



**Enercare Solutions Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2018**

**Dated May 3, 2018**

# Enercare Solutions Inc.

## Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn \$)	(unaudited)	
	March 31, 2018	December 31, 2017 <sup>(i)</sup>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,909	\$ 30,939
Accounts and other receivables (note 4)	134,349	130,885
Financing receivables (note 5)	1,196	897
Inventory	17,782	15,819
Prepaid expenses	9,629	13,344
Collateral deposits	7,681	7,772
Other assets	242	-
Investment in Enercare Connections Inc. preferred shares (note 12)	50,000	50,000
Assets held for sale (note 24)	-	17,168
	<b>\$ 237,788</b>	<b>\$ 266,824</b>
<b>Capital assets (note 6)</b>	<b>648,896</b>	<b>631,166</b>
<b>Intangible assets (note 7)</b>	<b>605,404</b>	<b>609,890</b>
<b>Employee benefit plan assets</b>	<b>3,212</b>	<b>3,784</b>
<b>Goodwill (note 8)</b>	<b>399,442</b>	<b>378,230</b>
<b>Deferred tax asset</b>	<b>6,142</b>	<b>5,894</b>
<b>Long-term financing receivables (note 5)</b>	<b>8,870</b>	<b>9,320</b>
<b>Other long-term assets</b>	<b>2,720</b>	<b>2,711</b>
	<b>\$ 1,912,474</b>	<b>\$ 1,907,819</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 109,158	\$ 114,581
Current portion of subordinated promissory notes (note 11)	22,500	22,500
Obligation under finance leases (note 9)	9,401	8,970
Related party payable (note 21)	4,352	3,476
Insurance claim provisions	10,149	8,810
Other provisions	1,056	1,104
Interest payable	3,451	10,463
Deferred revenue and service obligation	44,674	40,905
Subordinated debt (note 12)	50,000	50,000
Liabilities held for sale (note 24)	-	5,634
	<b>\$ 254,741</b>	<b>\$ 266,443</b>
<b>Long-term debt (note 10)</b>	<b>1,069,666</b>	<b>1,027,449</b>
<b>Long-term subordinated promissory notes (note 11)</b>	<b>665,588</b>	<b>675,186</b>
<b>Long-term obligations under finance leases (note 9)</b>	<b>20,328</b>	<b>20,454</b>
<b>Employee benefit plan obligation</b>	<b>26,360</b>	<b>25,993</b>
<b>Deferred tax liability</b>	<b>95,470</b>	<b>99,797</b>
	<b>\$ 2,132,153</b>	<b>\$ 2,115,322</b>
<b>Shareholder's equity</b>		
Share capital (note 13)	189,076	189,076
Contributed surplus	1,907	1,518
Accumulated other comprehensive (loss) / income	(1,467)	(5,725)
Deficit	(409,195)	(392,372)
	<b>\$ (219,679)</b>	<b>\$ (207,503)</b>
	<b>\$ 1,912,474</b>	<b>\$ 1,907,819</b>

Contingent liabilities (see note 14)

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

(i) See note 3 for implementation of IFRS 15.

## Enercare Solutions Inc.

### Condensed Interim Consolidated Statements of Income

(unaudited) (in thousands of Cdn \$)	Three months ended March 31,	
	2018	2017 <sup>(i)</sup>
<b>Revenue (note 17)</b>		
Contracted revenue	\$ 123,190	\$ 115,866
Sales and other services	144,989	123,214
Dividend income	863	862
Financing revenue	308	259
<b>Total revenue</b>	<b>\$ 269,350</b>	<b>\$ 240,201</b>
<b>Expenses</b>		
Cost of goods sold and services provided (note 18)		
Maintenance and servicing costs	\$ 28,527	\$ 25,353
Sales and other services	99,623	82,876
Selling, general & administrative (note 19)	83,526	76,107
Foreign exchange (loss) / gain	(537)	75
Depreciation and amortization		
Capital assets (note 6)	17,211	16,610
Intangible assets (note 7)	19,592	19,420
Net loss on disposal of equipment and other assets	2,695	1,926
Gain on retirement of finance lease obligations	(1,474)	(79)
Interest		
Interest expense (note 10)	17,956	18,652
Make-whole charge on early redemption of debt (note 10)	-	5,049
	\$ 267,119	\$ 245,989
<b>Earnings / (loss) for the period before income taxes</b>	<b>\$ 2,231</b>	<b>\$ (5,788)</b>
<b>Tax expense</b>		
Current tax expense	\$ 6,032	\$ 4,542
Deferred income tax recovery	(5,505)	(6,090)
<b>Total tax expense / (recovery)</b>	<b>\$ 527</b>	<b>\$ (1,548)</b>
<b>Net earnings / (loss) for the period</b>	<b>\$ 1,704</b>	<b>\$ (4,240)</b>

(i) Restated for the implementation of IFRS 15 (see note 3).

## Enercare Solutions Inc.

### Condensed Interim Consolidated Statements of Comprehensive Income

(in thousands of Cdn \$)	Three months ended March 31,	
	2018	2017 <sup>(i)</sup>
<b>Net earnings / (loss) for the period</b>	\$ 1,704	\$ (4,240)
Items that will not be reclassified to earnings		
Remeasurements of defined benefit plans	(600)	(2,383)
Tax effect of remeasurements of defined benefit plans	158	631
Items that will be reclassified to earnings		
Net investment hedge of US dollar loans	(3,476)	1,165
Tax effect of net investment hedge of US dollar loans	462	-
Foreign currency translation differences from foreign operations	7,714	(2,542)
<b>Comprehensive income / (loss) for the period</b>	<b>\$ 5,962</b>	<b>\$ (7,369)</b>

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

(i) See note 3 for implementation of IFRS 15.

# Energcare Solutions Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

(unaudited) (in thousands of Cdn \$)	Three months ended March 31,	
	2018	2017 <sup>(i)</sup>
<b>Share Capital</b>		
Balance - beginning of period	\$ 189,076	\$ 189,076
<b>Share Capital - end of period (note 20)</b>	<b>\$ 189,076</b>	<b>\$ 189,076</b>
<b>Contributed Surplus</b>		
Balance - beginning of period	\$ 1,518	\$ 728
Equity contribution from parent	389	192
<b>Contributed Surplus - end of period</b>	<b>\$ 1,907</b>	<b>\$ 920</b>
<b>Accumulated Other Comprehensive (Loss) / Income</b>		
Balance - beginning of period	\$ (5,725)	\$ 8,618
Remeasurements of defined benefit plans	(600)	(2,383)
Net investment hedge of US dollar loans	(3,476)	1,165
Foreign currency translation differences from foreign operations	7,714	(2,542)
Tax effect of net investment hedge of US dollar loans	462	-
Tax effect of remeasurements of defined benefit plans	158	631
<b>Accumulated Other Comprehensive (Loss) / Income - end of period</b>	<b>\$ (1,467)</b>	<b>\$ 5,489</b>
<b>Deficit</b>		
Balance - beginning of period - December 31,	\$ (392,372)	\$ (369,803)
Change in accounting policy (note 3)	(415)	-
Balance - beginning of period - restated - January 1,	(392,787)	(369,803)
Net earnings / (loss) for the period	1,704	(4,240)
Dividends	(18,112)	(17,066)
<b>Deficit - end of period</b>	<b>\$ (409,195)</b>	<b>\$ (391,109)</b>
<b>Shareholder's equity - end of period</b>	<b>\$ (219,679)</b>	<b>\$ (195,624)</b>

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

(i) See note 3 for implementation of IFRS 15.

