Enercare Solutions Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2016 and June 30, 2015

Dated August 5, 2016

Enercare Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

(unaudited) (in thousands of Cdn $)		June 30, 2016		December 31, 2015
Assets				
Current assets				
Cash and cash equivalents (note 4)	$	**22,492**	$	17,581
Accounts and other receivables (note 5)		**121,214**		78,501
Financing receivables (note 6)		**30**		-
Inventory (note 7)		**14,880**		7,026
Prepaid expenses		**10,167**		1,629
Collateral deposits (note 11)		**9,755**		-
Investment in Enercare Connections Inc. preferred shares (note 17)		**50,000**		50,000
		228,538		154,737
Capital assets (note 8)		**539,808**		485,241
Intangible assets (note 9)		**726,856**		522,829
Reimbursement right - pension (note 18)		**-**		11,107
Goodwill (note 10)		**366,601**		142,666
Deferred tax asset		**6,376**		4,438
Long-term financing receivables (note 6)		**605**		-
Other assets		**1,785**		1,538
	$	**1,870,569**	$	1,322,556
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 12)	$	**123,165**	$	32,591
Obligation under finance leases (note 13)		**6,531**		2,061
Related party payable (note 25)		**2,648**		1,727
Insurance claim provisions (note 11)		**8,641**		-
Other Provisions		**1,180**		1,191
Interest payable		**5,676**		4,694
Deferred revenue and service obligation (note 15)		**37,122**		8,127
Dividends payable		**-**		6,156
Subordinated debt (note 17)		**50,000**		50,000
		234,963		106,547
Long-term debt (note 14)		**950,550**		732,718
Long-term subordinated promissory notes (note 16)		**715,379**		508,367
Long-term obligations under finance leases (note 13)		**14,752**		4,634
Employee benefit plan obligation (note 18)		**24,053**		27,848
Deferred tax liability		**116,565**		127,925
		2,056,262		1,508,039
Shareholder's equity				
Share capital (note 19)		**189,076**		189,076
Contributed surplus		**406**		201
Accumulated other comprehensive gain / (loss)		**(4,286)**		103
Deficit		**(370,889)**		(374,863)
		(185,693)		(185,483)
	$	**1,870,569**	$	1,322,556

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 Solutions Inc.
Condensed Interim Consolidated Statements of Income

(unaudited) (in thousands of Cdn $, except per share amounts)	Three months ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Revenues				
Contracted revenue	$ **103,464**	$ 97,325	$ **203,795**	$ 190,978
Sales and other services	**106,734**	9,048	**112,832**	19,408
Dividend income	**863**	863	**1,726**	1,726
Investment income	**160**	44	**238**	116
Total revenues	**211,221**	107,280	**318,591**	212,228
Expenses				
Cost of goods sold and services provided				
Maintenance and servicing costs	**17,807**	14,360	**34,075**	28,748
Sales and other services	**64,575**	6,073	**69,856**	13,401
Selling, general & administrative (note 23)	**58,469**	28,240	**88,997**	57,641
Foreign exchange loss / (gain)	**(3)**	-	**17**	72
Amortization				
Capital assets (note 8)	**15,011**	12,591	**28,382**	25,048
Intangible assets (note 9)	**18,470**	16,665	**35,135**	33,322
Loss on disposal of equipment	**964**	1,588	**2,904**	3,346
Gain on retirement of finance lease obligations	**(33)**	(16)	**(48)**	(22)
Interest expense (note 14)	**15,052**	13,462	**28,149**	27,004
Total expenses	**190,312**	92,963	**287,467**	188,560
Earnings for the period before income taxes	**20,909**	14,317	**31,124**	23,668
Tax expense				
Current tax expense	**14,318**	1,297	**26,283**	3,131
Deferred income tax (recovery) / expense	**(7,913)**	484	**(17,607)**	2,845
Total tax expense	**6,405**	1,781	**8,676**	5,976
Net earnings for the period	$ **14,504**	$ 12,536	$ **22,448**	$ 17,692

Enercare Solutions Inc.
Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited) (in thousands of Cdn $)	Three months ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Net earnings for the period	$ **14,504**	$ 12,536	$ **22,448**	$ 17,692
Items that will not be reclassified to earnings				
Remeasurements of defined benefit plans (note 18)	**(3,496)**	2,908	**(5,974)**	841
Tax effect of remeasurements of defined benefit plans	**926**	(594)	**1,583**	(222)
Foreign currency translation differences from foreign operations	**2**	-	**2**	-
Comprehensive income for the period	$ **11,936**	$ 14,850	$ **18,059**	$ 18,311

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

Enercare Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)	Three months ended June 30,		Six months ended June 30,	
(in thousands of Cdn $)	**2016**	2015	**2016**	2015
Share Capital				
Balance - beginning of period	**$ 189,076**	$ 189,076	**$ 189,076**	$ 189,076
Share Capital - end of year (note 19)	**189,076**	189,076	**189,076**	189,076
Contributed Surplus				
Balance - beginning of period	**302**	18	**201**	-
Equity contribution from parent	**104**	41	**205**	59
Contributed Surplus - end of period	**406**	59	**406**	59
Accumulated Other Comprehensive Gain / (Loss)				
Balance - beginning of period	**(1,718)**	(1,946)	**103**	(251)
Remeasurements of defined benefit plans (note 18)	**(3,496)**	2,908	**(5,974)**	841
Foreign currency translation differences from foreign operations	**2**	-	**2**	-
Tax effect of remeasurements of defined benefit plans	**926**	(594)	**1,583**	(222)
Accumulated Other Comprehensive (Loss) / Gain - end of period	**(4,286)**	368	**(4,286)**	368
Deficit				
Balance - beginning of period	**(379,233)**	(349,217)	**(374,863)**	(342,386)
Net earnings for the period	**14,504**	12,536	**22,448**	17,692
Dividends	**(6,160)**	(19,308)	**(18,474)**	(31,295)
Deficit - end of period	**(370,889)**	(355,989)	**(370,889)**	(355,989)
Shareholder's equity - end of period	**$ (185,693)**	$ (166,486)	**$ (185,693)**	$ (166,486)

