Enercare Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2018 and June 30, 2017

Dated August 13, 2018

Enercare Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Cdn $)		(unaudited) June 30, 2018		December 31, 2017 (i)
Assets				
Current assets				
Cash and cash equivalents	**$**	**36,180**	$	31,001
Accounts and other receivables (note 4)		**169,420**		149,273
Financing receivables (note 5)		**1,506**		897
Inventory		**22,493**		16,834
Collateral deposits		**9,592**		7,772
Prepaid expenses and other assets		**18,560**		18,172
Assets held for sale (note 24)		**-**		17,168
	$	**257,751**	$	241,117
Capital assets (note 6)	**$**	**776,919**	$	730,960
Intangible assets (note 7)		**605,842**		623,191
Employee benefit plan assets		**6,702**		3,784
Goodwill (note 8)		**409,371**		383,128
Deferred tax asset		**9,051**		11,407
Long-term financing receivables (note 5)		**10,797**		9,320
Other long-term assets		**3,339**		2,711
	$	**2,079,772**	$	2,005,618
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**177,708**	$	160,331
Current portion of long-term debt (note 10)		**-**		126
Obligations under finance leases (note 9)		**9,978**		8,970
Insurance claim provisions		**11,000**		8,810
Other provisions		**1,053**		1,104
Interest payable		**9,712**		10,463
Deferred revenue and service obligation		**47,094**		40,914
Liabilities held for sale (note 24)		**-**		5,634
	$	**256,545**	$	236,352
Long-term debt (note 10)		**1,075,385**		1,027,530
Long-term obligations under finance leases (note 9)		**21,121**		20,454
Employee benefit plan obligations		**26,194**		25,993
Deferred tax liability		**101,283**		102,279
	$	**1,480,528**	$	1,412,608
Shareholders' equity				
Share capital		**1,206,109**		1,188,987
Treasury shares		**(2,036)**		(1,907)
Contributed surplus		**2,631**		2,051
Accumulated other comprehensive income / (loss)		**4,758**		(5,725)
Deficit		**(612,218)**		(590,396)
	$	**599,244**	$	593,010
	$	**2,079,772**	$	2,005,618

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 Inc.

Condensed Interim Consolidated Statements of Income

(unaudited)	Three months ended June 30,		Six months ended June 30,	
(in thousands of Cdn $, except share and per share amounts)	**2018**	2017[i]	**2018**	2017[i]
Revenue (note 17)				
Contracted revenue	**$ 138,265**	$ 128,453	**$ 270,584**	$ 251,970
Sales and other services	**204,742**	191,155	**351,180**	316,073
Financing income	**483**	379	**796**	640
Total revenue	**$ 343,490**	$ 319,987	**$ 622,560**	$ 568,683
Expenses				
Cost of goods sold and services provided (note 18)				
Maintenance and servicing costs	**$ 32,249**	$ 28,002	**$ 60,776**	$ 53,355
Sales and other services	**134,066**	122,258	**234,496**	206,287
Selling, general & administrative (note 19)	**89,591**	85,911	**182,021**	172,811
Foreign exchange loss	**(613)**	(189)	**(1,180)**	(153)
Net loss on disposal of equipment and other assets	**866**	5,250	**3,561**	7,186
Gain on retirement of finance lease obligations	**(46)**	(113)	**(1,520)**	(192)
	$ 256,113	$ 241,119	**$ 478,154**	$ 439,294
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)	**$ 87,377**	$ 78,868	**$ 144,406**	$ 129,389
Depreciation and amortization				
Capital assets (note 6)	**$ 20,517**	$ 19,856	**$ 40,494**	$ 38,717
Intangible assets (note 7)	**19,910**	19,629	**39,744**	39,167
Interest				
Interest expense (note 10)	**10,608**	9,763	**20,941**	20,558
Make-whole charge on early redemption of debt (note 10)	**-**	-	**-**	5,049
Earnings for the period before income taxes	**$ 36,342**	$ 29,620	**$ 43,227**	$ 25,898
Tax expense				
Current tax expense	**$ 5,599**	$ 6,500	**$ 12,154**	$ 11,915
Deferred income tax expense / (recovery)	**3,970**	2,017	**(554)**	(4,088)
Total tax expense	**$ 9,569**	$ 8,517	**$ 11,600**	$ 7,827
Net earnings for the period	**$ 26,773**	$ 21,103	**$ 31,627**	$ 18,071
Weighted average number of basic shares outstanding	**106,898**	104,821	**106,656**	103,944
Weighted average number of diluted shares outstanding	**107,067**	105,150	**106,861**	104,243
Basic earnings per share (note 12)	**$ 0.25**	$ 0.20	**$ 0.30**	$ 0.17
Diluted earnings per share (note 12)	**$ 0.25**	$ 0.20	**$ 0.30**	$ 0.17

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

Enercare Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(unaudited)	Three months ended June 30,		Six months ended June 30,	
(in thousands of Cdn $)	**2018**	2017 [i]	**2018**	2017[i]
Net earnings for the period	**$ 26,773**	$ 21,103	**$ 31,627**	$ 18,071
Items that will not be reclassified to earnings				
Remeasurements of defined benefit plans	**3,831**	(5,076)	**3,231**	(7,459)
Tax effect of remeasurements of defined benefit plans	**(1,015)**	1,345	**(857)**	1,976
Items that will be reclassified to earnings				
Net investment hedge of US dollar loans (note 15)	**(2,729)**	3,317	**(6,205)**	4,482
Tax effect of net investment hedge of US dollar loans	**91**	-	**553**	-
Foreign currency translation differences from foreign operations	**6,047**	(7,293)	**13,761**	(9,835)
Comprehensive income for the period	**$ 32,998**	$ 13,396	**$ 42,110**	$ 7,235

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

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

Enercare Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)	Three months ended June 30,		Six months ended June 30,	
(in thousands of Cdn $)	**2018**	2017 (i)	**2018**	2017 (i)
Share Capital				
Balance - beginning of period	**$ 1,196,831**	$ 1,161,053	**$ 1,188,987**	$ 1,151,913
Shares issued on debenture conversion (net of issue costs) (note 11)	**-**	1,697	**-**	1,840
Shares issued for Dividend Reinvestment Plan (notes 11, 13)	**8,452**	7,795	**16,296**	15,192
Shares issued upon exercise of share options (note 11)	**826**	2,033	**826**	3,633
Share Capital - end of period	**$ 1,206,109**	$ 1,172,578	**$ 1,206,109**	$ 1,172,578
Treasury Shares				
Balance - beginning of period	**$ (1,942)**	$ (2,046)	**$ (1,907)**	$ (1,785)
Shares repurchased on account of stock purchase plan (note 11)	**(293)**	(254)	**(543)**	(515)
Shares issued on account of stock purchase plan (note 11)	**199**	454	**414**	454
Treasury Shares - end of period	**$ (2,036)**	$ (1,846)	**$ (2,036)**	$ (1,846)
Contributed Surplus				
Balance - beginning of period	**$ 2,370**	$ 2,328	**$ 2,051**	$ 2,056
Shares issued on debenture conversion (net of issue costs) (note 11)	**-**	(3)	**-**	(4)
Employee share options and stock purchase plan:				
Value of services recognized	**512**	309	**1,046**	681
Value of services issued in shares	**(199)**	(454)	**(414)**	(454)
Shares issued upon exercise of share options	**(52)**	(132)	**(52)**	(231)
Contributed Surplus - end of period	**$ 2,631**	$ 2,048	**$ 2,631**	$ 2,048
Accumulated Other Comprehensive Income / (Loss)				
Balance - beginning of period	**$ (1,467)**	$ 5,489	**$ (5,725)**	$ 8,618
Remeasurements of defined benefit plans	**3,831**	(5,076)	**3,231**	(7,459)
Net investment hedge of US dollar loans (note 15)	**(2,729)**	3,317	**(6,205)**	4,482
Foreign currency translation differences from foreign operations	**6,047**	(7,293)	**13,761**	(9,835)
Tax effect of net investment hedge of US dollar loans	**91**	-	**553**	-
Tax effect of remeasurements of defined benefit plans	**(1,015)**	1,345	**(857)**	1,976
Accumulated Other Comprehensive Income / (Loss) - end of period	**$ 4,758**	$ (2,218)	**$ 4,758**	$ (2,218)
Deficit				
Balance - beginning of period	**$ (611,888)**	$ (571,800)	**$ (590,396)**	$ (544,338)
Change in accounting policy (note 3)	**-**	-	**(415)**	-
Balance - beginning of period - restated	**(611,888)**	(571,800)	**$ (590,811)**	$ (544,338)
Net earnings for the period	**26,773**	21,103	**31,627**	18,071
Dividends (note 13)	**(27,103)**	(25,561)	**(53,034)**	(49,991)
Deficit - end of period	**$ (612,218)**	$ (576,258)	**$ (612,218)**	$ (576,258)
Shareholders' equity - end of period	**$ 599,244**	$ 594,304	**$ 599,244**	$ 594,304