# Enercare Solutions Inc.

## Consolidated Statements of Cash Flows

(unaudited) (in thousands of Cdn \$)	Three months ended March 31,	
	2018	2017 <sup>(i)</sup>
<b>Cash provided by/(used in):</b>		
<b>Operating activities</b>		
Net earnings for the period	\$ 1,704	\$ (4,240)
Items not affecting cash		
Depreciation and amortization		
Capital assets (note 6)	17,211	16,610
Intangible assets (note 7)	19,592	19,420
Loss on disposal of equipment and other assets	2,695	1,926
Gain on retirement of finance lease obligations	(1,474)	(79)
Non-cash foreign exchange expense / (gain)	(889)	30
Non-cash interest expense	475	1,149
Non-cash interest income	(54)	(77)
Defined benefit plan expense	1,231	1,209
Employee share options and stock purchase plan	389	192
Deferred income tax recovery	(5,505)	(6,090)
Deferred customer inducements	(251)	(140)
Financing receivables	(413)	(1,721)
Contributions to defined benefit pension plan	(1,076)	(645)
	<b>33,635</b>	<b>27,544</b>
Net change in non-cash working capital	<b>(10,953)</b>	<b>(44,272)</b>
<b>Cash provided by operating activities</b>	<b>22,682</b>	<b>(16,728)</b>
<b>Investing activities</b>		
Purchase of capital assets (note 6)	(34,786)	(32,620)
Purchase of intangible assets (note 7)	(34)	(1,130)
Acquisitions (note 23)	(29,052)	(1,144)
Proceeds from disposal of business centers (note 23,24)	18,533	-
Proceeds from disposal of vehicle leases	152	297
Proceeds from disposal of equipment - warranty recoveries	630	473
Proceeds from disposal of equipment - buyout receipts	2,496	2,356
<b>Cash used in investing activities</b>	<b>(42,061)</b>	<b>(31,768)</b>
<b>Financing activities</b>		
Dividends to shareholders	(18,112)	(17,066)
Proceeds from revolving credit facility (note 10)	35,000	40,000
Repayment of line of credit (note 10)	-	(25,000)
Repayment of subordinated promissory notes (note 11)	(9,598)	(2,900)
Proceeds from issuance of long-term debt (note 10)	-	500,000
Repayment of obligations under finance leases	(2,395)	(1,793)
Repayment of long-term debt (note 10)	-	(460,000)
Financing costs on long-term debt (note 10)	-	(2,559)
<b>Cash (used in) / provided by financing activities</b>	<b>4,895</b>	<b>30,682</b>
Effect of foreign currency on cash and cash equivalents	454	(327)
(Decrease) / increase in cash and cash equivalents	(14,484)	(17,814)
Cash and cash equivalents - beginning of period	30,939	36,446
<b>Cash and cash equivalents - end of period</b>	<b>\$ 16,909</b>	<b>\$ 18,305</b>
<b>Supplementary information</b>		
Interest paid	\$ 24,489	\$ 23,821
Income taxes paid	\$ 2,472	\$ 38,866

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

(i) See note 3 for implementation of IFRS 15.

# **Enercare Solutions Inc.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

March 31, 2018 and 2017

(in thousands of Canadian dollars, except share amounts)

### **1. Organization and Nature of Business**

Enercare Solutions Inc. (“Enercare Solutions”) is a wholly-owned subsidiary of Enercare Inc. (“Enercare”). Enercare Solutions is a multi-product and multi-service home and commercial services company with two principal business segments: Enercare Home Services and Service Experts.

Enercare Home Services is operated by Enercare Solutions and its subsidiaries. Enercare Home Services provides rental water heaters, furnaces, air conditioners, water treatment solutions and other HVAC products to residential and commercial customers. In addition to renting, customers have the option of purchasing products outright or through financing provided by Enercare Home Services. Enercare Home Services also provides protection plans, duct cleaning, plumbing, electrical and other related repair and maintenance services to its customers. Enercare Home Services operates primarily in Ontario.

Service Experts is operated by SEHAC Holdings LLC (“SEHAC”) and SE Canada Inc. (“SE Canada”). SEHAC and SE Canada are both indirect wholly-owned subsidiaries of Enercare Solutions. Service Experts provides repair and replacement of HVAC products and water heaters to residential and light commercial customers, who can purchase products outright or through financing provided by a third party. Since 2016, Service Experts has also been rolling out its rental offering in Canada and the United States. Service Experts also provides plumbing, maintenance agreements and related services to its customers.

Enercare Solutions’ operations can be affected by seasonal fluctuations, which may impact the demand for its products and services, and accordingly its results from operations in a particular interim period.

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 (the “interim financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including IAS 34, Interim Financial Reporting. These interim financial statements should be read in conjunction with Enercare Solutions’ most recently issued consolidated financial statements for the year ended December 31, 2017, which includes information necessary or useful to understanding Enercare Solutions’ business and financial statement presentation. The significant accounting policies presented in note 3 of the consolidated financial statements for the year ended December 31, 2017 have been consistently applied in the preparation of these interim financial statements, 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 and presentation currency. Certain subsidiaries acquired through the acquisition of the Service Experts business (the “SE Transaction”) have a US dollar denominated functional currency.

Certain comparative amounts have been retrospectively restated in these interim financial statements due to the adoption of IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”) as at January

1, 2018. Specifically, certain balances in the condensed interim consolidated statement of income for the three months ended March 31, 2017 have been restated (see note 3). In addition, Enercare Solutions retrospectively adopted IFRS 9, "Financial Instruments" ("IFRS 9") effective January 1, 2018 and in accordance with the transitional provisions of IFRS 9, comparative figures have not been restated. The cumulative impact of adopting IFRS 9 to the opening consolidated statement of financial position as at January 1, 2018 is presented below (see note 3).

### *Basis of Measurement*

The interim financial statements have been prepared under the historical cost convention, except for insurance provision claims and employee benefit plans.

These financial statements were approved and authorized for issue by the board of directors on May 3, 2018.

### **3. Changes in Significant Accounting Policies**

#### *Adoption of New Accounting Standards*

The following tables summarize the impact of adopting IFRS 15 and IFRS 9 effective January 1, 2018.

**Enercare Solutions Inc.  
Consolidated Statements of Income  
For the three months ended March 31, 2017**

(in thousands of Cdn \$)	Reference	As Reported	<u>Increase / (Decrease)</u> IFRS 15 Adjustments	Restated
<b>Revenues</b>				
Contracted revenue	a.1, a.2	\$ 115,779	\$ 87	\$ 115,866
Sales and other services	a.1, a.2	122,923	291	123,214
<b>Total revenue</b>		<b>\$ 239,823</b>	<b>\$ 378</b>	<b>\$ 240,201</b>
<b>Expenses</b>				
Selling, general & administrative	a.1, a.2	75,729	378	76,107
<b>Total expenses</b>		<b>\$ 245,611</b>	<b>\$ 378</b>	<b>\$ 245,989</b>

**Enercare Solutions Inc.  
Impact to Consolidated Statements of Financial Position  
As at January 1, 2018**

(in thousands of Cdn \$)	Reference	As Reported	<u>Increase / (Decrease)</u> IFRS 9 Adjustment	Restated
<b>Assets</b>				
Long-term financing receivables	b	\$ 9,320	\$ (564)	\$ 8,756
<b>Total assets</b>		<b>\$ 1,907,819</b>	<b>\$ (564)</b>	<b>\$ 1,907,255</b>
<b>Liabilities</b>				
Deferred tax liability		99,797	(149)	99,648
<b>Total liabilities</b>		<b>\$ 2,115,322</b>	<b>\$ (149)</b>	<b>\$ 2,115,173</b>
<b>Shareholder's equity</b>				
Retained earnings (deficit)		\$ (392,372)	\$ (415)	\$ (392,787)
<b>Total shareholder's equity</b>		<b>\$ (207,503)</b>	<b>\$ (415)</b>	<b>\$ (207,918)</b>
<b>Total liabilities and shareholder's equity</b>		<b>\$ 1,907,819</b>	<b>\$ (564)</b>	<b>\$ 1,907,255</b>

The adjustments noted in the tables above are discussed below.

