Management's responsibility for financial reporting

The accompanying consolidated financial statements of Energy Savings Income Fund and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles. The consolidated financial statements include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this annual report has been prepared on a consistent basis with that in the consolidated financial statements.

Energy Savings Income Fund maintains systems of internal accounting and administrative controls. These systems are designated to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Fund's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and is comprised entirely of non-management directors. The Audit Committee meets periodically with management and the external auditors, to discuss auditing, internal controls, accounting policy and financial reporting matters. The committee reviews the consolidated financial statements with both management and the external auditors and reports its findings to the Board of Directors before such statements are approved by the Board.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Unitholders. The external auditors have full and free access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting and the effectiveness of the system of internal controls.

On behalf of Energy Savings Income Fund by Ontario Energy Savings Corp., as administrator.

Brennan R. Mulcahy (signed)
Chief Executive Officer

Mary Meffe, C.A. (signed)
Chief Financial Officer

Auditors’ report to the Unitholders

We have audited the consolidated balance sheets of Energy Savings Income Fund as at March 31, 2007 and 2006 and the consolidated statements of operations, Unitholders’ equity and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants
Toronto, Canada, May 17, 2007

Consolidated balance sheets

As at March 31
(thousands of dollars)

	2007	2006
Assets		
Current		
Cash	**$ 16,786**	$ 11,663
Restricted cash (Note 5)	**2,557**	4,452
Accounts receivable	**176,453**	149,424
Gas in storage	**5,877**	4,796
Unbilled revenues	**39,214**	36,982
Prepaid expenses	**2,115**	1,479
Corporate taxes recoverable	**4,326**	4,308
	247,328	213,104
Gas contracts (less accumulated amortization – $243,752; 2006 – $228,314)	**177**	15,615
Electricity contracts (less accumulated amortization – $24,959; 2006 – $14,810)	**1,462**	11,611
Goodwill	**94,576**	94,576
Capital assets (Note 7)	**11,885**	11,263
Other assets (Note 12a)	**1,799**	4,056
	$ 357,227	$ 350,225
Liabilities		
Current		
Bank indebtedness (Note 8)	**$ 38,628**	$ 25,184
Accounts payable and accrued liabilities	**112,950**	113,137
Customer rebates payable (Note 5)	**2,557**	4,452
Management incentive program payable	**1,254**	1,260
Unit distribution payable	**9,114**	7,591
Corporate taxes payable	**–**	382
Accrued gas accounts payable	**33,057**	29,901
	197,560	181,907
Deferred charges	**–**	3,552
Other liabilities (Note 12a)	**7,909**	1,499
Future income taxes (Note 9)	**11,600**	16,388
	217,069	203,346
Equity		
Unitholders' equity	**130,525**	138,443
Contributed surplus (Note 11d)	**9,633**	8,436
	140,158	146,879
	$ 357,227	$ 350,225

See accompanying notes to consolidated financial statements

Approved on behalf of Energy Savings Income Fund by Ontario Energy Savings Corp., as administrator.

Rebecca MacDonald (signed)
Executive Chair

Michael Kirby (signed)
Corporate Director

Consolidated statements of Unitholders' equity

For the years ended March 31
(thousands of dollars)

	Unitholders' capital (Note 10)	**Accumulated earnings**	**Distributions**	**2007**	2006
Unitholders' equity, beginning of year	**$ 324,650**	**$ 143,890**	**$ (330,097)**	**$ 138,443**	$ 173,106
Trust units exchanged	**3,656**	**–**	**–**	**3,656**	–
Trust units issued on exercise/exchange of unit compensation (Note 11d)	**3,503**	**–**	**–**	**3,503**	7,191
Class A preference shares exchanged	**(3,656)**	**–**	**–**	**(3,656)**	–
Net income	**–**	**93,912**	**–**	**93,912**	51,563
Distributions	**–**	**–**	**(99,464)**	**(99,464)**	(87,507)
Class A preference share distributions – net of tax	**–**	**–**	**(5,869)**	**(5,869)**	(5,910)
Unitholders' equity, end of year	**$ 328,153**	**$ 237,802**	**$ (435,430)**	**$ 130,525**	$ 138,443

See accompanying notes to consolidated financial statements

Consolidated statements of operations

For the years ended March 31
(thousands of dollars except per unit amounts)

	2007	2006
Sales	**$ 1,532,317**	$ 1,212,314
Cost of sales	**1,302,873**	1,026,229
Gross margin	**229,444**	186,085
Expenses		
General and administrative expenses	**41,892**	34,318
Capital tax	**850**	691
Marketing expenses	**42,969**	48,238
Unit based compensation (Note 11d)	**3,920**	6,518
Bad debt expense	**10,882**	5,107
Amortization of gas contracts	**15,438**	29,831
Amortization of electricity contracts	**6,597**	7,330
Amortization of capital assets	**3,104**	2,496
	125,652	134,529
Income before other income (expense)	**103,792**	51,556
Other expense (Note 12)	**(10,810)**	(3,048)
Income before income tax	**92,982**	48,508
Recovery of income tax (Note 9)	**(930)**	(3,055)
Net income	**$ 93,912**	$ 51,563

See accompanying notes to consolidated financial statements

Income per unit (Note 13)		
Basic	**$ 0.88**	$ 0.49
Diluted	**$ 0.88**	$ 0.48

Consolidated statements of cash flows

For the years ended March 31
(thousands of dollars)

	2007	2006
Net inflow (outflow) of cash related to the following activities		
Operating		
Net income	$ **93,912**	$ 51,563
Items not affecting cash		
Amortization of gas contracts	**15,438**	29,831
Amortization of electricity contracts	**6,597**	7,330
Amortization of capital assets	**3,104**	2,496
Unit based compensation	**3,920**	6,518
Future income taxes	**(4,788)**	(4,632)
(Gain) loss on foreign exchange (unrealized)	**(60)**	531
Other (income) expenses (unrealized)	**7,618**	1,667
	31,829	43,741
Adjustments required to reflect net cash receipts from gas sales (Note 17)	**924**	2,555
	126,665	97,859
Changes in non-cash working capital (Note 18)	**(28,311)**	(28,277)
Cash inflow from operations	**98,354**	69,582
Financing		
Exercise of trust unit options (Note 11d)	**763**	4,221
Distributions paid to Unitholders	**(97,925)**	(86,945)
Distributions on Class A preference shares	**(9,188)**	(9,251)
Tax impact on distributions on Class A preference shares	**3,319**	3,341
Bank indebtedness (Note 8)	**13,444**	25,184
	(89,587)	(63,450)
Investing		
Purchase of capital assets	**(3,726)**	(3,480)
Acquisition of customer contracts (Note 6)	**–**	(6,593)
	(3,726)	(10,073)
Gain (loss) on foreign exchange (unrealized)	**60**	(531)
Other income foreign exchange (unrealized)	**22**	77
Net cash inflow (outflow)	**5,123**	(4,395)
Cash, beginning of year	**11,663**	16,058
Cash, end of year	$ **16,786**	$ 11,663

