Enercare Solutions Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2017 and June 30, 2016

Dated August 4, 2017

Enercare Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn $)		(unaudited) **June 30, 2017**		(unaudited) December 31, 2016
Assets				
Current assets				
Cash and cash equivalents (note 4)	**$**	**51,648**	$	36,446
Accounts and other receivables (note 5)		**130,629**		116,984
Financing receivables (note 6)		**628**		319
Inventory (note 7)		**17,060**		15,168
Prepaid expenses		**9,740**		9,134
Collateral deposits (note 11)		**9,146**		9,842
Investment in Enercare Connections Inc. preferred shares (note 17)		**50,000**		50,000
		268,851		237,893
Capital assets (note 8)		**606,501**		577,442
Intangible assets (note 9)		**649,633**		692,039
Employee benefit plan assets (note 18)		**400**		6,246
Goodwill (note 10)		**374,890**		378,137
Deferred tax asset		**7,176**		5,727
Long-term financing receivables (note 6)		**5,667**		2,557
Other assets		**2,308**		1,994
	$	**1,915,426**	$	1,902,035
Liabilities				
Current liabilities				
Current portion of long-term debt (note 14)	**$**	**-**	$	250,000
Accounts payable and accrued liabilities (note 12)		**120,417**		136,004
Obligation under finance leases (note 13)		**9,513**		11,216
Related party payable (note 26)		**2,797**		5,572
Insurance claim provisions (note 11)		**7,656**		7,990
Other Provisions		**1,199**		1,107
Interest payable		**10,576**		4,742
Deferred revenue and service obligation (note 15)		**44,079**		41,400
Subordinated debt (note 17)		**50,000**		50,000
		246,237		508,031
Long-term debt (note 14)		**1,020,575**		716,274
Long-term subordinated promissory notes (note 16)		**702,431**		708,379
Long-term obligations under finance leases (note 13)		**24,491**		14,408
Employee benefit plan obligation (note 18)		**25,025**		22,028
Deferred tax liability		**99,208**		104,296
		2,117,967		2,073,416
Shareholder's equity				
Share capital (note 19)		**189,076**		189,076
Contributed surplus		**1,089**		728
Accumulated other comprehensive income		**(2,218)**		8,618
Deficit		**(390,488)**		(369,803)
		(202,541)		(171,381)
	$	**1,915,426**	$	1,902,035

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

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

Enercare Solutions Inc.

Condensed Interim Consolidated Statements of Income

(unaudited)	Three months ended June 30,		Six months ended June 30,	
(in thousands of Cdn $)	**2017**	2016	**2017**	2016
Revenues				
Contracted revenue	**$ 120,398**	$ 103,464	**$ 236,177**	$ 203,795
Sales and other services	**189,639**	106,734	**312,562**	112,832
Dividend income	**863**	863	**1,725**	1,726
Investment income	**378**	160	**637**	238
Total revenues	**311,278**	211,221	**551,101**	318,591
Expenses				
Cost of goods sold and services provided (note 23)				
Maintenance and servicing costs	**28,002**	17,807	**53,355**	34,075
Sales and other services	**121,614**	66,413	**204,490**	71,694
Selling, general & administrative (note 24)	**76,702**	56,631	**152,431**	87,159
Foreign exchange gain	**(134)**	(3)	**(59)**	17
Depreciation and amortization				
Capital assets (note 8)	**17,232**	15,011	**33,842**	28,382
Intangible assets (note 9)	**19,484**	18,470	**38,904**	35,135
Net loss on disposal of equipment and other assets (note 8, 9)	**5,250**	964	**7,176**	2,904
Gain on retirement of finance lease obligations	**(113)**	(33)	**(192)**	(48)
Interest				
Interest expense (note 14)	**17,631**	15,052	**36,283**	28,149
Make-whole charge on early redemption of debt (note 14)	**-**	-	**5,049**	-
	285,668	190,312	**531,279**	287,467
Earnings for the period before income taxes	**25,610**	20,909	**19,822**	31,124
Tax expense				
Current tax expense	**5,629**	14,318	**10,171**	26,283
Deferred income tax expense / (recovery)	**1,576**	(7,913)	**(4,514)**	(17,607)
Total tax expense	**7,205**	6,405	**5,657**	8,676
Net earnings for the period	**$ 18,405**	$ 14,504	**$ 14,165**	$ 22,448

Enercare Solutions Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

	Three months ended June 30,		Six months ended June 30,	
(in thousands of Cdn $)	**2017**	2016	**2017**	2016
Net earnings for the period	**$ 18,405**	$ 14,504	**$ 14,165**	$ 22,448
Items that will not be reclassified to earnings				
Remeasurements of defined benefit plans (note 18)	**(5,076)**	(3,496)	**(7,459)**	(5,974)
Tax effect of remeasurements of defined benefit plans	**1,345**	926	**1,976**	1,583
Items that will be reclassified to earnings				
Net investment hedge of US dollar loans (note 22)	**3,317**	-	**4,482**	-
Foreign currency translation differences from foreign operations	**(7,293)**	2	**(9,835)**	2
Comprehensive income for the period	**$ 10,698**	$ 11,936	**$ 3,329**	$ 18,059