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

Enercare Solutions Inc.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)	Three months ended June 30,		Six months ended June 30,	
(in thousands of Cdn $)	**2016**	2015	**2016**	2015
Cash provided by/(used in):				
Operating activities				
Net earnings for the period	**$ 14,504**	$ 12,536	**$ 22,448**	$ 17,692
Items not affecting cash				
Amortization				
Capital assets (note 8)	**15,011**	12,591	**28,382**	25,048
Intangible assets (note 9)	**18,470**	16,665	**35,135**	33,322
Loss on disposal of equipment	**964**	1,588	**2,904**	3,346
Gain on retirement of finance lease obligations	**(33)**	(16)	**(48)**	(22)
Non-cash foreign exchange expense	**10**	-	**10**	-
Non-cash interest expense	**453**	483	**871**	965
Non-cash interest income	**(42)**	-	**(84)**	-
Defined benefit plan expense	**1,131**	1,064	**2,279**	2,128
Employee share options and stock purchase plan	**104**	41	**205**	59
Deferred income tax (recovery) / expense	**(7,913)**	484	**(17,607)**	2,845
Deferred customer inducements	**(86)**	-	**(247)**	-
Financing receivables	**(270)**	-	**(635)**	-
Contributions to defined benefit pension plan	**(638)**	(646)	**(1,277)**	(1,292)
	41,665	44,790	**72,336**	84,091
Net change in non-cash working capital (note 24)	**(40,867)**	1,619	**(33,534)**	(42,353)
Cash provided by/(used in) operating activities	**798**	46,409	**38,802**	41,738
Investing activities				
Purchase of capital assets (note 8)	**(30,816)**	(23,558)	**(58,610)**	(45,784)
Acquisition of SE - net of cash received (note 28)	**(379,021)**	-	**(379,021)**	-
Acquisition of CNI	**-**	-	**-**	2,155
Acquisition of ESN	**-**	-	**-**	(3,035)
Proceeds from disposal of equipment	**2,690**	2,017	**4,657**	3,697
Cash used in investing activities	**(407,147)**	(21,541)	**(432,974)**	(42,967)
Financing activities				
Dividends to shareholders	**(12,928)**	(19,308)	**(24,630)**	(30,409)
Repayment of line of credit	**(40,000)**	-	**(40,000)**	-
Issuance of promissory note (note 16)	**227,504**	-	**227,504**	-
Repayment of subordinated promissory notes (note 16)	**(14,492)**	-	**(20,492)**	-
Proceeds from issuance of long-term debt (note 14)	**258,320**	-	**258,320**	-
Increase in obligations under finance leases	**498**	(302)	**1,190**	(470)
Repayment of obligations under finance leases	**(1,327)**	-	**(1,902)**	-
Financing costs on long-term debt	**(959)**	-	**(959)**	-
Cash used in financing activities	**416,616**	(19,610)	**399,031**	(30,879)
Effect of foreign currency on cash and cash equivalents	**52**	-	**52**	-
Decrease in cash and cash equivalents	**10,267**	5,258	**4,859**	(32,108)
Cash and cash equivalents - beginning of period	**12,173**	15,489	**17,581**	52,855
Cash and cash equivalents - end of period (note 4)	**$ 22,492**	$ 20,747	**$ 22,492**	$ 20,747
Supplementary information				
Interest paid	**$ 14,085**	$ 13,068	**$ 26,365**	$ 25,924
Income taxes paid	**$ 14,101**	$ 8,737	**$ 16,228**	$ 17,985

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

1. Organization and Nature of Business

Enercare Solutions Inc. ("Enercare Solutions") is a wholly-owned subsidiary of Enercare Inc. ("Enercare").

Enercare Solutions, through its wholly-owned subsidiaries, owns a portfolio of water heaters and other assets which are primarily rented to customers in Ontario. On October 20, 2014, Enercare, through a subsidiary of Enercare Solutions, acquired the Ontario home and small commercial services business ("OHCS") of Direct Energy Marketing Limited ("DE") (the "DE Acquisition"). The assets acquired and liabilities assumed included components of working capital, capital assets, intangible assets, goodwill, finance leases and employee future benefits.

OHCS serviced and supported more than 90% of Enercare Solutions' rentals business installed asset base at the time of closing of the DE Acquisition through origination and co-ownership agreements. Prior to the DE Acquisition, under the co-ownership agreement, Enercare was entitled to 65% of the revenue and other payments and OHCS was entitled to the remaining 35% of the revenue. For OHCS' portion of the revenue, it was primarily responsible for servicing and maintaining Enercare's rentals business capital assets subject to certain exceptions and limitations. In addition, OHCS independently sold protection and maintenance plans for furnaces, air conditioners, boilers and other equipment, sold and financed HVAC equipment and other on demand residential and small commercial equipment and provided maintenance and repair services. The combined business unit is now referred to as "Enercare Home Services".

On May 11, 2016, Enercare Solutions acquired, through a merger, SEHAC Holdings Corporation ("Service Experts") (the "SE Transaction") (see note 28). Enercare Solutions purchased 100% of the outstanding shares of Service Experts. Service Experts provides sales, installation, maintenance and repair of heating, ventilation and air conditioning ("HVAC") systems directly to residential and light commercial customers. There are 90 locations in the United States and Canada. The interim financial statements reflect Enercare Solutions' ownership of Service Experts for the period of May 11, 2016 to June 30, 2016.

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

2. Basis of Preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements (the "interim financial statements") should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015. Enercare Solutions has consistently applied the same accounting policies and methods of computation throughout all periods presented, as if these policies had always been in effect, except for the adoption of new accounting standards as described in note 3.

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

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

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

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 5, 2016, the date the board of directors approved these interim financial statements.

Basis of Measurement

These interim financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including insurance claim provisions, employee benefit plans and the reimbursement right – pension as described in note 18.

Critical Accounting Estimates and Judgments

Enercare Solutions 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 June 30, 2016, the Enercare Home Services segment recorded a revenue accrual of approximately $43,600 (2015 - $44,000) reflecting accrued service periods. Unbilled protection plans comprise approximately $27,100 (2015 - $26,500) of this balance which is predominantly made up of protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of twelve-months. The remaining unbilled revenues reflect accrued service periods for rental water heaters and other products.

At June 30, 2016, the Service Experts segment recorded a revenue accrual of approximately $2,214 (2015 - $nil) reflecting accrued revenue for contracts in progress.