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

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

Enercare Inc.

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)	Three months ended June 30,				Six months ended June 30,			
(in thousands of Cdn $)		**2018**		2017 (i)		**2018**		2017 (i)
Cash provided by/(used in):								
Operating activities								
Net earnings for the period	**$**	**26,773**	$	21,103	**$**	**31,627**	$	18,071
Items not affecting cash								
Depreciation and amortization								
Capital assets (note 6)		**20,517**		19,856		**40,494**		38,717
Intangible assets (note 7)		**19,910**		19,629		**39,744**		39,167
Net loss on disposal of equipment and other assets		**866**		5,250		**3,561**		7,186
Gain on retirement of finance lease obligations		**(46)**		(113)		**(1,520)**		(192)
Non-cash foreign exchange expense		**(670)**		86		**(1,594)**		116
Non-cash interest expense		**477**		489		**952**		1,644
Non-cash interest income		**(53)**		(96)		**(107)**		(173)
Defined benefit plan expense		**1,239**		970		**2,470**		2,179
Employee share options and stock purchase plan		**512**		309		**1,046**		681
Deferred income tax expense / (recovery)		**3,970**		2,017		**(554)**		(4,088)
Deferred customer inducements		**(478)**		(174)		**(729)**		(314)
Financing receivables		**(2,237)**		(1,698)		**(2,650)**		(3,419)
Contributions to defined benefit pension plan		**(1,249)**		(430)		**(2,325)**		(1,075)
	$	**69,531**	$	67,198	**$**	**110,415**	$	98,500
Net change in non-cash working capital (note 20)		**14,272**		25,629		**(5,798)**		(20,789)
Cash provided by operating activities	**$**	**83,803**	$	92,827	**$**	**104,617**	$	77,711
Investing activities								
Purchase of capital assets (note 6)	**$**	**(48,263)**	$	(45,710)	**$**	**(87,365)**	$	(83,689)
Purchase of intangible assets (note 7)		**(1,938)**		(2,866)		**(2,902)**		(5,009)
Acquisitions (note 23)		**-**		(5,300)		**(29,052)**		(6,444)
Proceeds from disposal of business centers (notes 23, 24)		**-**		-		**18,533**		-
Proceeds from disposal of vehicle leases		**136**		540		**288**		837
Proceeds from disposal of equipment - warranty recoveries		**654**		935		**1,284**		1,408
Proceeds from disposal of equipment - buyout receipts		**3,564**		3,055		**6,064**		5,411
Cash used in investing activities	**$**	**(45,847)**	$	(49,346)	**$**	**(93,150)**	$	(87,486)
Financing activities								
Dividends to shareholders	**$**	**(18,651)**	$	(17,766)	**$**	**(36,738)**	$	(34,799)
Purchase of treasury shares		**(293)**		(254)		**(543)**		(515)
Redemption of debentures (note 10)		**-**		(192)		**-**		(192)
Proceeds from exercise of employee share options		**774**		1,901		**774**		3,402
Proceeds from revolving credit facility (note 10)		**-**		10,000		**35,000**		50,000
Proceeds from issuance of long-term debt (note 10)		**-**		-		**-**		500,000
Repayment of revolving line of credit (note 10)		**-**		-		**-**		(25,000)
Repayment of obligations under finance leases		**(2,528)**		(2,280)		**(4,923)**		(4,073)
Repayment of long-term debt (note 10)		**-**		(195)		**(207)**		(460,408)
Financing costs on long-term debt (note 10)		**-**		(322)		**-**		(2,881)
Cash (used in) / provided by financing activities	**$**	**(20,698)**	$	(9,108)	**$**	**(6,637)**	$	25,534
Effect of foreign currency on cash and cash equivalents	**$**	**(105)**	$	(1,018)	**$**	**349**	$	(1,345)
Increase in cash and cash equivalents		**17,258**		34,373		**4,830**		15,759
Cash and cash equivalents - beginning of period		**19,027**		19,474		**31,001**		38,415
Cash and cash equivalents - end of period	**$**	**36,180**	$	52,829	**$**	**36,180**	$	52,829
Supplementary information								
Interest paid	**$**	**3,870**	$	2,200	**$**	**20,740**	$	18,193
Income taxes paid	**$**	**7,160**	$	8,420	**$**	**10,168**	$	47,808

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

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

1. Organization and Nature of Business

Enercare Inc. (“Enercare”) is a multi-product and multi-service home and commercial services and energy solutions company with three principal business segments: Enercare Home Services, Service Experts and Sub-metering.

Enercare Home Services is operated by Enercare Solutions Inc. (“Enercare Solutions”), a wholly-owned subsidiary of Enercare, 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. 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.

Sub-metering is operated by Enercare Connections Inc. (“Enercare Connections”), a wholly-owned subsidiary of Enercare. Sub-metering provides metering services for electricity, thermal, gas and water to condominiums and apartments in Ontario, Alberta and elsewhere in Canada. Under its Triacta brand, Enercare Connections also designs, manufactures and sells advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications, with primary markets in Canada and the U.S.

Enercare’s 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 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’s most recently issued consolidated financial statements for the year ended December 31, 2017, which includes information necessary or useful to understanding Enercare’s 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”. Certain comparative amounts have been reclassified from the consolidated financial statements previously presented to conform to the current presentation.

The interim financial statements have been presented in Canadian dollars, which is Enercare's 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 and six months ended June 30, 2017 have been restated (see note 3). In addition, Enercare 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). In addition, certain comparative amounts in the statements of changes in equity have been reclassified.