The accompanying notes are an integral part of these condensed interim 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 $)	**2017**	2016	**2017**	2016
Share Capital				
Balance - beginning of period	**$ 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	**920**	302	**728**	201
Equity contribution from parent	**169**	104	**361**	205
Contributed Surplus - end of period	**1,089**	406	**1,089**	406
Accumulated Other Comprehensive Income				
Balance - beginning of period	**5,489**	(1,718)	**8,618**	103
Remeasurements of defined benefit plans (note 18)	**(5,076)**	(3,496)	**(7,459)**	(5,974)
Net investment hedge of US dollar loans (note 22)	**3,317**	-	**4,482**	-
Foreign currency translation differences from foreign operations	**(7,293)**	2	**(9,835)**	2
Tax effect of remeasurements of defined benefit plans	**1,345**	926	**1,976**	1,583
Accumulated Other Comprehensive (Loss) - end of period	**(2,218)**	(4,286)	**(2,218)**	(4,286)
Deficit				
Balance - beginning of period	**(391,109)**	(379,233)	**(369,803)**	(374,863)
Net earnings for the period	**18,405**	14,504	**14,165**	22,448
Dividends	**(17,784)**	(6,160)	**(34,850)**	(18,474)
Deficit - end of period	**(390,488)**	(370,889)	**(390,488)**	(370,889)
Shareholder's equity - end of period	**$ (202,541)**	$ (185,693)	**$ (202,541)**	$ (185,693)

The accompanying notes are an integral part of these condensed interim 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 $)	**2017**	2016	**2017**	2016
Cash provided by/(used in):				
Operating activities				
Net earnings for the period	**$ 18,405**	$ 14,504	**$ 14,165**	$ 22,448
Items not affecting cash				
Depreciation and amortization				
Capital assets (note 8)	**17,232**	15,011	**33,842**	28,382
Intangible assets (note 9)	**19,484**	18,470	**38,904**	35,135
Loss on disposal of equipment and other assets	**5,250**	964	**7,176**	2,904
Gain on retirement of finance lease obligations	**(113)**	(33)	**(192)**	(48)
Non-cash foreign exchange expense	**86**	10	**116**	10
Non-cash interest expense	**485**	453	**1,634**	871
Non-cash interest income	**(96)**	(42)	**(173)**	(84)
Defined benefit plan expense	**970**	1,131	**2,179**	2,279
Employee share options and stock purchase plan	**169**	104	**361**	205
Deferred income tax expense / (recovery)	**1,576**	(7,913)	**(4,514)**	(17,607)
Deferred customer inducements	**(174)**	(86)	**(314)**	(247)
Financing receivables	**(1,698)**	(270)	**(3,419)**	(635)
Contributions to defined benefit pension plan	**(430)**	(638)	**(1,075)**	(1,277)
	61,146	41,665	**88,690**	72,336
Net change in non-cash working capital (note 25)	**19,801**	(44,725)	**(24,471)**	(37,392)
Cash provided by / (used in) operating activities	**80,947**	(3,060)	**64,219**	34,944
Investing activities				
Purchase of capital assets (note 8)	**(31,381)**	(30,318)	**(64,001)**	(57,420)
Purchase of intangible assets (note 9)	**(1,001)**	-	**(2,131)**	-
Acquisition of SE - net of cash received	**-**	(375,163)	**-**	(375,163)
Acquisition of Hammond (note 29)	**(5,300)**	-	**(5,300)**	-
Acquisition of Church Services (note 29)	**-**	-	**(1,144)**	-
Proceeds from disposal of vehicle leases	**540**	333	**837**	357
Proceeds from disposal of equipment - warranty recoveries	**935**	572	**1,408**	1,187
Proceeds from disposal of equipment - buyout receipts	**3,055**	1,785	**5,411**	3,113
Cash used in investing activities	**(33,152)**	(402,791)	**(64,920)**	(427,926)
Financing activities				
Dividends to shareholders	**(17,784)**	(12,928)	**(34,850)**	(24,630)
Proceeds from revolving credit facility	**10,000**	-	**50,000**	-
Repayment of line of credit	**-**	(40,000)	**(25,000)**	(40,000)
Issuance of promissory note (note 16)	**-**	227,504	**-**	227,504
Repayment of subordinated promissory notes (note 16)	**(3,048)**	(14,492)	**(5,948)**	(20,492)
Proceeds from issuance of long-term debt (note 14)	**-**	258,320	**500,000**	258,320
Repayment of obligations under finance leases	**(2,280)**	(1,327)	**(4,073)**	(1,902)
Repayment of long-term debt (note 14)	**-**	-	**(460,000)**	-
Financing costs on long-term debt	**(322)**	(959)	**(2,881)**	(959)
Cash (used in) / provided by financing activities	**(13,434)**	416,118	**17,248**	397,841
Effect of foreign currency on cash and cash equivalents	**(1,018)**	52	**(1,345)**	52
Increase in cash and cash equivalents	**34,361**	10,267	**16,547**	4,859
Cash and cash equivalents - beginning of period	**18,305**	12,173	**36,446**	17,581
Cash and cash equivalents - end of period (note 4)	**$ 51,648**	$ 22,492	**$ 51,648**	$ 22,492
Supplementary information				
Interest paid	**$ 13,614**	$ 14,085	**$ 37,435**	$ 26,365
Income taxes paid	**$ 7,632**	$ 14,101	**$ 46,498**	$ 16,228

