enercare™

Enercare Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2017 and March 31, 2016

Dated May 11, 2017

Enercare Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn $)		(unaudited) **March 31, 2017**		(unaudited) December 31, 2016
Assets				
Current assets				
Cash and cash equivalents (note 4)	**$**	**19,474**	$	38,415
Accounts and other receivables (note 5)		**135,329**		137,617
Financing receivables (note 6)		**487**		319
Inventory (note 7)		**16,314**		16,031
Collateral deposits (note 11)		**9,735**		9,842
Prepaid expenses		**12,264**		11,238
		193,603		213,462
Capital assets (note 8)		**667,325**		658,133
Intangible assets (note 9)		**683,467**		696,274
Employee benefit plan assets (note 16)		**4,384**		6,246
Goodwill (note 10)		**382,065**		383,035
Deferred tax asset		**12,881**		10,946
Long-term financing receivables (note 6)		**4,110**		2,557
Other assets		**2,134**		1,994
	$	**1,949,969**	$	1,972,647
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	**$**	**130,897**	$	178,983
Current portion of long-term debt (note 14)		**494**		250,615
Convertible debentures (note 14)		**1,883**		2,019
Obligations under finance leases (note 13)		**7,448**		11,216
Insurance claim provisions (note 11)		**8,209**		7,990
Other provisions		**1,096**		1,107
Interest payable		**3,502**		4,806
Deferred revenue and service obligation (note 15)		**42,734**		41,409
		196,263		498,145
Long-term debt (note 14)		**1,017,413**		716,481
Long-term obligations under finance leases (note 13)		**17,691**		14,408
Employee benefit plan obligations (note 16)		**23,263**		22,028
Deferred tax liability		**100,315**		105,121
		1,354,945		1,356,183
Shareholders' equity				
Share capital (note 17)		**1,161,223**		1,151,913
Treasury shares (note 17)		**(2,046)**		(1,785)
Contributed surplus		**2,158**		2,056
Accumulated other comprehensive income		**5,489**		8,618
Deficit		**(571,800)**		(544,338)
		595,024		616,464
	$	**1,949,969**	$	1,972,647

Commitments and contingent liabilities are found in notes 20 and 21 respectively.

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

Enercare Inc.

Condensed Interim Consolidated Statements of Income

(unaudited) (in thousands of Cdn $, except share and per share amounts)		Three months ended March 31, 2017		2016
Revenues				
Contracted revenue	**$**	**152,925**	$	135,548
Sales and other services		**124,627**		7,001
Investment income		**261**		100
Total revenues		**277,813**		142,649
Expenses				
Cost of goods sold and services provided (note 24)				
Commodity charges		**29,495**		27,747
Maintenance and servicing costs		**25,353**		16,268
Sales and other services		**82,081**		5,645
Selling, general & administrative (note 25)		**88,470**		39,138
Foreign exchange loss		**36**		23
Net loss on disposal of equipment		**1,936**		1,946
(Gain) on retirement of finance lease obligations		**(79)**		(15)
		227,292		90,752
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)		**50,521**		51,897
Depreciation and amortization				
Capital assets (note 8)		**18,861**		15,524
Intangible assets (note 9)		**19,538**		16,783
Interest				
Interest expense (note 14)		**10,795**		8,353
Make-whole charge on early redemption of debt (note 14)		**5,049**		-
(Loss) / earnings for the year before income taxes		**(3,722)**		11,237
Tax expense				
Current tax expense		**5,415**		12,256
Deferred income tax (recovery)		**(6,105)**		(9,214)
Total tax (recovery) / expense		**(690)**		3,042
Net (loss) / earnings for the period	**$**	**(3,032)**	$	8,195
Weighted average number of basic shares outstanding (note 18)		**104,215**		87,899
Weighted average number of diluted shares outstanding (note 18)		**104,215**		104,507
Basic/diluted (losses) / earnings per share (note 18)	**$**	**(0.03)**	$	0.09

Enercare Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) / Income

(unaudited) (in thousands of Cdn $)		Three months ended March 31, 2017		2016
Net (loss) / earnings for the period	**$**	**(3,032)**	$	8,195
Items that will not be reclassified to (loss) / earnings				
Remeasurements of defined benefit plans (note 16)		**(2,383)**		(2,478)
Tax effect of remeasurements of defined benefit plans		**631**		657
Items that will be reclassified to earnings				
Net investment hedge of US dollar loans (note 22)		**1,165**		-
Foreign currency translation differences from foreign operations		**(2,542)**		-
Comprehensive (loss) / income for the period	**$**	**(6,161)**	$	6,374