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 Solutions or are billed by EGD outside of its service territory. For billing within the EGD service territory, Enercare Solutions 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 and Service Experts segments was approximately $4,100 at June 30, 2016, compared to approximately $6,100 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 Solutions' arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership resides with the company or the customer.

Impairment of Non-Financial Assets and Goodwill

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

Employee Benefit Plans

Employee defined benefit plan balances, as described in note 18, are subject to a number of assumptions. The actuarial valuations rely on estimates and assumptions including those for wage escalation, mortality, health care and dental costs inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have a material impact on the employee benefit plans liability and employee benefit plan costs.

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that realization is considered probable. Judgments regarding projected future income and tax planning strategies are considered in making this assessment.

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to the acquisition Service Experts (note 28), these interim financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing date of May 11, 2016. Accordingly, the final fair value determinations may differ from those set forth in these interim financial statements and such differences may be material.

Estimation of Insurance Claims

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

3. Significant Accounting Policies

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

Foreign Currency Translation

Transactions in foreign currencies are translated to the respective functional currencies of subsidiaries of Enercare Solutions 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 US dollars to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars 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.

Foreign exchange gains or losses on 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 translation adjustment (in OCI) related to the net investment. To the extent that the hedge is ineffective, such differences are recognized in the statement of income.

Insurance Claims Provisions

Enercare Solutions 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 June 30, 2016 represents the net of payments made by Enercare Solutions to fund into the collateral account, less payments from the collateral account to fund cost of paid claims (up to the self-insured retention), and is recognized as an asset in the statement of financial position.

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

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

Adoption of New Accounting Standards

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

IAS 1, “Presentation of Financial Statements”, (“IAS 1”) was amended by the IASB to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and disclosure of accounting policies. The amendment gives guidance that information within the consolidated statements of financial position and consolidated statements of income should not be aggregated or disaggregated in a manner that obscures useful information, and that disaggregation may be required in the consolidated statements of income in the form of additional subtotals as they are relevant to understanding the entity’s financial position or performance. The amendments to IAS 1 are effective for periods beginning on or after January 1, 2016. Enercare Solutions implemented the standard and has determined that it did not have any impact.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by Enercare Solutions 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 Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Revenue Recognition

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial Instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Enercare Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

Financial Instruments Disclosures

IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Enercare Solutions 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 Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements.

4. Cash and Cash Equivalents

	June 30, 2016	December 31, 2015
Cash at bank	**$22,353**	$17,581
Restricted cash	**139**	-
Ending balance	**$22,492**	$17,581

Restricted cash consists of employee contributions to the Employee Share Purchase Plan (“ESPP”) which were held by Enercare Solutions at the end of the year and were used, on behalf of employees, to purchase Enercare shares in the following period.

5. Accounts and Other Receivables

	June 30, 2016	December 31, 2015
Billed accounts receivable	**$ 78,593**	$32,876
Unbilled accounts receivable	**46,534**	47,189
Current taxes receivable	**150**	4,491
Bad and doubtful debt provision	**(4,063)**	(6,055)
Accounts receivable (net of provision)	**$121,214**	$78,501
Bad and doubtful debt provision:		
Opening balance	**$ 6,055**	$ 3,399
Charge/(write-off) for the period	**(1,992)**	2,656
Provision ending balance	**$ 4,063**	$ 6,055

Unbilled accounts receivable of $27,059 (2015 - $28,656), primarily relate to protection plans sold in franchisee service areas which are recognized as royalty revenue at inception but are invoiced over a period of twelve-months. The remaining unbilled accounts receivable reflect the unbilled service periods for residential water heaters and other products.

6. Financing Receivables

Financing receivables consist of loans to customers resulting from HVAC sales. Outstanding balances can be repaid at any time without penalty. At the end of the sixty month term, customers have the option of renewing on a month by month basis. The following table summarizes the activity related to the financing receivables for the period ended June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Balance as at January 1	**$ -**	$ -
Financing receivables added in the period	**635**	-
Balance, end of period	**$635**	$ -

7. Inventory

	June 30, 2016	December 31, 2015
Inventory	**$15,984**	$ 7,807
Less: inventory obsolescence	**(1,104)**	(781)
Inventory (net of provision)	**$14,880**	$ 7,026
Inventory obsolescence provision:		
Opening balance	**$ 781**	$ 79
Charge for the period	**323**	702
Provision ending balance	**$ 1,104**	$ 781

During the three and six months ended June 30, 2016, $33,733 and $37,166 (2015 - $3,032 and $7,369) of inventory was recognized as part of cost of goods sold and services provided in the condensed interim consolidated statement of income.

8. Capital Assets

	Rental Equipment	Vehicles	Building	Land and Improvements	Other	Total
At December 31, 2014:						
Cost	$ 849,474	$ 7,242	$ -	$ -	$ 3,929	$ 860,645
Accumulated depreciation	(413,392)	(119)	-	-	(943)	(414,454)
Net book value	**$ 436,082**	**$ 7,123**	**$ -**	**$ -**	**$ 2,986**	**$ 446,191**
Additions	$ 96,505	$ 1,930	$ -	$ -	$ 4,969	$ 103,404
Loss on disposal before proceeds	(13,221)	(146)	-	-	-	(13,367)
Acquisition – Cobourg portfolio	372	-	-	-	-	372
Depreciation for the year	(47,368)	(2,212)	-	-	(1,779)	(51,359)
At December 31, 2015	$ 472,370	$ 6,695	$ -	$ -	$6,176	$ 485,241
At December 31, 2015:						
Cost	$ 905,742	$ 9,226	$ -	$ -	$ 8,898	$ 923,866
Accumulated depreciation	(433,372)	(2,531)	-	-	(2,722)	(438,625)
Net book value	**$ 472,370**	**$ 6,695**	**$ -**	**$ -**	**$ 6,176**	**$ 485,241**
Additions	$ 55,068	$ 1,191	$ -	$ -	$ 2,973	$ 59,232
Loss on disposal before proceeds	(7,379)	(181)	-	-	-	(7,560)
Acquisition – Service Experts (note 28)	-	21,795	3,234	2,544	3,704	31,277
Foreign exchange	-	(1)	-	1	-	-
Depreciation for the period	(24,646)	(2,226)	(40)	-	(1,470)	(28,382)
At June 30, 2016	$ 495,413	$ 27,273	$3,194	$2,545	$11,383	$ 539,808
At June 30, 2016:						
Cost	$ 937,230	$31,890	$3,234	$2,545	$15,574	$990,473
Accumulated depreciation	(441,817)	(4,617)	(40)	-	(4,191)	(450,665)
Net book value	**$ 495,413**	**$27,273**	**$3,194**	**$2,545**	**$11,383**	**$ 539,808**

During the six months ended June 30, 2016, the non-cash portion of additions consisted of rental equipment of $622 (December 2015 - $nil).

