2009

SECOND QUARTER REPORT

ENERGY
SAVINGS INCOME FUND

PROFILE

Energy Savings' business involves the sale of natural gas and electricity to residential and commercial customers under long-term irrevocable fixed-price contracts (price-protected for electricity). Energy Savings offers natural gas in Ontario, Manitoba, Alberta, Quebec, British Columbia, Illinois and Indiana. Energy Savings also markets electricity in Ontario, Alberta, New York and Texas. By securing the price for natural gas or electricity under such contracts for a period of up to five years, Energy Savings' customers reduce or eliminate their exposure to changes in the price of these essential commodities. Energy Savings trades on the Toronto Stock Exchange under the symbol SIF.UN.

HIGHLIGHTS

for three months ended September 30, 2008, included:

- **Gross customer additions of 137,000 including the CEG Energy Options Inc. acquisition, the highest quarterly total in the last five years.**
- **Net customer additions of 55,000. Annualized gas volumes up 2% and annualized electricity volumes up 6% year to date.**
- **Sales (seasonally adjusted) of $386.2 million, up 1% year over year.**
- **Gross margin (seasonally adjusted) of $61.8 million, up 7% year over year.**
- **Distributable cash after gross margin replacement of $34.8 million ($0.31 per unit), down 8% year over year.**
- **Distributable cash after all marketing expenses of $28.4 million ($0.26 per unit), down 4% year over year.**
- **Net loss of $924.0 million ($8.31 per unit), which includes the impact of the mark to market of financial instruments, effectively all related to future supply contracts. This non-cash financial statement loss is not considered by management to reflect actual quarterly operations.**
- **Adjusted net income (which excludes the impact of the change in fair value of the financial instruments and related tax) of $6.9 million ($0.06 per unit) down from $8.4 million ($0.08 per unit).**
- **Profitability is expected to require a special distribution of approximately $0.05–$0.10 to be declared December 31, 2008.**

MESSAGE FROM THE CEO

Fellow Unitholders,

As with other publicly traded companies, Energy Savings' second quarter results have been overshadowed by the credit crisis and the resultant turmoil in the financial markets. Before speaking about the results specifically, I would like to highlight why our business is relatively protected against both the current financial uncertainty and the weak North American economy.

Reasons Energy Savings will continue to perform despite a weak economy

- Our products are essential commodities for homeowners and small businesses. In general, utility bills are among the last to go unpaid in times of financial hardship. Our bad debt losses were 2% for the first six months of fiscal 2009, consistent with last year and at the bottom end of our target range of 2% to 3%.
- We have said for many years that the Energy Savings fixed-price products provide insurance against volatility in energy prices. The turmoil we have seen in the markets has focused consumers on this issue and the result is greater receptivity to our products.
- Weak employment markets allow us to hire and retain more high-quality independent sales contractors, the key to our customer growth.

Reasons why our distributions and cash flow are sustainable

- Our balance sheet is very conservative. At the end of the quarter, we had total debt of $79.9 million outstanding from our $170.0 million working capital line and we had cash of $49.2 million.
- Against this, we have estimated the contracted future gross margin of $856.5 million in the remainder of our customer contracts. This is up from $810.2 million at the end of the first quarter.
- Our suppliers and bankers have reaffirmed their continued support of Energy Savings. During the peak of the banking crisis, the Bank of Nova Scotia joined our lending pool with a $20.0 million incremental commitment.

Why Energy Savings offers value

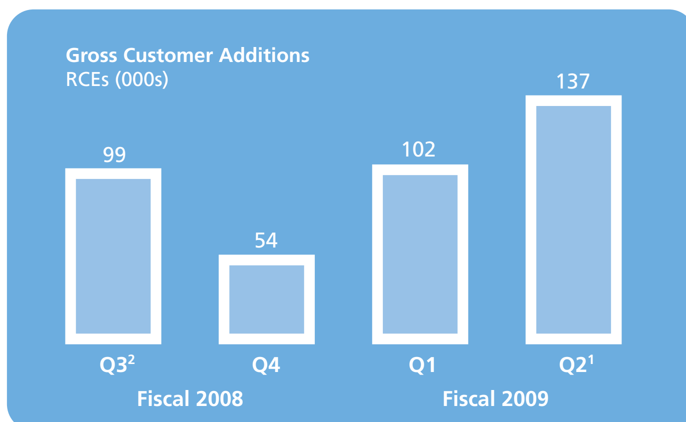
- As at this writing, Energy Savings has a distribution yield of over 10% and is near a 12-month low. It appears that many trusts are trading at similar high yields based on the belief that they will have to reduce distributions, either due to economic conditions or credit constraints. Energy Savings has never cut its distribution rate in its history; in fact, we have raised our rate 29 times since going public.
- Let me be clear. Energy Savings has no need to cut distributions based either on credit issues or on foreseeable effects of a weak North American economy. We can grow without incremental capital, just as we have in the past. This is the strength of matched long-term contracts – the predictable, reliable cash flows Energy Savings has generated for more than seven years. Our distributions remain solid.
- With a sound balance sheet and substantial free cash flow, Energy Savings is in a prime position to act as a consolidator of smaller industry players. The combination of a struggling economy and very tight credit should make a number of customer books available at very attractive prices. The CEG Energy Options Inc. ("CEG") purchase is an example of the type of accretive acquisitions that may come for sale.

Challenges Energy Savings faces

Economic conditions do impact our business. With a record number of mortgage foreclosures and utility cut-offs, our overall attrition in the U.S. has been running well above our annual target. While we have a very limited exposure to bad debt, we do lose cash flow and can take losses on resale of excess commodity purchases.

Despite higher than expected attrition, higher bad debt write-offs were not noted in the second quarter but there can be no assurance that bad debt will not increase if weak economic conditions persist for an extended period. The Fund does not bear residential or small commercial bad debt risk in Ontario, Quebec, Manitoba, British Columbia, New York and Indiana. These markets contain the vast majority of Energy Savings' customers.

The greatest protection against high attrition is strong customer aggregation. Over the past nine months, we have a made a major effort to focus on building our sales and marketing team. We have seen a turnaround in customer additions in the last two quarters.



[1] In the second quarter, we acquired 46,000 B.C. gas customers from CEG at a cost per customer of less than half the cost of customers aggregated by Energy Savings' sales force.

[2] In the third quarter of fiscal 2008, customer additions included 20,000 Texas electricity customers acquired from Just Energy.

In light of the very weak North American economic forecast for the next six months and based on results to date, management believes that a more conservative target for growth in distributable cash after gross margin replacement for fiscal 2009 would be 5% to 10% rather than the 10% previously targeted.

Second quarter operating performance

The tables below highlight the operating results of the Fund for the three and six months ended September 30, 2008.

For the three months ended September 30
(millions of dollars, except per unit amounts)

	Fiscal 2009	Per unit	Fiscal 2008	Per unit
Sales[1]	$ 386.2	$ 3.47	$ 381.9	$ 3.54
Gross margin[1]	61.8	0.56	57.7	0.53
Distributable cash[1]				
After margin replacement	34.8	0.31	37.6	0.35
After marketing expense	28.4	0.26	29.7	0.28
Net income[2]	6.9	0.06	8.4	0.08
Distributions	34.6	0.31	32.3	0.30

For the six months ended September 30
(millions of dollars, except per unit amounts)

	Fiscal 2009	Per unit	Fiscal 2008	Per unit
Sales[1]	$ 788.0	$ 7.12	$ 756.2	$ 7.01
Gross margin[1]	121.5	1.10	113.0	1.05
Distributable cash[1]				
After margin replacement	65.8	0.59	68.4	0.63
After marketing expense	58.7	0.53	56.4	0.52
Net income[2]	34.5	0.31	34.2	0.32
Distributions	68.3	0.62	62.7	0.58

[1] Seasonally adjusted.
[2] Excluding change in value of financial instruments and related tax effect.