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

Enercare Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited) (in thousands of Cdn $)	Three months ended March 31, 2017	2016
Share Capital		
Balance - beginning of period	**$ 1,151,913**	$ 914,074
Shares issued on debenture conversion (net of issue costs) (notes 14, 17)	**143**	81
Shares issued for Dividend Reinvestment Plan (note 17, 19)	**7,397**	-
Shares issued upon exercise of share options (note 17)	**1,770**	-
Share Capital - end of period	**1,161,223**	914,155
Treasury Shares		
Balance - beginning of period	**(1,785)**	(815)
Shares repurchased on account of stock purchase plan (note 17)	**(261)**	(214)
Treasury Shares - end of period	**(2,046)**	(1,029)
Contributed Surplus		
Balance - beginning of period	**2,056**	1,215
Shares issued on debenture conversion (net of issue costs) (notes 14, 17)	**(1)**	(12)
Employee share options and stock purchase plan:		
Value of services recognized	**372**	198
Shares issued upon exercise of share options	**(269)**	-
Contributed Surplus - end of period	**2,158**	1,401
Accumulated Other Comprehensive Income		
Balance - beginning of period	**8,618**	103
Remeasurements of defined benefit plans (note 16)	**(2,383)**	(2,478)
Net investment hedge of US dollar loans (note 22)	**1,165**	-
Foreign currency translation differences from foreign operations	**(2,542)**	-
Tax effect of remeasurements of defined benefit plans (note 16)	**631**	657
Accumulated Other Comprehensive Income - end of period	**5,489**	(1,718)
Deficit		
Balance - beginning of period	**(544,338)**	(524,780)
Net (loss) / earnings for the period	**(3,032)**	8,195
Dividends (note 19)	**(24,430)**	(18,460)
Deficit - end of period	**(571,800)**	(535,045)
Shareholders' equity - end of period	**$ 595,024**	$ 377,764

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

Enercare Inc.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)	Three months ended March 31,	
(in thousands of Cdn $)	**2017**	2016
Cash provided by/(used in):		
Operating activities		
Net (loss) / earnings for the period	**$ (3,032)**	$ 8,195
Items not affecting cash		
Depreciation and amortization		
Capital assets (note 8)	**18,861**	15,524
Intangible assets (note 9)	**19,538**	16,783
Net loss on disposal of equipment	**1,936**	1,946
(Gain) on retirement of finance lease obligations	**(79)**	(15)
Non-cash foreign exchange expense	**30**	-
Non-cash interest expense	**1,155**	427
Non-cash interest income	**(77)**	(42)
Defined benefit plan expense	**1,209**	1,148
Employee share options and stock purchase plan	**372**	198
Deferred income tax (recovery)	**(6,105)**	(9,214)
Deferred customer inducements	**(140)**	(161)
Financing receivables	**(1,721)**	(365)
Contributions to defined benefit pension plan	**(645)**	(639)
	31,302	33,785
Net change in non-cash working capital (note 26)	**(46,418)**	5,934
Cash (used in) / provided by operating activities	**(15,116)**	39,719
Investing activities		
Purchase of capital assets (note 8)	**(37,979)**	(32,601)
Purchase of intangible assets (note 9)	**(2,143)**	-
Acquisition of Church Services - net of cash received (note 31)	**(1,144)**	-
Proceeds from disposal of vehicle leases	**297**	24
Proceeds from disposal of equipment - warranty recoveries	**473**	615
Proceeds from disposal of equipment - buyout receipts	**2,356**	1,328
Cash used in investing activities	**(38,140)**	(30,634)
Financing activities		
Dividends to shareholders	**(17,033)**	(18,458)
Purchase of treasury shares	**(261)**	(214)
Proceeds from issuance of subscription receipts (note 30)	**-**	236,712
Subscription receipts funds held in escrow (note 30)	**-**	(236,712)
Proceeds from exercise of employee share options	**1,501**	-
Proceeds from revolving credit facility	**40,000**	-
Proceeds from issuance of long-term debt	**500,000**	-
Repayment of revolving line of credit	**(25,000)**	-
Repayment of obligations under finance leases	**(1,793)**	(575)
Repayment of long-term debt	**(460,213)**	(316)
Financing costs on long-term debt	**(2,559)**	-
Cash provided by / (used in) financing activities	**34,642**	(19,563)
Effect of foreign currency on cash and cash equivalents	**(327)**	-
(Decrease) in cash and cash equivalents	**(18,614)**	(10,478)
Cash and cash equivalents - beginning of period	**38,415**	28,413
Cash and cash equivalents - end of period (note 4)	**$ 19,474**	$ 17,935
Supplementary information		
Interest paid	**$ 15,993**	$ 6,378
Income taxes paid	**$ 39,388**	$ 1,882

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 30), 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.

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

2. Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These condensed interim consolidated financial statements (the “interim financial statements”) should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016. 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 interim financial statements have been presented in Canadian dollars, which is Enercare's functional currency and presentation currency. Certain subsidiaries acquired through the SE Transaction have a functional currency of US dollars.

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

Certain comparative amounts have been reclassified to conform to the current period's presentation. Additionally, as a result of the SE Transaction, certain balances in the consolidated statement of financial position as at December 31, 2016 have been revised by measurement period adjustments recognized in the three months ended March 31, 2017. These have been included in the measurement period adjustments as disclosed in note 30.

These interim financial statements were approved and authorized for issue by the board of directors on May 11, 2017.

Basis of Measurement

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

Critical Accounting Estimates and Judgments

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

Revenue Accruals

At March 31, 2017, the Enercare Home Services segment recorded a revenue accrual of approximately $43,900 reflecting accrued service periods, compared to $45,900 at March 31, 2016. Unbilled protection plans comprise approximately $27,300 of this balance, compared to $28,300 at March 31, 2016. 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 March 31, 2017, the Service Experts segment recorded a revenue accrual of approximately $2,700 reflecting accrued revenue for contracts in progress, compared to $nil at March 31, 2016.