9. Intangible Assets

	Customer Relationships	Brands	Proprietary Technology	Total
At December 31, 2014:				
Cost	$1,146,141	$ -	$ -	$1,146,141
Accumulated depreciation	(557,047)	-	-	(557,047)
Net book value	**$ 589,094**	**$ -**	**$ -**	**$ 589,094**
Acquisition – Cobourg portfolio	$ 387	$ -	$ -	$ 387
Amortization for the year	(66,652)	-	-	(66,652)
At December 31, 2015	**$ 522,829**	**$ -**	**$ -**	**$ 522,829**
At December 31, 2015:				
Cost	$1,146,528	$ -	$ -	$1,146,528
Accumulated depreciation	(623,699)	-	-	(623,699)
Net book value	**$ 522,829**	**$ -**	**$ -**	**$ 522,829**
Acquisition – Service Experts (note 28)	$ 162,742	$73,621	$2,786	$ 239,149
Foreign exchange	8	5	-	13
Amortization for the period	(35,135)	-	-	(35,135)
At June 30, 2016	$ 650,444	$73,626	$2,786	$ 726,856
At June 30, 2016:				
Cost	$1,309,281	$73,626	$2,786	$1,385,693
Accumulated depreciation	(658,837)	-	-	(658,837)
Net book value	**$ 650,444**	**$ 73,626**	**$2,786**	**$ 726,856**

The brands have been determined to have indefinite lives.

10. Goodwill

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

	Enercare Home Services	Service Experts	Total
Opening balance January 1, 2015	$142,535	$ -	$142,535
Acquisition – Cobourg portfolio	131	-	131
At December 31, 2015	$142,666	-	$142,666
Acquisition – Service Experts (Note 28)	$ -	**$223,920**	**$223,920**
Foreign exchange	-	15	15
At June 30, 2016	**$142,666**	**$223,935**	**$366,601**

11. Collateral Deposits and Insurance Claims Provisions

Enercare Solutions' Service Experts business utilizes a third-party insurance company to provide coverage for workers compensation, automotive and general liability claims. Certain amounts paid to this insurance company are utilized to settle claim amounts above Enercare Solutions' 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 short-term asset and is used to fund claim payments related to insurance claim provision. The insurance claims provision is a short-term liability estimating the amounts required to settle outstanding claims related to insured events below Enercare Solutions' insurance deductible limit. There is no legal right to offset the collateral amount with the claims provision.

	June 30, 2016	December 31, 2015
Collateral Deposits		
Opening balance January 1, 2016	$ -	$ -
Acquisition – Service Experts (note 28)	9,122	-
Additional deposits during the period	850	-
Claims spending during the period	(217)	-
Foreign exchange	-	-
Ending balance	**$9,755**	$ -
Insurance Claim Provisions		
Opening balance January 1, 2016	$ -	$ -
Acquisition – Service Experts (note 28)	8,234	-
Additional provisions charged to the consolidated statement of income	624	-
Claims spending during the period	(217)	-
Foreign exchange	-	-
Ending balance	**$8,641**	$ -

12. Accounts Payable and Accrued Liabilities

	June 30, 2016	December 31, 2015
Accounts payable	**$ 41,825**	$ 9,872
Accruals and other payables	**62,233**	22,546
Compensation payable	**911**	-
Current taxes payable	**18,196**	173
Ending balance	**$123,165**	$32,591

13. Obligations Under Finance Leases

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

The obligations under finance leases in the Enercare Home Services segment bear floating interest rates that are either 2.5% above the one month banker's acceptance rate per annum or equal to the yield of interest rate swaps as quoted in the Federal Reserve system per annum. The obligations under vehicle finance leases in the Service Experts segment during the period bear fixed interest rates of 1.05% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate or 0.35% above the one month LIBOR rate per annum. The finance leases mature at dates ranging between July 2016 and January 2022. During the three and six months ended June 30, 2016, Enercare Solutions recognized $96 and $157 (2015 - $61 and $130) of interest expense related to the obligations under finance leases.

	June 30, 2016	December 31, 2015
Obligations under finance leases	**$21,283**	$ 6,695
Less: current portion	**(6,531)**	(2,061)
	$14,752	$ 4,634

Future minimum lease payments under finance leases are as follows:

	Principal	Interest	Lease Payments
Due in 2016	$3,456	$277	$3,733
Due in 2017	5,845	425	6,270
Due in 2018	5,087	272	5,359
Due in 2019	4,201	144	4,345
Due in 2020	2,125	259	2,384
Thereafter	569	7	576
	$21,283	$1,384	$22,667

14. Debt

Bank indebtedness, current and long term debts:

	June 30, 2016	December 31, 2015
Non-current portion of long term debt:		
Senior debt principal amount	**$685,000**	$685,000
Revolving credit facility	**50,000**	-
Unamortized financing costs and interest accretion	**(2,282)**	(3,122)
Opening balance January 1	**$732,718**	$681,878
Draw from revolving credit facility	**$ -**	$ 50,000
Repayment of revolving credit facility	**(40,000)**	-
Draw from 2016 Term Loan	**258,320**	-
Deferred financing costs on 2016 Term Loan	**(959)**	-
Amortization of financing costs	**451**	840
Foreign exchange	**20**	-
Total non-current portion	**$950,550**	$732,718
Senior debt principal amount	**$685,000**	$685,000
2016 Term Loan	**258,340**	-
Revolving credit facility	**10,000**	50,000
Unamortized financing costs and interest accretion	**(2,790)**	(2,282)
Total non-current portion of long term debt	**$950,550**	$732,718

On October 20, 2014, Enercare Solutions entered into a $100,000, five-year revolving, non-amortizing variable rate credit facility (the "Revolver"), replacing the former $35,000 facility. The Revolver has a standby fee of 0.25% and at June 30, 2016, $10,000 was drawn bearing interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.12% at June 30, 2016.