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

Enercare Solutions is the successor to The Consumers’ Waterheater Operating Trust. On October 20, 2014, Enercare Solutions acquired the Ontario home and small commercial services business (“OHCS”) of Direct Energy Marketing Limited (“DE”) (“OHCS 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 Solutions acquired, through a merger, SEHAC Holdings Corporation (now SEHAC Holdings LLC or “SEHAC”) (the “SE Transaction”), which owned the business operated under the Service Experts brands (“Service Experts”). Enercare Solutions purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance and repair of heating, ventilation and air conditioning (“HVAC”) systems directly to residential and light commercial customers operating in locations in the United States and Canada.

The head office of Enercare Solutions is located at 7400 Birchmount Road, Markham, Ontario, L3R 5V4.

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 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 under “Adoption of New Accounting Standards”.

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 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, including intangible assets, goodwill, accounts payable and accrued liabilities and deferred tax liability, have been revised.

These interim financial statements were approved and authorized for issue by the board of directors on August 4, 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 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, 2017, the Enercare Home Services segment recorded a revenue accrual of approximately $42,400 reflecting accrued service periods, compared to $43,600 at June 30, 2016. Unbilled protection plans comprise approximately $25,900 of this balance, compared to $27,100 at June 30, 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 June 30, 2017, the Service Experts segment recorded a revenue accrual of approximately $3,500 reflecting accrued revenue for contracts in progress, compared to $2,200 at June 30, 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 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 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 and Service Experts segments was approximately $6,400 at June 30, 2017, compared to approximately $5,000 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 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 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 acquisitions, 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 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, 2016. In addition, Enercare Solutions has adopted the following significant accounting policies in the six months ended June 30, 2017:

Adoption of New Accounting Standards

Enercare Solutions 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 Solutions has assessed the impact of adopting this amendment on these interim financial statements and has modified its debt disclosure to include movements in net debt between changes arising from cash and non-cash changes.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by Enercare Solutions 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 Solutions 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 any impact on adopting the new standard 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 Solutions is currently evaluating the impact of adopting this standard on the consolidated financial statements. Quantification of any impact on adopting the new standard 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 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, 2017	December 31, 2016
Cash at bank	**$51,648**	$36,446
Ending balance	**$51,648**	$36,446

5. Accounts and Other Receivables

	June 30, 2017	December 31, 2016
Billed accounts receivable	**$ 85,664**	$ 71,373
Unbilled accounts receivable	**45,898**	48,676
Current taxes receivable	**5,437**	1,984
Bad and doubtful debt provision	**(6,370)**	(5,049)
Accounts and other receivables (net of provision)	**$130,629**	$116,984
Bad and doubtful debt provision:		
Opening balance	**$ 5,049**	$ 6,055
Charge/(write-off) for the period	**1,321**	(1,006)
Provision ending balance	**$ 6,370**	$ 5,049

Unbilled accounts receivable of $25,935 (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. The following table summarizes the activity related to the financing receivables for the six months ended June 30, 2017 and year ended December 31, 2016:

	June 30, 2017	December 31, 2016
Balance as at January 1	**$2,876**	$ -
Financing receivables added in the period	**4,895**	3,230
Repayments	**(341)**	(58)
Prepayments	**(1,135)**	(296)
Balance, end of period	**$6,295**	$2,876

7. Inventory

	June 30, 2017	December 31, 2016
Inventory	**$17,922**	$16,036
Less: inventory obsolescence	**(862)**	(868)
Inventory (net of provision)	**$17,060**	$15,168
Inventory obsolescence provision:		
Opening balance	**$ 868**	$ 781
Charge for the period	**(6)**	87
Provision ending balance	**$ 862**	$ 868