At March 31, 2017, the Sub-metering segment recorded a revenue accrual of approximately $11,300, reflecting accrued service periods, compared to $10,400 at March 31, 2016.

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 2017 and 2016 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 $12,600 at March 31, 2017, compared to approximately $11,800 at the end of 2016. 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 30), these interim financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, with any excess purchase price allocated to goodwill.

Estimation of Insurance Claims

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

3. Significant Accounting Policies

The significant accounting policies used in the preparation of these interim financial statements are consistent with those policies in effect at December 31, 2016. In addition, Enercare has adopted the following significant accounting policies in the three months ended March 31, 2017:

Adoption of New Accounting Standards

Enercare has adopted new or revised standards as required by IFRS, effective January 1, 2017.

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 interim financial statements and has modified its debt disclosure to include movements in net debt between changes arising from cash flows and non-cash changes.

Accounting Standards Issued But Not Yet Applied

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

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 entity’s 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

	March 31, 2017	December 31, 2016
Cash at bank	**$19,474**	$38,415
Ending balance	**$19,474**	$38,415

5. Accounts and Other Receivables

	March 31, 2017	December 31, 2016
Billed accounts receivable	**$ 86,403**	$ 88,382
Unbilled accounts receivable	**58,045**	58,699
Current taxes receivable	**3,526**	2,342
Bad and doubtful debt provision	**(12,645)**	(11,806)
Accounts and other receivables (net of provision)	**$135,329**	$137,617
Bad and doubtful debt provision:		
Opening balance	**$ 11,806**	$ 11,405
Charge / (write-off) for the period	**839**	401
Provision ending balance	**$ 12,645**	$ 11,806

Unbilled accounts receivable of $27,267 (2016 - $28,179), 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 three months ended March 31, 2017 and year ended December 31, 2016:

	March 31, 2017	December 31, 2016
Balance as at January 1	**$2,876**	$ -
Financing receivables added in the period	**2,368**	3,172
Prepayments	**(647)**	(296)
Balance end of period	**$4,597**	$2,876

7. Inventory

	March 31, 2017	December 31, 2016
Inventory	**$17,371**	$17,032
Less: inventory obsolescence	**(1,057)**	(1,001)
Inventory (net of provision)	**$16,314**	$16,031
Inventory obsolescence provision:		
Opening balance	**$ 1,001**	$ 781
Charge for the period	**(56)**	220
Provision ending balance	**$ 1,057**	$ 1,001

During the three months ended March 31, 2017, $42,057 (2016 - $4,908) 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	Other	Total
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 30)	-	-	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**
Additions	$ 31,357	$ 3,080	$ 1,770	$ 694	$ -	$ 2,445	$ 39,346
Loss on disposal before proceeds	(3,974)	(10)	(232)	-	-	(846)	(5,062)
Acquisition – Church Services (note 31)	-	-	-	-	-	261	261
Transfers of work in progress to intangibles	-	-	-	-	-	(6,210)	(6,210)
Foreign exchange	-	-	(184)	(28)	(23)	(47)	(282)
Depreciation for the period	(12,980)	(1,563)	(2,443)	(66)	-	(1,809)	(18,861)
At March 31, 2017	$ 539,749	$ 64,703	$29,252	$ 8,089	$ 8,722	$16,810	$ 667,325
At March 31, 2017:							
Cost	$ 999,783	$ 96,712	$40,686	$ 8,322	$ 8,722	$34,092	$1,188,317
Accumulated depreciation	(460,034)	(32,009)	(11,434)	(233)	-	(17,282)	(520,992)
Net book value	**$ 539,749**	**$ 64,703**	**$29,252**	**$ 8,089**	**$ 8,722**	**$16,810**	**$ 667,325**

During the three months ended March 31, 2017, the non-cash portion of additions consisted of an increase of $424 (2016 - $1,197 increase) for rental equipment and a decrease of $590 (2016 - $4,034 increase) for metering equipment. Included within the additions is $1,770 (2016 - $693) related to the purchases of vehicles under finance lease, which has also increased the respective obligations under finance leases by $1,533 (2016 - $692). Repayment of obligations under finance leases of $1,792 for the three months ended March 31, 2017 (2016 - $575) 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.