The long term debt balance includes the following items:

The senior debt consists of the $250,000 4.30% 2012-1 Senior Unsecured Notes (the "2012 Notes") maturing on November 30, 2017 and the $225,000 4.60% 2013-1 Senior Unsecured Notes (the "2013 Notes") maturing on February 3, 2020, with semi-annual interest payments due on May 30 and November 30 and February 3 and August 3 in each year, respectively.

The senior debt also consists of a $210,000 non-revolving, non-amortizing variable rate term loan (the "Term Loan"), maturing on October 20, 2018, which bears interest at a variable rate based upon the banker's acceptance rate plus 1.25%, which was 2.16% at June 30, 2016.

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 1.88% at June 30, 2016.

Deferred financing costs during the period of $959 are in relation to the 2016 Term Loan entered into in conjunction with the SE Transaction.

Enercare Solutions is subject to two principal financial covenants as defined in the Revolver and the Term Loan documents. The covenants address interest and debt coverage.

The 2016 Term Loan contains covenants that have substantially the same terms as the Term Loan. Enercare Solutions entered into an amendment to the Term Loan to give effect to the SE Transaction and 2016 Term Loan which included (i) modifying the definition of Adjusted EBITDA to exclude SE Transaction and integration costs up to $10,300 in the aggregate, (ii) adding Service Experts and its subsidiaries as guarantors, (iii) increasing certain of the "basket" sizes permitted under certain covenants and events of default (to take into account the increase of assets under management due to the SE Transaction) and (iv) the enhancement of certain financial covenants as described below.

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

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

Interest Expense:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Interest expense payable in cash	**$ 7,555**	$ 6,430	**$14,295**	$12,941
Interest on subordinated debt	**875**	875	**1,750**	1,750
Interest on promissory note	**6,169**	5,674	**11,233**	11,348
Non-cash items:				
Notional interest on employee benefit plans	**210**	274	**420**	548
Amortization of financing costs	**243**	209	**451**	417
Interest expense	**$15,052**	$13,462	**$28,149**	$27,004

Interest expense payable in cash is primarily associated with debt activity. Interest on the $50,000 Subordinated Debt was consistent with the prior period. Notional interest relates to employee benefits plans acquired and amortization of financing costs include previously unamortized costs associated with debt.

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 Solutions. 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 June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Revenue	**$22,422**	$19,569	**$41,506**	$36,554

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

	June 30, 2016	December 31, 2015
Deferred revenue	$17,976	$8,127
Service obligations	19,146	-
Deferred revenue and service obligations	**$37,122**	$8,127

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

	June 30, 2016
Opening balance January 1, 2016	**$ -**
Additions to obligations through acquisition of Service Experts	**25,393**
Reduction during the period	**(6,255)**
Foreign exchange	**8**
Service obligation	**$19,146**

16. Long Term Subordinated Promissory Notes

On January 1, 2011, the $381,755 Series 1 subordinated debt outstanding to Enercare was redeemed for additional equity consideration and the issuance of a $100,000 subordinated promissory note. On September 28, 2012, a $150,000 subordinated promissory note was issued by Enercare. On October 20, 2014, an additional $317,367 subordinated promissory note was issued by Enercare (collectively, the “Subordinated Promissory Notes”) as part of the DE Acquisition. During 2015, $59,000 of the Subordinated Promissory Notes was repaid and in 2016, $6,000 of the Subordinated Promissory Notes was repaid. The Subordinated Promissory Notes bear interest at rates notified by the holder. The notes have no fixed repayment terms, but are redeemable at the option of Enercare Solutions at a price equal to the principal amount thereof plus accrued and unpaid interest to the date of redemption. During the period ended June 30, 2016, $14,492 was repaid on the Subordinated Promissory Notes. On May 11, 2016, a $227,504 subordinated promissory note was issued by Enercare as part of the SE Transaction (see Note 28). The note had similar terms as the Subordinated Promissory Notes. The notes have been classified as long term as there are no near term intentions to demand repayment.

17. Subordinated Debt

On July 6, 2011, through a series of transactions, Enercare Solutions invested $250,000 in preferred shares of Stratacon Inc. ("Stratacon"), a subsidiary of Enercare. On January 1, 2012, 1759857 Ontario Limited, Stratacon and Enercare Connections Inc. amalgamated. The name of the amalgamated entity is Enercare Connections Inc. ("ECI"). The investment was funded through a short-term bank loan. The preferred shares accrue cumulative dividends at 6.90% and are both redeemable and retractable. Stratacon, now ECI, invested the proceeds by providing a loan to a subsidiary of Enercare Solutions ("Intercompany Loan"). The Intercompany Loan is a demand loan and bears interest at 7.00% (the "Subordinated Debt"). The subsidiary used the proceeds from the loan to repay existing obligations due to Enercare Solutions from the subsidiary. On July 1, 2012, $200,000 of the preferred shares were redeemed and Enercare Solutions used the proceeds to pay down the Intercompany Loan. Both the preferred shares and the Intercompany Loan have been classified as short-term due to their underlying features.

18. Employee Benefit Plans

Defined Benefit Plans

In connection with the DE Acquisition, DE established a mirror pension plan ("RPP") to their current registered pension plan ("DE Plan"). The RPP has both defined benefit and defined contribution components. The defined benefits provide for partially indexed pensions based on years of service and the final 5 years' average earnings for contributory service and final 3 years' average earning for non-contributory service.

Regulatory approval was received in December of 2015 and the pension assets and liabilities of DE employees who transferred to Enercare Solutions 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 Solutions assumed sponsorship and administration of the RPP.

Prior to this transfer, in accordance with the asset purchase agreement ("Asset Purchase Agreement") for 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 Solutions. Accordingly, Enercare Solutions 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 Solutions was only responsible for current service cost contributions relating to Transferred Employees until Enercare Solutions assumed sponsorship and administration of the RPP. The defined benefit component of the RPP is closed to new members.

Enercare Solutions also provides other post-employment benefits other than pensions to qualifying employees ("OPEB"), these include medical, dental and insurance benefits. The OPEB is closed to new members.