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 August 13, 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 Inc.
Consolidated Statements of Income
For the three months ended June 30, 2017

(in thousands of Cdn $)	Reference	As Reported	Increase / Decrease IFRS 15 Adjustments	Restated
Revenues				
Contracted revenue	a, b.1, b.2	$ 150,916	$ (22,463)	$ 128,453
Sales and other services	b.1, b.2	190,827	328	191,155
Total revenues		$ 342,122	$ (22,135)	$ 319,987
Expenses				
Cost of goods sold and services provided				
Commodity charges	a	$ 22,499	$ (22,499)	$ -
Selling, general & administrative	b.2, b.3	85,547	364	85,911
Total Expenses		$ 263,254	$ (22,135)	$ 241,119

Enercare Inc.
Consolidated Statements of Income
For the six months ended June 30, 2017

(in thousands of Cdn $)	Reference	As Reported	Increase / Decrease IFRS 15 Adjustments	Restated
Revenues				
Contracted revenue	a, b.1, b.2	$ 303,841	$ (51,871)	$ 251,970
Sales and other services	b.1, b.2	315,454	619	316,073
Total revenues		619,935	(51,252)	568,683
Expenses				
Cost of goods sold and services provided				
Commodity charges	a	51,994	(51,994)	-
Selling, general & administrative	b.2, b.3	172,069	742	172,811
Total Expenses		490,546	(51,252)	439,294

Enercare Inc.
Impact to Consolidated Statement of Financial Position
As at January 1, 2018

(in thousands of Cdn $)	Reference	As Reported	Increase / (Decrease) IFRS 9 Adjustments	Restated
Assets				
Long-term financing receivables	c	$ 9,320	$ (564)	$ 8,756
Total assets		$ 2,005,618	$ (564)	$ 2,005,054
Liabilities				
Deferred tax liability		$ 102,279	$ (149)	$ 102,130
Total liabilities		$ 1,412,608	$ (149)	$ 1,412,459
Shareholders' equity				
Retained earnings (deficit)		$ (590,396)	$ (415)	$ (590,811)
Total shareholders' equity		$ 593,010	$ (415)	$ 592,595
Total liabilities and shareholders' equity		$ 2,005,618	$ (564)	$ 2,005,054

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 adopted IFRS 15 on a fully retrospective basis.

Enercare's revenues from service protection plans, maintenance protection plans, sub-metering and sales of equipment and other services are within the scope of the standard. Enercare's 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) *Sub-metering*

Under IFRS 15, Enercare acts as an agent and recognizes certain contracted Sub-metering revenue net of the related commodity charges associated with the service. The retrospective adoption of IFRS 15 resulted in an adjustment, decreasing Sub-metering revenue by $22,499 and $51,994 for the three and six months ended June 30, 2017, respectively, with a corresponding decrease to commodity charges. This change does not impact EBITDA and net earnings or opening deficit as at January 1, 2017.

b) *Enercare Home Services*

b.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 has determined that it acts as principal in providing advertising services to its franchisees. As a result, the contributions collected from franchisees in respect of the advertising fund of $968 and $1,945 for the three and six months ended June 30, 2017, respectively, have been reclassified from selling, general and administrative expenses to revenue. This change does not impact EBITDA and net earnings or opening deficit as at January 1, 2017.

b.2) For customers billed within the Enbridge Gas Distribution ("EGD") service territory, Enercare 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 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 $604 and $1,203 for the three and six months ended June 30, 2017, respectively, with a corresponding decrease to selling, general and administrative expenses. This change does not impact net earnings or EBITDA.

Financial Instruments

c) 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 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 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 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 opening deficit as at January 1, 2018, net of taxes.

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 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 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 to reflect the adoption of the new standards noted above, as of January 1, 2018.

Financial Instruments

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

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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 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’s 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 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's loans and receivables are comprised primarily of accounts receivables and cash and cash equivalents and are included in current assets due to their short-term nature. 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 notes 10 and 15) is designated as a hedge with respect to the foreign currency exposure as a result of Enercare's 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 recognizes loss allowances for expected credit losses on financial assets measured at amortized cost, which includes certain financing receivables. Enercare 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 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 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 outsources the sale of air conditioners, boilers, furnaces and other services and protection plans to seven third party franchisees and earns royalties based on the revenue earned by the franchisees. As part of the arrangement, which expires in 2034, Enercare facilitates the invoicing and collection of receivable balances from the franchisees' customers and remits the franchisees' portion of the collected amounts. Enercare earns royalty revenue under these arrangements, which are recognized based on a contracted percentage of franchisee revenue.

Enercare 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 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 transfers control over a product or service to its customer. Where contractually required to provide a product or service, control is transferred once Enercare 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 offers certain arrangements where multiple performance obligations may exist. Enercare 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 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 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 assesses revenue recognition for principal versus agent considerations for its Sub-metering contracted revenue and 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 and Sub-metering Revenue

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.

Sub-metering revenue is primarily comprised of sub-metering services related to individual suite consumption of electricity, water, thermal energy and gas commodities in multi-residential and commercial buildings. Enercare acts as an agent in the provision and collection of commodities and therefore recognizes sub-metering revenue net of the related commodity charges associated with the service provided. The revenue is recognized on a monthly basis over the term of the service agreement as the services are provided to the customer.

Protection Plans

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

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. Sub-metering revenue related to the sale and installation of water conservation products in apartments and condominiums is recognized 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 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 and renewals of Sub-metering 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 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 largely unchanged. As a lessor, Enercare has a significant portion of its revenue derived from leases and while the lessor accounting model is not fundamentally different, Enercare continues to evaluate the effect of the standard on this revenue stream. Enercare, as a lessee, is currently in the process of evaluating the impact of adopting this standard, including finalizing its inventory of leases and determining the rates to be used to discount its lease liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

Critical Accounting Estimates and Judgments

Enercare makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the 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 June 30, 2018, Enercare Home Services recorded a revenue accrual of approximately $42,900 reflecting accrued service periods, compared to $42,400 at June 30, 2017. Unbilled protection plans comprise approximately $24,800 of this balance, compared to $25,900 at June 30, 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 June 30, 2018, Service Experts recorded a revenue accrual of approximately $14,600 primarily reflecting accrued revenue for contracts in progress, compared to $3,500 at June 30, 2017.

At June 30, 2018, Sub-metering recorded a revenue accrual of approximately $9,600, reflecting accrued service periods, compared to $9,800 at June 30, 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 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 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, Sub-metering and Service Experts was approximately $15,600 as at June 30, 2018, compared to approximately $14,800 as at December 31, 2017. The expected credit loss for financing receivables was approximately $200 as at June 30, 2018. Changes in any of the variables or assumptions may result in a materially different amount.

