**	(183)
	(116,439)	(139,057)
Total	**$ (90,626)**	$ (120,273)

Classification

As at December 31,	2016	2015
Deferred tax asset	**$ 11,120**	$ 7,652
Deferred tax liability	**(101,746)**	(127,925)
Total	**$ (90,626)**	$ (120,273)

Tax loss carry-forward expiry schedule

As at December 31,	2016	2015
Expire in 2023	**-**	-
Expire in 2024	**-**	-
Expire in 2025	**-**	-
Expire in 2026	**-**	-
Thereafter	**6,480**	16,361
Total loss carry-forwards	**$6,480**	$16,361

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested. Unremitted earnings totaled $10,448 at December 31, 2016.

18. Share Capital and Treasury Shares

As at December 31,		2016		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 – (note 32)	**15,835**	**233,564**	-	(30)
Shares issued upon exercise of share options	**148**	**1,501**	388	3,057
Shares issued under dividend reinvestment plan	**116**	**2,078**	-	-
Shares repurchased and cancelled	**-**	**-**	(4,400)	(45,763)
Principal conversion of debentures	**107**	**696**	81	529
Transfer of financing costs to equity	**-**	**(8)**	-	(14)
Transfer from contributed surplus	**-**	**8**	-	14
Totals(1)	**104,155**	**$1,151,913**	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 shares and 10,000,000 preferred shares. At December 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 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 SE 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 shares, representing approximately 10% of its public float of issued and outstanding 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 renewed 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 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 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 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.

In November 2016, Enercare adopted the DRIP, which allows all Canadian shareholders to elect to have some or all cash dividends reinvested in additional shares on a monthly basis. Participation in the plan is optional. Under the terms and conditions of the plan, participants acquire shares through the reinvestment of cash dividends paid on the shares they hold or through optional cash payments. Shares subscribed by participants are purchased as treasury shares through Enercare's transfer agent, Computershare Trust Company of Canada, at a price equal to 95% of the weighted average purchase price of the shares during the five business days immediately following the dividend payment date. For the year ended December 31, 2016, 116,001 shares were issued pursuant to the DRIP for $2,078.

As at December 31, 2016, there were 105,103 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 year ended December 31, 2016, 53,164 (2015 – 56,330) shares were purchased for $970 (2015 - $815). During the year, 3,970 shares were cancelled.

19. 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:

For the year ended December 31, (in thousands – except per share amounts)	**2016**	2015
Net earnings	**$61,130**	$50,955
After tax impact of convertible debentures	**130**	327
Fully diluted net earnings	**61,260**	51,282
Weighted average shares outstanding	**98,091**	91,299
Dilutive impact of long term stock compensation	**344**	278
Dilutive impact of convertible debentures	**314**	421
Weighted average diluted shares outstanding	**98,749**	91,998
Basic earnings per share	**$ 0.62**	$ 0.56
Diluted earnings per share	**$ 0.62**	$ 0.56

20. Dividends

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

For the year ended December 31, (in thousands – except per share amounts)	**2016**	2015
Dividends declared per share during the year	**$ 0.82**	$ 0.82
Dividends declared during the period	**80,688**	74,763
Dividends declared after December 31,		
January		
Dollars	**$ 5,667**	$ 6,157
DRIP (shares issued)	**134**	-
Shares	**104,155**	87,954
Per share	**$ 0.077**	$ 0.07
February		
Dollars	**$ 5,627**	$ 6,158
DRIP (shares issued)	**135**	-
Shares	**104,296**	87,967
Per share	**$ 0.077**	$ 0.07

The total amount of dividends declared after December 31, 2016 are estimated above and are subject to change dependent upon the actual convertible debenture conversions prior to the record date, if any.

Enercare adopted the DRIP (note 18), which enables shareholders to receive dividends in shares rather than cash. During the year ended December 31, 2016, 116,001 shares were issued pursuant to the DRIP valued at $2,078. There were no liabilities recognized at December 31, 2016.

21. Commitments

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

As at December 31,	**2016**
Due in 2017	**$ 9,661**
Due in 2018	**7,063**
Due in 2019	**4,794**
Due in 2020	**3,526**
Due in 2021	**3,493**
Thereafter	**6,669**
Total commitments under non-cancellable operating leases	**$35,206**

The operating lease and sponsorship payments recognized in the consolidated statement of income for the year ended December 31, 2016 were $11,376 (2015 - $3,744).