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

	Three months ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Pension				
Current service cost	**$922**	$832	**$1,844**	$1,664
Interest (income)/expense	**(42)**	81	**(84)**	162
Administrative expenses	**-**	-	**18**	-
	$880	$913	**$1,778**	$1,826
OPEB				
Current service cost	**$209**	$232	**$ 417**	$ 464
Net interest cost	**210**	193	**420**	386
	$419	$425	**$ 837**	$ 850

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

	Three months ended June 30, 2016	2015	Six months ended June 30, 2016	2015
Pension				
Actuarial gain /(loss)	**$(2,393)**	$ 550	**$(3,626)**	$(114)
OPEB				
Actuarial gain/(loss)	**$(1,103)**	$2,358	**$(2,348)**	$ 955
	$(3,496)	$2,908	**$(5,974)**	$ 841

19. Share Capital

(000's)	June 30, 2016		December 31, 2015	
Shares Issued and Outstanding	**Shares**	**Dollars**	Shares	Dollars
Opening balance at January 1:	**1,169**	**$189,076**	1,169	$189,076
Issued	**-**	**-**	-	-
Totals	**1,169**	**$189,076**	1,169	$189,076

Enercare Solutions' articles of incorporation provide for the issuance of an unlimited number of common shares. On January 1, 2012, Enercare Solutions converted to a corporation pursuant to a plan of arrangement. As at June 30, 2016, there were 1,169 common shares issued and outstanding.

20. Commitments

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

	June 30, 2016
Due in 2016	**$1,711**
Due in 2017	**2,003**
Due in 2018	**616**
Due in 2019	**273**
Due in 2020	**277**
Thereafter	**388**
Total commitments under non-cancellable operating leases	**$5,268**

The operating lease and sponsorship payments recognized in the consolidated statement of income for the three months and year to date ended June 30, 2016 were $1,719 and $2,460, respectively (2015 - $432 and $1,022).

21. Contingent Liabilities

Enercare and a subsidiary of Enercare Solutions have been named in legal proceedings commenced by certain competitors seeking specified and unspecified damages based on allegations that Enercare, its service provider, EcoSmart Home Services Inc., and others engaged in unlawful surveillance and other unlawful activities aimed at the door to door sales efforts of the competitors.

Enercare Solutions is also a party to a number of product liability claims, other claims, ongoing proceedings and lawsuits in the ordinary course of business.

Management is of the opinion that any liabilities that may arise from these lawsuits have been adequately provided for in these interim financial statements.

22. Financial Instruments

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

Credit Risk

Enercare Solutions is exposed to credit risk on accounts receivable from customers. Enercare Solutions' credit risk is considered to be low for Enercare Home Services and moderate for Service Experts.

Enercare Solutions' 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 Solutions is exposed to credit risk in the normal course of business for customers who are billed directly by Enercare Solutions 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 Solutions' credit exposure on receivables owing from EGD.

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 June 30, 2016, a provision for all amounts at risk of collection and impairment has been made in these interim financial statements based upon a number of factors which include, but are not limited to, the type of account and credit characteristics, aging, and net future cash flows.

Liquidity Risk

Enercare Solutions monitors liquidity risk through comparisons of current financial ratios with the financial covenants contained in its Revolver, Term Loan and 2016 Term Loan agreements and its senior unsecured trust indenture, as supplemented, as applicable. Enercare Solutions 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 Solutions 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 Solutions exceeded this threshold requirement at June 30, 2016.

In conjunction with the SE Transaction, Enercare Solutions entered into an amendment to its existing Term Loan and Revolver with the lenders to give effect to the SE Transaction and 2016 Term Loan. The principal covenant tests measure the ratio of total debt to adjusted EBITDA and the ratio of adjusted EBITDA to cash interest expense. Total debt, Adjusted EBITDA and cash interest expense are defined in the agreements and may not be the same as terms used in the MD&A. Enercare Solutions was in compliance with these covenants at June 30, 2016.

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

	Debt		Finance Lease Obligations		Total	
Period	Principal	Interest	Principal	Interest	Principal	Interest
Due in 2016	$ -	$15,352	$ 3,456	$ 277	$ 3,456	$15,629
Due in 2017	250,000	30,704	5,845	425	255,845	31,129
Due in 2018	210,000	19,063	5,087	272	215,087	19,335
Due in 2019	10,000	15,375	4,201	144	14,201	15,519
Due in 2020	483,340	6,967	2,125	259	485,465	7,226
Thereafter	-	-	569	7	569	7
Total	$953,340	$87,461	$ 21,283	$1,384	$974,623	$88,845

Market Risk

Fair Value

The carrying values of cash and cash equivalents, accounts and other receivables, investment in preferred shares, accounts payable and accrued liabilities, obligations under vehicles finance leases and other payables approximate their fair values due to their relatively short periods to maturity.

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

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

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

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

The following table presents the carrying amounts and the fair values of Enercare Solutions' financial assets and liabilities at June 30, 2016 and December 31, 2015. The estimated fair values of the financial instruments are at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	June 30, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 22,492**	**$ 22,492**	$ 17,581	$ 17,581
Accounts receivable	**121,214**	**121,214**	78,501	78,501
Collateral deposits	**9,755**	**9,755**	-	-
Investment in preferred shares	**50,000**	**50,000**	50,000	50,000
Total financial assets	**$ 203,461**	**$ 203,461**	$ 146,082	$ 146,082
Financial liabilities measured at amortized cost:				
Senior borrowings	**$ 475,000**	**$ 491,860**	$ 475,000	$ 495,118
Revolving credit facility	**10,000**	**10,000**	50,000	50,000
Term Loans	**468,340**	**468,340**	210,000	210,000
Long term subordinated promissory notes	**715,379**	**715,379**	508,367	508,367
Subordinated debt	**50,000**	**50,000**	50,000	50,000
Obligations under finance lease	**21,283**	**21,283**	6,695	6,695
Total borrowings	**$1,740,002**	**$1,756,862**	$1,300,062	$1,320,180
Other obligations and payables	**$ 169,791**	**$ 169,791**	$ 54,486	$ 54,486
Total financial liabilities	**$1,909,793**	**$1,926,653**	$1,354,548	$1,374,666

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

- Accounts receivable;
- Financing receivables; 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 which are classified as Level 1.