See accompanying notes to consolidated financial statements

Supplemental information		
Interest paid	$ **3,860**	$ 997
Income taxes paid	$ **1,581**	$ 12,883

Notes to the consolidated financial statements

For the year ended March 31
(thousands of dollars except per unit amounts)

Note 1. Organization

Energy Savings Income Fund (“Energy Savings” or the “Fund”)

Energy Savings is an open-ended, limited purpose trust established under the laws of the Province of Ontario to hold securities and to distribute the income of its directly or indirectly wholly owned operating subsidiaries and affiliates: Ontario Energy Savings L.P. (“OESLP”), Energy Savings (Manitoba) L.P. (“ESMLP”), Energy Savings (Quebec) L.P. (“ESPQ”), ES (B.C.) Limited Partnership (“ESBC”), Alberta Energy Savings L.P. (“AESLP”), Illinois Energy Savings Corp (“IESC”), New York Energy Savings Corp. (“NYESC”) and Indiana Energy Savings Corp. (“INESC”) (collectively the “Energy Savings Group”).

Note 2. Operations

The Energy Savings Group

Energy Savings’ business involves the sale of long-term fixed price contracts. Through its subsidiaries and affiliates, Energy Savings markets natural gas to residential customers, small to mid-size commercial and small industrial businesses in Ontario, Manitoba, Alberta, Illinois, New York and Indiana and solely to commercial customers in Quebec and British Columbia. Energy Savings also markets electricity to residential and small to mid-size commercial customers in Ontario, Alberta and New York. Energy Savings commenced marketing gas to residential customers in British Columbia on May 1, 2007.

By fixing the price of gas or electricity under fixed price contracts up to a period of five years, customers eliminate their exposure to price volatility for the commodities. It is Energy Savings’ policy to match the estimated requirements of its customers by purchasing offsetting physical or notional volumes of gas and electricity from suppliers at fixed prices for the term of its related customer contracts.

Note 3. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”), and include the accounts of Energy Savings Income Fund and its directly or indirectly wholly owned subsidiaries and affiliates.

(b) Cash

All highly liquid temporary cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

(c) Unbilled revenues/accrued gas accounts payable or gas delivered in excess of consumption/deferred revenues

Unbilled revenues are stated at estimated realizable value and result when customers consume more gas than has been delivered by Energy Savings to local distribution companies (“LDCs”). Accrued gas accounts payable represents the obligation to the LDCs with respect to gas consumed by customers in excess of that delivered to the LDCs.

Gas delivered to LDCs in excess of consumption by customers is stated at the lower of cost and net realizable value. Collections from customers in advance of their consumption of gas result in deferred revenues.

Due to the seasonality of our operations, during the winter months, customers will have consumed more than what was delivered resulting in the recognition of unbilled revenues/accrued gas accounts payable; however, in the summer months, customers will have consumed less than what was delivered, resulting in the recognition of gas delivered in excess of consumption/deferred revenues.

These adjustments are applicable solely to the Ontario, Manitoba and Quebec gas markets.

(d) Gas in storage

Gas in storage primarily represents the gas delivered to the LDCs in the State of Illinois. The balance will fluctuate as gas is injected or withdrawn from storage. Injections typically occur from April through November and withdrawals occur from December through March.

In addition, a portion of the gas in storage relates to operations in the Province of Alberta. In Alberta, there is a month to month carryover, which represents the difference between the gas delivered to the LDC within a month and customer consumption. The delivery volumes in the following month are adjusted accordingly.

Gas in storage is stated at the lower of cost and net realizable value.

(e) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets, with the half year rule applied to acquisitions, as follows:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Computer software	Declining balance	100%
Commodity billing and settlement systems	Straight line	5 years
Leasehold improvements	Straight line	Term of lease

(f) Asset retirement obligations

Asset retirement obligations, including any restoration costs required in connection with leased assets or properties, are recognized at fair value in the period in which the obligations are incurred and a reasonable estimate of fair value can be made. Energy Savings did not have any such obligations outstanding for the years ended March 31, 2007 and 2006.

(g) Goodwill

Goodwill, reflecting the excess of the acquisition and incremental costs over the fair value of assets purchased by the Fund, is not amortized. The carrying amount of goodwill is tested annually for impairment and is written down if impairment is determined.

(h) Gas contracts

Gas contracts represent the original fair value of existing sales and supply contracts acquired by Energy Savings on the acquisition of various gas contracts. These contracts are amortized over their average estimated remaining life.

(i) Electricity contracts

Electricity contracts represent the original fair value of existing sales and supply contracts acquired by Energy Savings on the acquisition of various electricity contracts. These contracts are amortized over their average estimated remaining life.

(j) Other assets (liabilities)

Energy Savings' various derivative financial instruments have been accounted for under AcG-13, "Hedging Relationships", where they meet the guideline's criteria and otherwise have been recognized at fair value in the financial statements in accordance with EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments".

For derivative financial instruments accounted for under AcG-13, Energy Savings formally documents the relationship between hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivative financial instruments to anticipated transactions. Energy Savings also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in cash flow of the hedged items.

Energy Savings enters into hedges of its cost of sales relating to its fixed price electricity sales by entering into fixed-for-floating electricity swap contracts with electricity suppliers. Energy Savings uses the settlement method of hedge accounting for these swap contracts whereby the gain or loss incurred upon settlement is recognized in cost of sales. The timing of these settlements matches the timing of the recognition of the anticipated electricity sales which these swaps hedge. Changes in the fair value of these swaps are not recognized in the financial statements.

Energy Savings enters into hedges of its foreign exchange relating to its anticipated repatriation of U.S. denominated currency by entering into foreign exchange forward contracts with its lender. Energy Savings previously applied AcG-13 to these contracts and used the settlement method of accounting. As of March 31, 2007, these derivative financial instruments have been recorded on the balance sheet as either other assets or other liabilities measured at fair value, with changes in fair value recognized in income as other income (expense).