During the three and six months ended June 30, 2017, $55,840 and $97,210 (2016 - $32,449 and $35,926) 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	Vehicles	Buildings	Land	Other	Total
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	$ 118,671	$ 7,943	$ 46	$ -	$ 9,516	$ 136,176
Loss on disposal before proceeds	(14,876)	(819)	-	-	-	(15,695)
Acquisition – Service Experts	-	23,254	3,234	2,544	3,704	32,736
Foreign exchange	-	654	125	101	186	1,066
Depreciation for the year	(50,819)	(7,386)	(165)	-	(3,712)	(62,082)
At December 31, 2016	$ 525,346	$30,341	$3,240	$2,645	$15,870	$ 577,442
At December 31, 2016:						
Cost	$ 979,804	$39,636	$3,409	$2,645	$22,299	$1,047,793
Accumulated depreciation	(454,458)	(9,295)	(169)	-	(6,429)	(470,351)
Net book value	**$ 525,346**	**$30,341**	**$3,240**	**$2,645**	**$15,870**	**$ 577,442**
Additions	$ 61,837	$13,831	$ 7	$ -	$ 1,863	$ 77,538
Loss on disposal before proceeds	(8,286)	(530)	-	-	(851)	(9,667)
Acquisition – Church Services (note 29)	-	-	-	-	261	261
Acquisition – Hammond (note 29)	-	242			137	379
Transfers of work in progress to intangibles	-	-	-	-	(4,403)	(4,403)
Foreign exchange	114	(860)	(104)	(89)	(268)	(1,207)
Depreciation for the period	(26,421)	(4,952)	(133)	-	(2,336)	(33,842)
At June 30, 2017	$ 552,590	$38,072	$3,010	$2,556	$10,273	$ 606,501
At June 30, 2017:						
Cost	$1,018,918	$51,253	$3,302	$2,556	$18,125	$1,094,154
Accumulated depreciation	(466,328)	(13,181)	(292)	-	(7,852)	(487,653)
Net book value	**$ 552,590**	**$38,072**	**$3,010**	**$2,556**	**$10,273**	**$ 606,501**

During the six months ended June 30, 2017, the non-cash portion of additions consisted of an increase of $137 (2016 - $622 increase) for rental equipment. Included within the additions is $13,400 (2016 - $1,191) related to the purchases of vehicles under finance lease, which has also increased the respective obligations under finance leases by $13,400 (2016 - $1,191) for the six months ended June 30, 2017. Repayment of obligations under finance leases of $4,073 for the six months ended June 30, 2017 (2016 - $1,902) has been included within the statements of cash flows.

9. Intangible Assets

	Customer Relationships	Brands	Software	Total
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	$ 161,450	$73,621	$ -	$ 235,071
Foreign exchange	5,521	2,555	-	8,076
Amortization for the year	(73,937)	-	-	(73,937)
At December 31, 2016	$ 615,863	$76,176	$ -	$ 692,039
At December 31, 2016:				
Cost	$1,313,650	$76,176	$ -	$1,389,826
Accumulated depreciation	(697,787)	-	-	(697,787)
Net book value	**$ 615,863**	**$76,176**	**$ -**	**$ 692,039**
Acquisition – Church Services (note 29)	$ 209	$ -	$ -	$ 209
Acquisition – Hammond (note 29)	1,033	786	-	1,819
Additions	-	-	2,131	2,131
Transfers of software from capital assets	-	-	4,403	4,403
Disposals for the period	-	-	(5,165)	(5,165)
Foreign exchange	(4,639)	(2,249)	(11)	(6,899)
Amortization for the period	(38,876)	-	(28)	(38,904)
At June 30, 2017	$ 573,590	$74,713	$1,330	$ 649,633
At June 30, 2017:				
Cost	$1,309,896	$74,713	$1,358	$1,385,967
Accumulated depreciation	(736,306)	-	(28)	(736,334)
Net book value	**$ 573,590**	**$74,713**	**$1,330**	**$ 649,633**

Disposals consist of the non-recurring write-off of $5,165 during the second quarter of 2017 for software intangible assets related to an enterprise resource system which was being implemented by Service Experts.

10. Goodwill

The following table provides details by reporting segment regarding the changes in the carrying amounts of goodwill for the six months ended June 30, 2017 and year ended December 31, 2016.

	Enercare Home Services	Service Experts	Total
Opening balance January 1, 2016	$142,666	$ -	$142,666
Acquisition – Service Experts	-	227,459	227,459
Foreign exchange	-	8,012	8,012
At December 31, 2016	**$142,666**	**$235,471**	**$378,137**
Acquisition – Church Services (note 29)	$ -	$ 849	$ 849
Acquisition – Hammond (note 29)		2,965	2,965
Foreign exchange	-	(7,061)	(7,061)
At June 30, 2017	**$142,666**	**$232,224**	**$374,890**

11. Collateral Deposits and Insurance Claims Provisions

Enercare Solutions' 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 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 current asset and is used to fund claim payments related to the insurance claims provision. The insurance claims provision is a current 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, 2017	December 31, 2016
Collateral Deposits		
Opening balance January 1	**$9,842**	$ -
Acquisition – Service Experts	**-**	9,122
Additional deposits during the period	**2,446**	3,391
Claims spending during the period	**(2,822)**	(3,040)
Foreign exchange	**(320)**	369
Ending balance	**$9,146**	$9,842
Insurance Claim Provisions		
Opening balance January 1	**$7,990**	$ -
Acquisition – Service Experts	**-**	8,234
Additional provisions charged to the consolidated statement of income	**2,763**	2,483
Claims spending during the period	**(2,822)**	(3,040)
Foreign exchange	**(275)**	313
Ending balance	**$7,656**	$7,990