Enercare Solutions is subject to variable interest rate risk on its revolving credit facility and a portion of its senior borrowings. A 0.5% change in interest rates will have approximately a $2,600 impact on earnings. Enercare Solutions is also subject to interest rate risk on its cash on hand where a 0.5% change in interest rates will have approximately a $110 impact on earnings.

Enercare Solutions 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 Solutions has subsidiaries that have a functional currency of US dollars. Enercare Solution’s foreign currency risk management objective is to mitigate the impact of foreign currency rate fluctuations on total equity. Enercare Solutions 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 Solutions designates $100,000 USD drawn under the 2016 Term Loan as a hedge of the foreign currency exposure of its net investment in Enercare Solutions’ US operations. The related foreign currency translation gain or loss on the $100,000 USD notional of the 2016 Term Loan that is designated as, and is effective as, a hedge of the net investment in the US operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment.

Enercare Solutions 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.

Capital Risk Management

Enercare Solutions' capital management strategy is designed to maintain financial strength and flexibility to support profitable growth in all business environments. Enercare Solutions' considers capital to be primarily cash and cash equivalents, senior borrowings and subordinated promissory notes as originally funded by Enercare, as such makes adjustments as appropriate to such variables as cash on hand, additional capital expenditures, debt capacity, available credit facilities and covenant restrictions. Enercare Solutions' capital management strategy, objectives, and definitions have not materially changed during the quarter ended June 30, 2016.

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

23. Selling, General and Administrative

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Employee compensation and benefits	**$28,340**	$10,494	**$38,093**	$20,594
Professional fees	**4,117**	1,069	**7,473**	2,123
Selling, office and other	**13,136**	5,872	**18,250**	11,763
Billing and servicing	**7,194**	6,523	**13,035**	13,920
Claims and bad debt	**2,149**	2,009	**3,977**	4,075
Charges from Enercare	**3,533**	2,273	**8,169**	5,166
Total	**$58,469**	$28,240	**$88,997**	$57,641

24. Changes in Working Capital

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Accounts receivable	**$(14,461)**	$(4,478)	**$(10,912)**	$(36,855)
Inventory	**488**	(704)	**462**	(1,206)
Prepaid expenses	**(2,230)**	(433)	**(2,335)**	(265)
Collateral deposits	**(632)**	-	**(632)**	-
Deferred revenue	**2,630**	76	**3,602**	781
Accounts payable and accrued liabilities	**(27,492)**	6,935	**(26,017)**	(4,700)
Other provisions	**30**	57	**(11)**	27
Insurance claim provisions	**407**	-	**407**	-
Related party	**(190)**	255	**920**	(250)
Interest payable	**583**	(89)	**982**	115
Total	**$(40,867)**	$1,619	**$(33,534)**	$(42,353)

Changes in working capital relating to accounts payable and accrued liabilities includes a cash payment of $57,327 made during the three and six months ended June 30, 2016 on liabilities assumed in the acquisition of Service Experts (see note 28) related to share appreciation rights, taxes payable and other provisions.

25. Related Parties

Key Management

Key management of Enercare Solutions includes officers and directors of Enercare. External director's fees are included in professional fees as part of total selling, general and administrative expenses of Enercare, of which a portion is allocated to Enercare Solutions and included in total selling, general and administrative expenses. Total compensation and benefits earned by key management for services rendered for both Enercare and Enercare Solutions are shown below:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Salaries and short-term benefits	**$1,512**	$ 863	**$2,362**	$1,568
Other employment benefits	**40**	26	**99**	67
Long term benefits	**675**	(200)	**1,105**	509
Total	**$2,227**	$ 689	**$3,566**	$2,144

Related Party Payables

Enercare often incurs expenses on behalf of Enercare Solutions in the normal course of business. Related party amounts owing to Enercare are typically on account of selling, general and administrative expenses.

	June 30, 2016	December 31, 2015
Related party payables	**$2,648**	$1,727

26. Compensation Plans

Effective November 1, 2014, Enercare Solutions implemented the ESPP for all eligible employees of Enercare Solutions. Under the plan, employees can purchase common shares of Enercare, up to a maximum of $10 per year or 5% of base salary. Enercare will award one matching common share for every two common shares purchased and held by an employee for at least two years. Common shares related to both the employee and employer portions are purchased in the month following the employee contributions. Expenses related to the company match portion are recorded equally over the 2 year vesting period and are reflected in the condensed interim consolidated statement of income. Employee contributions held by Enercare Solutions at the end of a period are classified as restricted cash which will be used to purchase Enercare common shares in the following period. As at June 30, 2016, there was $139 restricted cash on hand (December 31, 2015 - nil).

27. Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (CODM), which has been identified as the Executive Leadership Team (consisting of the Chief Executive Officer, the Chief Financial Officer, the Chief Legal officer, the Chief Operating Officer for Enercare Home Services, the General Manager for Sub-Metering, the Chief Executive Officer for Service Experts, the Chief Information Officer, the Chief Human Resource Officer, and the Chief Marketing Officer). Prior to June 30, 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 and (b) sales and services relating to HVAC units in the newly acquired Service Experts subsidiaries (see note 28).

The Enercare Home Services segment consists mainly of a portfolio of rental water heaters, HVAC and other assets, and contracted protection plans offered primarily to residential customers in Ontario, the division that was formerly part of DE. The 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, intercompany dividends, corporate governance and related expenses.