4. Accounts and Other Receivables

	June 30, 2018	December 31, 2017
Billed accounts receivable	**$ 111,613**	$ 99,491
Unbilled accounts receivable	**67,108**	58,913
Current taxes receivable	**6,310**	5,682
Loss allowance	**(15,611)**	(14,813)
Accounts and other receivables (net of loss allowance)	**$ 169,420**	$ 149,273

Loss allowance:		
Opening balance	**$ 14,813**	$ 11,806
Charge for the period	**798**	3,007
Loss allowance, ending balance	**$ 15,611**	$ 14,813

Unbilled accounts receivable of $24,834 (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 six months ended June 30, 2018 and year ended December 31, 2017:

	June 30, 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	**2,377**	**3,009**	**5,386**	5,827	3,954	9,781
Repayments	**(487)**	**(191)**	**(678)**	(497)	(363)	(860)
Principal prepayments	**(669)**	**(1,604)**	**(2,273)**	(1,375)	(878)	(2,253)
Interest income	**369**	**235**	**604**	439	234	673
Fair value adjustments						
Changes in market interest rate	**-**	**(23)**	**(23)**	-	-	-
Prepayment adjustment	**11**	**(252)**	**(241)**	-	-	-
Balance, end of period	**$ 8,113**	**$ 4,879**	**$12,992**	$ 6,512	$ 3,705	$10,217
Expected credit loss allowance						
Opening balance	**$ 143**	**$ 23**	**$ 166**	$ -	$ -	$ -
Allowance added in the period	**32**	**12**	**44**	-	-	-
Charge for the period	**19**	**(11)**	**8**	-	-	-
Write-offs for the period	**-**	**-**	**-**	-	-	-
Allowance, ending balance	**$ 194**	**$ 24**	**$ 218**	$ -	$ -	$ -
Prepayment allowance						
Opening balance	**$ (68)**	**$ 465**	**$ 397**	$ -	$ -	$ -
Allowance added in the period	**(10)**	**321**	**311**	-	-	-
Charge for the period	**11**	**(248)**	**(237)**	-	-	-
Write-offs for the period	**-**	**-**	**-**	-	-	-
Allowance, ending balance	**$ (67)**	**$ 538**	**$ 471**	$ -	$ -	$ -
Total Financing Receivable	**$ 7,986**	**$ 4,317**	**$12,303**	$ 6,512	$ 3,705	$10,217

6. Capital Assets

	Rental Equipment	Metering Equipment	Vehicles	Buildings	Land	Other	Total
At December 31, 2016:							
Cost	$ 979,804	$ 93,646	$ 39,636	$ 7,658	$ 8,745	$ 38,529	$ 1,168,018
Accumulated depreciation	(454,458)	(30,450)	(9,295)	(169)	-	(15,513)	(509,885)
Net book value	**$ 525,346**	**$ 63,196**	**$ 30,341**	**$ 7,489**	**$ 8,745**	**$ 23,016**	**$ 658,133**
Additions	$ 127,679	$ 17,992	$ 16,055	$ 6,596	$ -	$ 10,464	$ 178,786
Loss on disposal before proceeds	(16,527)	(69)	(968)	-	-	(881)	(18,445)
Acquisitions	-	-	1,248	-	-	477	1,725
Foreign exchange	75	-	(1,504)	(203)	(174)	(396)	(2,202)
Depreciation for the year	(54,628)	(6,733)	(9,578)	(560)	-	(7,921)	(79,420)
Transfers of work in progress to intangibles	-	-	-	-	-	(6,210)	(6,210)
Reclassification to assets held for sale (note 24)	-	-	(1,389)	-	-	(18)	(1,407)
At December 31, 2017	$ 581,945	$ 74,386	$ 34,205	$ 13,322	$ 8,571	$ 18,531	$ 730,960
At December 31, 2017:							
Cost	$1,060,914	$ 111,403	$ 50,657	$ 14,031	$ 8,571	$ 39,216	$ 1,284,792
Accumulated depreciation	(478,969)	(37,017)	(16,452)	(709)	-	(20,685)	(553,832)
Net book value	**$ 581,945**	**$ 74,386**	**$ 34,205**	**$ 13,322**	**$ 8,571**	**$ 18,531**	**$ 730,960**
Additions	$ 77,261	$ 6,777	$ 5,259	$ (218)	$ -	$ 3,574	$ 92,653
Loss on disposal before proceeds	(9,210)	(21)	(420)	-	-	(6)	(9,657)
Acquisitions (note 23)	-	-	1,479	-	-	418	1,897
Disposition of foundation services (note 23)	-	-	(360)	-	-	(288)	(648)
Adjustment to assets held for sale (note 24)	-	-	12	-	-	1	13
Foreign exchange	351	-	1,382	133	123	206	2,195
Depreciation for the period	(28,071)	(3,664)	(4,431)	(412)	-	(3,916)	(40,494)
At June 30, 2018	$ 622,276	$ 77,478	$ 37,126	$ 12,825	$ 8,694	$ 18,520	$ 776,919
At June 30, 2018:							
Cost	$1,113,179	$ 118,049	$ 57,966	$ 13,971	$ 8,694	$ 43,208	$ 1,355,067
Accumulated depreciation	(490,903)	(40,571)	(20,840)	(1,146)	-	(24,688)	(578,148)
Net book value	**$ 622,276**	**$ 77,478**	**$ 37,126**	**$12,825**	**$ 8,694**	**$ 18,520**	**$ 776,919**

7. Intangible Assets

	Customer Relationships	Customer Contracts	Brands	Proprietary Technology and Software	Other	Total
At December 31, 2016:						
Cost	$1,313,650	$ 33,270	$ 76,249	$ 3,800	$ -	$1,426,969
Accumulated depreciation	(697,787)	(32,354)	-	(554)	-	(730,695)
Net book value	**$ 615,863**	**$ 916**	**$ 76,249**	**$ 3,246**	**$ -**	**$ 696,274**
Acquisitions	$ 3,642	$ -	$ 9,527	$ -	$ 77	$ 13,246
Additions	-	-	-	10,078	895	10,973
Transfers of software from capital assets	-	-	-	6,210	-	6,210
Disposals for the year	-	-	-	(5,165)	-	(5,165)
Foreign exchange	(9,078)	-	(4,554)	29	(2)	(13,605)
Amortization for the year	(77,641)	(163)	-	(784)	-	(78,588)
Reclassification to assets held for sale (note 24)	(3,939)	-	(2,215)	-	-	(6,154)
At December 31, 2017	$ 528,847	$ 753	$ 79,007	$ 13,614	$ 970	$ 623,191
At December 31, 2017:						
Cost	$1,303,023	$ 33,270	$ 79,007	$ 14,952	$ 970	$1,431,222
Accumulated depreciation	(774,176)	(32,517)	-	(1,338)	-	(808,031)
Net book value	**$ 528,847**	**$ 753**	**$ 79,007**	**$ 13,614**	**$ 970**	**$ 623,191**
Acquisitions (note 23)	$ 3,835	$ -	$ 7,276	$ -	$ -	$ 11,111
Disposition of foundation services (note 23)	(245)	-	(1,426)	-	-	(1,671)
Additions	-	-	-	2,902	-	2,902
Foreign exchange	6,268	-	3,771	10	4	10,053
Amortization for the period	(38,884)	(90)	-	(770)	-	(39,744)
At June 30, 2018	$ 499,821	$ 663	$ 88,628	$ 15,756	$ 974	$ 605,842
At June 30, 2018:						
Cost	$1,313,799	$ 33,270	$ 88,628	$ 17,864	$ 974	$ 1,454,535
Accumulated depreciation	(813,978)	(32,607)	-	(2,108)	-	(848,693)
Net book value	**$ 499,821**	**$ 663**	**$ 88,628**	**$ 15,756**	**$ 974**	**$ 605,842**

8. 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, 2018 and year ended December 31, 2017.

	Enercare Home Services	Sub-metering	Service Experts	Total
Opening balance January 1, 2017	$142,666	$ 4,898	$235,471	$383,035
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)
At December 31, 2017	$142,666	$ 4,898	$235,564	$383,128
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	-	-	11,311	11,311
At June 30, 2018	**$142,666**	**$ 4,898**	**$261,807**	**$409,371**

9. Obligations Under Finance Leases

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

The obligations under finance leases in 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, 0.75% above the three month LIBOR rate per annum or 0.17% above the one month LIBOR rate per annum. The finance leases mature at dates ranging between July 2018 and April 2024. During the three and six months ended June 30, 2018, Enercare recognized $239 (2017 - $199) and $400 (2017 – $365), respectively, of interest expense related to the obligations under finance leases.