The second quarter showed continued sales and margin growth from Energy Savings. Sales and margins were up 1% and 7%, respectively, versus the same period in fiscal 2008. Sales growth was hampered by cool summer weather reducing commodity consumption and very high U.S. attrition driven by record mortgage foreclosures and utility cut-offs for non-payment. Offsetting this was continued improvement in margin per customer across all of Energy Savings product lines. For six months ended September 30, 2008, sales and margins were up 4% and 8%, respectively, over the prior year comparable period.

Distributable cash after marketing was down 4% and up 4% for the three and six months ended September 30, 2008, respectively, as compared to the prior year comparable period. Marketing and general and administrative costs were up due to higher commissions, and recruiting costs increased corporate staffing costs to support our growth and costs related to the new call centre opened in the third quarter of last year. The quarter also saw the Fund's 29th distribution increase to $1.24 per unit effective for the July payment.

Effective this quarter, the Fund has chosen to mark to market all of our future supply positions within our net income. As commodity prices have fallen, the result was a financial statement non-cash loss of $924.0 million for the quarter. **As these supply positions are matched against our fixed-price customer contracts, the change in value quarter to quarter is not a measure that management utilizes to operate the business.** Note that despite a $1,022.6 million negative mark to market change, the estimated contracted future gross margin of $856.5 million in existing customer contracts increased from $810.2 million over the second quarter of fiscal 2009. Management includes a measure within the attached management's discussion and analysis – Adjusted net income (loss) – which we believe is a more informative measure of overall operating performance since it eliminates the impact of the change in fair value of the financial instruments, net of tax. Net income on this basis was $6.9 million for the quarter and $34.5 million for the six months versus $8.4 million and $34.2 million, respectively.

Annualized volumes show the increase in the Fund's customer base. The table below highlights customer growth versus a year ago and year to date.

	Fiscal 2009 Q2	Fiscal 2008 Q2	% increase (decrease)	Fiscal 2008 year end	Year to date increase
Market					
Canada – gas	**81,620,000**	83,740,000		80,666,000	
United States – gas	**23,956,000**	20,988,000		22,578,000	
Total gas	**105,576,000**	104,728,000	1%	103,244,000	2%
Canada – electricity	**5,790,000**	6,350,000		6,090,000	
United States – electricity	**1,770,000**	700,000		1,040,000	
Total electricity	**7,560,000**	7,050,000	7%	7,130,000	6%

Very strong customer additions were offset by high attrition in the U.S., driven in part by the economic downturn. Gross customer additions were 137,000, including 46,000 acquired from CEG, the highest quarterly total in the past five years. Net additions were 55,000 despite very high attrition. Overall, annualized gas volumes were up 1% year over year with annualized electricity volumes up 7%. We have a published target of 5% growth in gas volumes and 15% growth in electricity volumes for the fiscal year. After six months, we are at 44% of our gas target and 40% of our electricity target.

We continue to review acquisition possibilities and these could add to expected volume additions on an accretive basis. Management believes that there will be continued consolidation of the industry over coming quarters.

Energy Savings has looked to innovative products to boost new sales and renewal rates. Our Green Energy Option ("GEO") electricity product continues to receive strong take-up with over 40,000 customers choosing "green" since the product's inception. We are continuing our test marketing of the sale of tankless water heaters.

Based on operations to date, it appears clear that the Fund will again have to make a special distribution to avoid tax at the trust level for calendar 2008. The amount of the distribution is currently expected to be approximately $0.05–$0.10 per unit. The final amount will be declared on December 31, 2008, and paid through a single distribution in early 2009. The final amount of the distribution may vary based on financial performance in the third quarter.

I want to thank my fellow Unitholders for their continued support.

Yours sincerely,

Ken Hartwick
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

November 6, 2008

Overview

The following discussion and analysis is a review of the financial condition and results of operations of Energy Savings Income Fund ("Energy Savings" or the "Fund") for the six months ended September 30, 2008, and has been prepared with all information available up to and including November 6, 2008. This analysis should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended September 30, 2008, as well as the audited consolidated financial statements and related MD&A for the year ended March 31, 2008, contained in the Fund's 2008 Annual Report. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts are expressed in Canadian dollars. Quarterly reports, the annual report and supplementary information can be found under "reports and filings" on our corporate website at www.esif.ca. Additional information can be found on SEDAR at www.sedar.com.

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. ("ESLP"), ES (B.C.) Limited Partnership ("ESBC"), Alberta Energy Savings L.P. ("AESLP"), Illinois Energy Savings Corp. ("IESC"), New York Energy Savings Corp. ("NYESC"), Indiana Energy Savings Corp. ("INESC"), Energy Savings Texas Corp. ("ESTC") and Newten Home Comfort L.P. ("NHCLP").

Energy Savings' business involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price and price-protected contracts. By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Energy Savings' customers offset their exposure to changes in the price of these essential commodities. Energy Savings, which commenced business in 1997, derives its margin or gross profit from the difference between the fixed-price at which it is able to sell the commodities to its customers and the fixed-price at which it purchases the matching volumes from its suppliers. A new partnership was entered into on July 18, 2008, which involves the marketing, leasing, sale and installation of tankless water heaters.

Forward-looking information

This MD&A contains certain forward-looking information pertaining to customer additions and renewals, customer consumption levels, distributable cash and treatment under governmental regulatory regimes. These statements are based on current expectations that involve a number of risks and uncertainties which could cause actual results to differ from those anticipated. These risks include, but are not limited to, levels of customer natural gas and electricity consumption, rates of customer additions and renewals, fluctuations in natural gas and electricity prices, changes in regulatory regimes and decisions by regulatory authorities, competition and dependence on certain suppliers. Additional information on these and other factors that could affect the Fund's operations, financial results or distribution levels are included in the Fund's annual information form and other reports on file with Canadian security regulatory authorities which can be accessed on our corporate website at www.esif.ca or through the SEDAR website at www.sedar.com.

Policy change

Effective July 1, 2008, the Fund changed its policy to move from hedge accounting to full mark to market treatment. The reason for the change is that hedge accounting required the mark to market of future supply positions quarterly with the change in value reflected mainly in the consolidated statements of comprehensive income and also in the consolidated statements of operations. The financial instruments that made up these future supply positions match, to the best of management's expectations, the fixed-price delivery requirements for the Fund's long-term customer contracts. The impact of hedge accounting was to minimize the impact of mark to market on the net income (loss).

In the view of management, the resultant financial statements lacked clarity in certain limited respects, while most changes in value of future supply went to other comprehensive income (loss), a portion did not. Completing the hedge accounting documentation and analysis was very labour intensive and costly and the resultant information was, in the opinion of management, of marginal value and not particularly informative.

The new accounting policy will consolidate all the unrealized, non-cash changes in value of future supply into a single line on the consolidated statements of operations. The Fund's MD&A will detail the operating results excluding these non-cash items and the non-cash tax effects associated with them. This is important because, given commodity volatility and the size of the Fund, the quarterly swings in mark to market on these positions can be in the hundreds of millions of dollars. In fact, the second quarter sees a reduction in mark to market of more than $1,022.6 million. At the same time, the expected future net margin from the supply and customer contracts is effectively unchanged with these market movements.

Energy Savings believes that the result of this accounting change and the associated MD&A disclosure is that actual period operating results will be more transparent for investors.

Key terms

"LDC" means a local distribution company, the natural gas or electricity distributor for a regulatory or governmentally defined geographic area.

"RCE" means residential customer equivalent or the "customer", which is a unit of measurement equivalent to a customer using, as regards natural gas, 2,815 m^3 (or 106 GJs or 1,000 Therms or 1,025 CCFs) of natural gas on an annual basis and, as regards electricity, 10,000 kWh (or 10 MWh) of electricity on an annual basis, which represents the approximate amount of gas and electricity, respectively, used by a typical household in Ontario.