22. 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 consolidated financial statements.

23. 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 and 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 December 31, 2016, a provision for all amounts at risk of collection and impairment has been made in these 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 monitors liquidity risk through comparisons of current financial ratios with the financial covenants contained in its 2014 Revolver, 2014 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 December 31, 2016.

In conjunction with the SE Transaction, Enercare entered into an amendment to its existing 2014 Term Loan and 2014 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 December 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 2017	$252,647	$32,062	$ 7,304	$ 570	$ 259,951	$32,632
Due in 2018	210,125	20,334	6,702	386	216,827	20,720
Due in 2019	10,025	16,654	5,841	223	15,866	16,877
Due in 2020	493,567	7,508	4,223	92	497,790	7,600
Due in 2021	5,025	139	1,391	20	6,416	159
Thereafter	5	-	163	4	168	4
Total	$971,394	$76,697	$25,624	$1,295	$997,018	$77,992

As part of Enercare's plan to monitor liquidity risk, to maintain an appropriate amount of working capital and to address the maturity of the 2012 Notes, Enercare completed a Senior Unsecured Notes offering of $500,000 aggregate principal amount (see Note 14 and Note 33) on February 21, 2017.

Market Risk

Fair Value

The carrying values of cash and cash equivalents, accounts and other receivables, financing receivables, collateral deposits, accounts payable and accrued liabilities, obligations under vehicle finance leases and other payables approximate their fair values due to their relatively short periods to maturity.

Fair value measurements are determined in accordance with the following levels:

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

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

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

The following table presents the carrying amounts and the fair values of Enercare's financial assets and liabilities at December 31, 2016 and 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.

As at December 31,	**2016 Carrying Value**	**2016 Fair Value**	2015 Carrying Value	2015 Fair Value
Cash and cash equivalents	**$ 38,415**	**$ 38,415**	$ 28,413	$ 28,413
Accounts receivables	**139,137**	**139,137**	98,414	98,414
Financing receivables	**2,876**	**2,876**	-	-
Collateral deposits	**9,842**	**9,842**	-	-
Total financial assets	**$ 190,270**	**$ 190,270**	$126,827	$126,827
Financial liabilities measured at amortized cost:				
Senior borrowings	**$ 475,000**	**$ 491,850**	$475,000	$495,118
Term Loans	**478,540**	**478,540**	210,000	210,000
Revolving credit facility	**15,000**	**15,000**	50,000	50,000
Gross convertible debentures	**2,032**	**5,649**	2,728	7,111
Stratacon debt	**822**	**822**	1,814	1,814
Obligations under finance lease	**25,624**	**25,624**	6,695	6,695
Total borrowings	**$ 997,018**	**$1,017,485**	$746,237	$770,738
Other obligations and payables	**235,815**	**235,815**	86,770	86,770
Total financial liabilities	**$1,232,833**	**$1,253,300**	$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 $2,662 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 $192 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 USD $100,000 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 USD $100,000 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.

The following table shows gains (losses) associated with a 10% change in exchange rate of the US dollar:

	Effect on net earnings		Effect on equity	
	2016	2015	**2016**	2015
10% strengthening	**$944**	-	**$799**	-
10% weakening	**($944)**	-	**($799)**	-

24. Capital Risk Management

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 2016.

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

25. Cost of Goods Sold

For the year ended December 31,	**2016**	2015
Labour and benefits	**$201,423**	$ 67,211
Parts	**128,372**	20,207
Commodity	**111,482**	106,203
Other	**18,444**	1,284
Total	**$459,721**	$194,905

26. Selling, General and Administrative

For the year ended December 31,	**2016**	2015
Employee compensation and benefits	**$ 138,401**	$ 64,545
Professional fees	**21,714**	12,122
Selling, office and other	**64,758**	28,132
Billing and servicing	**30,977**	29,998
Claims and bad debt	**10,500**	9,471
Total	**$266,350**	$144,268

27. Other Provisions

On a regular basis, Enercare evaluates key accounting estimates based upon historical information, internal and external factors and probability factors to measure provisions. The key provision is on account of claims as a result of water damage caused by faulty water heaters. The claims provision is a current liability estimated as the product of the average anticipated dollar loss and the current incidents as at December 31, 2016.