9. Intangible Assets

	Customer Relationships	Customer Contracts	Brands	Proprietary Technology and Software	Other	Total
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 30)	$ 161,450	$ -	$73,621	-	$ -	$ 235,071
Additions	-	-	73	-	-	73
Foreign exchange	5,521	-	2,555	-	-	8,076
Amortization for the year	(73,937)	(92)	-	(380)	-	(74,409)
At December 31, 2016	$ 615,863	$ 916	$76,249	$3,246	$ -	$ 696,274
At December 31, 2016:						
Cost	$1,313,650	$ 33,270	$76,249	$3,800	$ -	$1,426,969
Accumulated depreciation	(697,787)	(32,354)	-	(554)	-	(730,695)
Net book value	**$ 615,863**	**$ 916**	**$76,249**	**$3,246**	**$ -**	**$ 696,274**
Acquisition – Church Services (note 31)	$ 209	$ -	$ -	$ -	$ -	$ 209
Additions	-	-	-	1,263	880	2,143
Transfers of software from capital assets	-	-	-	6,210	-	6,210
Foreign exchange	(1,250)	-	(585)	4	-	(1,831)
Amortization for the period	(19,415)	(23)	-	(100)	-	(19,538)
At March 31, 2017	$ 595,407	$ 893	$75,664	$10,623	$ 880	$ 683,467
At March 31, 2017:						
Cost	$1,312,565	$ 33,270	$75,664	$11,277	$ 880	$1,433,656
Accumulated depreciation	(717,158)	(32,377)	-	(654)	-	(750,189)
Net book value	**$ 595,407**	**$ 893**	**$75,664**	**$10,623**	**$ 880**	**$ 683,467**

10. Goodwill

The following table provides details by reporting segment regarding the changes in the carrying amounts of goodwill for the three months ended March 31, 2017 and year ended December 31, 2016.

	Enercare Home Services	Sub-metering	Service Experts	Total
Opening balance January 1, 2016	$142,666	$4,898	$ -	$147,564
Acquisition – Service Experts (Note 30)	-	-	227,459	227,459
Foreign exchange	-	-	8,012	8,012
At December 31, 2016	$142,666	$4,898	$235,471	$383,035
Acquisition – Church Services (Note 31)	$ -	$ -	$ 849	$ 849
Foreign exchange	-	-	(1,819)	(1,819)
At March 31, 2017	**$142,666**	**$4,898**	**$234,501**	**$382,065**

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.

	March 31, 2017	December 31, 2016
Collateral Deposits		
Opening balance January 1	**$ 9,842**	$ -
Acquisition – Service Experts (note 30)	**-**	9,122
Additional deposits during the period	**851**	3,391
Claims spending during the period	**(872)**	(3,040)
Foreign exchange	**(86)**	369
Ending balance	**$ 9,735**	$ 9,842
Insurance Claim Provisions		
Opening balance January 1	**$ 7,990**	$ -
Acquisition – Service Experts (note 30)	**-**	8,234
Additional provisions charged to the consolidated statement of income	**1,159**	2,483
Claims spending during the period	**(872)**	(3,040)
Foreign exchange	**(68)**	313
Ending balance	**$ 8,209**	$ 7,990

12. Accounts Payable and Accrued Liabilities

	March 31, 2017	December 31, 2016
Accounts payable	**$ 41,759**	$ 41,177
Accruals	**51,972**	56,209
Compensation payable	**20,363**	31,391
Accrued commodity	**11,057**	10,534
Current taxes payable	**43**	32,850
Other payables	**5,703**	6,822
Ending balance	**$130,897**	$178,983

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 0.97% 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 April 2017 and September 2023. During the three months ended March 31, 2017, Enercare recognized $166 (2016 - $61) of interest expense related to the obligations under finance leases.

	March 31, 2017	December 31, 2016
Obligations under finance leases	**$25,139**	$ 25,624
Less: current portion	**(7,448)**	(11,216)
	$17,691	$ 14,408

Future minimum lease payments under finance leases are as follows:

	Principal	Interest	Lease Payments
Due in 2017	$ 5,615	$ 443	$ 6,058
Due in 2018	6,960	423	7,383
Due in 2019	6,112	251	6,363
Due in 2020	4,510	111	4,621
Due in 2021	1,705	30	1,735
Thereafter	237	5	242
	$25,139	$1,263	$26,402

14. Debt

Current and long term debts:

	As at December 31, 2015		Cash flows		Non-cash changes			As at December 31, 2016	
	Current	Non-current	Net Draws/ (Repayments)	Deferred Financing Costs on New Debt	Foreign Exchange	Transfer to Current Portion	Amortization of Financing Costs	Current	Non-current
2014 Revolver	$ -	$50,000	$ (35,000)	$ -	$ -	$ -	$ -	$ -	$ 15,000
2012 Notes	-	250,000	-	-	-	250,000	-	250,000	-
2013 Notes	-	225,000	-	-	-	-	-	-	225,000
2014 Term Loan	-	210,000	-	-	-	-	-	-	210,000
Stratacon Debt	992	822	(992)	-	-	615	-	615	207
2016 Term Loan	-	-	258,320	(1,009)	10,220	-	-	-	268,540
Financing fees		(2,282)					1,025	-	(2,266)
Total	**$992**	**$733,540**	**$222,328**	**$ (1,009)**	**$10,220**	**$250,615**	**$1,025**	**$250,615**	**$716,481**