12. Accounts Payable and Accrued Liabilities

	June 30, 2017	December 31, 2016
Accounts payable	**$ 48,438**	$ 37,669
Current taxes payable	**-**	32,850
Accruals and other payables	**51,415**	46,059
Compensation payable	**20,564**	19,426
Ending balance	**$120,417**	$136,004

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 0.97% to 2.44%, at floating interest rates that are 2.5% above the three month banker's acceptance rate, 0.75% above the three months LIBOR rate per annum or 0.35% above the one month LIBOR rate per annum. The finance leases mature at dates ranging between July 2017 and March 2024. During the three and six months ended June 30, 2017, Enercare Solutions recognized $199 and $365 (2016 - $96 and $157) of interest expense related to the obligations under finance leases.

	June 30, 2017	December 31, 2016
Obligations under finance leases	**$ 34,004**	$ 25,624
Less: current portion	**(9,513)**	(11,216)
	$ 24,491	$ 14,408

Future minimum lease payments under finance leases are as follows:

	Principal	Interest	Lease Payments
Due in 2017	$ 4,825	$ 420	$ 5,245
Due in 2018	9,129	641	9,770
Due in 2019	8,339	414	8,753
Due in 2020	6,814	217	7,031
Due in 2021	3,985	77	4,062
Thereafter	912	7	919
	$34,004	$1,776	$35,780

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
2016 Term Loan	-	-	258,320	-	10,220	-	-	-	268,540
Financing fees	-	(2,282)	-	(1,009)	-	-	1,025	-	(2,266)
Total	**$ -**	**$732,718**	**$223,320**	**$(1,009)**	**$10,220**	**$250,000**	**$1,025**	$250,000	$716,274

	As at December 31, 2016		Cash flows		Non-cash changes			**As at June 30, 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	$ 25,000	$ -	$ -	$ -	$ -	**$ -**	**$ 40,000**
2012 Notes	250,000	-	(250,000)	-	-	-	-	**-**	**-**
2013 Notes	-	225,000	-	-	-	-	-		**225,000**
2014 Term Loan	-	210,000	(210,000)	-	-	-	-	**-**	**-**
2016 Term Loan	-	268,540	-	-	(9,000)	-	-	**-**	**259,540**
2017 Notes	-	-	500,000		-		-	**-**	**500,000**
Financing fees	-	(2,266)	-	(2,881)	-	-	1,182	**-**	**(3,965)**
Total	**$250,000**	**$716,274**	**$ 65,000**	**$(2,881)**	**$(9,000)**	**$ -**	**$ 1,182**	**$ -**	**$1,020,575**

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.

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 June 30, 2017, a total of $40,000 was drawn bearing interest at a variable rate based upon the banker’s acceptance rate plus 1.25%, which was 2.14% at June 30, 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 2.20% at June 30, 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 Solutions was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and 2017 Notes as at June 30, 2017.

Interest Expense:

	Three months ended June 30,		Six months ended June 30,	
(000s)	**2017**	2016	**2017**	2016
Interest expense payable in cash	**$9,240**	$7,546	**$ 18,896**	$14,097
Interest on subordinated debt	**875**	875	**1,750**	1,750
Interest on promissory notes	**7,031**	6,169	**14,003**	11,233
Equity bridge financing fees	**-**	9	**-**	198
Make whole payment on early repayment of senior debt	**-**	-	**5,049**	-
Non-cash items:				
Notional interest on employee benefit plans	**226**	210	**452**	420
Amortization of financing costs	**259**	243	**1,182**	451
Interest expense	**$17,631**	$15,052	**$41,332**	$28,149

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 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. Equity bridge financing fees of $198 were incurred as part of the SE Transaction in the six months ended June 30, 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 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,	
	2017	2016	**2017**	2016
Revenue	**$34,271**	$22,422	**$64,413**	$41,506

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

	June 30, 2017	December 31, 2016
Deferred revenue	**$41,007**	$32,054
Service obligations	**3,072**	9,346
Deferred revenue and service obligations	**$44,079**	$41,400

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

	June 30, 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	**(6,155)**	(16,549)
Foreign exchange	**(119)**	502
Service obligation	**$3,072**	$ 9,346

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 OHCS Acquisition. During 2015, $59,000 of the Subordinated Promissory Notes was repaid. During 2016, $27,492 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. On May 11, 2016, a $227,504 subordinated promissory note was issued by Enercare as part of the SE Transaction. 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. During 2017, $5,948 of the Subordinated Promissory Notes were repaid.

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. 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. Both the preferred shares and the Subordinated Debt have been classified as short term due to their underlying features. At June 30, 2017, $50,000 of the preferred shares and Subordinated Debt are outstanding.