Derivative financial instruments accounted for in accordance with EIC-128 have been entered into for the purpose of economically hedging the cost of sales relating to Energy Savings' fixed price gas sales. These changes in fair value may be referred to as mark to market gains (losses). In addition, the premiums and settlements for these derivative financial instruments are recognized in cost of sales, when incurred.

(k) Derivative instruments and hedge accounting

Electricity:

Energy Savings has entered into contracts with customers to provide electricity at fixed prices ("customer electricity contracts"). Customer electricity contracts include requirements contracts and contracts with fixed or variable volumes at fixed prices. The customer electricity contracts expose Energy Savings to changes in market prices of electricity and consumption. To reduce its exposure to movements in commodity prices arising from the acquisition of electricity at floating rates, Energy Savings uses electricity derivative financial contracts ("electricity derivative contracts"). These electricity derivative contracts are fixed-for-floating swaps whereby Energy Savings agrees to exchange the difference between the variable or indexed price and the fixed price on a notional quantity of electricity for a specified time frame. These contracts are expected to be effective as hedges of the electricity price exposure.

Energy Savings continues to monitor its effective hedging relationship between retail consumption and its supply contracts.

Realized and unrealized gains and losses on electricity derivative contracts designated as hedging instruments are deferred and recognized over the term of the contract based on the timing of the underlying hedged transactions and are recorded in cost of sales. Any electricity derivative contracts that do not qualify for hedge accounting or are dedesignated as a hedge are recorded at fair market value with the changes in fair value recorded in current period income as a component of other income (expense). Any gains or losses accumulated up to the date that the electricity derivative contract is terminated or dedesignated as a hedge are deferred and recorded in cost of sales when the hedged customer electricity contract affects income. Electricity supply contracts are recorded in cost of sales when the physical electricity is purchased. Any gains and losses on early settlement of these contracts are recorded immediately in other income (expense).

Gas:

Energy Savings has entered into contracts with customers to provide gas at fixed prices ("customer gas contracts"). The customer gas contracts expose Energy Savings to changes in market prices of gas and consumption. To reduce its exposure to movements in commodity prices and usage, Energy Savings uses gas physical and financial contracts ("gas supply contracts"). These gas supply contracts are expected to be effective as hedges of the gas price exposure.

Energy Savings continues to monitor its effective hedging relationship between retail consumption and its supply contracts.

Energy Savings uses physical forwards ("physical gas supply contracts") and other gas financial instruments to fix the price of its gas supply. Under the physical gas supply contracts, Energy Savings agrees to pay a specified price per volume of gas or transportation. Other financial instruments are comprised primarily of financial puts and calls that fix the price of gas in jurisdictions where Energy Savings has scheduling responsibilities and therefore is exposed to commodity price risk on volumes above or below its base supply.

Realized and unrealized gains and losses on financial gas supply contracts designated as hedging instruments are deferred and recognized over the term of the contract based on the timing of the underlying hedged transactions and are recorded in cost of sales. Any contracts that do not qualify for hedge accounting or are dedesignated as a hedge are valued at fair market value with the changes in fair value recorded in current period income as a component of other income (expense). Any gains or losses accumulated up to the date that the financial gas supply contract is terminated or dedesignated as a hedge are deferred and recorded in cost of sales when the hedged customer gas contract affects income. Physical gas supply contracts are recorded in cost of sales when the physical gas is purchased. Any gains and losses on early settlement of these contracts are recorded immediately in other income (expense).

Foreign exchange:
To reduce its exposure to movements in foreign exchange rates, Energy Savings uses foreign exchange forwards ("foreign exchange contracts"). These foreign exchange contracts are expected to be effective as hedges of the anticipated cross border cash flow but have been found to not be effective under the terms of AcG-13.

Up until March 31, 2007, realized and unrealized gains and losses on foreign exchange contracts designated as hedging instruments were deferred to be recognized over the term of the contract based on the timing of the underlying hedged transactions. As of March 31, 2007, these derivative financial instruments have been recorded on the balance sheet as either other assets or other liabilities measured at fair value, with changes in fair value recognized in income as other income (expense).

(l) Revenue recognition
Energy Savings delivers gas and/or electricity to end-use customers who have entered into long-term fixed price contracts. Revenue is recognized when the commodity is consumed by the end-use customer or sold to third parties. The Fund assumes credit risk in only two jurisdictions – Alberta and Illinois, where credit review processes are in place prior to commodity flowing to the customer.

(m) Marketing expenses
Commissions and various other costs related to obtaining and renewing customer contracts are charged to income in the period incurred.

(n) Foreign currency translation
Energy Savings' currency of measurement in its consolidated financial statements is the Canadian dollar. All U.S. subsidiaries are considered integrated. Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities and related income statement charges are translated at historical rates. All other revenue and expense accounts are translated at the average rate for the year. Foreign exchange gains and losses are included in net income for the year.

(o) Per unit amounts
The computation of income per unit is based on the weighted average number of units outstanding during the year.

Diluted earnings per unit is computed in a similar way to basic earnings per unit except that the weighted average units outstanding are increased to include additional units from assumed exercise of unit options, unit appreciation rights and deferred unit grants, if dilutive.

(p) Unit based compensation plans
The Fund accounts for all of its unit based compensation awards using the fair value based method.

Awards are valued at grant date and are not subsequently adjusted for changes in the prices of the underlying unit and other measurement assumptions. Compensation for awards without performance conditions is recognized as an expense and a credit to contributed surplus over the related vesting period of the awards. Compensation for awards with performance conditions is recognized based on management's best estimate of whether the performance condition will be achieved.

When options and other unit based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to Unitholders' equity. The amount of cash, if any, received from participants is also credited to Unitholders' equity.

(q) Employee future benefits

Energy Savings established a long-term incentive plan (the “Plan”) for all permanent full-time and part-time Canadian employees (working more than 20 hours per week) of its affiliates and subsidiaries. The Plan consists of two components, a Deferred Profit Sharing Plan (“DPSP”) and an Employee Profit Sharing Plan (“EPSP”). For participants of the DPSP, Energy Savings contributes an amount equal to a maximum of 2% per annum of an employee’s base earnings. For the EPSP, Energy Savings contributes an amount up to a maximum of 2% per annum of an employee’s base earnings towards the purchase of trust units of the Fund, on a matching one for one basis.