## *Revenue Recognition*

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 and interim periods beginning on or after January 1, 2018. Enercare Solutions adopted IFRS 15 on a fully retrospective basis.

Enercare Solutions' revenues from service protection plans, maintenance protection plans and sales of equipment and other services are within the scope of the standard. Enercare Solutions' water heater and HVAC rental contracts are not within the scope of this standard due to their classification as leases.

The following describes the significant changes that resulted from the adoption of IFRS 15. These adjustments did not result in any changes to the statement of financial position, net earnings, comprehensive income or cash flows previously reported.

### *a) Enercare Home Services*

- a.1) Enercare Home Services manages an advertising fund, established to collect and administer funds contributed by its franchisees for use in advertising programs. Contributions to the advertising fund are based on a percentage of each franchisee's revenue. In accordance with IFRS 15, Enercare Solutions has determined that it acts as principal in providing advertising services to its franchisees. As a result, the contributions collected in respect of the advertising fund of \$977 and \$4,036 for the three months ended March 31, 2017 and year ended December 31, 2017, respectively, have been reclassified from selling, general and administrative expenses to revenue.
- a.2) For customers billed within the Enbridge Gas Distribution ("EGD") service territory, Enercare Solutions is guaranteed payment by EGD for 99.51%, in both 2018 and 2017, of the amounts billed (subject to certain exceptions) 21 calendar days after the invoices are issued. Enercare Solutions previously recognized the 0.49% amount to EGD as bad debt expense. Under IFRS 15, such payment is recognized as a reduction of the transaction price. This retrospective adjustment has reduced Enercare Home Services revenue by \$599 and \$2,422 for the three months ended March 31, 2017 and the year ended December 31, 2017, respectively, with a corresponding decrease to selling, general and administrative expenses. This change does not impact net earnings or EBITDA.

## *Financial Instruments*

- b) The final version of IFRS 9 was issued by the IASB in July 2014 and replaced 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 loans and receivables measured at amortized cost, 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. Enercare Solutions has retrospectively adopted IFRS 9 effective January 1, 2018. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated and any difference between previous carrying



amounts and those determined under IFRS 9 at the date of initial application has been included in opening deficit as at January 1, 2018.

In applying IFRS 9, certain receivables, in particular, those issued at a discount to the contractual par amount, do not consist solely of payments of principal and interest due to prepayment features and are measured at fair value through profit or loss. However, the remaining receivables are measured at amortized cost. Enercare Solutions has recorded an allowance based on the estimated future reduction in interest income resulting from anticipated principal prepayments of certain financing receivables. This prepayment allowance is estimated at the inception of each loan based on prepayment factors associated with the financing arrangement.

Enercare Solutions has adopted the general impairment model for financing receivables, recognizing twelve months of expected credit losses on those receivables without significant increases in credit risk and lifetime expected credit losses for those receivables that have significant increases in credit risk.

Adoption of the impairment model has resulted in a reduction to financing loan receivables of \$564 and a corresponding increase to deficit as at January 1, 2018.

The adoption of IFRS 9 does not have any material impact on the classification of financial liabilities or cash flows in the interim 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 has adopted IFRS 7 effective January 1, 2018 and added disclosure on the components of the fair value movement for items classified as fair value through profit or loss, as well as quantitative and qualitative disclosure on risk exposure and risk management strategies (see note 15).

#### *Share-based Payments*

IFRS 2, "Share-based payments" ("IFRS 2"), has been amended by the IASB to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. Enercare Solutions has assessed the impact of adopting this amendment on the interim financial statements and concluded that no adjustments to the current measurement of share-based payment transactions are required on the adoption of the amendment. Accordingly, there is no impact to the interim financial statements on application of the amendment.

#### *Revised Significant Accounting Policies*

The following significant accounting policies have been revised as of January 1, 2018 due to the adoption of the standards noted above.

#### *Financial Instruments*

Financial assets and liabilities are recognized when Enercare Solutions becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Enercare Solutions has transferred control. Financial liabilities are derecognized when the obligation is eliminated or Enercare

Solutions is no longer required to transfer economic resources to a third party in respect of the obligation.

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

Enercare Solutions classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

- (i) Financial assets and financial liabilities at fair value through profit or loss (“FVTPL”): A financial asset or liability is classified in this category if it is held within a business model whose objective is to sell or repurchase in the short-term and cash flows arising from the contractual terms are not solely payments of principal and interest on the principal outstanding. Enercare Solutions’ financial assets and financial liabilities recorded at fair value through profit or loss are mainly comprised of certain financing receivables.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of income. Due to prepayment features associated with financing receivables, the timing of estimated cash flows may be in advance of dates specified in the contractual terms. As a result, Enercare Solutions records an allowance based on the estimated future reduction in interest income resulting from anticipated principal prepayments of certain financing receivables. A prepayment allowance is estimated at the inception of each loan based on prepayment factors associated with the financing arrangement. Prepayment factors are expressed as percentages of the monthly payment amount by loan vintage which were determined based on customer behaviour. Gains and losses arising from changes in the market interest rates and credit risks are presented in the consolidated statements of income within financing income in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months after the date of the consolidated statements of financial position, which are classified as non-current.

- (ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Enercare Solutions’ loans and receivables are comprised primarily of accounts receivables and cash and cash equivalents and are included in current assets due to their short-term nature. These also include some financing receivables that meet the business model and cash flow tests, which are included in current and long-term assets depending on their expected maturity. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value plus transaction costs that are directly attributable to their acquisition or issuance. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a loss allowance.
- (iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, provisions, interest payable, deferred revenue, obligations under finance leases and long-term debt. Amounts are initially recognized at the amount required to be paid less, when material, a discount to reduce the amount to fair value. Subsequently, amounts are recognized at amortized cost using the effective interest rate method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

- (iv) Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.
- (v) A portion of the 2016 Term Loan (see note 10 and 15) is designated as a hedge with respect to the foreign currency exposure as a result of Enercare Solutions' net investment in its U.S. operations. The 2016 Term Loan is carried at amortized cost, however the foreign exchange translation adjustment related to the portion designated as a hedge is recorded in other comprehensive income along with the cumulative translation adjustment associated with the hedged item.

#### *Impairment of Financial Assets*

Enercare Solutions recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, which includes certain financing receivables. Enercare Solutions adopted the general impairment model for financing receivables, recognizing twelve months of expected credit losses on those receivables without significant increases in credit risk and lifetime expected credit losses for those receivables that have significant increases in credit risk. For trade receivables, Enercare Solutions measures the loss allowance at an amount equal to the lifetime expected credit losses.

Loss allowances for financing receivables and receivables are deducted from the gross carrying amount of the assets.