	June 30, 2018	December 31, 2017
Obligations under finance leases	**$ 31,099**	$ 30,786
Less: current portion	**(9,978)**	(8,970)
Reclassification to liabilities held for sale (note 24)	**-**	(1,362)
	$ 21,121	$ 20,454

Future minimum lease payments under finance leases are as follows:

As at June 30,	Principal	Interest	Lease Payments
Due in 2018	$ 5,042	$ 387	$ 5429
Due in 2019	9,595	582	10,177
Due in 2020	8,223	345	8,568
Due in 2021	5,482	163	5,645
Due in 2022	2,290	49	2,339
Thereafter	467	7	474
	$ 31,099	$ 1,533	$ 32,632

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	Net Transfer to Current Portion	Net Transfer to Long Term 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
Stratacon Debt	615	207	(615)	-	-	126	(126)	-	126	81
2014 Revolver	-	15,000	40,000	-	-	-	-	-	-	55,000
Financing fees	-	(2,266)	-	(2,881)	-	-	-	1,696	-	(3,451)
Total	$250,615	$716,481	$ 79,385	$ (2,881)	$ (17,640)	$ 126	$ (126)	$ 1,696	$ 126	$1,027,530

As at December 31, 2017			Cash flows		Non-cash changes				**As at June 30, 2018**	
	Current	Non-current	Net Draws/ (Repayments)	Deferred Financing Costs on New Debt	Foreign Exchange	Net Transfer to Current Portion	Net Transfer to Long Term 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	-	-	12,460	-	-	-	**-**	**263,360**
Stratacon Debt	126	81	(207)	-	-	81	(81)	-	**-**	**-**
2014 Revolver	-	55,000	35,000	-	-	-	-	-	**-**	**90,000**
Financing fees	-	(3,451)	-	-	-	-	-	476	**-**	**(2,975)**
Total	**$ 126**	**$1,027,530**	**$ 34,793**	**$ -**	**$ 12,460**	**$ 81**	**$ (81)**	**$ 476**	**$ -**	**$1,075,385**

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 3.59% as at June 30, 2018.

Debt was assumed in connection with the Stratacon acquisition in 2008. The secured debt of $207 as at December 31, 2017 was arranged in a series of advances bearing interest at rates between 7.50% and 8.75% with repayment terms ranging from 4 to 14 years ending in 2022. On January 26, 2018 Enercare repaid the outstanding balance of its Stratacon debt.

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 June 30, 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 2.99% at June 30, 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 was in compliance with these covenants as at June 30, 2018.

Interest Expense:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Interest expense payable in cash	**$ 10,131**	$9,274	**$ 19,989**	$ 18,914
Make whole payment on early repayment of senior debt	**-**	-	**-**	5,049
Non-cash items:				
Notional interest on employee benefit plans	**238**	226	**476**	452
Amortization of financing costs	**239**	263	**476**	1,192
Interest expense	**$ 10,608**	$9,763	**$ 20,941**	$25,607

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. Share Capital and Treasury Shares

	June 30, 2018		December 31, 2017	
Shares Issued and Outstanding	**Shares**	**Dollars**	Shares	Dollars
Opening balance at January 1:	**106,377**	**$1,188,987**	104,155	$1,151,913
Issued:				
Shares issued upon exercise of share options	**52**	**826**	373	4,037
Shares issued under dividend reinvestment plan	**899**	**16,296**	1,565	31,197
Principal conversion of debentures	**-**	**-**	284	1,840
Transfer of financing costs to equity	**-**	**-**	-	(4)
Transfer from contributed surplus	**-**	**-**	-	4
Total[(i)]	**107,328**	**$1,206,109**	106,377	$1,188,987

(i) Excludes the impact of treasury shares.

Enercare's articles of incorporation provide for the issuance of an unlimited number of common shares and 10,000,000 preferred shares. At June 30, 2018, there were no preferred shares outstanding. Each series of preferred shares will have such rights, privileges, restrictions and conditions as may be determined by the board of directors prior to the issuance thereof. Holders of preferred shares, except as required by law, will not be entitled to vote at meetings of shareholders of Enercare. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Enercare, whether voluntary or involuntary, the preferred shares are entitled to preference over the common shares and any other shares ranking junior to the preferred shares.

Enercare has a dividend reinvestment plan ("DRIP"), which allows all Canadian shareholders to elect to have some or all cash dividends reinvested in additional common shares on a monthly basis. Participation in the plan is optional. Under the terms and conditions of the plan, participants acquire common shares through the reinvestment of cash dividends paid on the common shares they hold or through optional cash payments. Shares subscribed by participants are purchased as treasury shares through Enercare's transfer agent, Computershare Trust Company of Canada, at a price equal to 95%

of the weighted average purchase price of the common shares during the five business days immediately following the dividend payment date. For the six months ended June 30, 2018, Enercare issued 899,369 (2017 – 779,236) common shares pursuant to the DRIP for $16,296 (2017 – $15,192).

As at June 30, 2018, there were 107,871 common shares (as at December 31, 2017 – 103,904) that were purchased and held as treasury shares. These common shares relate to the employer portion of the employee share purchase plan. For the six months ended June 30, 2018, Enercare purchased 29,796 (2017 – 25,626) common shares for $543 (2017 – $515). During the six months ended June 30, 2018, 25,829 (2017 – 31,206) common shares at a value of $414 (2017 – $454) were transferred to employees.

12. Earnings per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. The dilutive computation includes stock options whereby the number of dilutive shares is calculated as the difference between the number of shares issued and the number of shares that would have been issued at the average market price during the period based upon the assumed initial proceeds. Options are not dilutive if the average price is below the strike price.

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands – except per share amounts)	**2018**	2017	**2018**	2017
Net earnings	**$26,773**	$21,103	**$31,627**	$18,071
Weighted average shares outstanding	**106,898**	104,821	**106,656**	103,944
Dilutive impact of long term stock compensation	**169**	329	**205**	299
Weighted average diluted shares outstanding	**107,067**	105,150	**106,861**	104,243
Basic earnings per share	**$ 0.25**	$ 0.20	**$ 0.30**	$ 0.17
Diluted earnings per share	**$ 0.25**	$ 0.20	**$ 0.30**	$ 0.17

13. Dividends

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

	Three months ended June 30,		Six months ended June 30,	
(in thousands – except per share amounts)	**2018**	2017	**2018**	2017
Dividends declared per share during the period	**$ 0.250**	$ 0.240	**$ 0.490**	$ 0.471
Dividends declared during the period	**$ 27,103**	$ 25,561	**$ 53,034**	$ 49,991

Enercare adopted the DRIP (note 11), which enables shareholders to receive dividends in common shares rather than cash. During the three months ended June 30, 2018, Enercare issued 479,148 (2017 – 391,387) common shares pursuant to the DRIP valued at $8,452 (2017 – $7,795). During the six months ended June 30, 2018, Enercare issued 899,369 (2017 – 779,236) common shares pursuant to the DRIP valued at $16,296 (2017 – $15,192). There were no dividends payable recognized at June 30, 2018.