"Delivered volume" represents the actual volume of gas and electricity provided on behalf of customers to the LDCs for the period.

"Annualized volume/Customers" represents the utility projection of the total volume of gas and/or electricity to be delivered for each 12-month period for customers in place at a point in time. The period growth in annualized volume equates to the growth in Energy Savings' customers for the same period.

"UV" represents the per unit volume of natural gas (gigajoule/GJ) or electricity (megawatt hour/MWh) consumption.

"Gross margin per UV" represents the gross margin realized on Energy Savings' delivered volume per unit, including both low margin customers acquired through various acquisitions and gains/losses from sales of excess commodity supply.

Non-GAAP financial measures

All non-GAAP financial measures do not have standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Seasonally adjusted sales and seasonally adjusted gross margin

Management believes the best basis for analyzing both the Fund's results and the amount available for distribution is to focus on amounts actually received ("seasonally adjusted"). Seasonally adjusted sales and gross margin are not defined performance measures under Canadian GAAP. Seasonally adjusted analysis applies solely to the Canadian gas market and specifically to Ontario, Quebec and Manitoba.

No seasonal adjustment is required for electricity as the supply is balanced daily. In the other gas markets, payments for supply by the LDCs are aligned with customer consumption.

Cash Available for Distribution

"Distributable cash after marketing expense" refers to the net cash available for distribution to Unitholders. Seasonally adjusted gross margin is the principal contributor to cash available for distribution. Distributable cash is calculated by the Fund as seasonally adjusted gross margin, adjusted for cash items including general and administrative expenses, marketing expenses, capital tax, bad debt expense, interest expense, corporate taxes and other adjustments. This non-GAAP measure may not be comparable to other income funds.

"Distributable cash after gross margin replacement" represents the net cash available for distribution to Unitholders as defined above. However, only the marketing expenses associated with maintaining the Fund's gross margin at a stable level equal to that in place at the beginning of the year are deducted. Management believes that this is more representative of the operating performance of the Fund and the measure used internally. This non-GAAP measure may not be comparable to other income funds.

For reconciliation to cash from operating activities please refer to the "Cash Available for Distribution and distributions" analysis on page 10.

Adjusted net income (loss)

"Adjusted net income (loss)" represents the net income (loss) excluding the impact of mark to market gains (losses) arising from Canadian GAAP requirements for derivative financial instruments effectively all related to our future supply positions. Energy Savings ensures that customer margins are protected by entering into fixed-price supply contracts. In accordance with GAAP, the customer margins are not marked to market, but there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing volatility. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of the Fund.

Standardized Distributable Cash

Standardized Distributable Cash is a non-GAAP measure developed to provide a consistent and comparable measurement of distributable cash across entities.

"Standardized Distributable Cash" is defined as cash flows from operating activities, as reported in accordance with GAAP, less an adjustment for total capital expenditures as reported in accordance with GAAP and restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of Standardized Distributable Cash.

For reconciliation to cash from operating activities please refer to the "Standardized Distributable Cash and Cash Available for Distribution" analysis on page 13.

Financial highlights

For the three months ended September 30
(thousands of dollars, except where indicated and per unit amounts)

	Fiscal 2009			Fiscal 2008	
	$	Per unit	Change	$	Per unit
Sales	294,122	$ 2.64	4%	283,531	$ 2.63
Net income (loss)[1]	(923,990)	(8.31)		4,754	0.04
Adjusted net income (loss)[2]	6,872	0.06	(18)%	8,393	0.08
Distributable cash					
After gross margin replacement	34,755	0.31	(8)%	37,589	0.35
After marketing expense	28,394	0.26	(4)%	29,690	0.28
Distributions	34,609	0.31	7%	32,291	0.30
General and administrative	13,236	0.12	19%	11,142	0.10
Distributable cash payout ratio[3]					
After gross margin replacement	100%			86%	
After marketing expense	122%			109%	

For the six months ended September 30
(thousands of dollars, except where indicated and per unit amounts)

	Fiscal 2009			Fiscal 2008	
	$	Per unit	Change	$	Per unit
Sales	672,032	$ 6.07	6%	636,400	$ 5.90
Net income (loss)[1]	(889,758)	(8.04)		30,672	0.28
Adjusted net income (loss)[2]	34,503	0.31	1%	34,170	0.32
Distributable cash					
After gross margin replacement	65,801	0.59	(4)%	68,421	0.63
After marketing expense	58,676	0.53	4%	56,380	0.52
Distributions	68,290	0.62	9%	62,744	0.58
General and administrative	26,683	0.24	21%	22,084	0.20
Distributable cash payout ratio[3]					
After gross margin replacement	104%			92%	
After marketing expense	116%			111%	

[1] Net income (loss) includes the impact of unrealized gains (losses) which represent the mark to market of future commodity positions acquired to match future customer demand. The supply has been sold to customers at fixed prices minimizing any relevance of quarter end mark to market gains and losses.

[2] Adjusted net income (loss) is a more relevant measure of the performance of the Fund since the underlying supply is held to its maturity, and therefore, quarterly mark to market gains and losses do not impact the long-term financial performance of the Fund.

[3] Management targets an annual payout ratio after all marketing expenses of less than 100% excluding any special distribution for tax reasons. In past years, payout ratio has exceeded 100% for the first two quarters and has been less than 100% in the third and fourth quarter.

Operations

Gas

In each of the markets that Energy Savings operates, it is required to deliver gas to the LDCs for its customers throughout the year. Gas customers are charged a fixed-price for the full term of their contract. Energy Savings purchases gas supply in advance of marketing. The LDC provides historical customer usage to enable Energy Savings to purchase an approximation of matched supply. Furthermore, in many markets, Energy Savings has an option strategy that covers the estimated forecast differences in customer consumption due to weather variations. The cost of this strategy is incorporated in the price to the customer. To the extent that balancing requirements are outside the options purchased, Energy Savings bears the financial responsibility for fluctuations in customer usage. Volume variances may result in either excess or short supply. Excess supply is sold in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. In the case of greater than expected gas consumption, Energy Savings must purchase the short supply at the market price, which may reduce or increase the customer gross margin typically realized.

Ontario, Quebec and British Columbia

In Ontario, Quebec and British Columbia, the volumes delivered for a customer typically remain constant throughout the year. Energy Savings does not recognize sales until the customer actually consumes the gas. During the winter months, gas is consumed at a rate which is greater than delivery and in the summer months, deliveries to LDCs exceed customer consumption. Energy Savings receives cash from the LDCs as the gas is delivered, which is even throughout the year.

Manitoba and Alberta

In Manitoba and Alberta, the volume of gas delivered is based on the estimated consumption for each month. Therefore, the amount of gas delivered in winter months is higher than in the spring and summer months. Consequently, cash received from customers and LDCs will be higher in the winter months.

Alberta's regulatory environment is different from the other Canadian provincial markets. In Alberta, Energy Savings is required to invoice and receive payments directly from customers. Energy Savings has entered into an agreement with EPCOR Utilities Inc. ("EPCOR") for the provision of billing and collection services in Alberta. EPCOR continues to be the billing agent for customers aggregated in Alberta.

New York, Illinois and Indiana

In New York, Illinois and Indiana, the volume of gas delivered is based on the estimated consumption and storage requirements for each month. Therefore the amount of gas delivered in winter months is higher than in the spring and summer months. Consequently, cash flow from the New York, Illinois and Indiana operations is greatest during the third and fourth (winter) quarters, as normally, cash is received from the LDCs in the same period as customer consumption.