Participation in either plan is voluntary. The Plan has a two-year vesting period beginning from the later of the Plan’s effective date and the employee’s starting date. During the year Energy Savings contributed $545 (2006 – $428) to both plans, which was paid in full during the year.

(r) Exchangeable securities

Energy Savings follows the recommendations of the Emerging Issues Committee relating to the presentation of exchangeable securities issued by subsidiaries of income funds. The recommendations require that the exchangeable securities issued by a subsidiary of an income fund be presented on the consolidated balance sheet of the income fund as a part of Unitholders’ equity if the following criteria have been met:

- the holders of the exchangeable securities are entitled to receive distributions of earnings economically equivalent to distributions received on units of the income fund; and
- the exchangeable securities ultimately are required to be exchanged for units of the income fund as a result of the passage of fixed periods of time or the non-transferability to third parties of the exchangeable securities without first exchanging them for units of the income fund.

The Class A preference shares meet these criteria and have been classified as Unitholders’ equity. In addition, all distributions paid to the Class A preference shareholders must be included in Unitholders’ equity, net of tax. The management incentive program, a bonus equal to the distribution amount received by a Unitholder, is additional compensation to senior management of Ontario Energy Savings Corp. (“OESC”).

(s) Use of estimates

The preparation of the financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. In particular, valuation techniques such as those used in the preparation of fair values are significantly affected by the assumptions used and the amount and timing of estimates. The aggregate fair value amounts represent point in time estimates only and should not be interpreted as being realizable in an immediate settlement of the supply contracts.

Note 4. Seasonality of operations

Energy Savings’ operations are seasonal. Gas consumption by customers is typically highest in October through March and lowest in April through September. Electricity consumption is typically highest in January through March and July through September. Electricity consumption is lowest in October through December and April through June.

Note 5. Restricted cash/customer rebates payable

Restricted cash and customer rebates payable represent rebate monies received from LDCs in Ontario as provided by the Independent Electricity System Operator (“IESO”). OESLP is obligated to disperse the monies to eligible end-use customers in accordance with the Market Power Mitigation Agreement as part of OESLP’s Retailer License conditions.

Note 6. Acquisition of customer contracts

Acquisition of EPCOR Utilities Inc.'s Ontario electricity contracts

On May 19, 2005, Energy Savings purchased effective May 1, 2005, approximately 187,000 residential customer equivalents ("RCEs") of deregulated electricity customers in Ontario from EPCOR Utilities Inc ("EPCOR").

The purchase price has been allocated as follows:

Net assets acquired:		
Electricity contracts	$	14,585
Deferred charges		(7,992)
	$	6,593
Consideration:		
Cash	$	6,593

Cash consideration was determined by valuing the margin remaining on contracts acquired at their associated fixed prices. These fixed prices were not reflective of the market price of electricity at the time of acquisition. Canadian GAAP requires financial instruments to be fair valued upon acquisition. Customer contracts are not considered financial instruments, while supply contracts are. Deferred charges relate to the fair value associated with the acquired supply contracts.

The entire purchase price was amortized over the average remaining life of the contracts, which at the time of the acquisition was 1.5 years.

Note 7. Capital assets

2007	**Cost**	**Accumulated amortization**	**Net book value**
Furniture and fixtures	**$ 2,461**	**$ 1,105**	**$ 1,356**
Office equipment	**4,960**	**1,327**	**3,633**
Computer equipment	**2,970**	**1,816**	**1,154**
Computer software	**225**	**9**	**216**
Commodity billing and settlement system	**6,900**	**3,550**	**3,350**
Leasehold improvements	**3,527**	**1,351**	**2,176**
	$ 21,043	**$ 9,158**	**$ 11,885**

2006	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 2,264	$ 799	$ 1,465
Office equipment	2,710	709	2,001
Computer equipment	2,721	1,376	1,345
Commodity billing and settlement system	6,747	2,208	4,539
Leasehold improvements	2,875	962	1,913
	$ 17,317	$ 6,054	$ 11,263

Note 8. Bank indebtedness

An operating credit facility is available to Energy Savings to meet working capital requirements. During the year, the facility was increased from $100,000 to $150,000 to support the Fund's growth needs. The operating line of credit bears interest at bank prime plus 0.5% and the letters of credit bear interest at 1.5%. As at March 31, 2007, the Canadian and U.S. prime rates were 6.0% and 8.25%, respectively. As at March 31, 2007, Energy Savings had drawn $38,628 against the facility and total letters of credit outstanding amounted to $5,088. Energy Savings has $106,284 of the facility remaining for future working capital and security requirements. Energy Savings' obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a pledge of the assets of Energy Savings and the majority of its operating subsidiaries and affiliates. Energy Savings is required to meet a number of financial covenants under the credit facility agreement. As at March 31, 2007 and 2006, all of these covenants have been met.

Note 9. Income taxes

The Fund is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the Declaration of Trust, the trustees will distribute all taxable income directly earned by the trust to the Unitholders and deduct such distributions for income tax purposes.

Canadian based corporate subsidiaries are subject to tax on their taxable income at a rate of 36% (2006 – 36%).

The following table reconciles the difference between the income taxes that would result solely by applying statutory tax rates to the pre-tax income for Energy Savings and the income tax provision in the financial statements.

		2007		2006
Income before income tax	**$**	**92,982**	$	48,508
Income tax expense at the combined basic rate of 36% (2006 – 36%)		**33,474**		17,463
Taxes on income attributable to Unitholders		**(36,853)**		(28,740)
Large corporations tax		**–**		159
Benefit of U.S. accounting losses not recognized		**1,023**		5,253
Non-deductible expenses		**1,426**		2,810
Recovery of income tax	**$**	**(930)**	$	(3,055)
Components of Energy Savings' income tax provision are as follows:				
Income tax recovery (provision)	**$**	**539**	$	(1,764)
Amount credited to Unitholders' equity		**3,319**		3,341
Current income tax provision		**3,858**		1,577
Future tax recovery		**(4,788)**		(4,632)
Recovery of income tax	**$**	**(930)**	$	(3,055)
Components of Energy Savings' net future income tax liability are as follows:				
Partnership income deferred for tax purposes and book carrying amount of investments in partnerships in excess of tax cost	**$**	**11,600**	$	12,415
Other		**–**		3,973
	$	**11,600**	$	16,388

U.S. based corporate subsidiaries are subject to tax on their taxable income at a rate of 40% (2006 – 40%). At March 31, 2007, the U.S. subsidiaries of Energy Savings had $12,649 (US$10,955) in combined operating losses for tax purposes, of which $4,138 (US$3,584) of the carry forward will expire by 2025 and $8,511 (US$7,371) by 2026. The tax benefit of these losses has not been recognized in these financial statements.