For the year ended December 31,	**2016**	2015
Opening balance:	**$ 1,191**	$ 1,150
Charged/(credited) to the consolidated statement of income:		
Additional provision	**2,814**	3,363
Claims spending during the year	**(2,898)**	(3,322)
Ending balance	**$ 1,107**	$ 1,191

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

28. Changes in Working Capital

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

For the year ended December 31,	**2016**	2015
Accounts receivable	**$ (8,954)**	$(22,122)
Inventory	**957**	(1,183)
Prepaid expenses	**(1,098)**	(869)
Collateral deposits	**(351)**	-
Deferred revenue and service obligation	**6,907**	858
Accounts payable and accrued liabilities	**(14,572)**	(2,527)
Other provisions	**(84)**	41
Insurance claim provisions	**(558)**	-
Interest payable	**112**	154
Total	**$(17,641)**	$(25,648)

29. Related Parties

Key Management

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

For the year ended December 31,	**2016**	2015
Salaries and short-term benefits	**$6,076**	$3,285
Other employment benefits	**172**	119
Long term benefits	**1,010**	3,438
Total	**$7,258**	$6,842

30. Compensation Plans

Enercare operates the following share based compensation plans: the PSUP, MTIP, 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 primarily vest equally over a 3 year period, and are based on the achievement of certain service and/or performance criteria, and are non-forfeitable. MTIPs, which are also phantom shares, have also been awarded to management to support achievement of post-acquisition performance and retain key personnel and management of acquired companies. These are specific near-term phantom shares which vest equally over a 2 year period, and are based on achievement of certain 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 5.85 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 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 December 31, 2016, there were 53,164 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 and were purchased during the year for $970 (2014 - $815).

In 2016, no share matching was required under the ESPP, except regarding the grant of 3,970 (2015

– 421) shares at a market value of $17.37 (2015 - $16.20) per share in connection with employee retirements. The amount expensed during the year was $605 (2015 - $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:

	PSUP		MTIP		DSUP		SOP	
(in thousands except price)	#	$	#	$	#	$	#	$
At January 1, 2016	339	16.02	18	16.02	309	16.02	1,109	11.31
Granted	338	16.02	166	16.02	26	16.02	480	15.61
Director's optional purchases	-	-	-	-	10	17.17		
Phantom dividends	28	-	10	-	17	-		
Performance objective modifier	(103)	-	3	-	-	-		
Forfeited	(53)	-	(11)	-	-	-	(66)	14.34
Exercised	-	-	-	-	(6)	-	(148)	9.69
Expired	-	-	-	-	-	-		
At December 31, 2016	549	17.91	186	17.91	356	17.91	1,375	12.84
Expensed in the period	-	1,182	-	1,760	-	1,549		365
Liabilities payable	-	5,829	-	1,903	-	5,916		

	PSUP		MTIP		DSUP		SOP	
(in thousands except price)	#	$	#	$	#	$	#	$
At January 1, 2015	379	14.59	-	-	251	14.59	1,138	8.85
Granted	153	14.59	34	14.59	29	14.59	359	14.65
Director's optional purchases	-	-	-	-	12	14.70	-	-
Phantom dividends	20	-	2	-	17	-	-	-
Performance objective modifier	85	-	(18)	-	-	-	-	-
Forfeited	(2)	-	-	-	-	-	-	-
Exercised	(296)	15.23	-	-	-	-	(388)	7.19
Expired	-	-	-	-	-	-	-	-
At December 31, 2015	339	16.02	18	16.02	309	16.02	1,109	11.31
Expensed in the period	-	3,053	-	143	-	1,235	-	281
Liabilities payable	-	4,647	-	143	-	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.

31. 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 Senior Vice President and General Manager for Sub-Metering, the President and 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 32).

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 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.