Electricity

Ontario, Alberta, New York and Texas

Energy Savings does not bear the risk for variations in customer consumption in any of the markets in which it operates other than the commercial customers acquired in Texas. In Ontario and New York, Energy Savings provides customers with price protection for the majority of their electricity requirements. The customers experience either a small balancing charge or credit on each billing due to fluctuations in prices applicable to their volume requirements not covered by a fixed-price. In Alberta, Energy Savings offers a load-following product for which it has matched back to back load-following supply and therefore does not have exposure to variances in customer consumption. Effectively all future offerings for Texas customers will be a load balanced product and Energy Savings will not bear the risk for variations in customer consumption.

Cash flow from electricity operations is greatest during the second and fourth quarters (summer and winter), as electricity consumption is typically highest during these periods.

Cash Available for Distribution and distributions

For the three months ended September 30
(thousands of dollars, except per unit amounts)

	Fiscal 2009		Fiscal 2008	
		Per unit		Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 17,743		$ 20,983	
Add:				
Increase in non-cash working capital	10,062		7,768	
Tax impact on distributions to Class A preference shareholders	589		939	
Cash available for distribution	$ 28,394		$ 29,690	
Cash available for distribution				
Gross margin per financial statements	$ 44,126	$ 0.40	$ 43,607	$ 0.40
Adjustments required to reflect net cash receipts from gas sales	17,667		14,057	
Seasonally adjusted gross margin	$ 61,793	$ 0.56	$ 57,664	$ 0.53
Less:				
General and administrative	(13,236)		(11,142)	
Capital tax recovery (expense)	66		(264)	
Bad debt expense	(2,462)		(757)	
Income tax recovery (provision)	(615)		907	
Interest expense	(965)		(1,443)	
Other items	1,065		275	
	(16,147)		(12,424)	
Distributable cash before marketing expenses	45,646	$ 0.41	45,240	$ 0.42
Marketing expenses to maintain gross margin	(10,891)		(7,651)	
Distributable cash after gross margin replacement	34,755	$ 0.31	37,589	$ 0.35
Marketing expenses to add new gross margin	(6,361)		(7,899)	
Cash available for distribution	$ 28,394	$ 0.26	$ 29,690	$ 0.28
Distributions				
Unitholder distributions	$ 32,639		$ 29,447	
Class A preference share distributions	1,632		2,601	
Unit appreciation rights and deferred unit grants distributions	338		243	
Total distributions	$ 34,609	$ 0.31	$ 32,291	$ 0.30
Diluted average number of units outstanding		111.2m		107.8m

Cash Available for Distribution and distributions

For the six months ended September 30
(thousands of dollars, except per unit amounts)

	Fiscal 2009		Fiscal 2008	
		Per unit		Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 63,005		$ 63,580	
Add:				
Decrease in non-cash working capital	(5,603)		(9,029)	
Tax impact on distributions to Class A preference shareholders	1,274		1,829	
Cash available for distribution	$ 58,676		$ 56,380	
Cash available for distribution				
Gross margin per financial statements	$ 99,347	$ 0.90	$ 95,416	$ 0.89
Adjustments required to reflect net cash receipts from gas sales	22,149		17,557	
Seasonally adjusted gross margin	$ 121,496	$ 1.10	$ 112,973	$ 1.05
Less:				
General and administrative	(26,683)		(22,084)	
Capital tax expense	–		(795)	
Bad debt expense	(3,525)		(2,526)	
Income tax recovery (provision)	(758)		872	
Interest expense	(1,856)		(2,304)	
Other items	842		304	
	(31,980)		(26,533)	
Distributable cash before marketing expenses	89,516	$ 0.81	86,440	$ 0.80
Marketing expenses to maintain gross margin	(23,715)		(18,019)	
Distributable cash after gross margin replacement	65,801	$ 0.59	68,421	$ 0.63
Marketing expenses to add new gross margin	(7,125)		(12,041)	
Cash available for distribution	$ 58,676	$ 0.53	$ 56,380	$ 0.52
Distributions				
Unitholder distributions	$ 64,100		$ 57,201	
Class A preference share distributions	3,528		5,064	
Unit appreciation rights and deferred unit grants distributions	662		479	
Total distributions	$ 68,290	$ 0.62	$ 62,744	$ 0.58
Diluted average number of units outstanding		110.7m		107.8m

Distributable cash

Distributable cash after gross margin replacement for the current quarter was $34.8 million ($0.31 per unit), down 8% from $37.6 million ($0.35 per unit) in the prior year comparable quarter. This was despite 7% growth in seasonally adjusted gross margin. Factors which aided margin growth included a 1% growth in gas volumes and a 7% growth in electricity volumes year over year as well as higher realized margins per customer. Margin growth was adversely effected by Hurricane Ike which curtailed electricity sales in Texas resulting in both lost margin and a further loss on the resale of contracted electricity. The second adverse factor was very high attrition in the United States as record numbers of homeowners saw their mortgages foreclosed or utilities cut off for non-payment of bills. Unfortunately, this trend is not slowing in the third quarter. Finally, actions filed by the Attorneys General of Illinois and New York (recently settled) continue to adversely impact attrition in those states.

The higher gross margins in the quarter were offset by increased general and administration costs and additional bad debt expenses. Bad debt expense significantly increased in the current quarter versus the same period last year due to the reversal of excess reserve in the second quarter of fiscal 2008. Actual bad debt write-offs for the second quarter of fiscal 2009 were below prior year levels despite the weakening economic environment. Energy Savings spent $10.9 million in marketing expenses to maintain its current level of gross margin, which represents 63% of the total marketing expense for the quarter. Increased general and administrative costs (19%) were incurred in the quarter primarily related to staffing in our corporate office to support our growth and expenses related to our new call centre which opened in the third quarter of the last fiscal year. General and administrative costs were down slightly compared to the first quarter.

Distributable cash after marketing expenses amounted to $28.4 million ($0.25 per unit) for the second quarter of fiscal 2009, a decrease of 4% from $29.7 million ($0.28 per unit) in the prior comparable quarter. The decrease is due to the reasons noted above offset by slightly lower marketing expenses to add new gross margin. After deduction of all marketing expenses, the payout ratio for the current quarter was 122%, versus 109% in the prior year comparable quarter.

Distributable cash after gross margin replacement for the six months ended September 30, 2008, was $65.8 million ($0.59 per unit), a decrease of 4% from $68.4 million ($0.63 per unit) in the prior year comparable period. Distributable cash after marketing expenses was $58.7 million ($0.53 per unit) for the first six months of fiscal 2009, an increase of 4% from $56.4 million ($0.52 per unit) for the same period in fiscal 2008.

For further information on the changes in the gross margin, please refer to "Sales and gross margin – Seasonally adjusted" on page 16 and "General and administrative expenses", "Marketing expenses", "Bad debt expense" and "Interest expense" are further clarified on pages 24 to 26.

Discussion of distributions

(in thousands of dollars)

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the six months ended September 30, 2008	For the six months ended September 30, 2007
Cash flow from operations[1] (A)	**$ 17,743**	$ 20,983	**$ 63,005**	$ 63,580
Net income (loss) (B)	**(923,990)**	4,754	**(889,758)**	30,672
Total distributions (C)	**34,609**	32,291	**68,290**	62,744
Excess (shortfall) of cash flows from operating activities over distributions paid (A-C)	**(16,866)**	(11,308)	**(5,285)**	836
Shortfall of net income (loss) over distributions paid (B-C)	**(958,599)**	(27,537)	**(958,048)**	(32,072)

[1] Includes non-cash working capital balances.

Net income includes non-cash gains and losses associated with the changes in the current market value of Energy Savings' future supply contracts. These instruments form part of the Fund's requirement to match commodity with estimated demand and, as such, quarterly changes in value do not impact the distribution policy or the long-term financial performance of the Fund. Effective July 1, 2008, Energy Savings has elected to discontinue the practice of hedge accounting and all gains and losses on financial instruments have been recorded in change in fair value of derivative instruments.