At March 31, 2007, the difference between the carrying value and the tax basis of assets and liabilities attributable to various partnerships of $19,621 has not been accounted for in the current year's future tax recovery; as such the amount is to be allocated to ESIF Commercial Trust I, a flow-through entity for tax purposes.

On December 21, 2006, the Minister of Finance (Canada) (the "Minister") released draft legislation (the "Proposals") relating to the federal income taxation of publicly traded trusts and partnerships. On March 29, 2007, the Minister introduced Bill C-52 in the House of Commons to implement these Proposals. The Proposals are contemplated to apply to a publicly traded trust that is a specified investment flow-through entity (a "SIFT") that was listed before November 1, 2006 ("Existing Trust"), commencing with taxation years ending in or after 2011.

Certain distributions attributable to a SIFT will not be deductible in computing the SIFT's taxable income, and the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. Distributions paid by a SIFT attributable to direct foreign investment income or dividend income or as a return of capital will not be subject to this tax. There will be circumstances where an Existing Trust may lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to the Existing Trust's market capitalization at the close of trading on October 31, 2006.

The Fund is a SIFT as defined in the Proposals. If enacted, the Fund would be subject to taxes on certain income earned from investments in its subsidiaries. The tax payable by the Fund on those distributions will result in a corresponding decrease to the cash flow distributed to the Unitholders. The Fund would also be required to recognize future income tax assets and liabilities with respect to the temporary differences of its assets and liabilities and those of its flow-through subsidiaries that are expected to reverse in or after 2011. It is anticipated that the recognition of these future income tax assets and liabilities will result in an increase in the net future tax liability of the Fund with a corresponding decrease in net Unitholders' equity.

Note 10. Unitholders' capital

Trust units of the Fund

An unlimited number of units may be issued. Each unit is transferable, voting and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund.

The Fund intends to make distributions to its Unitholders based on the cash receipts of the Fund, excluding proceeds from the issuance of additional Fund units, adjusted for costs and expense of the Fund, amount which may be paid by the Fund in connection with any cash redemptions or repurchases of units and any other amount that the Board of Directors considers necessary to provide for the payment of any costs which have been or will be incurred in the activities and operations of the Fund. The Fund's intention is for Unitholders of record on the 15th day of each month to receive distributions at the end of the month.

Class A preference shares of OESC

Unlimited Class A preference shares, non-voting for OESC, non-cumulative, exchangeable into trust units in accordance with the OESC shareholders' agreement as restated and amended, with no priority on dissolution. Pursuant to the amended and restated Declaration of Trust which governs the Fund, the holders of Class A preference shares are entitled to vote in all votes of Unitholders as if they were the holders of the number of units that they would receive if they exercised their shareholder exchange rights. Class A preference shareholders have equal entitlement to distributions from the Fund as Unitholders.

	2007		2006	
Issued and outstanding	**Units/shares**		Units/shares	
Trust units				
Balance, beginning of year	**96,391,991**	**$ 299,228**	95,515,617	$ 292,037
Options exercised	**71,834**	**869**	873,168	7,138
Deferred unit grants exchanged	**2,695**	**36**	3,206	53
Unit appreciation rights exchanged	**153,532**	**2,598**	–	–
Exchanged from Class A preference shares	**1,462,483**	**3,656**	–	–
Balance, end of year	**98,082,535**	**306,387**	96,391,991	299,228
Class A preference shares				
Balance, beginning of year	**10,168,695**	**25,422**	10,168,695	25,422
Exchanged into units	**(1,462,483)**	**(3,656)**	–	–
Balance, end of year	**8,706,212**	**21,766**	10,168,695	25,422
Unitholders' capital, end of year	**106,788,747**	**$ 328,153**	106,560,686	$ 324,650

Note 11. Unit based compensation plans

(a) Unit option plan

The Fund grants awards under its 2001 unit option plan to directors, officers, full-time employees and service providers (non-employees) of Energy Savings. In accordance with the unit option plan, the Fund may grant options to a maximum of 11,300,000 units. As at March 31, 2007, there were 812,666 options still available for grant under the plan. Of the options issued, 1,202,333 options remain outstanding at year end. The exercise price of the unit options equals the closing market price of the Fund's units on the last business day preceding the grant date. The unit options will vest over periods ranging from three to five years from the grant date and expire after five or 10 years from the grant date.

A summary of the changes in the Fund's option plan during the year and status at March 31, 2007, is outlined below.

	Outstanding options	Range of exercise prices	Weighted average exercise price[1]	Weighted average grant date fair value[2]
Balance, beginning of year	1,227,667	$ 6.09–$ 18.70	$ 13.44	
Granted	145,000	$ 12.69–$ 17.47	$ 16.87	$ 2.57
Forfeited/canceled	(98,500)	$ 14.25–$ 17.70	$ 16.86	
Exercised	(71,834)	$ 6.09–$ 16.58	$ 10.63	
Balance, end of year	1,202,333	$ 7.29–$ 18.70	$ 13.74	

[1] The weighted average exercise price is calculated by dividing the exercise price of options granted by the number of options granted.

[2] The weighted average grant date fair value is calculated by dividing the fair value of options granted by the number of options granted.