18. Employee Benefit Plans

Enercare Solutions provides a Registered Pension Plan (“RPP”) to qualifying employees, which 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 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,		Six months ended June 30,	
	2017	2016	2017	2016
Pension				
Current service cost	**$722**	$922	**$1,691**	$1,844
Interest (income)	**(96)**	(42)	**(173)**	(84)
Administrative expenses	**39**	-	**70**	18
	$665	$880	**$1,588**	$1,778
OPEB				
Current service cost	**$209**	$209	**$418**	$417
Net interest cost	**226**	210	**452**	420
	$435	$419	**$870**	$837

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Pension				
Actuarial loss	**$3,742**	$2,393	**$5,316**	$3,626
OPEB				
Actuarial loss	**$1,334**	$1,103	**$2,143**	$2,348
	$5,076	$3,496	**$7,459**	$5,974

19. Share Capital

	June 30, 2017		December 31, 2016	
Shares Issued and Outstanding	**Shares**	**Dollars**	Shares	Dollars
Opening balance at January 1:	**1,169**	**$189,076**	1,169	$189,076
Totals	**1,169**	**$189,076**	1,169	$189,076

Enercare Solutions' articles of incorporation provide for the issuance of an unlimited number of shares. As at June 30, 2017, there were 1,169 shares issued and outstanding.

20. Commitments

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

As at June 30,	2017
Due in 2017	**$ 5,042**
Due in 2018	**6,776**
Due in 2019	**4,453**
Due in 2020	**3,436**
Due in 2021	**4,273**
Thereafter	**1,248**
Total commitments under non-cancellable operating leases	**$25,228**

The operating lease and sponsorship payments recognized in the consolidated statement of income for the three and six months ended June 30, 2017 were $3,288 and $6,415, respectively (2016 - $1,719 and $2,460).

21. Contingent Liabilities

Enercare Solutions 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 condensed interim consolidated financial statements.

22. Financial Instruments

The main risks Enercare Solutions' financial instruments are exposed to are 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, accounts receivable and financing receivables. 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 Solutions is also exposed to credit risk on its financing receivables to the extent that customers do not make payments according to contracted repayment terms. Enercare Solutions lowers this risk by requiring preauthorized payments, securing loans with low credit scores or poor payment history and engaging collection activities 30 days after a missed payment.

Enercare Solutions' 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, 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 Solutions 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 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 February 21, 2024.

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 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, 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 Solutions was in compliance with these covenants at June 30, 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	$ -	$ 17,597	$ 4,825	$ 420	$ 4,825	$ 18,017
Due in 2018	-	35,193	9,129	641	9,129	35,834
Due in 2019	-	35,193	8,339	414	8,339	35,607
Due in 2020	484,540	26,414	6,814	217	491,354	26,631
Due in 2021	40,000	19,092	3,985	77	43,985	19,169
Thereafter	500,000	20,541	912	7	500,912	20,548
Total	$1,024,540	$154,030	$34,004	$1,776	$1,058,544	$155,806

Market Risk

Fair Value

The carrying values of cash and cash equivalents, accounts and other receivables, financing receivables, collateral deposits, investment in preferred shares, accounts payable and accrued liabilities, obligations under vehicle finance leases, subordinated debt 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, 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.

	June 30, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 51,648**	**$ 51,648**	$ 36,446	$ 36,446
Accounts and other receivables	**130,629**	**130,629**	116,984	116,984
Financing receivables	**6,295**	**6,295**	2,876	2,876
Collateral deposits	**9,146**	**9,146**	9,842	9,842
Investment in preferred shares	**50,000**	**50,000**	50,000	50,000
Total financial assets	**$ 247,718**	**$ 247,718**	$ 216,148	$ 216,148
Financial liabilities measured at amortized cost:				
Senior borrowings	**$ 725,000**	**$ 745,520**	$ 475,000	$ 491,850
Revolving credit facility	**40,000**	**40,000**	15,000	15,000
Term Loans	**259,540**	**259,540**	478,540	478,540
Long term subordinated promissory notes	**702,431**	**702,431**	708,379	708,379
Subordinated debt	**50,000**	**50,000**	50,000	50,000
Obligations under finance lease	**34,004**	**34,004**	25,624	25,624
Total borrowings	**$1,810,975**	**$1,831,495**	$1,752,543	$1,769,393
Other obligations and payables	**186,724**	**186,724**	448,335	448,335
Total financial liabilities	**$1,997,699**	**$2,018,219**	$2,200,878	$2,217,728

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 are classified as Level 1.

Enercare Solutions 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 $4,098 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 a favourable impact of approximately $258 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 Solutions' 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 USD $100,000 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 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 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.