	As at December 31, 2016		Cash flows		Non-cash changes			**As at March 31, 2017**	
	Current	Non-current	Net Draws/ (Repayments)	Deferred Financing Costs on New Debt	Foreign Exchange	Transfer to Current Portion	Amortization of Financing Costs	**Current**	**Non-current**
2014 Revolver	$ -	$ 15,000	$ 15,000	$ -	$ -	$ -	-	**$ -**	**$ 30,000**
2012 Notes	250,000	-	(250,000)	-	-	-	-	**-**	**-**
2013 Notes	-	225,000	-	-	-	-	-	**-**	**225,000**
2014 Term Loan	-	210,000	(210,000)	-	-	-	-	**-**	**-**
Stratacon Debt	615	207	(213)	-	-	92	-	**494**	**115**
2016 Term Loan	-	268,540	-	-	(2,340)	-	-	**-**	**266,200**
2017 Notes	-	-	500,000		-		-	**-**	**500,000**
Financing fees		(2,266)	-	(2,559)	-	-	923	**-**	**(3,902)**
Total	**$250,615**	**$716,481**	**$ 54,787**	**$(2,559)**	**$ (2,340)**	**$ 92**	**$ 923**	**$ 494**	**$1,017,413**

The senior debt includes 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 February 3 and August 3 in each year. On March 23, 2017, the $250,000 4.30% 2012-1 Senior Unsecured Notes (the “2012 Notes”) were redeemed. The remaining unamortized financing costs of $364 were amortized into interest expense upon the repayment of the 2012 Notes.

The senior debt also includes Enercare Solutions’ completed debt offering on February 21, 2017 of $500,000 aggregate principal amount, consisting of $275,000 of "2017-1 Notes" and $225,000 of “2017-2 Notes” (together, the “2017 Notes”), maturing on February 21, 2022 and February 21, 2024, respectively. The 2017-1 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.38% 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 3.99% per annum if held to maturity. Deferred financing costs of $2,559 are in relation to the issuance of the 2017-1 Notes and 2017-2 Notes.

The proceeds of the offering were used to repay the 2014 Term Loan on February 23, 2017, redeem the 2012 Notes on March, 23 2017, and repay a portion of the 2014 Revolver.

The 2014 Term Loan was repaid on February 23, 2017 and consisted of a $210,000 non-revolving, non-amortizing variable rate term loan (the "2014 Term Loan"). The 2014 Term Loan bore interest at a variable rate based upon the prime rate plus 0.25%, which was 2.95% at the time of repayment. The remaining unamortized financing costs of $406 were amortized into interest expense upon the repayment of the 2014 Term Loan.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of $609 as at March 31, 2017 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.

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%. During the fourth quarter of 2016, Enercare Solutions increased the 2014 Revolver limit to $200,000, maintaining the same terms. At March 31, 2017, a total of $30,000 was drawn bearing interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.20% at March 31, 2017.

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 2.37% at March 31, 2017. Deferred financing costs of $1,009 in 2016 are in relation to the 2016 Term Loan entered into in conjunction with the SE Transaction.

The 2014 Revolver and 2016 Term Loan contain the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the indenture) to Net Interest Expense (as defined in the indenture); (ii) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.75:1; and (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00:1.

Enercare was in compliance with all covenants under the 2013 Notes, Stratacon Debt, 2014 Revolver, 2016 Term Loan and 2017 Notes as at March 31, 2017.

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:

	March 31, 2017	December 31, 2016
Convertible Debentures:		
Opening principal	**$2,032**	$2,728
Financing costs	**(13)**	(48)
Opening balance at January 1:	**$2,019**	$2,680
Principal conversions	**$ (143)**	$ (696)
Transfer of financing costs to equity upon conversion	**1**	8
Amortization of financing costs to expense	**6**	27
Ending balance	**$1,883**	$2,019
Principal balance	**$1,889**	$2,032
Financing costs	**(6)**	(13)
Ending balance	**$1,883**	$2,019

From March 31, 2017 to May 11, 2017, approximately $180 principal amount of additional convertible debentures were converted to shares.

Interest Expense:

Three months ended March 31, (000s)	**2017**	2016
Interest expense payable in cash	**$ 9,640**	$6,629
Interest payable on subscription receipts	**-**	1,108
Equity bridge financing fees	**-**	189
Make whole payment on early repayment of senior debt	**5,049**	
Non-cash items:		
Notional interest on employee benefit plans	**210**	210
Amortization of financing costs	**945**	217
Interest expense	**$15,844**	$8,353

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. A make whole payment for the early redemption of the 2012 Notes, during the first quarter of 2017, resulted in $5,049 of one time interest expense.

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 30). Equity bridge financing fees of $189 were incurred as part of the SE Transaction in the first quarter of 2016.

15. Protection Plan Contracts

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

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

- The provision of parts and labour for repairs, dependent on the agreement and associated level of service; and
- There is no limit to the number of call-outs to carry out repair work and limits on certain servicing and repair costs.