2007	**Options outstanding**			**Options exercisable**	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
$ 7.29–$ 8.75	**27,500**	**0.83**	**$ 8.35**	**27,500**	**$ 8.35**
$ 10.68–$ 12.01	**73,333**	**1.22**	**$ 11.09**	**73,333**	**$ 11.09**
$ 12.17	**600,000**	**1.00**	**$ 12.17**	**600,000**	**$ 12.17**
$ 12.69–$ 18.70	**501,500**	**3.18**	**$ 16.30**	**101,500**	**$ 16.34**
Balance, end of year	**1,202,333**	**1.92**	**$ 13.74**	**802,333**	**$ 12.46**

2006	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 6.09	6,668	1.00	$ 6.09	6,668	$ 6.09
$ 7.29–$ 8.75	36,833	1.90	$ 8.45	22,167	$ 8.26
$ 10.68–$ 12.01	126,666	2.00	$ 11.16	76,669	$ 11.19
$ 12.17	600,000	2.23	$ 12.17	600,000	$ 12.17
$ 14.25–$ 18.70	457,500	3.61	$ 16.24	29,500	$ 16.68
Balance, end of year	1,227,667	2.62	$ 13.44	735,004	$ 12.07

Options available for grant	**2007**	2006
Balance, beginning of year	**859,166**	1,134,166
Add: canceled/forfeited during the year	**98,500**	–
Less: granted during the year	**(145,000)**	(275,000)
Balance, end of year	**812,666**	859,166

The Fund uses a binomial option pricing model to estimate the fair values. The binomial model was chosen because of the yield associated with the units. Fair values of employee unit options are estimated at grant date. Fair values of non-employee unit options are estimated and revalued each reporting period until a measurement date is achieved. The following weighted average assumptions have been used in the valuations for fiscal 2007:

Risk free rate	3.91%–4.48%
Expected volatility	25.50%–27.41%
Expected life	5 years
Expected distributions	$0.945–$1.065 per year

(b) Unit appreciation rights

The Fund grants awards under its 2004 unit appreciation rights ("UARs") plan to senior officers, employees and service providers of its subsidiaries and affiliates in the form of fully paid UARs. In accordance with the unit appreciation rights plan, the Fund may grant UARs to a maximum of 1,000,000. As at March 31, 2007, there were 78,277 UARs still available for grant under the plan. Except as otherwise provided, (i) the UARs vest from one to five years from the grant date providing, in most cases, on the applicable vesting date the UAR grantee continues as a senior officer, employee or service provider of the Fund or any affiliate thereof; (ii) the UARs expire no later than 10 years from the grant date; (iii) a holder of UARs is entitled to distributions as if a UAR were a unit; and (iv) when vested, the holder of a UAR may exchange one UAR for one unit.

UARs available for grant	**2007**	2006
Balance, beginning of year	**498,791**	759,574
Less: granted during the year	**(492,887)**	(260,783)
Add: canceled/forfeited during the year	**72,373**	–
Balance, end of year	**78,277**	498,791

(c) Deferred unit grants

The Fund grants awards under its 2004 directors' deferred compensation plan to all independent directors who elect to receive deferred units. In accordance with the deferred compensation plan, the Fund may grant deferred unit grants ("DUGs") to a maximum of 100,000. The DUGs vest on the earlier of the date of the Director's resignation or three years following the date of grant and expire 10 years following the date of grant. As of March 31, 2007, there were 71,143 DUGs available for grant under the plan.

DUGs available for grant	**2007**	2006
Balance, beginning of year	**82,781**	90,635
Less: granted during the year	**(11,638)**	(7,854)
Balance, end of year	**71,143**	82,781

(d) Contributed surplus

Amounts credited to contributed surplus include unit based compensation awards, UARs and DUGs. Amounts charged to contributed surplus are awards exercised during the year.

Contributed surplus	**2007**	2006
Balance, beginning of year	**8,436**	4,881
Add: unit based compensation awards	**3,920**	6,518
non-cash deferred unit grants distributions	**17**	7
Less: unit based awards exercised	**(2,740)**	(2,970)
Balance, end of year	**9,633**	8,436

Total amounts credited to Unitholders' capital in respect of unit options and deferred unit grants exercised or exchanged during the year ended March 31, 2007, amounted to $3,503 (2006 – $7,191).

Cash received from options exercised for the year ended March 31, 2007, amounted to $763 (2006 – $4,221).

Note 12. Financial instruments

(a) Fair value

The Fund has a variety of gas and electricity supply contracts that are considered derivative financial instruments. The fair value of derivative financial instruments is the estimated amount that Energy Savings would pay or receive to dispose of these supply contracts in the market. Management has estimated the value of electricity and gas swap contracts using a discounted cash flow method which employs market forward curves as well as a forward curve compiled by management for Alberta electricity (electricity information is based on market). Gas options have been valued using the Black option value model using the applicable market forward curves and the implied volatility from other market traded gas options.

(i)(a) At March 31, 2007, Energy Savings had electricity fixed-for-floating swap contracts in Ontario designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak, flat, off peak and weekend)	0.1–108.3 MW/h
Total remaining notional volume (peak, flat off peak and weekend)	14,603,520 MWh
Maturity dates	April 30, 2007–December 31, 2012
Fixed price per MWh (in dollars)	$45.00–$118.00
Fair value	$114,947 unfavorable
Notional value	$1,079,220

(i)(b) At March 31, 2007, Energy Savings had electricity fixed-for-floating swap contracts in Alberta designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak and off peak)	0.1–11.4 MW/h
Total remaining estimated notional volume (peak, off peak and load following)	2,834,792 MWh
Maturity dates	April 30, 2007–September 30, 2012
Fixed price per MWh (in dollars)	$55.80–$100.75
Fair value	$53,966 favorable
Notional value	$206,674

(i)(c) At March 31, 2007, Energy Savings had electricity fixed-for-floating swap contracts in New York designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak and off peak)	0.1–14.7 MW/h
Total remaining notional volume (peak and off peak)	1,270,596 MWh
Maturity dates	April 30, 2007–February 29, 2012
Fixed price per MWh (in dollars)	$102.12–$131.57 (US$88.45–US$113.95)
Fair value	$25,118 (US$21,755) unfavorable
Notional value	$158,136 (US$136,962)

Since hedge accounting has been applied to these swaps, no recognition of the mark to market gain/loss has been recognized in the financial statements. The electricity fixed-for-floating contracts related to the Province of Alberta are predominantly load following, wherein the quantity of electricity contained in the supply contract "follows" the usage of customers designated by the supply contract. Notional volumes associated with these contracts are estimates and subject to change with customer usage requirements. There are also load shaped fixed-for-floating contracts in Ontario and New York wherein the quantity of electricity is established but varies throughout the term of the contracts.

(ii) At March 31, 2007, Energy Savings had other gas puts and calls in Manitoba which have been marked to market with the following terms:

Notional volume	320–51,750 GJ/month
Total remaining notional volume	1,504,645 GJ
Maturity dates	April 30, 2007–June 30, 2011
Fixed price per GJ (in dollars)	$5.19–$13.20
Fair value	$937 unfavorable

The loss of $259 (2006 – $34 loss) for the year ended March 31, 2007, has been recorded in other liabilities with its offsetting value being recorded in other income (expense). The fair value of the options is net of the present value of premiums which have yet to be paid.