Subsequent to June 30, 2018, Enercare declared dividends of $0.0832 per share, payable on July 31, 2018 to shareholders of record at the close of business on July 16, 2018. This dividend resulted in a cash distribution of $6,272 and 150,677 shares being issued pursuant to the DRIP.

14. Contingent Liabilities

Enercare is a party to a number of product liability claims, other claims, ongoing proceedings and lawsuits in the ordinary course of business. Management is of the opinion that any liabilities that may arise from these lawsuits have been adequately provided for in these interim financial statements.

15. Financial Instruments

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

Credit Risk

Enercare is exposed to credit risk on accounts receivable from customers. Enercare's credit risk is considered to be low for Enercare Home Services and moderate for both Sub-metering and Service Experts.

Enercare's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, 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 is exposed to credit risk in the normal course of business for customers who are billed directly by Enercare or are billed by EGD outside its service territory. For accounts receivable from customers billed on EGD invoices within its service territory a related trust agreement also serves to mitigate Enercare's credit exposure on receivables owing from EGD. Enercare is also exposed to credit risk on its financing receivables to the extent that customers do not make payments according to contracted repayment terms. Enercare 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 is exposed to credit risk in the normal course of business associated with the billing of Sub-metering customers and landlords. Since Enercare employs various billing models with Sub-metering, credit risk exposure fluctuates based on the type of customer. In the case where a landlord is responsible for the collection of commodity expenses, credit risk is low. On accounts where Enercare is responsible for commodity expenses, credit risk is higher. This credit risk tends to be lower where customers own their unit as opposed to renting them. Enercare has the ability to lower this risk through various contractual protections with landlords, as well as Enercare's ability to disconnect electricity for non-payment.

Enercare's Service Experts business provides services in both Canada and the United States. Credit risk primarily consists of receivables from a variety of customers, including general contractors, property owners, developers and commercial and industrial companies. Service Experts is exposed to credit risk related to changes in the business and economic factors throughout the United States within the mechanical services industry. However, Service Experts is entitled to payment for work performed and have certain lien rights in that work. Service Experts believes that their contract acceptance, billing and collection policies are adequate to manage potential credit risk. Service Experts has a diverse customer base, with no single customer accounting for more than 10% of revenue or receivables.

For accounts receivable and financing receivables as at June 30, 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 June 30, 2018:

	Trade Receivables		Financing Receivables		
As at June 30, 2018	Gross carrying amount	Loss allowance	% loss rate	Gross carrying amount	Loss allowance
Current	$ 69,291	$ 188	0.5%	$ 7,785	$ 36
Past due 1-30	11,923	667	1.5%	4,500	68
Past due 31-60	4,761	965	7.0%	44	3
Past due 61-90	2,541	1,090	20.0%	36	7
Past due 90+	13,086	12,571	40%-70%	157	104
Total receivables	$101,602	$ 15,481		$12,522	$ 218

Enercare 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 determines the loss rates for financing receivables based on a credit score distribution of customers and the aging of the receivable.

Liquidity Risk

Enercare monitors liquidity risk through comparisons of current financial ratios with the financial covenants contained in its 2014 Revolver and 2016 Term Loan agreements and its senior unsecured trust indenture, as supplemented, as applicable. Enercare has maintained financial ratios which comply with the financial covenants applicable to the borrowings and has staggered its senior debt and term loan maturity dates through to 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 may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the incurrence test is less than 3.8 to 1. The incurrence test is the ratio of defined EBITDA over defined interest expense calculated twelve months in arrears. Enercare exceeded this threshold requirement at June 30, 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 was in compliance with these covenants at June 30, 2018.

Market Risk

Fair Value

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

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

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

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

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

The following table presents the carrying amounts and the fair values of Enercare's financial assets and liabilities as at June 30, 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.

	June 30, 2018		December 31, 2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash and cash equivalents	**$ 36,180**	**$ 36,180**	$ 31,001	$ 31,001
Accounts and other receivables	**169,420**	**169,420**	149,273	149,273
Financing receivables	**12,303**	**12,135**	10,217	10,217
Collateral deposits	**9,592**	**9,592**	7,772	7,772
Assets held for sale	**-**	**-**	17,168	19,056
Total financial assets	**$ 227,495**	**$ 227,327**	$ 215,431	$ 217,319
Financial liabilities measured at amortized cost:				
Senior borrowings	**$ 725,000**	**$ 735,332**	$ 725,000	$ 739,948
Term Loans	**263,360**	**263,360**	250,900	250,900
Revolving credit facility	**90,000**	**90,000**	55,000	55,000
Stratacon debt	**-**	**-**	207	207
Obligations under finance lease	**31,099**	**31,099**	29,424	29,424
Liabilities held for sale	**-**	**-**	5,634	5,634
Total borrowings	**$1,109,459**	**$1,119,791**	$1,066,165	$1,081,113
Other obligations and payables	**246,567**	**246,567**	221,622	221,622
Total financial liabilities	**$1,356,026**	**$1,366,358**	$1,287,787	$1,302,735

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.

Enercare's 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 six months ended June 30, 2018 (see note 5).

Enercare is subject to variable interest rate risk on its revolving credit facility and a portion of its gross senior borrowings. A 0.5% change in interest rates will have approximately a $4,282 impact on earnings annually. Enercare is also subject to interest rate risk on its cash on hand where a 0.5% change in interest rates will have an approximately $181 impact on earnings annually.

Enercare is exposed to foreign currency risk through transactions conducted in currencies other than the Canadian dollar, and also through its financial liabilities that are denominated in US dollar currency. Enercare has subsidiaries that have a functional currency of US dollars. Enercare's foreign currency risk management objective is to mitigate the impact of foreign currency rate fluctuations on total equity. Enercare manages foreign currency risk on its liabilities that are not hedged by operating subsidiaries in the same currency as the liabilities to which they relate.

Enercare designates USD $100,000 drawn under the 2016 Term Loan as a hedge of the foreign currency exposure of its net investment in Enercare's US operations. The related foreign currency translation gain or loss on the USD $100,000 notional amount of the 2016 Term Loan that is designated as, and is effective as, a hedge of the net investment in the US operation is reported in the same manner as the translation adjustment (in OCI) related to the net investment.

Enercare may nevertheless, from time to time, experience gains or losses resulting from fluctuations in the values of these foreign currencies, which may favourably or adversely affect operating results.

16. Capital Risk Management

Enercare considers capital to be primarily cash and cash equivalents, long-term debt and shareholders' equity and makes adjustments as appropriate to such variables as cash on hand, additional capital expenditures, debt capacity, available credit facilities, covenant restrictions, and equity leverage. Enercare's capital management strategy, objectives and definitions have not materially changed during the six months ended June 30, 2018.