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

	For the three months ended June 30, 2016				For the three months ended June 30, 2015			
Segment Information	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted sales	**$ 101,719**	**$ 1,745**	**$ -**	**$ 103,464**	$ 97,325	$ -	$ -	$ 97,325
Sales and other services	**6,270**	**100,464**	**-**	**106,734**	9,048	-	-	9,048
Dividend income	**-**	**-**	**863**	**863**	-	-	863	863
Investment Income	**83**	**77**	**-**	**160**	44	-	-	44
Total revenue	**$ 108,072**	**$ 102,286**	**$ 863**	**$ 211,221**	$ 106,417	$ -	$ 863	$ 107,280
Expenses:								
Cost of goods & services:								
Cost of services	**$ (16,405)**	**$ (1,402)**	**$ -**	**$ (17,807)**	$ (14,360)	$ -	$ -	$ (14,360)
Cost of goods sold	**(5,312)**	**(59,263)**	**-**	**(64,575)**	(6,073)	-	-	(6,073)
SG&A	**(23,516)**	**(31,420)**	**(3,533)**	**(58,469)**	(25,967)	-	(2,273)	(28,240)
Foreign exchange	**(2)**	**5**	**-**	**3**	-	-	-	-
Other income	**-**	**-**	**-**	**-**	-	-	-	-
Net loss on disposal	**(884)**	**(47)**	**-**	**(931)**	(1,572)	-	-	(1,572)
EBITDA[1]	**61,953**	**10,159**	**(3,533)**	**68,579**	58,445	-	(2,273)	56,172
Amortization	**(30,145)**	**(3,336)**	**-**	**(33,481)**	(29,256)	-	-	(29,256)
Interest expense				**(15,052)**				(13,462)
Current taxes				**(14,318)**				(1,297)
Deferred tax recovery				**7,913**				(484)
Net earnings				**14,504**				12,536
Adjusted EBITDA[1,2]	**62,837**	**10,206**	**(3,533)**	**69,510**	60,017	-	(2,273)	57,744
Segment assets	**1,236,621**	**583,948**	**50,000**	**1,870,569**	1,294,384	-	50,000	1,344,384
Capital additions	**$ 29,282**	**$ 959**	**$ -**	**$ 30,241**	$ 23,558	$ -	$ -	$ 23,558

(1) EBITDA and Adjusted EBITDA (excluding intercompany dividend income) are Non-IFRS financial measures and are metrics that can be used to determine Enercare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders.

(2) Adjusted EBITDA is comprised of total revenues and other income, less cost of goods and services and SG&A.

	For the six months ended June 30, 2016				For the six months ended June 30, 2015			
Segment Information	Enercare Home Services	Service Experts	Corporate	Total	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted sales	$ 202,050	$ 1,745	$ -	$ 203,795	$ 190,978	$ -	$ -	$ 190,978
Sales and other services	12,368	100,464	-	112,832	19,408	-	-	19,408
Dividend income	-	-	1,726	1,726	-	-	1,726	1,726
Investment Income	161	77	-	238	116	-	-	116
Total revenue	$ 214,579	$ 102,286	$ 1,726	$ 318,591	$ 210,502	$ -	$1,726	$ 212,228
Expenses:								
Cost of goods & services:								
Cost of services	$ (32,673)	$ (1,402)	$ -	$ (34,075)	$ (28,748)	$ -	$ -	$ (28,748)
Cost of goods sold	(10,593)	(59,263)	-	(69,856)	(13,401)	-	-	(13,401)
SG&A	(49,408)	(31,420)	(8,169)	(88,997)	(52,475)	-	(5,166)	(57,641)
Foreign exchange	(22)	5	-	(17)	(72)	-	-	(72)
Other income	-	-	-	-	-	-	-	-
Net loss on disposal	(2,809)	(47)	-	(2,856)	(3,324)	-	-	(3,324)
EBITDA[1]	119,074	10,159	(8,169)	121,064	112,482	-	(5,166)	107,316
Amortization	(60,181)	(3,336)	-	(63,517)	(58,370)	-	-	(58,370)
Interest expense				(28,149)				(27,004)
Current taxes				(26,283)				(3,131)
Deferred tax recovery				17,607				(2,845)
Net earnings				22,448				17,692
Adjusted EBITDA[1,2]	121,883	10,206	(8,169)	123,920	115,806	-	(5,166)	110,640
Segment assets	1,236,621	583,948	50,000	1,870,569	1,294,384	-	50,000	1,344,384
Capital additions	$ 58,273	$ 959	$ -	$ 59,232	$ 45,784	$ -	$ -	$ 45,784

(1) EBITDA and Adjusted EBITDA (excluding intercompany dividend income) are Non-IFRS financial measures and are metrics that can be used to determine Enercare Solution's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders.
(2) Adjusted EBITDA is comprised of total revenues and other income, less cost of goods and services and SG&A.

	Three months ended June 30,		Six months ended June 30,	
Geographic Information	**2016**	2015	**2016**	2015
Revenues[3]				
Canada	**$ 124,545**	$ 107,280	**$ 231,915**	$ 212,228
United States	**86,676**	-	**86,676**	-
	$ 211,221	$ 107,280	**$ 318,591**	$ 212,228

	June 30, 2016	December 31, 2015
Segment Assets[4]		
Canada	**$1,366,481**	$1,322,556
United States	**504,088**	-
	$1,870,569	$1,322,556

(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.

28. Acquisition of Service Experts

On May 11, 2016, Enercare Solutions acquired through a definitive merger agreement, SEHAC Holdings Corporation, for consideration of USD$340,750 or CAD$440,113, excluding agreed upon closing adjustments regarding Enercare Solutions' 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 ($230,742 net of fees), raised by Enercare, inclusive of the concurrent private placement and USD $200,000 from the 2016 Term Loan (see Note 14). $227,504 from the subscription receipts were loaned to Enercare Solutions in the form of an interest bearing promissory note (Note 16).

As part of the SE Transaction, Enercare Solutions has recorded total expenses of $9,108. 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 $6,693 of costs associated with the SE Transaction, of which approximately $4,000 were professional fees.

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

	May 11, 2016
Cash and cash equivalents	**$ 8,976**
Accounts receivable	**31,805**
Inventory	**8,316**
Prepaid expenses	**6,205**
Capital assets (note 8)	**31,277**
Intangible assets (note 9)	**239,149**
Collateral deposits (note 11)	**9,122**
Goodwill (note 10)	**223,920**
Total assets acquired	**558,770**
Less:	
Accounts payable and accrued liabilities	**115,917**
Deferred revenue and service obligations (note 15)	**25,393**
Short-term obligations under finance lease (note 13)	**4,477**
Insurance claim provisions (note 11)	**8,234**
Long-term obligations under finance lease (note 13)	**10,870**
Deferred tax liability	**5,882**
Total net assets acquired	**387,997**
Reconciliation of consideration:	
Consideration before closing adjustments	**$ 440,113**
Working capital adjustments	**5,211**
	445,324
Less: Closing adjustments*	**$ (57,327)**
Cash consideration (net of closing adjustments)	**$ 387,997**

* 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 tax purposes.

Service Experts revenues of $102,286 and earnings of $3,609 are included in the statement of comprehensive income since May 11, 2016.

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