(iii) At March 31, 2007, Energy Savings had other gas puts and calls in Ontario which have been marked to market with the following terms:

Notional volume	258–13,948 GJ/month
Total remaining notional volume	1,136,666 GJ
Maturity dates	April 30, 2007–March 31, 2012
Fixed price per GJ (in dollars)	$7.47–$8.28
Fair value	$418 unfavorable

The loss of $418 (2006 – n/a) for the year ended March 31, 2007, has been recorded in other liabilities with its offsetting value being recorded in other income (expense). The fair value of the options is net of the present value of premiums which have yet to be paid.

(iv) At March 31, 2007, Energy Savings had other gas puts and calls in Alberta which have been marked to market with the following terms:

Notional volume	500–40,500 GJ/month
Total remaining notional volume	6,761,000 GJ
Maturity dates	April 30, 2007–March 31, 2012
Fixed price per GJ (in dollars)	$5.50–$12.40
Fair value	$3,494 unfavorable

The loss of $2,923 (2006 – $572 loss) for the year ended March 31, 2007, has been recorded in other liabilities with its offsetting value being recorded in other income (expense). The fair value of the options is net of the present value of premiums which have yet to be paid.

(v) At March 31, 2007, Energy Savings had other gas put and call options in Illinois and Indiana which have been marked to market with the following terms:

Notional volume	500–122,000 MmBTU/month
Total remaining notional volume	6,886,500 MmBTU
Maturity dates	April 30, 2007–November 30, 2011
Fixed price per MmBTU (in dollars)	$6.35–$12.01 (US$5.50–US$10.40)
Fair value	$782 (US$677) favorable

The fair value is net of prepaid premiums of $1,018 (US$882). These premiums are included in other liabilities. The loss of $1,205 (US$1,044) (2006 – loss of $266 (US$228)) for the year ended March 31, 2007, has been recorded in other assets with its offsetting value being recorded in other income (expense).

(vi) At March 31, 2007, Energy Savings had gas put and call options in New York which have been marked to market with the following terms:

Notional volume	5–1,600 MmBTU/month
Total remaining notional volume	1,034,322 MmBTU
Maturity dates	April 30, 2007–December 31, 2011
Fixed price per MmBTU (in dollars)	$9.35–$13.12 (US$8.10–US$11.36)
Fair value	$932 (US$807) unfavorable

The loss of $685 (US$593) (2006 – $250 loss (US$214)) for the year ended March 31, 2007, has been recorded in other liabilities with its offsetting value being recorded in other income (expense). The fair value of the options is net of the present value of premiums which have yet to be paid.

(vii) As at March 31, 2007, Energy Savings had renewable energy certificates in Alberta which have been marked to market with the following terms:

Notional volume	296–724 MWh
Total remaining notional volume	2,432 MWh
Maturity dates	December 31, 2007–December 31, 2011
Fixed price per MWh (in dollars)	$3.00
Fair value	$7
Notional value	$7

For the year ended March 31, 2007, no entry was recorded in the financial statements as there was no change in fair value. Future changes to the fair value will be recorded in other assets and the offsetting values will be recorded in other income.

(viii) The Fund has foreign exchange forwards that are considered derivative financial instruments. The fair value of derivative financial instruments is the estimated amount that Energy Savings would pay or receive to dispose of these forwards at market. Management has estimated the value of its foreign exchange forwards using a discounted cash flow method that employs market forward curves. Hedge accounting was applied to most of these forwards up to September 30, 2006. However, the hedge was dedesignated and a loss of $195 for the year ended March 31, 2007, has been recorded in other liabilities. As the required hedge accounting effectiveness was achieved for certain quarters of fiscal 2007, a $1,933 gain has been deferred and will be recognized in the statement of operations over the remaining term of each hedging relationship. The $2,128 difference between the ending unfavorable position and this gain has been booked to the statement of operations. At March 31, 2007, Energy Savings had foreign exchange forwards designated as hedges of Energy Savings' anticipated cross border cash flow, which it has committed with the following terms:

Notional amount	$2,258–$2,276 (US$2,000)
Total remaining notional amount	$54,408 (US$48,000)
Maturity dates	May 7, 2008–April 7, 2010
Exchange rates	$1.1289–$1.1381
Fair value	$195 unfavorable

These derivative financial instruments create a credit risk for Energy Savings since they have been transacted with a limited number of counterparties. Should any counterparty be unable to fulfill its obligations under the contracts, Energy Savings may not be able to realize the other asset balance recognized in the financial statements.

Energy Savings' physical gas supply contracts are not currently considered derivative financial instruments and a fair value has therefore not been assessed.

The carrying value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, management incentive program payable and unit distribution payable approximates their fair value due to their short-term liquidity.

(b) Customer credit risk

In Illinois and Alberta, Energy Savings assumes the credit risk associated with cash collection from its customers. Credit review processes have been put in place for these markets where Energy Savings has credit risk to manage the customer default rate. If a significant number of customers were to default on their payments, it could have a material adverse effect on Energy Savings' operations and cash flow. Management factors default from credit risk in its margin expectations for both Illinois and Alberta.

For the remaining markets in which Energy Savings operates, the LDCs provide collection services and assume the risk of any bad debts owing from Energy Savings' customers for a fee. Therefore, Energy Savings receives the collection of customer account balances directly from the LDCs. Management believes that the risk of the LDCs failing to deliver payment to Energy Savings is minimal.

(c) Supplier risk

Energy Savings purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Energy Savings has an exposure to supplier risk as the ability to continue to deliver gas and electricity to its customers is reliant upon the ongoing operations of these suppliers and their ability to fulfill their contractual obligations. A significant portion of these gas and electricity purchases is from Coral Energy, an affiliate of Shell Trading.

(d) Foreign currency risk

Energy Savings has an exposure to foreign currency exchange rates, as a result of its investment in U.S. operations. Changes in the applicable exchange rate may result in a decrease or increase in income. A non-cash gain of $60 for the year ended March 31, 2007 (2006 – $531 loss), has been recorded in other income (expense).