Enercare was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and the 2017 Notes as at June 30, 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's reportable segments:

				June 30, 2018				June 30, 2017[i]
For the three months ended	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Total**	Enercare Home Services	Service Experts	Sub-metering	Total
Rental income	**$ 87,734**	**$ 560**	**$ -**	**$ 88,294**	$ 83,064	$ 136	$ -	$ 83,200
Protection plan servicing	**16,728**	**1,367**	**-**	**18,095**	16,473	1,160	-	17,633
Protection plan maintenance	**6,494**	**16,147**	**-**	**22,641**	6,356	13,245	-	19,601
Sub-metering	**-**	**-**	**9,235**	**9,235**	-	-	8,019	8,019
Contracted revenue	**$110,956**	**$ 18,074**	**$ 9,235**	**$138,265**	$105,893	$ 14,541	$ 8,019	$128,453
Sales and other services	**9,123**	**194,313**	**1,306**	**204,742**	7,456	182,511	1,188	191,155
Financing income	**350**	**-**	**-**	**350**	131	-	-	131
Other investment income	**97**	**31**	**5**	**133**	237	10	1	248
Total	**$120,526**	**$212,418**	**$10,546**	**$343,490**	$113,717	$197,062	$ 9,208	$319,987

				June 30, 2018				June 30, 2017[i]
For the six months ended	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Total**	Enercare Home Services	Service Experts	Sub-metering	Total
Rental income	**$175,054**	**$ 1,000**	**$ -**	**$176,054**	$165,254	$ 196	$ -	$165,450
Protection plan servicing	**33,646**	**2,699**	**-**	**36,345**	33,524	2,264	-	35,788
Protection plan maintenance	**11,782**	**28,039**	**-**	**39,821**	11,604	23,458	-	35,062
Sub-metering	**-**	**-**	**18,364**	**18,364**	-	-	15,670	15,670
Contracted revenue	**$220,482**	**$ 31,738**	**$ 18,364**	**$270,584**	$210,382	$ 25,918	$15,670	$251,970
Sales and other services	**16,367**	**332,058**	**2,755**	**351,180**	14,293	298,888	2,892	316,073
Financing income	**538**	**-**	**-**	**538**	233	-	-	233
Other investment income	**194**	**54**	**10**	**258**	384	20	3	407
Total	**$237,581**	**$363,850**	**$21,129**	**$622,560**	$225,292	$324,826	$18,565	$568,683

(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.

18. Cost of Goods Sold and Services Provided

	Three months ended June 30,		Six months ended June 30,	
	2018	2017(i)	**2018**	2017(i)
Labour and benefits	**$ 95,176**	$ 86,307	**$170,269**	$143,177
Parts	**55,581**	56,433	**98,698**	98,490
Other	**15,558**	7,520	**26,305**	17,975
Total	**$166,315**	$150,260	**$295,272**	$259,642

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

19. Selling, General and Administrative

	Three months ended June 30,		Six months ended June 30,	
	2018	2017(i)	**2018**	2017(i)
Employee wages and benefits	**$ 44,629**	$ 41,780	**$ 93,704**	$ 85,556
Employee long-term compensation	**(58)**	2,107	**409**	6,309
Professional fees	**3,397**	3,961	**7,948**	6,596
Selling, office and other	**31,180**	28,281	**59,353**	53,358
Billing and servicing	**8,266**	8,244	**16,003**	16,593
Claims and bad debt	**2,177**	1,538	**4,604**	4,399
Total	**$ 89,591**	$ 85,911	**$182,021**	$172,811

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

20. Changes in Working Capital

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Accounts receivable	**$ (13,454)**	$ (14,352)	**$ (17,439)**	$ (12,332)
Inventory	**(3,427)**	(1,650)	**(4,483)**	(2,148)
Collateral deposits	**(1,693)**	355	**(1,392)**	376
Prepaid expenses	**(2,326)**	(1,318)	**209**	(2,394)
Other long-term assets	**(86)**	-	**(87)**	-
Accounts payable and accrued liabilities	**26,585**	33,735	**13,000**	(13,670)
Insurance claim provisions	**628**	(356)	**1,702**	(67)
Other provisions	**(3)**	103	**(51)**	92
Interest payable	**6,261**	7,074	**(751)**	5,770
Deferred revenue and service obligation	**1,787**	2,038	**3,494**	3,584
Total	**$ 14,272**	$ 25,629	**$ (5,798)**	$(20,789)

21. Related Party Transactions

Enercare's related party transactions include payments to key management, which include Enercare's officers. External directors' fees are included in professional fees as part of total selling, general and administrative expenses. Total compensation and benefits earned by key management for services provided are shown below:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Salaries and short-term benefits	**$ 1,912**	$ 1,735	**$ 3,895**	$ 3,965
Other employment benefits	**52**	41	**129**	115
Long term benefits	**165**	885	**629**	1,846
Total	**$ 2,129**	$ 2,661	**$ 4,653**	$ 5,926

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, (b) the sub-metering of multi-unit residential and commercial properties, and (c) 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 Sub-metering segment is engaged principally in providing the equipment and services to allow sub-metering and remote measurement of electricity and water consumption in individual units in condominiums, apartment buildings and commercial properties primarily in Ontario. The Service Experts segment consists primarily of the sales and servicing of HVAC equipment to residential and light commercial customers in the United States and Canada. Corporate reports the costs for management oversight of the combined business, public reporting and filings, financing activities, corporate governance and related expenses.

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

	For the three months ended June 30, 2018					For the three months ended June 30, 2017[i]				
Segment Information	**Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**	Home Services	Service Experts	Sub-metering	Corporate	Total
Revenue:										
Contracted revenue	**$ 110,956**	**$ 18,074**	**$ 9,235**	**$ -**	**$ 138,265**	$ 105,893	$ 14,541	$ 8,019	$ -	$128,453
Sales and other services	**9,123**	**194,313**	**1,306**	**-**	**204,742**	7,456	182,511	1,188	-	191,155
Financing income	**447**	**31**	**5**	**-**	**483**	368	10	1	-	379
Total revenue	**120,526**	**212,418**	**$ 10,546**	**$ -**	**$ 343,490**	$ 113,717	$ 197,062	$ 9,208	$ -	$319,987
Expenses:										
Cost of goods & services:										
Maintenance and servicing costs	**$ (17,879)**	**$ (14,370)**	**$ -**	**$ -**	**$ (32,249)**	$ (16,721)	$ (11,281)	$ -	$ -	$ (28,002)
Sales and other services	**(7,056)**	**(126,309)**	**(701)**	**-**	**(134,066)**	(5,248)	(116,366)	(644)	-	(122,258)
SG&A	**(25,927)**	**(50,604)**	**(5,298)**	**(7,762)**	**(89,591)**	(26,261)	(44,840)	(5,019)	(9,791)	(85,911)
Foreign exchange	**649**	**(67)**	**42**	**(11)**	**613**	(88)	222	39	16	189
Net (loss)/gain on disposal	**(774)**	**(29)**	**(17)**	**-**	**(820)**	(264)	(4,873)	-	-	(5,137)
EBITDA	**$ 69,539**	**$ 21,039**	**$ 4,572**	**$ (7,773)**	**$ 87,377**	$ 65,135	$ 19,924	$ 3,584	$ (9,775)	$ 78,868
Amortization	**$ (32,273)**	**$ (5,110)**	**$ (2,127)**	**$ (917)**	**$ (40,427)**	$ (31,396)	$ (5,320)	$ (2,021)	$ (748)	$ (39,485)
Interest expense					**(10,608)**					(9,763)
Current tax expense					**(5,599)**					(6,500)
Deferred tax expense					**(3,970)**					(2,017)
Net earnings					**$ 26,773**					$ 21,103
Segment assets[i]	**$1,242,804**	**$ 678,446**	**$ 111,092**	**$ 47,430**	**$2,079,772**	$1,245,607	$ 619,819	$ 97,595	$ 36,728	$1,999,749
Capital additions	**37,281**	**10,488**	**3,858**	**427**	**52,054**	29,287	13,674	4,172	8,636	55,769