The change in fair value associated with these derivatives included in net loss was $1,022.6 million and $1,011.5 million, respectively, for the three and six months ended September 30, 2008. In fiscal 2008, Energy Savings had elected to use hedge accounting and thus was able to book the changes in fair value predominantly to other comprehensive income.

The opening balance of $540.0 million included in accumulated other comprehensive income on July 1, 2008, representing the change in fair values that were previously recorded in the consolidated statements of comprehensive income related to the financial instruments will now be amortized, net of future income tax, through the consolidated statements of operations over the remaining life of the contracts. The change in fair value of $1,022.6 million for the three months ended September 30, 2008, recorded in the income statement includes the amortization of $52 million for the quarter.

As can be seen in the table on the previous page, the Fund has historically paid out distributions that were higher than both financial statement net income (loss) and operating cash flow. In the view of management, the non-GAAP measure, distributable cash, has been an appropriate measure of the Fund's ability to distribute funds, as the cost of carrying incremental working capital necessary for the growth of the business has been deducted in the distributable cash calculation. Further, investment in the addition of new customers intended to increase cash flow is expensed in the financial statements while the original customer base was capitalized.

The timing differences between distributions and cash flow from operations created by the cost of carrying incremental working capital due to business seasonality and expansion are funded by the operating credit facility.

Standardized Distributable Cash and Cash Available for Distribution

(thousands of dollars, except per unit amounts)

	For the three months ended September 30, Fiscal 2009	For the three months ended September 30, Fiscal 2008	For the six months ended September 30, Fiscal 2009	For the six months ended September 30, Fiscal 2008
Reconciliation to statements of cash flow				
Cash inflow from operations	**$ 17,743**	$ 20,983	**$ 63,005**	$ 63,580
Capital expenditures[1]	**(1,118)**	(3,778)	**(1,326)**	(4,300)
Standardized Distributable Cash	**$ 16,625**	$ 17,205	**$ 61,679**	$ 59,280
Adjustments to Standardized Distributable Cash				
Change in non-cash working capital[2]	**$ 10,062**	$ 7,768	**$ (5,603)**	$ (9,029)
Tax impact on distributions to Class A preference shareholders[3]	**589**	939	**1,274**	1,829
Capital expenditures[1]	**1,118**	3,778	**1,326**	4,300
Cash available for distribution	**$ 28,394**	$ 29,690	**$ 58,676**	$ 56,380
Standardized Distributable Cash – per unit basic	**0.15**	0.16	**0.56**	0.55
Standardized Distributable Cash – per unit diluted	**0.15**	0.16	**0.56**	0.55
Payout ratio based on Standardized Distributable Cash	**208%**	188%	**111%**	106%

1 Capital expenditures are funded out of the credit facility.

2 Change in non-cash working capital is excluded from the calculation of Cash Available for Distribution as the Fund currently has a $170.0 million credit facility which is available for use to fund working capital requirements. This eliminates the potential impact of timing distortions relating to the respective items.

3 Payments to the holders of Class A preference shares are equivalent to distributions. The number of Class A preference shares outstanding is included in the denominator of any per unit calculation.

In accordance with the CICA July 2007 interpretive release "Standardized Distributable Cash in Income Trusts and other Flow-Through Entities", the Fund has presented the distributable cash calculation to conform to this guidance. In summary, for the purposes of the Fund, Standardized Distributable Cash is defined as the periodic cash flows from operating activities, including the effects of changes in non-cash working capital less total capital expenditures as reported in the GAAP financial statements.

Financing strategy

The Bank of Nova Scotia joined the lending syndicate on October 17, 2008, with funding totalling $20.0 million. The Fund's $170.0 million credit facility will be sufficient to meet the Fund's short-term working capital and capital expenditure requirements. Working capital requirements can vary widely due to seasonal fluctuations and planned U.S.-related growth. In the long-term, the Fund may be required to access the equity or debt markets in order to fund significant acquisitions.

Productive capacity

Energy Savings' business involves the sale of natural gas and/or electricity to residential and commercial customers under long-term, fixed-price contracts. As such, the Fund's productive capacity is determined by the gross margin earned from the contract price and the related supply cost.

The productive capacity of Energy Savings is achieved through the retention of existing customers and the addition of new customers to replace those that have not been renewed. The productive capacity also is maintained through independent contractors, call centre renewal efforts and various mail campaigns to achieve customer growth.

Effectively all of the marketing costs related to customer contracts are expensed immediately but fall into two categories. The first represents marketing expenses to maintain gross margin at pre-existing levels and therefore maintain productive capacity. The second category is marketing expenditures to add new margin which therefore expands productive capacity.

Financial statement analysis

Sales and gross margin – per financial statements

For the three months ended September 30
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 87,052	$ 23,347	$ 110,399	$ 77,185	$ 17,698	$ 94,883
Electricity	128,197	55,526	183,723	136,935	51,713	188,648
	$ 215,249	$ 78,873	$ 294,122	$ 214,120	$ 69,411	$ 283,531
Increase	1%	14%	4%			
Gross margin						
Gas	$ 14,816	$ 3,174	$ 17,990	$ 16,976	$ 1,463	$ 18,439
Electricity	19,646	6,490	26,136	19,770	5,398	25,168
	$ 34,462	$ 9,664	$ 44,126	$ 36,746	$ 6,861	$ 43,607
Increase/(decrease)	(6)%	41%	1%			

For the six months ended September 30
(thousands of dollars)

			Fiscal 2009			Fiscal 2008
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 246,545	$ 63,310	$ 309,855	$ 239,851	$ 45,808	$ 285,659
Electricity	259,019	103,158	362,177	270,665	80,076	350,741
	$ 505,564	$ 166,468	$ 672,032	$ 510,516	$ 125,884	$ 636,400
Increase/(decrease)	(1)%	32%	6%			
Gross margin						
Gas	$ 44,965	$ 9,154	$ 54,119	$ 43,881	$ 5,407	$ 49,288
Electricity	39,220	6,008	45,228	38,285	7,843	46,128
	$ 84,185	$ 15,162	$ 99,347	$ 82,166	$ 13,250	$ 95,416
Increase	2%	14%	4%			

Canada

Sales and gross margin for the three months ended September 30, 2008, were $215.2 million and $34.5 million, an increase of 1% and decrease of 6%, respectively, from the prior year comparative period. Total sales and gross margin for the six-month period of fiscal 2009 were $505.6 million and $84.2 million, respectively.

United States

Sales and gross margin in the U.S. were $78.9 million and $9.7 million for the second quarter, an increase of 14% and 41%, respectively, from the same period last year. Total sales and gross margin for the six months ended September 30, 2008, were $166.5 million and $15.2 million, respectively.

For additional information, see "Sales and gross margin – seasonally adjusted" on Page 16.

Seasonally adjusted analysis

Quarterly gross margin per unit volume for new and renewed customers added in the quarter

In the second quarter of fiscal 2009, the Fund continued to see the positive impact of continued efforts to maintain strong margin per customer during challenging marketing periods. The table below depicts the higher margins realized on customers signed in the period:

	Fiscal 2009 Q2	Annual target Fiscal 2009
Quarterly gross margin per unit volume[1]		
Customers added in the quarter		
Canada – gas (GJ),[2] including former CEG customers	$ 1.23	
Canada – gas (GJ), excluding former CEG customers	1.56	$ 1.60
Canada – electricity (MWh)	14.56	14.25
United States – gas (GJ)	1.85	1.60
United States – electricity (MWh)	18.07	14.25
Customers lost in the quarter		
Canada – gas (GJ)	1.74	
Canada – electricity (MWh)	10.28	
United States – gas (GJ)	1.65	
United States – electricity (MWh)	10.20	

[1] Customer sales price less cost of matched supply and allowance for bad debt and U.S. working capital.