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

#### *Accounts Receivable*

Accounts receivable are carried at original invoice amount less any loss allowance. Loss allowances are recorded using the simplified expected credit loss model and subsequently adjusted as credit risk changes. Enercare Solutions also takes into account evidence of non-payment risk, which may include account aging, previous experience and general economic conditions. When a receivable amount is determined to be uncollectable, it is written off against any loss allowance first and then to the consolidated statements of income.

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

#### *Relationship with Franchisees*

In certain regions of Ontario, Enercare Solutions outsources the sale of air conditioners, boilers, furnaces and other services and protection plans to seven third party franchisees and earns royalties based on the revenue earned by the franchisees. As part of the arrangement, which expires in 2034, Enercare Solutions facilitates the invoicing and collection of receivable balances from the franchisees' customers and remits the franchisees' portion of the collected amounts. Enercare Solutions earns royalty revenue under these arrangements, which are recognized based on a contracted percentage of franchisee revenue.

Enercare Solutions also manages an advertising fund, established to collect and administer funds contributed by the franchisees for use in advertising programs. Contributions to the advertising fund are based on a percentage of each franchisee's revenue. In accordance with IFRS 15, Enercare Solutions has determined that it acts as principal in providing advertising services to its franchisees and as a result, the contributions collected in respect of the advertising fund are recorded on a gross basis.

## *Revenue*

### *General*

Revenue is recognized when Enercare Solutions transfers control over a product or service to its customer. Where contractually required to provide a product or service, control is transferred once Enercare Solutions has satisfied any specified delivery condition and confirms customer acceptance of the product or service provided. Transaction price is measured based on the consideration specified in a contract with a customer, including variable consideration, which may arise from customary business practices, and excludes any amounts collected on behalf of third parties.

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

Enercare Solutions offers certain arrangements where multiple performance obligations may exist. Enercare Solutions accounts for individual products and services separately if they are separately identifiable and distinct from other items in the arrangement and the customer benefits from each product and service. When allocating the transaction price to the performance obligations in these contracts, Enercare Solutions applies the relative stand-alone selling price method, which allocates revenue between the performance obligations based on their relative fair values. The fair values of performance obligations are determined based on the current market price of each of the obligations when sold separately. For items that are not sold separately, Enercare Solutions estimates the stand-alone selling prices using the adjusted market assessment approach. Any discounts that may be applied to the arrangement are not allocated to services and products that are not normally discounted.

Enercare Solutions assesses revenue recognition for principal versus agent considerations for its Enercare Home Services franchisee revenue. Revenue earned as principal is recognized on a gross basis, whereas revenue earned as an agent is recognized on a net basis.

### *Contract Revenue*

#### *Rental Income*

Rental income is primarily comprised of the rental of water heaters, furnaces, boilers and air conditioners and is recognized on a monthly basis, consistent with the terms of the rental agreements. These rental agreements are classified as leases.

#### *Protection Plans*

Within this product offering, Enercare Solutions provides both maintenance service contracts and full service protection plans. Under maintenance service contracts, Enercare Solutions is obligated to perform one annual maintenance service on the customer's equipment when requested by the customer. Maintenance service revenue is recognized when the service is performed, or when the performance period has expired. Transaction price is measured based on the consideration specified in a contract with a customer, including discounts and other forms of variable consideration where applicable, and excludes amounts collected on behalf of third parties.

Full service protection plans consist of fixed-fee service contracts for residential air conditioners and furnaces directly with the end customer. These fixed-fee service contracts

are for a twelve month term and are billed annually, quarterly or monthly in advance. Amounts billed are initially recorded as deferred revenue and recognized as revenue on a straight-line basis over the term of the service period. For protection plan sales originated by franchisees, Enercare Solutions recognizes royalty revenue based on a percentage of franchisee revenue reported to Enercare Solutions.

In the event that the estimated future costs of full service protection plan contracts exceed the associated revenue to be recognized, a loss is recognized in net income immediately.

### *Sales and Other Services*

#### *Sale and Installation of Equipment*

Sale and installation of equipment in Enercare Home Services is primarily comprised of residential furnaces, boilers and air conditioners through both the corporate and franchised regions. Service Experts sales and installations of equipment are primarily comprised of residential and commercial furnaces and air conditioners. Revenue is recognized in both segments as the installation service is provided.

#### *Other Services*

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

### *Deferred Costs*

Enercare Solutions recognizes the incremental acquisition costs of obtaining a customer contract as an asset since these costs would not have been incurred if the contract had not been obtained and these costs are recovered through the consideration collected from the contract. Commissions and incentives paid for protection plan contracts are capitalized and amortized over the term of the contract. When the term of the contract is one year or less, the incremental costs incurred to obtain the customer contracts are expensed when incurred.

### *Interest Expense and Financing Charges*

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

### *Accounting Standards Issued But Not Yet Applied*

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

#### *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.

### *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 the 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.

#### *Revenue Accruals*

At March 31, 2018, Enercare Home Services recorded a revenue accrual of approximately \$43,800 reflecting accrued service periods, compared to \$43,900 at March 31, 2017. Unbilled protection plans comprise approximately \$26,600 of this balance, compared to \$27,300 at March 31, 2017. 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 revenue reflects accrued service revenue for rental water heaters and other products.

At March 31, 2018, Service Experts recorded a revenue accrual of approximately \$11,100 primarily reflecting accrued revenue for contracts in progress, compared to \$2,700 at March 31, 2017.

#### *Loss Allowances and Expected Credit Loss Allowance*

Enercare Home Services is exposed to credit risk in the normal course of business for customers who are billed directly by EGD within its service territory and for customers who are billed by EGD outside of its service territory or billed by Enercare Home Services. For billing within the EGD service territory, Enercare Solutions is guaranteed payment by EGD for 99.51%, in both 2018 and 2017, of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued. The guaranteed amount is recorded in revenue on a net basis.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. Enercare Solutions uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on past history, market conditions and other factors. The loss allowance for Enercare Home Services and Service Experts was approximately \$7,800 as at March 31, 2018, compared to approximately \$7,200 as at December 31, 2017. The expected credit loss for financing receivables was approximately \$200 as at March 31, 2018. Changes in any of the variables or assumptions may result in a materially different amount.

#### 4. Accounts and Other Receivables

	March 31, 2018	December 31, 2017
Billed accounts receivable	\$ 83,306	\$ 83,850
Unbilled accounts receivable	54,870	48,709
Current taxes receivable	3,973	5,598
Loss allowance	(7,800)	(7,272)
Accounts and other receivables (net of loss allowance)	<b>\$134,349</b>	\$130,885
Loss allowance:		
Opening balance	\$ 7,272	\$ 5,049
Charge for the period	528	2,223
Loss allowance, ending balance	<b>\$ 7,800</b>	\$ 7,272

Unbilled accounts receivable of \$26,589 (2017 - \$26,948), 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.