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

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

	Three months ended March 31,	
	2017	2016
Revenue	**$30,157**	$19,084

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

	March 31, 2017	December 31, 2016
Deferred revenue	**$36,159**	$32,063
Service obligations	**6,575**	9,346
Deferred revenue and service obligations	**$42,734**	$41,409

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

	March 31, 2017	December 31, 2016
Opening balance as of January 1	**$ 9,346**	$ -
Additions to obligations through acquisition of Service Experts	**-**	25,393
Released during the period	**(2,691)**	(16,549)
Foreign exchange	**(80)**	502
Service obligation	**$ 6,575**	$ 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. 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. 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 employees provide service to Enercare and the obligation for these plans were measured individually at March 31, 2017 and December 31, 2016, 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 March 31, 2017 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:

	Three months ended March 31,	
	2017	2016
Pension		
Current service cost	**$969**	$922
Interest (income)	**(77)**	(42)
Administrative expenses	**31**	18
	$923	$898
OPEB		
Current service cost	**$209**	$208
Net interest cost	**226**	210
	$435	$418

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

	Three months ended March 31,	
	2017	2016
Pension		
Actuarial gain	**$1,574**	$1,233
OPEB		
Actuarial gain	**$ 809**	$1,245
	$2,383	$2,478

17. Share Capital and Treasury Shares

(000's)	**March 31, 2017**		December 31, 2016	
Shares Issued and Outstanding	**Shares**	**Dollars**	Shares	Dollars
Opening balance at January 1:	**104,155**	**$1,151,913**	87,949	$ 914,074
Issued:				
New share issuance – (note 30)	**-**	**-**	15,835	233,564
Shares issued upon exercise of share options	**156**	**1,770**	148	1,501
Shares issued under dividend reinvestment plan	**388**	**7,397**	116	2,078
Principal conversion of debentures	**25**	**143**	107	696
Transfer of financing costs to equity	**-**	**(1)**	-	(8)
Transfer from contributed surplus	**-**	**1**	-	8
Totals[1]	**104,724**	**$1,161,223**	104,155	$1,151,913

(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 March 31, 2017, 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 15, 2016, Enercare renewed its normal course issuer bid ("NCIB"), as approved by Enercare's board of directors, pursuant to which Enercare may purchase for cancellation up to 10% of its public float of issued and outstanding shares as of July 15, 2016. 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.

In November 2016, Enercare adopted the 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. 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 quarter ended March 31, 2017, 387,849 shares were issued pursuant to the DRIP for $7,397.

As at March 31, 2017, there were 102,842 shares (2016 – 105,103) that were purchased and held as treasury shares. These shares relate to the employer portion of the employee share purchase plan. For the three months ended March 31, 2017, 13,208 (2016 – 13,509) shares were purchased for $261 (2016 - $214). For the three months ended March 31, 2017, 15,469 shares were transferred to employees.

18. Earnings per Share

Basic earnings/losses per share is computed by dividing net earnings / losses 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 / losses 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.

For the period ended March 31, 2016, the convertible debentures and stock options were dilutive and therefore were included in the calculation of diluted earnings/losses per share.

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

(in thousands – except per share amounts)	Three months ended March 31, **2017**	2016
Net (loss) / earnings	**$(3,032)**	$8,195
After tax impact of convertible debentures	**-**	37
Fully diluted net (loss) / earnings	**(3,032)**	8,232
Weighted average shares outstanding	**104,215**	87,899
Dilutive impact of long term stock compensation	**-**	365
Dilutive impact of convertible debentures	**-**	408
Dilutive impact of subscription receipts	**-**	15,835
Weighted average diluted shares outstanding	**104,215**	104,507
Basic (losses) / earnings per share	**$ (0.03)**	$ 0.09
Diluted (losses) / earnings per share	**$ (0.03)**	$ 0.08

19. Dividends

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

(in thousands – except per share amounts)	**Three months ended March 31, 2017**	2016
Dividends declared per share during the period	**$ 0.23**	$ 0.21
Dividends declared during the period	**24,430**	18,460
Dividends declared after March 31, April		
Dollars	**$ 5,902**	$ 6,158
DRIP (shares issued)	**121**	-
Shares	**104,870**	87,974
Per share	**$ 0.08**	$ 0.07

The total amount of dividends declared after March 31, 2017 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 17), which enables shareholders to receive dividends in shares rather than cash. During the three months ended March 31, 2017, 387,849 shares were issued pursuant to the DRIP valued at $7,397. There were no dividends payable recognized at March 31, 2017.

20. 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:

	2017
Due in 2017	**$ 8,972**
Due in 2018	**8,472**
Due in 2019	**6,027**
Due in 2020	**4,734**
Due in 2021	**6,002**
Thereafter	**6,669**
Total commitments under non-cancellable operating leases	**$40,876**

The operating lease and sponsorship payments recognized in the consolidated statement of income for the three months ended March 31, 2017 were $3,421 (2016 - $1,115).

21. Contingent Liabilities

Enercare is 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.

22. Financial Instruments

The main risks Enercare's financial instruments are exposed to include credit risk, liquidity risk and market risk.

Credit Risk

Enercare is exposed to credit risk on accounts receivable from customers. Enercare's credit risk is considered to be low for Enercare Home Services 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 March 31, 2017, a provision for all amounts at risk of collection and impairment has been made in these interim financial statements based upon a number of factors which include, but are not limited to, the type of account and credit characteristics, aging, and net future cash flows.

Liquidity Risk

Enercare monitors liquidity risk through comparisons of current financial ratios with the financial covenants contained in its 2014 Revolver 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 2013 Notes and 2017 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 March 31, 2017.

The principal covenant tests under the 2014 Revolver and 2016 Term Loan 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 Management's Discussion and Analysis. Enercare was in compliance with these covenants at March 31, 2017.