The following table shows gains and (losses) associated with a 10% change in exchange rate of the US dollar for the three and six months ended June 30, 2017 and 2016:

	Effect on Net Earnings		Effect on Equity	
For the three months ended June 30,	**2017**	2016	**2017**	2016
10% strengthening	**$ 562**	$ 235	**$ 1,375**	$ 306
10% weakening	**$ (562)**	$(235)	**$(1,375)**	$(306)

	Effect on Net Earnings		Effect on Equity	
For the six months ended June 30,	**2017**	2016	**2017**	2016
10% strengthening	**$ 238**	$ 235	**$ 1,375**	$ 306
10% weakening	**$(238)**	$(235)	**$(1,375)**	$(306)

Capital Risk Management

Enercare Solutions' considers capital to be primarily cash and cash equivalents, senior borrowings and subordinated promissory notes as originally funded by Enercare and 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 six months ended June 30, 2017.

Enercare Solutions was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and the 2017 Notes as at June 30, 2017.

23. Cost of Goods Sold and Services Provided

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Labour and benefits	**$ 86,243**	$47,177	**$143,134**	$ 64,347
Parts	**55,840**	32,449	**97,210**	35,926
Other	**7,533**	4,594	**17,501**	5,496
Total	**$149,616**	$84,220	**$257,845**	$105,769

24. Selling, General and Administrative

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Employee wages and benefits	**$35,146**	$25,123	**$ 72,443**	$34,704
Employee long-term compensation	**1,228**	1,379	**3,326**	1,551
Professional fees	**2,005**	4,117	**3,542**	7,473
Selling, office and other	**22,654**	13,136	**43,754**	18,250
Billing and servicing	**7,531**	7,194	**15,091**	13,035
Claims and bad debt	**2,173**	2,149	**5,205**	3,977
Charges from Enercare	**5,965**	3,533	**9,070**	8,169
Total	**$76,702**	$56,631	**$152,431**	$87,159

25. Changes in Working Capital

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

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	**2017**	2016
Accounts receivable	**$(16,290)**	$(18,319)	**$ (19,694)**	$(14,770)
Inventory	**(1,456)**	488	**(2,045)**	462
Prepaid expenses	**(470)**	(2,230)	**(803)**	(2,335)
Collateral deposits	**355**	(632)	**376**	(632)
Deferred revenue and service obligation	**2,032**	2,630	**3,583**	3,602
Accounts payable and accrued liabilities	**31,376**	(27,492)	**(13,403)**	(26,017)
Other provisions	**103**	30	**92**	(11)
Insurance claim provisions	**(356)**	407	**(67)**	407
Related party payable	**(2,596)**	(190)	**1,656**	920
Interest payable	**7,103**	583	**5,834**	982
Total	**$ 19,801**	$(44,725)	**$(24,471)**	$(37,392)

26. Related Parties

Key Management

Key management of Enercare Solutions includes officers of Enercare. External directors' 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,	
	2017	2016	**2017**	2016
Salaries and short-term benefits	**$1,735**	$1,512	**$3,965**	$2,362
Other employment benefits	**41**	40	**115**	99
Long term benefits	**885**	675	**1,846**	1,105
Total	**$2,661**	$2,227	**$5,926**	$3,566

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, 2017	December 31, 2016
Related party payables	**$2,797**	$5,572

27. Compensation Plans

Effective November 1, 2014, Enercare Solutions implemented the Employee Share Purchase Plan for all eligible employees of Enercare Solutions. Under the plan, employees can purchase shares of Enercare, up to a maximum of $10 per year or 5% of base salary. Enercare will award one matching share for every two shares purchased and held by an employee for at least two years. Shares related to both the employee and employer portions are purchased in the month following the employee contributions. Expenses related to the company match portion are recorded equally over the 2 year vesting period and are reflected in the consolidated statement of income. Employee contributions held by Enercare Solutions at the end of a period are classified as restricted cash which will be used to purchase Enercare shares in the following period. As of June 30, 2017, there was no restricted cash on hand (2016 - $nil).

28. 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 and (b) sales and services relating to HVAC units in the newly acquired Service Experts subsidiaries.

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 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.