[2] Canada – gas includes low margin former CEG customers signed in B.C. under short-term contracts. These customers were acquired immediately after the CEG acquisition was completed. Energy Savings intends to renew these contracts on higher margin fixed-price contracts over the remainder of the year.

Sales and gross margin – seasonally adjusted[1]

For the three months ended September 30
(thousands of dollars)

	Fiscal 2009			Fiscal 2008		
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 87,052	$ 23,347	$ 110,399	$ 77,185	$ 17,698	$ 94,883
Adjustments[1]	92,036	–	92,036	98,342	–	98,342
	$ 179,088	$ 23,347	$ 202,435	$ 175,527	$ 17,698	$ 193,225
Electricity	128,197	55,526	183,723	136,935	51,713	188,648
	$ 307,285	$ 78,873	$ 386,158	$ 312,462	$ 69,411	$ 381,873
Increase/(decrease)	(2)%	14%	1%			
Gross margin						
Gas	$ 14,816	$ 3,174	$ 17,990	$ 16,976	$ 1,463	$ 18,439
Adjustments[1]	17,667	–	17,667	14,057	–	14,057
	$ 32,483	$ 3,174	$ 35,657	$ 31,033	$ 1,463	$ 32,496
Electricity	19,646	6,490	26,136	19,770	5,398	25,168
	$ 52,129	$ 9,664	$ 61,793	$ 50,803	$ 6,861	$ 57,664
Increase	3%	41%	7%			

1 For Ontario, Manitoba and Quebec gas markets.

Gross margin analysis

For the three months ended September 30
(thousands of dollars)

	Fiscal 2009			Fiscal 2008		
	Canada	United States	Total	Canada	United States	Total
Gas						
Customer margin	$ 28,306	$ 2,439	$ 30,745	$ 31,911	$ 1,962	$ 33,873
Gain (loss) from dispositions of excess supply and financial reconciliations[1]	4,177	735	4,912	(878)	(499)	(1,377)
Gas margin	$ 32,483	$ 3,174	$ 35,657	$ 31,033	$ 1,463	$ 32,496
Electricity						
Customer margin	$ 19,748	$ 6,490	$ 26,238	$ 21,404	$ 5,434	$ 26,838
Loss from dispositions of excess supply[2]	(102)	–	(102)	(1,634)	(36)	(1,670)
Electricity margin	$ 19,646	$ 6,490	$ 26,136	$ 19,770	$ 5,398	$ 25,168
Total	$ 52,129	$ 9,664	$ 61,793	$ 50,803	$ 6,861	$ 57,664

1 Results from variances in customer demand and associated gas reconciliations.

2 Results from excess supply purchased in advance of customer usage or fluctuations in customer usage attributable to remaining customers on load-following contracts.

Sales and gross margin – seasonally adjusted[1]

For the six months ended September 30
(thousands of dollars)

	Fiscal 2009			Fiscal 2008		
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 246,545	$ 63,310	$ 309,855	$ 239,851	$ 45,808	$ 285,659
Adjustments[1]	115,952	–	115,952	119,751	–	119,751
	$ 362,497	$ 63,310	$ 425,807	$ 359,602	$ 45,808	$ 405,410
Electricity	259,019	103,158	362,177	270,665	80,076	350,741
	$ 621,516	$ 166,468	$ 787,984	$ 630,267	$ 125,884	$ 756,151
Increase/(decrease)	(1)%	32%	4%			
Gross margin						
Gas	$ 44,965	$ 9,154	$ 54,119	$ 43,881	$ 5,407	$ 49,288
Adjustments[1]	22,149	–	22,149	17,557	–	17,557
	$ 67,114	$ 9,154	$ 76,268	$ 61,438	$ 5,407	$ 66,845
Electricity	39,220	6,008	45,228	38,285	7,843	46,128
	$ 106,334	$ 15,162	$ 121,496	$ 99,723	$ 13,250	$ 112,973
Increase	7%	14%	8%			

[1] For Ontario, Manitoba and Quebec gas markets.

Gross margin analysis

For the six months ended September 30
(thousands of dollars)

	Fiscal 2009			Fiscal 2008		
	Canada	United States	Total	Canada	United States	Total
Gas						
Customer margin	$ 62,819	$ 7,339	$ 70,158	$ 66,577	$ 6,310	$ 72,887
Gain (loss) from dispositions of excess supply and financial reconciliations[1]	4,295	1,815	6,110	(5,139)	(903)	(6,042)
Gas margin	$ 67,114	$ 9,154	$ 76,268	$ 61,438	$ 5,407	$ 66,845
Electricity						
Customer margin	$ 40,024	$ 6,008	$ 46,032	$ 40,587	$ 7,920	$ 48,507
Loss from dispositions of excess supply[2]	(804)	–	(804)	(2,302)	(77)	(2,379)
Electricity margin	$ 39,220	$ 6,008	$ 45,228	$ 38,285	$ 7,843	$ 46,128
Total	$ 106,334	$ 15,162	$ 121,496	$ 99,723	$ 13,250	$ 112,973

[1] Results from variances in customer demand and associated gas reconciliations.

[2] Results from excess supply purchased in advance of customer usage or fluctuations in customer usage attributable to remaining customers on load-following contracts.

On a seasonally adjusted basis, sales and gross margin increased by 1% and 7%, respectively, to $386.2 million and $61.8 million, for the three months ended September 30, 2008, over the second quarter of fiscal 2008.

Total sales and gross margin for the first six months of fiscal 2009 totalled $788.0 million and $121.5 million versus $756.2 million and $113.0 million for the same period last year.

Canada

Seasonally adjusted sales were $307.3 million for the quarter, down 2% from $312.5 million for the same comparable quarter in fiscal 2008. Seasonally adjusted gross margins were $52.1 million in the second quarter of fiscal 2009, an increase of 3% from $50.8 million in the same quarter last year.

Gas

Gas sales and gross margins increased by 2% and 5% from the second quarter of fiscal 2008 to $179.1 million and $32.5 million, respectively. Customer consumption decreased by 7% during the quarter due to a 3% decline in the number of Canadian gas customers and weather conditions which resulted in lower than expected per customer consumption. The lower volumes reduced expected gross margin; however, this was partly offset by gains on the sale of excess supply. Excess volumes sold during the quarter and financial reconciliations resulted in a gain for the quarter of $4.2 million versus a $0.9 million loss in the second quarter of fiscal 2008.

For the six months ended September 30, 2008, sales and gross margins were $362.5 million and $67.1 million, an increase of 1% and 9%, respectively, over the prior year comparable period.

After allowance for balancing and inclusive of acquisitions, average gross margin per unit volume ("GM/UV") for the three months ended September 30, 2008, amounted to $2.02/UV, compared to $1.80/UV from the prior year comparable period. The GM/UV value includes an appropriate allowance for the bad debt expense in Alberta. The greater relative increase in margin as opposed to sales is largely due to this improved margin per unit volume.

Electricity

Electricity sales were $128.2 million for the quarter, a decrease of 6% from the second quarter of fiscal 2008. The reduced sales are attributable to a 10% decrease in total consumption quarter over quarter. Two percent of this decrease was due to a decline in customers with the remainder as a result of lower than forecasted per customer consumption due to cooler than expected summer weather. Gross margin decreased by 1% from the prior year comparable quarter to $19.6 million due to the drop in sales and consumption. The lower decline in realized gross margin as compared to the second quarter of fiscal 2008 was due to increased margin per customer resulting from improved supply management processes. Gross margin was positively impacted by the expiration of effectively all Ontario load-following customers which had produced low margins. These customers have been either renewed on load balanced products or terminated.