Note 13. Income per unit

	2007	2006
Basic income per unit		
Net income available to Unitholders	**$ 93,912**	$ 51,563
Weighted average number of units outstanding	**97,499,000**	95,834,000
Weighted average number of Class A preference shares	**9,218,000**	10,169,000
Basic units and shares outstanding	**106,717,000**	106,003,000
Basic income per unit	**$ 0.88**	$ 0.49
Diluted income per unit[1]		
Net income available to Unitholders	**$ 93,912**	$ 51,563
Basic units and shares outstanding	**106,717,000**	106,003,000
Dilutive effect of:		
Unit options	**185,000**	683,000
Unit appreciation rights	**382,000**	283,000
Deferred unit grants	**17,000**	11,000
Units outstanding on a diluted basis	**107,301,000**	106,980,000
Diluted income per unit	**$ 0.88**	$ 0.48

[1] For the years ended March 31, 2007 and 2006, the conversion of unit options, unit appreciation rights and deferred unit grants is dilutive.

Note 14. Reportable business segments

Energy Savings operates in two reportable geographic segments, Canada and the United States. Reporting by geographic region is in line with Energy Savings' performance measurement parameters. Both the Canadian and the U.S. operations have gas and electricity business segments.

Energy Savings evaluates segment performance based on gross margin.

The following tables present Energy Savings' results by geographic segment:

2007	**Canada**	**United States**	**Consolidated**
Sales – gas	**$ 782,506**	**$ 172,225**	**$ 954,731**
Sales – electricity	**530,388**	**47,198**	**577,586**
Sales	**$ 1,312,894**	**$ 219,423**	**$ 1,532,317**
Gross margin	**$ 201,437**	**$ 28,007**	**$ 229,444**
Interest expense	**(2,082)**	**(1,860)**	**(3,942)**
Amortization of gas contracts	**(15,438)**	**–**	**(15,438)**
Amortization of electricity contracts	**(6,597)**	**–**	**(6,597)**
Amortization of capital assets	**(2,582)**	**(522)**	**(3,104)**
Other operating expenses	**(74,084)**	**(26,429)**	**(100,513)**
Other expense	**(4,831)**	**(2,037)**	**(6,868)**
Recovery of income tax	**930**	**–**	**930**
Net income (loss)	**$ 96,753**	**$ (2,841)**	**$ 93,912**
Additions to capital assets	**$ 3,124**	**$ 602**	**$ 3,726**
Total goodwill	**$ 94,576**	**$ –**	**$ 94,576**
Total assets	**$ 293,228**	**$ 63,999**	**$ 357,227**

2006	Canada	United States	Consolidated
Sales – gas	$ 689,401	$ 97,779	$ 787,180
Sales – electricity	417,225	7,909	425,134
Sales	$ 1,106,626	$ 105,688	$ 1,212,314
Gross margin	$ 171,062	$ 15,023	$ 186,085
Interest expense	(308)	(689)	(997)
Amortization of gas contracts	(29,831)	–	(29,831)
Amortization of electricity contracts	(7,330)	–	(7,330)
Amortization of capital assets	(2,227)	(269)	(2,496)
Other operating expenses	(67,715)	(27,157)	(94,872)
Other expense	(553)	(1,498)	(2,051)
Recovery of income tax	3,055	–	3,055
Net income (loss)	$ 66,153	$ (14,590)	$ 51,563
Additions to capital assets	$ 1,321	$ 2,159	$ 3,480
Total goodwill	$ 94,576	$ –	$ 94,576
Total assets	$ 302,288	$ 47,937	$ 350,225

Note 15. Guarantees

(a) Officers and directors

Corporate indemnities have been provided by the Fund to all directors and certain officers of its subsidiaries and affiliates for various items including, but not limited to, all costs to settle suits or actions due to their association with the Fund and its subsidiaries and/or affiliates, subject to certain restrictions. The Fund has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. Each indemnity, subject to certain exceptions, applies for so long as the indemnified person is a director or officer of one of the Fund's subsidiaries and/or affiliates. The maximum amount of any potential future payment cannot be reasonably estimated.

(b) Operations

In the normal course of business, the Fund and/or the Fund's subsidiaries and affiliates have entered into agreements that include guarantees in favor of third parties, such as purchase and sale agreements, leasing agreements and transportation agreements. These guarantees may require the Fund and/or its subsidiaries to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The maximum payable under these guarantees is estimated to be $51,000.

Note 16. Commitments

(a) Commitments for premises and equipment under operating lease obligation for each of the next five years and thereafter are as follows:

2008	$ 4,309
2009	4,659
2010	4,416
2011	3,717
2012	3,074
Thereafter	9,022
	$ 29,197

(b) Commitments under the Master Services Agreement with EPCOR for each of the next three years are as follows:

2008	$ 9,580
2009	9,580
2010	6,386
	$ 25,546

Energy Savings, through its subsidiary, AESLP, has entered into a Master Services Agreement. Services to be provided include customer call center services, financial reporting and reconciliation, customer enrollment and billing and collection services for customers secured in the Province of Alberta only. Energy Savings has established defined performance levels for each of the service areas. To the extent service levels are not achieved, AESLP has the right to certain payments or to terminate the Master Services Agreement.

(c) Commitments under long-term gas and electricity contracts with various suppliers for each of the next five years and thereafter are as follows:

2008	$ 1,195,074
2009	962,326
2010	747,515
2011	507,334
2012	198,058
Thereafter	26,009
	$ 3,636,316

Energy Savings is also committed under long-term contracts with customers to supply gas and electricity. These contracts have various expiry dates and renewal options.

Note 17. Adjustments required to reflect net cash receipts from gas sales

Changes in:	**2007**	2006
Accrued gas accounts payable	**$ 3,156**	$ (10,999)
Unbilled revenues	**(2,232)**	13,554
	$ 924	$ 2,555

Note 18. Changes in non-cash working capital

	2007	2006
Management incentive program payable	**$ (6)**	$ 87
Prepaid expenses	**(636)**	629
Gas in storage	**(1,081)**	(4,382)
Corporate taxes recoverable	**(400)**	(13,974)
Accounts payable and accrued liabilities	**(187)**	36,632
Accounts receivable	**(27,029)**	(47,793)
Other	**1,028**	524
	$ (28,311)	$ (28,277)

Note 19. Subsequent event

On May 17, 2007, Energy Savings agreed to purchase all of the partnership units of Just Energy Texas LP, including all of its electricity contracts, for US$34,000. Pursuant to the agreement, Energy Savings will acquire approximately 130,000 RCEs. The acquisition will be funded through a credit facility withdrawal of US$16,000 and the remaining US$18,000 will be funded through units of the Fund issued from treasury.

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