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

	For the three months ended June 30, 2017				For the three months ended June 30, 2016			
Segment Information	**Enercare Home Services**	**Service Experts**	**Corporate**	**Total**	Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted sales	**$ 105,857**	**$ 14,541**	**$ -**	**$ 120,398**	$ 101,719	$ 1,745	**$ -**	$ 103,464
Sales and other services	**7,128**	**182,511**	**-**	**189,639**	6,270	100,464	**-**	106,734
Dividend income	**-**	**-**	**863**	**863**	-	-	863	863
Investment Income	**368**	**10**	**-**	**378**	83	77	-	160
Total revenue	**$ 113,353**	**$ 197,062**	**$ 863**	**$ 311,278**	$ 108,072	$102,286	$ 863	$ 211,221
Expenses:								
Cost of goods & services:								
Cost of services	**$ (16,721)**	**$ (11,281)**	**$ -**	**$ (28,002)**	$ (16,405)	$ (1,402)	$ -	$ (17,807)
Cost of goods sold	**(5,248)**	**(116,366)**	**-**	**(121,614)**	(5,312)	(61,101)	-	(66,413)
SG&A	**(25,897)**	**(44,840)**	**(5,965)**	**(76,702)**	(23,516)	(29,582)	(3,533)	(56,631)
Foreign exchange	**(88)**	**222**	**-**	**134**	(2)	5	-	3
Other income	**-**	**-**	**-**	**-**	-	-	-	-
Net (loss)/gain on disposal	**(264)**	**(4,873)**	**-**	**(5,137)**	(884)	(47)	-	(931)
EBITDA[1]	**65,135**	**19,924**	**(5,965)**	**79,094**	61,953	10,159	(3,533)	68,579
Amortization	**(31,396)**	**(5,320)**		**(36,716)**	(30,145)	(3,336)		(33,481)
Interest expense				**(17,631)**				(15,052)
Current taxes				**(5,629)**				(14,318)
Deferred tax (expense) / recovery				**(1,576)**				7,913
Net earnings				**18,405**				14,504
Segment assets[2]	**1,245,607**	**619,819**	**50,000**	**1,915,426**	1,236,621	583,948	50,000	1,870,569
Capital additions	**$ 29,287**	**$ 13,674**	**$ -**	**$ 42,961**	$ 29,282	$ 959	**$ -**	$ 30,241

Segment Information	For the six months ended June 30, 2017 Enercare Home Services	Service Experts	Corporate	Total	For the six months ended June 30, 2016 Enercare Home Services	Service Experts	Corporate	Total
Revenues:								
Contracted sales	**$ 210,259**	**$ 25,918**	**$ -**	**$ 236,177**	$ 202,050	$ 1,745	$ -	$ 203,795
Sales and other services	**13,674**	**298,888**	**-**	**312,562**	12,368	100,464	-	112,832
Dividend income	**-**	**-**	**1,725**	**1,725**	-	-	1,726	1,726
Investment Income	**617**	**20**	**-**	**637**	161	77	-	238
Total revenue	**$ 224,550**	**$ 324,826**	**$ 1,725**	**$ 551,101**	$ 214,579	$102,286	$ 1,726	$ 318,591
Expenses:								
Cost of goods & services:								
Cost of services	**$ (32,985)**	**$ (20,370)**	**$ -**	**$ (53,355)**	$ (32,673)	$ (1,402)	$ -	$ (34,075)
Cost of goods sold	**(10,799)**	**(193,691)**	**-**	**(204,490)**	(10,593)	(61,101)	-	(71,694)
SG&A	**(53,596)**	**(89,765)**	**(9,070)**	**(152,431)**	(49,408)	(29,582)	(8,169)	(87,159)
Foreign exchange	**(166)**	**225**	**-**	**59**	(22)	5	-	(17)
Other income	**-**	**-**	**-**	**-**	-	-	-	-
Net (loss)/gain on disposal	**(2,127)**	**(4,857)**	**-**	**(6,984)**	(2,809)	(47)	-	(2,856)
EBITDA[1]	**124,877**	**16,368**	**(9,070)**	**132,175**	119,074	10,159	(8,169)	121,064
Amortization	**(62,276)**	**(10,470)**		**(72,746)**	(60,181)	(3,336)		(63,517)
Interest expense				**(41,332)**				(28,149)
Current taxes				**(10,171)**				(26,283)
Deferred tax recovery				**4,514**				17,607
Net earnings				**14,165**				22,448
Segment assets[2]	**1,245,607**	**619,819**	**50,000**	**1,915,426**	1,236,621	583,948	50,000	1,870,569
Capital additions	**$ 61,014**	**$ 16,524**	**$ -**	**$ 77,538**	$ 58,273	$ 959	$ -	$ 59,232

(1) EBITDA (excluding intercompany dividend income) is a Non-IFRS financial measure and is a metric that can be used to determine Enercare Solutions' ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders.

(2) 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 June 30, **2017**	2016	Six months ended June 30, **2017**	2016
Revenues[3]				
Canada	**$185,211**	$ 124,545	**$343,855**	$ 231,915
United States	**126,067**	86,676	**207,246**	86,676
	$311,278	$ 211,221	**$551,101**	$ 318,591
			June 30, 2017	December 31, 2016
Segment Assets[4]				
Canada			**$1,383,391**	$1,374,362
United States			**532,035**	527,673
			$1,915,426	$1,902,035

(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.

29. Acquisitions

On February 13, 2017, 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.

On May 24, 2017, Service Experts completed the acquisition of certain assets in Kitchener, Ontario from Hammond Plumbing & Heating Inc. ("Hammond"), a full-service residential and commercial plumbing and heating company, for consideration of $5,300. Service Experts acquired the assets plus assumed warranty liabilities and paid the purchase price using cash on hand.

Both of the above transactions have been accounted for as a business combination and have been consolidated as at the date of acquisition.