During the quarter, a small volume of excess volume was sold at unfavourable prices. Balancing losses for the quarter amounted to $0.1 million, greatly reduced from a $1.6 million loss in the prior year comparable quarter.

For the six months ended September 30, 2008, sales and gross margins were $259.0 million and $39.2 million, a decrease of 4% and an increase of 2%, respectively, over the same period last year.

Average gross margin per unit volume after all balancing and including acquisitions for the quarter ended September 30, 2008, in Canada amounted to $13.60/UV, up 10% compared to $12.36/UV from the prior comparable quarter. The GM/UV value includes an appropriate allowance for the bad debt expense in Alberta.

United States

Sales for the second quarter of fiscal 2009 were $78.9 million, an increase of 14% from $69.4 million in the prior year comparable quarter. Seasonally adjusted gross margin was $9.7 million, up 41% from $6.9 million from the same quarter last year.

Gas

Gas sales in the U.S. increased by 32% from $17.7 million to $23.3 million for the second quarter ended September 30, 2008. This increase reflects a 21% increase in actual customer consumption and higher selling prices. Gas margin increased 117% for the second quarter of fiscal 2009 to $3.2 million from $1.5 million. The increase in gross margin for the quarter resulted from increased customers, as well as higher per customer margins. The increase in both customer sales and gross margins was adversely impacted by the record U.S. foreclosures and utility cut-offs.

Excess volumes were sold during the quarter at favourable prices in the spot market resulting in a balancing gain of $0.7 million versus a balancing loss of $0.5 million in the prior year comparable quarter.

Sales and gross margins for the six months ended September 30, 2008, totalled $63.3 million and $9.2 million, respectively.

Average gross margin after all balancing costs for the three months ended September 30, 2008, was $1.70/UV, an increase of 16% over the prior year comparable period of $1.47/UV. The GM/UV value includes an appropriate allowance for bad debt expense in Illinois.

Electricity

Electricity sales and gross margin for the quarter were $55.5 million and $6.5 million, respectively, versus the prior comparable period of fiscal 2008, in which sales and gross margin amounted to $51.7 million and $5.4 million, respectively. Sales and gross margin increased by 7% and 20%, respectively, due to higher average sales prices in Texas and significant improvements in profitability in New York.

Hurricane Ike had a negative impact on Texas sales and margins in the quarter. Not only was margin lost due to power delivery curtailment but there was also a loss of $0.5 million as the Fund had to dispose of excess volumes at substantially reduced market prices. There will be some additional impact in coming quarters but management does not expect the loss to be material. The high levels of foreclosure and LDC cut-off of service contributed to the higher electricity attrition and negatively impacted sales and gross margin growth in New York. This issue is expected to persist in the third quarter given the current economic outlook.

For the six months ended September 30, 2008, the sales and gross margins were $103.2 million and $6.0 million, respectively.

Average gross margin per unit volume for electricity during the current quarter was $12.64/UV, compared to $10.50/UV from the prior year comparable period. The GM/UV value for Texas includes an appropriate allowance for the bad debt expense.

Summary of quarterly results

(thousands of dollars, except per unit amounts)

	Fiscal 2009 Q2	Fiscal 2009 Q1	Fiscal 2008 Q4	Fiscal 2008 Q3
Sales per financial statements	**$ 294,122**	$ 377,910	$ 652,617	$ 449,673
Net income (loss)	**(923,990)**	34,232	94,025	28,064
Net income (loss) per unit – basic	**$ (8.39)**	$ 0.31	$ 0.87	$ 0.26
Net income (loss) per unit – diluted	**(8.31)**	0.31	0.87	0.26
Adjusted net income	**6,872**	27,631	87,663	34,890
Adjusted net income per unit – basic	**0.06**	0.25	0.81	0.32
Adjusted net income per unit – diluted	**0.06**	0.25	0.80	0.32
Amount available for distribution				
After gross margin replacement	**$ 34,755**	$ 31,046	$ 54,334	$ 47,242
After marketing expense	**28,394**	30,282	53,992	42,462
Payout ratio				
After gross margin replacement	**100%**	108%	61%	164%[1]
After marketing expense	**122%**	111%	61%	183%[1]

[1] Includes the special distribution related to fiscal 2008. If the special distribution figure of $44.7 million is removed, the payout ratios would be 70% after gross margin replacement and 77% after marketing expense.

	Fiscal 2008 Q2	Fiscal 2008 Q1	Fiscal 2007 Q4	Fiscal 2007 Q3
Sales per financial statements	$ 283,531	$ 352,869	$ 588,410	$ 422,230
Net income	4,754	25,918	70,052	14,112
Net income per unit – basic	$ 0.05	$ 0.24	$ 0.66	$ 0.13
Net income per unit – diluted	0.04	0.24	0.66	0.13
Adjusted net income	8,393	25,777	68,852	20,479
Adjusted net income per unit – basic	0.08	0.24	0.65	0.19
Adjusted net income per unit – diluted	0.08	0.24	0.64	0.19
Amount available for distribution				
After gross margin/customer replacement	$ 37,589	$ 30,832	$ 54,928	$ 39,772
After marketing expense	29,690	26,690	52,927	36,500
Payout ratio				
After gross margin/customer replacement	86%	99%	52%	69%
After marketing expense	109%	114%	54%	75%

The Fund's results reflect seasonality as consumption is greatest during the third and fourth quarters (winter quarters). While year over year quarterly comparisons are relevant, sequential quarters will vary materially. The main impact of this will be higher distributable cash with a lower payout ratio in the third and fourth quarters and lower distributable cash with a higher payout ratio in the first and second quarters excluding any special distribution.

Energy Savings enters into fixed-price contracts with its customers. In order to ensure consistent margins, the Fund also enters into fixed-price supply contracts to match estimated customer consumption. While the customer contracts are not marked to market in the financial statements, the future supply contracts are required to be included at their market values. Market prices are subject to significant change from one reporting period to the next. In the past, in order to minimize the impact to net income (loss) due to changes in fair value, Energy Savings had elected to use hedge accounting and thus was able to book the changes in fair value predominantly to other comprehensive income. The Fund continues to economically hedge our risk in accordance with the risk management policies in place and does not trade or enter into commodity derivatives for speculative purposes.

Effective July 1, 2008, all mark to market gains and losses on Energy Savings derivatives have been recorded as change in the fair value of derivative instruments on the consolidated statement of operations. Despite more than a $1,022.6 million change during the current quarter in the mark to market losses related to unrealized, non-cash gains and losses on future supply derivatives, management estimates the contracted future gross margin of $856.5 million in existing customer contracts remains effectively unchanged. Management has included adjusted net income (loss) and per unit information on the same basis as this is the measure used by management to monitor the operating performance of the Fund.

Analysis of the second quarter

Sales are typically lower in the first and second quarters because gas consumption is highest during the winter months and approximately 57% of the current customer base are gas customers. The 4% increase in sales compared to the prior comparable quarter is primarily attributable to U.S. growth and higher gas prices. Adjusted net income decreased by 18% to $6.9 million for the three months ended September 30, 2008. Lower net income for the quarter was impacted by foregone margin due to Hurricane Ike, high attrition in the U.S., increased general and administration costs, bad debt expenses and marketing costs.

Excluding the $1,022.6 million of change in fair value of future supply contracts, net income would have been $6.9 million and per unit net income would have been $0.06 basic and $0.06 diluted. Due to the volatile nature of commodity markets, management expects significant changes in the fair value of derivative instruments in future quarters.

The distributable cash after customer gross margin replacement was $34.8 million, down 8% from $37.6 million in the prior comparable quarter. The increase in gross margin was due to higher customer volumes, and per unit margins quarter over quarter were offset by the same factors noted above.