	For the six months ended June 30, 2018					For the six months ended June 30, 2017[i]				
Segment Information	**Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**	Home Services	Service Experts	Sub-metering	Corporate	Total
Revenue:										
Contracted revenue	**$ 220,482**	**$ 31,738**	**$ 18,364**	**$ -**	**$ 270,584**	$ 210,382	$ 25,918	$ 15,670	$ -	$ 251,970
Sales and other services	**16,367**	**332,058**	**2,755**	**-**	**351,180**	14,293	298,888	2,892	-	316,073
Financing income	**732**	**54**	**10**	**-**	**796**	617	20	3	-	640
Total revenue	**$ 237,581**	**$ 363,850**	**$ 21,129**	**$ -**	**$ 622,560**	$ 225,292	$ 324,826	$ 18,565	$ -	$ 568,683
Expenses:										
Cost of goods & services:										
Maintenance and servicing costs	**$ (35,708)**	**$ (25,068)**	**$ -**	**$ -**	**$ (60,776)**	$ (32,985)	$ (20,370)	$ -	$ -	$ (53,355)
Sales and other services	**(13,460)**	**(219,528)**	**(1,508)**	**-**	**(234,496)**	(10,799)	(193,691)	(1,797)	-	(206,287)
SG&A	**(52,257)**	**(101,466)**	**(10,930)**	**(17,368)**	**(182,021)**	(54,338)	(89,765)	(10,693)	(18,015)	(172,811)
Foreign exchange	**1,203**	**(84)**	**66**	**(5)**	**1,180**	(166)	225	78	16	153
Net (loss)/gain on disposal	**(1,884)**	**(140)**	**(17)**	**-**	**(2,041)**	(2,127)	(4,857)	(10)	-	(6,994)
EBITDA	**$ 135,475**	**$ 17,564**	**$ 8,740**	**$(17,373)**	**$ 144,406**	$ 124,877	$ 16,368	$ 6,143	$ (17,999)	$ 129,389
Amortization	**$ (63,976)**	**$ (10,210)**	**$ (4,204)**	**$ (1,848)**	**$ (80,238)**	$ (62,276)	$ (10,470)	$ (3,791)	$ (1,347)	$ (77,884)
Interest expense					**(20,941)**					(25,607)
Current tax expense					**(12,154)**					(11,915)
Deferred tax recovery					**554**					4,088
Net earnings					**31,627**					$ 18,071
Segment assets[i]	**$1,242,804**	**$ 678,446**	**$ 111,092**	**$ 47,430**	**$2,079,772**	$1,245,607	$ 619,819	$ 97,595	$ 36,728	$1,999,749
Capital additions	**70,090**	**14,689**	**7,083**	**791**	**92,653**	$ 61,014	$ 16,524	$ 8,045	$ 9,532	$ 95,115

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

Geographic Information

	Three months ended June 30,		Six months ended June 30,	
Geographic Information	**2018**	2017[i]	**2018**	2017[i]
Revenue[ii]				
Canada	**$ 154,568**	$ 150,405	**$302,469**	$291,501
United States	**188,922**	169,582	**320,091**	277,182
	$ 343,490	$ 319,987	**$622,560**	$568,683
			June 30, 2018	December 31, 2017
Segment Assets				
Canada			**$1,497,428**	$1,480,717
United States			**582,344**	524,901
			$2,079,772	$2,005,618

(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 final allocation of total consideration allocated to the net assets acquired.

	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
Total assets acquired	$20,334
Less:	
Accounts payable and accrued liabilities	$ 380
Deferred revenue and service obligations	752
Obligations under finance lease	408
Total net assets acquired	$18,794
Cash consideration	$18,794

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 $9,919 and $17,045, as well as net earnings of $681 and $539, for the three and six months ended June 30, 2018, respectively, are included in the statement of comprehensive income since January 4, 2018.

Enercare's consolidated revenue and net earnings for the six months ended June 30, 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. Service Experts funded the purchase price through Enercare Solutions drawing $10,000 on the 2014 Revolver.

The following table summarizes the final allocation of total consideration allocated to the net assets acquired.

	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
Total assets acquired	$ 11,188
Less:	
Accounts payable and accrued liabilities	$ 371
Deferred revenue and service obligations	559
Total net assets acquired	$ 10,258
Cash consideration	$ 10,258

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 $3,243 and $4,105, as well as net earnings of $152 and $224, for the three and six months ended June 30, 2018, respectively, are included in the statement of comprehensive income since March 5, 2018.

Enercare's consolidated revenue and net earnings for the six months ended June 30, 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's 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
Total assets held for sale	$17,168	$ 67	$17,235
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
Total liabilities held for sale	$ 5,634	$ (121)	$ 5,513

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.

25. Subsequent Events

On July 31, 2018, Service Experts completed the acquisition of certain assets and assumed certain liabilities of Admiral Plumbing Services, LLC, which offers residential plumbing and other related services in certain Florida markets. The cash consideration for the acquisition was USD $3,300 or $4,296. Service Experts funded the purchase price through cash on hand.

On August 1, 2018, Enercare and Brookfield Infrastructure and its institutional partners (collectively, "Brookfield") announced that they have entered into an arrangement agreement (the "Arrangement Agreement") pursuant to which Brookfield has agreed to acquire all the issued and outstanding common shares of Enercare for $29.00 per share (the "Transaction").

The Transaction is structured as a plan of arrangement under the *Canada Business Corporations Act* and the completion of the Transaction is subject to approval by holders of at least two-thirds of the votes cast by Enercare shareholders, at a special meeting of Enercare shareholders, and by the Ontario Superior Court. In addition to shareholder and court approvals, the Transaction is subject to compliance with the *Competition Act* (Canada) and the satisfaction of certain other customary closing conditions.

Under the Transaction, each Enercare shareholder will be entitled to receive $29.00 per share in cash. Enercare shareholders who are deemed to be resident in Canada for purposes of the *Income Tax Act* (Canada) will have the right to elect to receive, in lieu of cash consideration, 0.5509 exchangeable units ("Exchangeable Units") to be issued by a subsidiary of Brookfield Infrastructure ("Exchange LP"). The Exchangeable Units will provide holders with distributions that are economically equivalent to non-voting limited partnership units ("BIP Units") of Brookfield Infrastructure and will be exchangeable, on a one-for-basis, for BIP Units. The maximum amount of Exchangeable Units issuable by Exchange LP in lieu of cash will not exceed 15 million in the aggregate. If and to the extent that Canadian resident shareholders elect to receive Exchangeable Units in excess of the 15 million maximum number of Exchangeable Units available for issuance, such elections for Exchangeable Units shall be pro rated and the balance of the consideration will be paid in cash. The availability of the Exchangeable Unit option for Canadian shareholders of Enercare has been approved by the Board of Directors of Brookfield Infrastructure and is subject only to Brookfield's receipt of certain third-party consents and obtaining listing approvals from the Toronto Stock Exchange and New York Stock Exchange.

The Arrangement Agreement includes customary provisions relating to non-solicitation, a "fiduciary-out" permitting Enercare's board of directors to respond to any unsolicited superior alternate proposals and Brookfield's right to match any such proposals. The Arrangement Agreement also provides for the payment by Enercare of a $111,000 termination fee if the Arrangement Agreement is terminated in certain specified circumstances.

Completion of the Transaction is expected to result in a change of control under the indentures governing the 2013 Notes and 2017 Notes.