#### 5. 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 three months ended March 31, 2018 and year ended December 31, 2017:

	March 31, 2018			December 31, 2017		
	Amortized Cost	FVTPL	Total	Amortized Cost	FVTPL	Total
Balance as at January 1	\$ 6,512	\$ 3,705	\$ 10,217	\$ 2,118	\$ 758	\$ 2,876
Financing receivables added in the period	710	917	1,627	5,833	3,948	9,781
Repayments	(228)	(91)	(319)	(497)	(363)	(860)
Principal prepayments	(299)	(723)	(1,022)	(1,375)	(878)	(2,253)
Interest income	174	104	278	439	234	673
Fair value adjustments						
Changes in market interest rate	-	(23)	(23)	-	-	-
Prepayment adjustment	4	(108)	(104)	-	-	-
Balance, end of period	<b>\$ 6,873</b>	<b>\$ 3,781</b>	<b>\$ 10,654</b>	\$ 6,518	\$ 3,699	\$ 10,217
Expected credit loss allowance						
Opening balance	\$ 143	\$ 23	\$ 166	\$ -	\$ -	\$ -
Allowance added in the period	13	3	16	-	-	-
Charge for the period	19	(4)	15	-	-	-
Write-offs for the period	-	-	-	-	-	-
Allowance, ending balance	<b>\$ 175</b>	<b>\$ 22</b>	<b>\$ 197</b>	\$ -	\$ -	\$ -
Prepayment allowance						
Opening balance	\$ (68)	\$ 465	\$ 397	\$ -	\$ -	\$ -
Allowance added in the period	(18)	100	82	-	-	-
Charge for the period	7	(95)	(88)	-	-	-
Write-offs for the period	-	-	-	-	-	-
Allowance, ending balance	<b>\$ (79)</b>	<b>\$ 470</b>	<b>\$ 391</b>	\$ -	\$ -	\$ -
Total Financing Receivable	<b>\$ 6,777</b>	<b>\$ 3,289</b>	<b>\$ 10,066</b>	\$ 6,518	\$ 3,699	\$ 10,217

## 6. Capital Assets

	Rental Equipment	Vehicles	Buildings	Land	Other	Total
<b>At December 31, 2016:</b>						
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)
<b>Net book value</b>	<b>\$ 525,346</b>	<b>\$30,341</b>	<b>\$ 3,240</b>	<b>\$ 2,645</b>	<b>\$ 15,870</b>	<b>\$ 577,442</b>
Additions	\$ 127,679	\$16,055	\$ 6	\$ -	\$ 3,630	\$ 147,370
Loss on disposal before proceeds	(16,527)	(899)	-	-	(882)	(18,308)
Acquisitions	-	1,248	-	-	477	1,725
Transfers of work in progress to intangibles	-	-	-	-	(4,403)	(4,403)
Foreign exchange	75	(1,573)	(203)	(174)	(395)	(2,270)
Depreciation for the year	(54,628)	(9,578)	(258)	-	(4,519)	(68,983)
Reclassification to assets held for sale (note 24)	-	(1,389)	-	-	(18)	(1,407)
At December 31, 2017	\$ 581,945	\$34,205	\$ 2,785	\$ 2,471	\$ 9,760	\$ 631,166
<b>At December 31, 2017:</b>						
Cost	\$1,060,914	\$50,657	\$ 3,192	\$ 2,471	\$ 19,728	\$1,136,962
Accumulated depreciation	(478,969)	(16,452)	(407)	-	(9,968)	(505,796)
<b>Net book value</b>	<b>\$ 581,945</b>	<b>\$34,205</b>	<b>\$ 2,785</b>	<b>\$ 2,471</b>	<b>\$ 9,760</b>	<b>\$ 631,166</b>
Additions	\$ 34,670	\$ 1,779	\$ -	\$ -	\$ 561	\$ 37,010
Loss on disposal before proceeds	(4,209)	(204)	-	-	-	(4,413)
Acquisitions (note 23)	-	1,479	-	-	418	1,897
Disposition of foundation services (note 23)	-	(360)	-	-	(288)	(648)
Foreign exchange	69	755	77	69	112	1,082
Depreciation for the period	(13,740)	(2,270)	(63)	-	(1,138)	(17,211)
Adjustments to assets held for sale (note 24)	-	12	-	-	1	13
At March 31, 2018	\$ 598,735	\$35,396	\$ 2,799	\$ 2,540	\$ 9,426	\$648,896
<b>At March 31, 2018:</b>						
Cost	\$1,083,376	\$ 54,161	\$ 3,281	\$ 2,540	\$ 20,571	\$1,163,929
Accumulated depreciation	(484,641)	(18,765)	(482)	-	(11,145)	(515,033)
<b>Net book value</b>	<b>\$ 598,735</b>	<b>\$ 35,396</b>	<b>\$ 2,799</b>	<b>\$ 2,540</b>	<b>\$ 9,426</b>	<b>\$ 648,896</b>

During the three months ended March 31, 2018, the non-cash portion of additions increased in the amount of \$425 (2017 - \$424 increase) for rental equipment. Included within the additions is \$1,779 (2017 - \$1,770) related to the purchases of vehicles under finance lease, which has also increased the respective obligations under finance leases by \$1,779 (2017 - \$1,533). Repayment of obligations under finance leases of \$2,395 (2017 - \$1,793) for the three months ended March 31, 2018 has been included within the statements of cash flows.



## 7. Intangible Assets

	Customer Relationships	Brands	Software	Other	Total
<b>At December 31, 2016:</b>					
Cost	\$1,313,650	\$ 76,176	\$ -	\$ -	\$ 1,389,826
Accumulated depreciation	(697,787)	-	-	-	(697,787)
<b>Net book value</b>	<b>\$ 615,863</b>	<b>\$ 76,176</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 692,039</b>
Acquisitions	\$ 3,642	\$ 9,527	\$ -	\$ 77	\$ 13,246
Additions	-	-	2,909	-	2,909
Transfers of software from capital assets	-	-	4,403	-	4,403
Disposals for the year	-	-	(5,165)	-	(5,165)
Foreign exchange	(9,078)	(4,554)	28	(2)	(13,606)
Amortization for the year	(77,641)	-	(141)	-	(77,782)
Reclassification to assets held for sale (note 24)	(3,939)	(2,215)	-	-	(6,154)
At December 31, 2017	\$ 528,847	\$ 78,934	\$2,034	\$ 75	\$ 609,890
<b>At December 31, 2017:</b>					
Cost	\$1,303,023	\$ 78,934	\$2,175	\$ 75	\$1,384,207
Accumulated depreciation	(774,176)	-	(141)	-	(774,317)
<b>Net book value</b>	<b>\$ 528,847</b>	<b>\$ 78,934</b>	<b>\$2,034</b>	<b>\$ 75</b>	<b>\$ 609,890</b>
Acquisitions (note 23)	\$ 3,835	\$ 7,276	\$ -	\$ -	\$ 11,111
Disposition of foundation services (note 23)	(245)	(1,426)	-	-	(1,671)
Additions	-	-	34	-	34
Foreign exchange	3,537	2,087	6	2	5,632
Amortization for the period	(19,411)	-	(181)	-	(19,592)
At March 31, 2018	\$ 516,563	\$ 86,871	\$1,893	\$ 77	\$ 605,404
<b>At March 31, 2018:</b>					
Cost	\$ 1,310,625	\$ 86,871	\$ 2,215	77	1,399,788
Accumulated depreciation	(794,062)	-	(322)	-	(794,384)
<b>Net book value</b>	<b>\$ 516,563</b>	<b>\$ 86,871</b>	<b>\$ 1,893</b>	<b>\$ 77</b>	<b>\$605,404</b>

## 8. Goodwill

The following table provides details by reporting segment regarding the changes in the carrying amounts of goodwill for the three months ended March 31, 2018 and year ended December 31, 2017.