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	$ 2,292	$ 24,193	$ 5,615	$ 443	$ 7,907	$24,636
Due in 2018	125	35,605	6,960	423	7,085	36,028
Due in 2019	25	35,601	6,112	251	6,137	35,852
Due in 2020	491,227	26,446	4,510	111	495,737	26,557
Due in 2021	30,025	18,909	1,705	30	31,730	18,939
Thereafter	500,004	20,541	237	5	500,241	20,546
Total	$1,023,698	$161,295	$25,139	$1,263	$1,048,837	$162,558

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 March 31, 2017 and December 31, 2016. The estimated fair values of the financial instruments are at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	March 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 19,474**	**$ 19,474**	$ 38,415	$ 38,415
Accounts and other receivables	**135,329**	**135,329**	137,617	137,617
Financing receivables	**4,597**	**4,597**	2,876	2,876
Collateral deposits	**9,735**	**9,735**	9,842	9,842
Total financial assets	**$ 169,135**	**$ 169,135**	$ 188,750	$ 188,750
Financial liabilities measured at amortized cost:				
Senior borrowings	**$ 725,000**	**$ 751,433**	$ 475,000	$ 491,850
Term Loans	**266,200**	**266,200**	478,540	478,540
Revolving credit facility	**30,000**	**30,000**	15,000	15,000
Gross convertible debentures	**1,889**	**5,733**	2,032	5,649
Stratacon debt	**609**	**609**	822	822
Obligations under finance lease	**25,139**	**25,139**	25,624	25,624
Total borrowings	**$1,048,837**	**$1,079,114**	$ 997,018	$1,017,485
Other obligations and payables	**186,438**	**186,438**	234,353	234,353
Total financial liabilities	**$1,235,275**	**$1,265,552**	$1,231,371	$1,251,838

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 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 $4,033 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 $97 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 amount 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 for the three months ended March 31, 2017 and 2016:

	Effect on Net Earnings		Effect on Equity	
For the three months ended March 31,	**2017**	2016	**2017**	2016
10% strengthening	**$(427)**	-	**$ 618**	-
10% weakening	**$ 427**	-	**$(618)**	-

23. 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 the three months ended March 31, 2017.

Enercare was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and the 2017 Notes as at March 31, 2017.

24. Cost of Goods Sold and Services Provided

	Three months ended March 31,	
	2017	2016
Labour and benefits	**$ 54,923**	$ 17,196
Parts	**42,057**	3,775
Commodity	**29,495**	27,747
Other	**10,454**	942
Total	**$136,929**	$ 49,660

25. Selling, General and Administrative

	Three months ended March 31,	
	2017	2016
Employee wages and benefits	**$ 45,723**	$ 16,466
Employee long-term compensation	**4,201**	1,029
Professional fees	**2,635**	5,516
Selling, office and other	**24,101**	7,464
Billing and servicing	**8,350**	6,487
Claims and bad debt	**3,460**	2,176
Total	**$88,470**	$39,138

26. 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.

	Three months ended March 31,	
	2017	2016
Accounts receivable	**$ 2,020**	$2,258
Inventory	**(498)**	94
Prepaid expenses	**(1,076)**	(1,071)
Collateral deposits	**21**	-
Deferred revenue and service obligation	**1,546**	952
Accounts payable and accrued liabilities	**(47,405)**	2,194
Other provisions	**(11)**	(41)
Insurance claim provisions	**289**	-
Interest payable	**(1,304)**	1,548
Total	**$(46,418)**	$5,934

27. Related Parties

Key Management

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

	Three months ended March 31,	
	2017	2016
Salaries and short-term benefits	**$2,231**	$1,158
Other employment benefits	**74**	59
Long term benefits	**961**	430
Total	**$3,266**	$1,647

28. 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 6.21 years.

Employee Share Purchase Plan

Effective November 1, 2014, Enercare implemented the 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 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. As at March 31, 2017, there were 102,842 shares (December 31, 2016 – 105,103) that were purchased and held as treasury shares. During the quarter ended March 31, 2017, 13,208 (2016 – 13,509) shares were purchased for $261 (2016 - $214).

In the first quarter of 2017, 15,469 shares were matched under the ESPP at a market value of $18.24 per share. The amount expensed during the first quarter of 2017 was $247 with no liabilities payable. In 2016, no share matching was required under the ESPP, except regarding the grant of 3,970 shares at a market value of $17.37 per share in connection with employee retirements. The amount expensed during the year ended December 31, 2016 was $605 with no liabilities payable.

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

2017	PSUP		MTIP		DSUP		SOP	
(in thousands except price)	#	$	#	$	#	$	#	$
At January 1, 2017	549	17.91	186	17.91	356	17.91	1,375	12.84
Granted	295	17.91	-	-	30	17.91	317	19.12
Director's optional purchases	-	-	-	-	3	17.17	-	-
Phantom dividends	8	-	2	-	5	-	-	-
Performance objective modifier	13	-	42	-	-	-	-	-
Forfeited	(4)	-	-	-	-	-	-	-
Exercised	(117)	17.91	(24)	17.91	-	-	(156)	9.63
At March 31, 2017	744	20.07	206	20.07	394	20.07	1,536	14.46
Expensed in the period	-	1,966	-	934	-	987	-	152
Liabilities payable	-	4,646	-	3,393	-	6,904	-	-

2016	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
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	-	-

Price per share is the average price per share at the close of market on the day preceding the last trading day of the month or the five day volume weighted average immediately preceding the last trading day of the month as applicable to the terms of the plans.