The CODM assesses its performance of the operating segments using the measure of EBITDA as follows:

	For the year ended December 31, 2016					For the year ended December 31, 2015				
Segment Information	Enercare Home Services	Service Experts[(2)]	Sub-metering	Corporate	Total	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:										
Contracted sales	$ 410,018	$ 22,574	$ 142,239	$ -	$ 574,831	$ 390,509	$ -	$ 133,652	$ -	$ 524,161
Sales and other services	28,600	388,161	3,750	-	420,511	35,962		3,498	-	39,460
Investment Income	349	28	30	192	599	186		19	-	205
Total revenue	$ 438,967	$ 410,763	$ 146,019	$ 192	$ 995,941	$ 426,657	$ -	$ 137,169	$ -	$ 563,826
Expenses:										
Cost of goods & services:										
Cost of services	$ (66,994)	$ (17,711)	$ -	$ -	$ (84,705)	$ (61,164)	$ -	$ -	$ -	$ (61,164)
Cost of goods sold	(22,274)	(239,415)	(1,845)	-	(263,534)	(25,448)		(2,090)	-	(27,538)
Commodity	-	-	(111,482)	-	(111,482)	-		(106,203)	-	(106,203)
SG&A	(100,343)	(114,593)	(19,323)	(32,091)	(266,350)	(104,858)		(16,906)	(22,504)	(144,268)
Foreign exchange	215	(35)	51	97	328	(107)		60	4	(43)
Other income	-	-	-	-	-	-		580	-	580
Net (loss)/gain on disposal	(4,464)	(19)	77	-	(4,406)	(5,354)		2,484	-	(2,870)
EBITDA	245,107	38,990	13,497	(31,802)	265,792	229,726		15,094	(22,500)	222,320
Amortization	(122,194)	(13,825)	(6,719)	(2,586)	(145,324)	(118,011)		(5,849)	(1,556)	(125,416)
Interest expense					(34,601)					(28,075)
Current taxes					(54,381)					(10,197)
Deferred tax recovery/(expense)					29,644					(7,677)
Net earnings					61,130					50,955
Segment assets[(1)]	1,249,818	600,362	96,804	23,808	1,970,792	1,272,556		85,941	17,750	1,376,247
Capital additions	$ 126,586	$ 9,590	$ 20,120	$ 12,097	$ 168,393	$ 103,404	$ -	$ 10,711	$ 2,808	$ 116,923

(1) Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2016 consolidated financial statements.
(2) Service Experts' segment information is from May 11, 2016 to December 31, 2016.

Geographic Information	Year ended December 31, 2016	2015
Revenues[(3)]		
Canada	**$655,243**	$ 563,232
United States	**340,698**	594
	$995,941	$ 563,826

As at December 31,	**2016**	2015
Segment Assets[(4)]		
Canada	**$1,444,974**	$1,376,247
United States	**525,818**	-
	$1,970,792	$1,376,247

(3) Revenues are based on the country of delivery of the product or service sold.
(4) Segment assets include non-current capital and intangible assets, long-term financing receivables and other assets.

32. Acquisition of Service Experts

On May 11, 2016 Enercare, through an indirect wholly-owned subsidiary of Enercare Solutions, acquired SEHAC Holdings Corporation (now SEHAC Holdings LLC), 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 18) 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 $13,900. 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 $11,485 of costs associated with the SE Transaction, which consists predominantly 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 certain working capital adjustments 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**	**(1,244)**	**30,561**
Inventory	**8,316**	**646**	**8,962**
Prepaid expenses	**6,205**	**82**	**6,287**
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**	**(2,661)**	**221,259**
Total assets acquired	**$558,770**	**$ (3,010)**	**$555,760**
Less:			
Accounts payable and accrued liabilities	**$115,917**	**$ 3,141**	**$119,058**
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**	**(3,814)**	**2,068**
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 $410,763 and earnings of $17,322 are included in the statement of comprehensive income since May 11, 2016.

Enercare's consolidated revenues and net earnings for the year ended December 31, 2016 would have been higher by approximately $188,691 and $nil, respectively, had the SE Transaction occurred on January 1, 2016.

33. Subsequent Events

On February 13, 2017, Enercare, through its wholly-owned subsidiary, Service Experts completed the acquisition of certain assets in Austin, Texas from CS Operating LLC, an HVAC and plumbing company. Service Experts acquired the assets for USD $875 and paid the purchase price using cash on hand, net of a 15% holdback which is expected to be paid over the next 12 months.

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of 2017 Notes consisting of $275,000 of "2017-1 Notes" and $225,000 of "2017-2 Notes". The 2017-1 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.384% per annum if held to maturity and the 2017-2 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.993% per annum if held to maturity.

The proceeds of the offering were used by Enercare Solutions to redeem the 2014 Term Loan on February 23, 2017 and will be used to redeem the 2012 Notes in March 2017 with the balance to be used to repay a portion of the 2014 Revolver.