	Enercare Home Services	Service Experts	Total
<b>Opening balance January 1, 2017</b>	<b>\$ 142,666</b>	<b>\$ 235,471</b>	<b>\$ 378,137</b>
Acquisition – Church Services	\$ -	\$ 849	\$ 849
Acquisition – Hammond	-	2,965	2,965
Acquisition – Aramendia	-	18,368	18,368
Foreign exchange	-	(12,958)	(12,958)
Reclassification to assets held for sale (note 24)	-	(9,131)	(9,131)
<b>At December 31, 2017</b>	<b>\$ 142,666</b>	<b>\$ 235,564</b>	<b>\$ 378,230</b>
Acquisition – CS Newco, LLC and Finch Newco, LLC (note 23)	\$ -	\$ 11,204	\$ 11,204
Acquisition – Midway Services, LLC and MSICORP, LLC (note 23)	-	6,224	6,224
Disposition of foundation services (note 23)	-	(2,496)	(2,496)
Foreign exchange	-	6,280	6,280
<b>At March 31, 2018</b>	<b>\$ 142,666</b>	<b>\$ 256,776</b>	<b>\$ 399,442</b>

## 9. 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 Enercare Home Services 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 Service Experts during the period bear fixed interest rates of 0.97% to 2.44%, at floating interest rates that are 2.5% above the three month banker's acceptance rate or 0.75% above the three month LIBOR rate per annum. The finance leases mature at dates ranging between April 2018 and February 2025. During the three months ended March 31, 2018, Enercare Solutions recognized \$162 (2017 - \$166) of interest expense related to the obligations under finance leases.

	March 31, 2018	December 31, 2017
Obligations under finance leases	\$ 29,729	\$ 30,786
Less: current portion	(9,401)	(8,970)
Reclassification to liabilities held for sale (note 24)	-	(1,362)
	<b>\$ 20,328</b>	<b>\$ 20,454</b>

Future minimum lease payments under finance leases are as follows:

As at March 31,	Principal	Interest	Lease Payments
Due in 2018	\$ 7,097	\$ 545	\$ 7,642
Due in 2019	8,804	484	9,288
Due in 2020	7,424	271	7,695
Due in 2021	4,710	114	4,824
Due in 2022	1,546	23	1,569
Thereafter	148	2	150
	<b>\$ 29,729</b>	<b>\$ 1,439</b>	<b>\$ 31,168</b>

## 10. Debt

*Current and long term debt:*

As at December 31, 2016		Cash flows		Non-cash changes			As at December 31, 2017	
Current	Non-current	Net Draws/ (Repayments)	Deferred Financing Costs on New Debt	Foreign Exchange	Transfer to Current Portion	Amortization of Financing Costs	Current	Non-current
2012 Notes	\$250,000	\$ -	\$ (250,000)	\$ -	\$ -	\$ -	\$ -	\$ -
2013 Notes	-	225,000	-	-	-	-	-	225,000
2017 Notes	-	-	500,000	-	-	-	-	500,000
2014 Term Loan	-	210,000	(210,000)	-	-	-	-	-
2016 Term Loan	-	268,540	-	(17,640)	-	-	-	250,900
2014 Revolver	-	15,000	40,000	-	-	-	-	55,000
Financing fees	-	(2,266)	-	-	-	1,696	-	(3,451)
<b>Total</b>	<b>\$250,000</b>	<b>\$ 716,274</b>	<b>\$ 80,000</b>	<b>\$ (2,881)</b>	<b>\$ (17,640)</b>	<b>\$ -</b>	<b>\$ 1,696</b>	<b>\$ - \$1,027,449</b>

As at December 31, 2017		Cash flows		Non-cash changes			As at March 31, 2018	
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
2013 Notes	\$ -	\$ 225,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,000
2017 Notes	-	500,000	-	-	-	-	-	500,000
2016 Term Loan	-	250,900	-	6,980	-	-	-	257,880
2014 Revolver	-	55,000	35,000	-	-	-	-	90,000
Financing fees	-	(3,451)	-	-	-	237	-	(3,214)
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,027,449</b>	<b>\$ 35,000</b>	<b>\$ -</b>	<b>\$ 6,980</b>	<b>\$ -</b>	<b>\$ 237</b>	<b>\$ -</b>

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. 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. Deferred financing costs of \$2,881 were incurred in relation to the issuance of the 2017-1 Notes and 2017-2 Notes.

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 3.11% as at March 31, 2018.

Enercare Solutions has a \$200,000, five-year revolving, non-amortizing variable rate credit facility (the “2014 Revolver”), which has a standby fee of 0.25%. At March 31, 2018, a total of \$90,000 was drawn bearing interest at a variable rate based upon the banker’s acceptance rate plus 1.25%, which was 2.85% at March 31, 2018.

The 2013 Notes, 2014 Revolver, 2016 Term Loan and 2017 Notes 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 these covenants as at March 31, 2018.

## **Interest Expense:**

	For the three months March 31,	
	2018	2017
Interest expense payable in cash	\$ 9,838	\$ 9,656
Interest on subordinated debt	875	875
Interest on promissory notes	6,768	6,972
Make whole payment on early repayment of senior debt	-	5,049
Non-cash items:		
Notional interest on employee benefit plans	238	226
Amortization of financing costs	237	923
Interest expense	\$ 17,956	\$ 23,701

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 2017 resulted in \$5,049 of one-time interest expense.

### **11. Long Term Subordinated Promissory Notes**

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. A portion of the notes has been classified as current as Enercare Solutions intends to repay \$22,500 in the near term. During the first quarter of 2018, \$9,598 of the Subordinated Promissory Notes were repaid.

### **12. Subordinated Debt**

Enercare Solutions invested \$250,000 in preferred shares of Stratacon Inc. ("Stratacon"), a subsidiary of Enercare. Stratacon, now Enercare Connections Inc., 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"). Both the preferred shares and the Subordinated Debt have been classified as short term due to their underlying features. At March 31, 2018, \$50,000 of the preferred shares and Subordinated Debt are outstanding.

### **13. Share Capital**

	March 31, 2018		December 31, 2017	
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 March 31, 2018 there were 1,169 shares issued and outstanding.

### **14. 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 interim financial statements.

### **15. 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, accounts receivable and financing receivables. The majority of Enercare Home Services' contracted revenue is 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 revenue or receivables.

For accounts receivable and financing receivables as at March 31, 2018, loss allowances for all amounts at risk of collection and impairment have 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. The carrying amount of financial assets represent the maximum credit exposure.

The following table summarizes the credit quality of trade and financing receivables that were neither past due nor impaired and the aging of the trade and financing receivables that were past due but not impaired as at March 31, 2018:

	Trade Receivables		% loss rate	Financing Receivables	
	Gross carrying amount	Loss allowance		Gross carrying amount	Loss allowance
Current	\$ 56,634	\$ 179	0.5%	\$ 6,128	\$ 30
Past due 1-30	7,343	501	1.5%	3,890	58
Past due 31-60	3,426	1,036	7.0%	70	5
Past due 61-90	1,804	226	20.0%	20	4
Past due 90+	2,745	1,525	40%-70%	155	100
<b>Total receivables</b>	<b>\$ 71,952</b>	<b>\$ 3,467</b>		<b>\$10,263</b>	<b>\$ 197</b>

Enercare Solutions uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposure in different segments based on credit risk characteristics such as billing type.

Enercare Solutions determines the loss rates for financing receivables based on an Equifax score distribution of customers and the aging of the receivable.

## **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 March 31, 2018.

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. Enercare Solutions was in compliance with these covenants at March 31, 2018.