29. Segment Information

Management has determined the operating segments based on the reports reviewed by the 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).

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 30).

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 three months ended March 31, 2017					For the three months ended March 31, 2016				
Segment Information	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:										
Contracted sales	**$ 104,402**	**$ 11,377**	**$ 37,146**	**$ -**	**$ 152,925**	$ 100,331	$ -	$ 35,217	$ -	$ 135,548
Sales and other services	**6,546**	**116,377**	**1,704**	**-**	**124,627**	6,098	-	903	-	7,001
Investment Income	**249**	**10**	**2**	**-**	**261**	78	-	22	-	100
Total revenue	**$ 111,197**	**$127,764**	**$ 38,852**	**$ -**	**$ 277,813**	$ 106,507	$ -	$ 36,142	$ -	$ 142,649
Expenses:										
Cost of goods & services:										
Cost of services	**$ (16,264)**	**$ (9,089)**	**$ -**	**$ -**	**$ (25,353)**	$ (16,268)	$ -	$ -	$ -	$ (16,268)
Cost of goods sold	**(5,551)**	**(75,377)**	**(1,153)**	**-**	**(82,081)**	(5,281)	-	(364)	-	(5,645)
Commodity	**-**	**-**	**(29,495)**	**-**	**(29,495)**	-	-	(27,747)	-	(27,747)
SG&A	**(27,699)**	**(46,873)**	**(5,674)**	**(8,224)**	**(88,470)**	(25,892)	-	(4,690)	(8,556)	(39,138)
Foreign exchange	**(78)**	**3**	**39**	**-**	**(36)**	(20)	-	(15)	12	(23)
Other income	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Net (loss)/gain on disposal	**(1,863)**	**16**	**(10)**	**-**	**(1,857)**	(1,925)	-	(6)	-	(1,931)
EBITDA	**$ 59,742**	**$ (3,556)**	**$ 2,559**	**$(8,224)**	**$ 50,521**	$ 57,121	$ -	$ 3,320	$ (8,544)	$ 51,897
Amortization	**(30,880)**	**(5,150)**	**(1,770)**	**(599)**	**(38,399)**	(30,036)	-	(1,622)	(649)	(32,307)
Interest expense					**(15,844)**					(8,353)
Current taxes					**(5,415)**					(12,256)
Deferred tax recovery/(expense)					**6,105**					9,214
Net earnings					**$ (3,032)**					$ 8,195
Segment assets[1]	**1,245,039**	**581,523**	**98,090**	**25,317**	**1,949,969**	1,251,359	-	92,356	251,890	1,595,605
Capital additions	**$ 31,727**	**$ 2,850**	**$ 3,873**	**$ 896**	**$ 39,346**	$ 28,991	$ -	$ 9,361	$ 172	$ 38,524

(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.

Geographic Information	Three months ended March 31, **2017**	2016
Revenues[2]		
Canada	**$170,213**	$ 142,231
United States	**107,600**	418
	$277,813	$ 142,649
	March 31, 2017	December 31, 2016
Segment Assets[3]		
Canada	**$1,444,947**	$1,444,974
United States	**505,022**	527,673
	$1,949,969	$1,972,647

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

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

30. 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 17) and USD $200,000 from the 2016 Term Loan (see Note 14).

In accordance with the terms of the agreement pursuant to which the SE Subscription Receipts were issued, each outstanding SE Subscription Receipt was exchanged for one share, resulting in the issuance of 15,834,600 shares and a cash payment equal to $0.14 per SE Subscription Receipt. The cash payment was equal to the aggregate amount of dividends per share for which record dates occurred since the issuance of the SE Subscription Receipts, less any withholding taxes, if any, to the date of closing of the SE Transaction. The shares issued in exchange for the SE Subscription

Receipts issued in the concurrent private placement are subject to a contractual hold period of six months from closing of the offering.

As part of the SE Transaction, Enercare has recorded total expenses of $13,900. 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 final allocation of total consideration allocated to the net assets acquired. The allocation of the purchase price included certain working capital adjustments and tax balances and is finalized.

	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	(4,078)	235,071
Collateral deposits (note 11)	9,122	-	9,122
Goodwill (note 10)	223,920	3,539	227,459
Total assets acquired	$558,770	$ 404	$559,174
Less:			
Accounts payable and accrued liabilities	$115,917	$ 1,679	$117,596
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	(400)	5,482
Total net assets acquired	$387,997	$(2,396)	$385,601
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)	1,462	(55,865)
Cash consideration (net of closing adjustments)	$387,997	$(2,396)	$385,601

* 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 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.

31. Acquisition of Church Services

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 ("Church Services"), an HVAC and plumbing company. Service Experts acquired the assets for USD $875 or $1,144 and paid the purchase price using cash on hand.

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