## **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 as at March 31, 2018 and December 31, 2017. The estimated fair values of the financial instruments are at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 16,909	\$ 16,909	\$ 30,939	\$ 30,939
Accounts and other receivables	134,349	134,349	130,885	130,885
Financing receivables	10,066	9,862	10,217	10,217
Collateral deposits	7,681	7,681	7,772	7,772
Investment in preferred shares	50,000	50,000	50,000	50,000
Assets held for sale	-	-	17,168	19,056
<b>Total financial assets</b>	<b>\$ 219,005</b>	<b>\$ 218,801</b>	<b>\$ 246,981</b>	<b>\$ 248,869</b>
Financial liabilities measured at amortized cost:				
Senior borrowings	\$ 725,000	\$ 736,468	\$ 725,000	\$ 739,948
Revolving credit facility	90,000	90,000	55,000	55,000
Term Loans	257,880	257,880	250,900	250,900
Long term subordinated promissory notes	688,088	688,088	697,686	697,686
Subordinated debt	50,000	50,000	50,000	50,000
Obligations under finance lease	29,729	29,729	29,424	29,424
Liabilities held for sale	-	-	5,634	5,634
<b>Total borrowings</b>	<b>\$1,840,697</b>	<b>\$1,852,165</b>	<b>\$1,813,644</b>	<b>\$1,828,592</b>
Other obligations and payables	172,840	172,840	305,129	305,129
<b>Total financial liabilities</b>	<b>\$2,013,537</b>	<b>\$2,025,005</b>	<b>\$2,118,773</b>	<b>\$2,133,721</b>

The fair values of the accounts receivable, financing receivables and other obligations and payables are classified as Level 3. 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.

Encercare Solutions' Level 3 financial instruments measured at fair value in the consolidated statements of financial position after initial recognition consist of certain of its financing receivables. These financing receivables are valued using a market approach based on current interest rates. The significant unobservable input used in the fair value measurement is the principal amount of the receivables being financed and subject to prepayment options. Significant increases or decreases in these amounts could result in a significantly higher or lower fair value measurement. The unrealized fair value impact from these receivables resulted in a reduction of financing income of \$23 for the three months ended March 31, 2018 (see note 5).

Encercare 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 \$4,281 impact on earnings. Encercare Solutions is also subject to interest rate risk on its cash on hand where a 0.5% change in interest rates will have an approximately \$85 impact on earnings.

Encercare 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. Encercare Solutions has subsidiaries that have a functional currency of US dollars. Encercare Solutions' foreign currency risk management objective is to mitigate the impact of foreign currency rate fluctuations on total equity. Encercare 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.

Encercare Solutions designates USD \$100,000 drawn under the 2016 Term Loan as a hedge of the foreign currency exposure of its net investment in Encercare 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.

## 16. 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 three months ended March 31, 2018.

Enercare Solutions was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and the 2017 Notes as at March 31, 2018.

## 17. Revenue

The following table summarizes disaggregated revenue by major products and service lines. The table also includes a reconciliation of the disaggregated revenue with Enercare Solutions' reportable segments:

For the three months ended,	March 31, 2018				March 31, 2017 <sup>(i)</sup>			
	Enercare Home Services	Service Experts	Corporate	Total	Enercare Home Services	Service Experts	Corporate	Total
Rental income	\$87,319	\$ 440	\$ -	\$ 87,759	\$ 82,190	\$ 60	\$ -	\$ 82,250
Protection plan servicing	16,920	1,332	-	18,252	17,050	1,104	-	18,154
Protection plan maintenance	5,287	11,892	-	17,179	5,249	10,213	-	15,462
Contracted revenue	\$109,526	\$ 13,664	\$ -	\$123,190	\$104,489	\$ 11,377	\$ -	\$115,866
Sales and other services	7,244	137,745	-	144,989	6,837	116,377	-	123,214
Dividend income	-	-	863	863	-	-	862	862
Financing income	188	-	-	188	102	-	-	102
Other investment income	97	23	-	120	147	10	-	157
<b>Total</b>	<b>\$117,055</b>	<b>\$151,432</b>	<b>\$ 863</b>	<b>\$269,350</b>	<b>\$ 111,575</b>	<b>\$127,764</b>	<b>\$ 862</b>	<b>\$240,201</b>

(i) Restated for the implementation of IFRS 15 (see note 3).

Revenue is recognized over time for all classes of revenue noted above, except for protection plan maintenance and sales and other services, which are recognized at the point in time when the sale or service is completed, as well as dividend income, which is earned once declared.



## 18. Cost of Goods Sold and Services Provided

	For the three months ended March 31,	
	2018	2017
Labour and benefits	\$ 74,988	\$ 56,891
Parts	42,434	41,370
Other	10,728	9,968
Total	\$ 128,150	\$ 108,229

## 19. Selling, General and Administrative

	For the three months ended March 31,	
	2018	2017 <sup>(i)</sup>
Employee wages and benefits	\$ 40,688	\$37,296
Employee long-term compensation	654	2,098
Professional fees	2,280	1,537
Selling, office and other	24,329	22,078
Billing and servicing	7,019	7,560
Claims and loss allowance	2,222	2,433
Charges from Enercare	6,334	3,105
Total	\$ 83,526	\$76,107

(i) Restated for the implementation of IFRS 15 (see note 3).

## 20. Changes in Working Capital

	For the three months ended March 31,	
	2018	2017
Accounts receivable	\$ (7,071)	\$ (3,404)
Inventory	(984)	(589)
Collateral deposits	301	21
Prepaid expenses	3,985	(333)
Accounts payable and accrued liabilities	(8,290)	(44,779)
Insurance claim provisions	1,074	289
Other provisions	(48)	(11)
Interest payable	(7,012)	(1,269)
Related party payable	5,385	4,252
Deferred revenue and service obligation	1,707	1,551
Total	\$ (10,953)	\$ (44,272)

## 21. Related Party Transactions

### **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, a portion of which 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:

	For the three months ended March 31,	
	2018	2017
Salaries and short-term benefits	\$ 1,878	\$ 2,231
Other employment benefits	74	74
Long term benefits	1,187	961
Total	\$ 3,139	\$ 3,266

### **Related Party Payable**

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.

	<b>March 31, 2018</b>	December 31, 2017
Related party payable	<b>\$ 4,352</b>	\$ 3,476

## **22. Segment Information**

Management has determined the operating segments based on the reports reviewed by the 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, and the Chief Human Resource 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 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 EBITDA as follows:

Segment Information	For the three months ended March 31, 2018				For the three months ended March 31, 2017 <sup>(i)</sup>			
	Enercare Home Services	Service Experts	Corporate	Total	Enercare Home Services	Service Experts	Corporate	Total
Revenue:								
Contracted revenue	\$ 109,526	\$ 13,664	\$ -	\$ 123,190	\$ 104,489	\$ 11,377	\$ -	\$ 115,866
Sales and other services	7,244	137,745	-	144,989	6,837	116,377	-	123,214
Dividend income	-	-	863	863	-	-	862	862
Investment Income	285	23	-	308	249	10	-	259
<b>Total revenue</b>	<b>\$ 117,055</b>	<b>\$151,432</b>	<b>\$ 863</b>	<b>\$ 269,350</b>	<b>\$ 111,575</b>	<b>\$ 127,764</b>	<b>\$ 862</b>	<b>\$ 240,201</b>
Expenses:								
Cost of goods & services:								
Maintenance and servicing costs	\$ (17,829)	\$ (10,698)	\$ -	\$ (28,527)	\$ (16,264)	\$ (9,089)	\$ -	\$ (25,353)
Sales and other services	(6,404)	(93,219)	-	(99,623)	(5,551)	(77,325)	-	(82,876)
SG&A	(26,330)	(50,862)	(6,334)	(83,526)	(28,077)	(44,925)	(3,105)	(76,107)
Foreign exchange	554	(17)	-	537	(78)	3	-	(75)
Net (loss)/gain on disposal	(1,110)	(111)	-	(1,221)	(1,863)	16	-	(1,847)
EBITDA (excluding intercompany dividend income) <sup>(ii)</sup>	\$ 65,936	\$ (3,475)	\$ (6,334)	\$ 56,127	59,742	(3,556)	(3,105)	53,081
Amortization	\$ (31,703)	\$ (5,100)	\$ -	\$ (36,803)	(30,880)	(5,150)	-	(36,030)
Interest expense				(17,956)				(23,701)
Current taxes				(6,032)				(4,542)
Deferred tax recovery				5,505				6,090
<b>Net earnings</b>				<b>\$ 1,704</b>				<b>(4,240)</b>
Segment assets	\$1,234,617	\$627,857	\$ 50,000	\$1,912,474	\$1,245,039	\$581,523	\$ 50,000	\$1,876,562
Capital additions	32,809	4,201	-	37,010	31,727	2,850	-	34,577

(i) Restated for the implementation of IFRS 15 (see note 3).

(ii) 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.

## Geographic Information

Geographic Information	For the three months ended March 31,	
Revenue <sup>(ii)</sup>	2018	2017 <sup>(i)</sup>
Canada	\$ 138,666	\$ 132,699
United States	130,684	107,502
	<b>\$ 269,350</b>	<b>\$ 240,201</b>

Segment Assets	March 31, 2018	December 31, 2017 <sup>(i)</sup>
Canada	\$1,379,435	\$1,382,918
United States	533,039	524,901
	<b>\$1,912,474</b>	<b>\$1,907,819</b>

(i) Restated for the implementation of IFRS 15 (see note 3).

(ii) Revenue is based on the country of delivery of the product or service sold.

## 23. Acquisitions

### Acquisition of CS Newco, LLC and Finch Newco, LLC

On January 4, 2018, Service Experts completed the acquisition of certain assets and assumed certain liabilities of CS Newco, LLC and Finch Newco, LLC, which offer residential and commercial HVAC, plumbing and other related services in certain Texas markets. The cash consideration for the acquisition was USD \$15,000 or \$18,794. Service Experts funded a portion of the purchase price through Enercare Solutions drawing \$15,000 on the 2014 Revolver.

The following table summarizes the preliminary allocation of total consideration allocated to the net assets acquired. The allocation of the purchase price is preliminary for certain amounts including certain capital and intangible assets and is therefore subject to change.

	January 4, 2018
Inventory	\$ 601
Prepaid expenses	27
Capital assets (note 6)	1,685
Intangible assets (note 7)	6,817
Goodwill (note 8)	11,204
<b>Total assets acquired</b>	<b>\$ 20,334</b>
Less:	
Accounts payable and accrued liabilities	\$ 380
Deferred revenue and service obligations	752
Obligations under finance lease	408
<b>Total net assets acquired</b>	<b>\$ 18,794</b>
<b>Cash consideration</b>	<b>\$ 18,794</b>

Goodwill is calculated as the difference between the fair value of consideration transferred and the preliminary fair value of the assets acquired and liabilities assumed. The goodwill is primarily attributable to the addition of new customers and the corresponding projected cash flows to be earned. Goodwill is not amortized for accounting, however is deductible for US tax purposes.

CS Newco, LLC and Finch Newco, LLC revenue of \$7,126 and a loss of \$142 are included in the statement of comprehensive income since January 4, 2018.

Enercare Solutions' consolidated revenue and net earnings for the three months ended March 31, 2018 would not have been significantly impacted had the acquisition occurred on January 1, 2018.

On March 29, 2018, Service Experts disposed of the foundation services business of CS Newco, LLC and Finch Newco, LLC for cash consideration of USD \$3,800 or \$5,111. Service Experts recognized a disposal of \$5,458 of net assets, including goodwill of \$2,496, intangibles of \$1,671 and capital assets of \$648, resulting in a loss on disposal of \$331.

### **Acquisition of Midway Services, LLC and MSICORP, LLC**

On March 5, 2018, Service Experts completed the acquisition of certain assets and assumed certain liabilities of Midway Services, LLC and MSICORP, LLC, which provide HVAC, plumbing and electrical, sales and service as well as residential interior kitchen, bath and general remodeling in Tampa, Florida. The cash consideration for the acquisition was USD \$8,000 or \$10,258, subject to post-closing adjustments. Service Experts funded the purchase price through Enercare Solutions drawing \$10,000 on the 2014 Revolver.

The following table summarizes the preliminary allocation of total consideration allocated to the net assets acquired. The allocation of the purchase price included certain working capital adjustments and tax balances and is therefore subject to change.

	March 5, 2018
Accounts and other receivable	\$ 48
Inventory	322
Prepaid expenses	88
Capital assets (note 6)	212
Intangible assets (note 7)	4,294
Goodwill (note 8)	6,224
<b>Total assets acquired</b>	<b>\$ 11,188</b>
Less:	
Accounts payable and accrued liabilities	\$ 371
Deferred revenue and service obligations	559
<b>Total net assets acquired</b>	<b>\$ 10,258</b>
<b>Cash consideration</b>	<b>\$ 10,258</b>

Goodwill is calculated as the difference between the fair value of consideration transferred and the fair value of the assets acquired and liabilities assumed. The goodwill is primarily attributable to the addition of new customers and the corresponding projected cash flows to be earned. Goodwill is not amortized for accounting, however is deductible for US tax purposes.

Midway Services, LLC and MSICORP, LLC revenue of \$862 and earnings of \$72 are included in the statement of comprehensive income since March 5, 2018.

Enercare Solutions' consolidated revenue and net earnings for the three months ended March 31, 2018 would have been higher by approximately \$1,489 and \$153, respectively had the acquisition occurred on January 1, 2018.

#### **24. Disposition of Business Locations**

On January 16, 2018, Service Experts completed the disposal of certain assets and liabilities related to four centers located in Whitby, Scarborough, Brampton and Ottawa, Ontario for cash consideration of approximately \$13,422. The sale of these assets and liabilities was completed to address Enercare Solutions' Ontario market overlap, resulting from the SE Transaction, between the service territory of these Service Experts centers with that of certain Enercare Home Services franchisees. As at December 31, 2017, the assets and liabilities relating to the four centers were classified as "assets held for sale" and "liabilities held for sale", respectively, in the statement of financial position and were derecognized upon disposal on January 16, 2018. The following table summarizes the assets and liabilities that have been reclassified as "assets held for sale" and "liabilities held for sale" as at December 31, 2017 and the assets and liabilities that were subsequently disposed of on January 16, 2018:

	December 31, 2017	Adjustment	January 16, 2018
Inventory	\$ 476	\$ 80	\$ 556
Capital assets (note 6)	1,407	(13)	1,394
Intangible assets (note 7)	6,154	-	6,154
Goodwill (note 8)	9,131	-	9,131
<b>Total assets held for sale</b>	<b>\$17,168</b>	<b>\$ 67</b>	<b>\$ 17,235</b>
Accounts payable and accrued liabilities	\$ 309	\$ (193)	\$ 116
Obligations under financing leases	1,362	(16)	1,346
Deferred revenue and service obligations	2,376	88	2,464
Deferred tax liabilities	1,587	-	1,587
<b>Total liabilities held for sale</b>	<b>\$ 5,634</b>	<b>\$ (121)</b>	<b>\$ 5,513</b>

The proceeds received for the sale of net assets related to these centers were \$13,422, resulting in an adjusted gain on disposal of \$1,700 including the impact on deferred tax liabilities.