Distributable cash after marketing expenses was $28.4 million, a decrease of 4% from $29.7 million in the prior comparable quarter. Distributions for the quarter were $34.6 million, up 7% over the same period last year. The payout ratio in a seasonally slow quarter was 122% versus 109% in the second quarter of fiscal 2008.

Customer volumes

As disclosed within the Fund's 2008 Annual Report, the expansion of the business outside Ontario, in the view of management makes the continued sole use of RCEs as a customer measurement inappropriate. With continued focus on commercial, small industrial customers and new markets where customer usage is materially different from Ontario, the Fund believes a move to straight volumetric measurement of the customer base (annual GJ for natural gas and annual MWh for electricity) will provide better information for analysis. The Fund is therefore reporting volumetric measures for gas and electricity in Canada and the United States effective this fiscal year.

There are two measures of volume which are being reported – "Annualized volumes/Customers" and "Delivered volumes in the quarter" in the following two tables on pages 22 and 23. The first measure, "Annualized volumes/Customers" represents the utility projection of the total volume of gas or electricity to be delivered for each 12-month period for customers in place at a point in time. This is the best measure of the relative success of customer aggregation efforts and the long-term expectations for profitability of the customers. The second measure is "Delivered volumes in the quarter", which details the change in the actual growth of volumes delivered to customers for the second quarter as compared to the same period of fiscal 2008. This measure tracks our actual financial results and reflects weather and other volume variances.

Energy Savings' published targets for fiscal 2009 are to increase natural gas volumes by 5% and electricity volumes by 15%.

Annualized volumes/customers

The following table identifies how the annualized volumes have changed from June 30, 2008 to September 30, 2008:

	Annualized volume as at June 30, 2008	Annualized volume increase	Annualized volume attrition	Annualized volumes not renewed	Annualized volumes as at September 30, 2008	% increase (decrease)
Natural gas (GJ)						
Canada	78,546,000	6,678,000	(2,120,000)	(1,484,000)	81,620,000	4%
United States	22,578,000	2,968,000	(1,590,000)	–	23,956,000	6%
Total gas	101,124,000	9,646,000	(3,710,000)	(1,484,000)	105,576,000	4%
Electricity (MWh)						
Canada	5,880,000	170,000	(200,000)	(60,000)	5,790,000	(2)%
United States	1,550,000	290,000	(50,000)	(20,000)	1,770,000	14%
Total electricity	7,430,000	460,000	(250,000)	(80,000)	7,560,000	2%

To assist with the transition in reporting from number of customers (RCEs) to annualized volumes, the calculation of annualized volumes as at September 30, 2008, is provided in the following table:

	Ending RCEs	Standard RCE volume	Volumetric measure
Natural gas (GJ)			
Canada	770,000	106 GJ	81,620,000
United States	226,000	106 GJ	23,956,000
Total gas	996,000	106 GJ	105,576,000
Electricity (MWh)			
Canada	579,000	10 MWh	5,790,000
United States	177,000	10 MWh	1,770,000
Total electricity	756,000	10 MWh	7,560,000

Annualized gas volumes (net of all volume loss) for the second quarter of fiscal 2009 increased by 4% compared to the volume as at June 30, 2008. The major increase in customer additions in Canada for the quarter largely resulted from an acquisition of commercial and residential contracts from CEG in B.C. For additional information on the CEG acquisition, please refer to the "Outlook" on page 32. U.S. gas annualized volume additions increased by 6% due to strong growth in New York and Indiana. For the six-month period ended September 30, 2008, gas customer numbers are up over 2%, or 44% of the annual target. This reflects customer additions which were above targeted levels offset by higher than expected attrition.

Total electricity annualized volumes were up 2% for the three months ended September 30, 2008. All customer growth was in the United States with Canada lagging due to high relative five-year prices, particularly in Ontario. All electricity contracts entered into by the Province of Ontario since deregulation have been at prices far higher than the current regulated rate. Management believes that eventually, these higher contract prices should manifest themselves in higher utility prices for consumers. This would then allow for growth in the number of Ontario electricity customer additions. As referred to in the annual report, Texas short-term customers continue to renew at higher than expected levels and are included in these volumes. These customers made up a significant portion of growth in the period. Year to date, electricity customer numbers are up 6% or 40% of the annual target of 15%. Electricity customer additions have been on target but attrition in the U.S. has been well above target due to weak economic conditions. The turmoil in the credit and financial markets could create potential acquisitions of customers at very attractive prices, which would aid the Fund in meeting its electricity growth target for the year.

Delivered volumes in the quarter

The following table shows the actual delivered volumes for the current and prior comparable period:

For the three months ended September 30

	Fiscal 2009	Fiscal 2008	% increase (decrease)
Natural gas (GJ)			
Canada	**15,993,939**	17,263,318	(7)%
United States	**1,585,258**	1,310,420	21%
Total gas[1]	**17,579,197**	18,573,738	(5)%
Electricity (MWh)			
Canada	**1,435,337**	1,599,709	(10)%
United States	**451,536**	151,899	197%
Total electricity[1]	**1,886,873**	1,751,608	8%

[1] Includes 35,000 GJs of Green Energy Option gas and 174,000 KWh of GEO electricity delivered in the last three months.

Gas deliveries were down 5% in the second quarter despite a 1% increase in customers in the second quarter of fiscal 2009 as compared to the same quarter last year. This was due to adverse weather conditions which reduced per customer volumes below those forecast. Electricity volumes increased by 8% in the second quarter mainly due to strong additions in Texas and New York. In fiscal 2008, the Texas volumes were not fully recognized due to the short-term nature of the contracts. Sales of the GEO product continue to be strong. Management expects improved organic volume growth for both gas and electricity in the remaining quarters based on higher marketing run rates in September and the third quarter to date.

Attrition

Natural gas

Natural gas attrition in Canada was 10% on an annualized basis, in line with management's target of 10%. In the U.S., gas attrition was 33% on the same basis, above management's annual target of 20%. U.S. gas attrition was impacted by record home foreclosures and utility shut-offs due to non-payment of bills. Given the continued weak economic conditions, management expects that the attrition rate in the U.S. will remain well above target levels for the foreseeable future.

Electricity

Electricity attrition in Canada for the first quarter was 13%, above management's 10% target level. The regulated rates provided by the Ontario LDCs are artificially low which makes it difficult for Energy Savings to compete. All electricity contracts entered into by the Province of Ontario since deregulation have been at prices far higher than the current regulated rate. Management expects that the attrition rate for Canadian electricity will be lower than 13% in the remaining quarters but slightly above our targeted level for the year. Electricity attrition in the United States was 15% over the last 12 months, below management's target of 20%. This reflects very low attrition in Texas, and management believes that U.S. electricity attrition generally will be higher in coming quarters.

Volumes not renewed

The Energy Savings renewal process is a multi-faceted program and aims to maximize the number of customers who choose to sign a new contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance allowing a customer to re-contract for an additional four or five years. Presently, the only contracts whose terms are completed, and are therefore ready for renewal, are the Ontario and Manitoba gas and electricity customers.

In the Ontario gas market, customers who do not positively elect to renew or terminate their contract receive a one-year fixed-price for the ensuing year. During the period, renewals on an annualized basis for both Ontario and Manitoba were 75%. This renewal rate is a blend of one-year and five-year contracts and 25% of these customers renewed for a one-year term. Management anticipates that renewals for gas customers in fiscal 2009 will be slightly below 80% for the entire year.

In the Ontario electricity market, there is no opportunity to renew a residential or small volume customer for a one-year term should the customer fail to positively renew or terminate his or her contract. Management targets a renewal rate for electricity customers of 60%. For the second quarter, 61% of all expiring electricity customer volumes were successfully renewed and management expects to have an annual renewal rate above 65% for the year.

Gas and electricity contract renewals

This table shows the percentage of customers up for renewal in each of the following years:

	Canada – gas	Canada – electricity	U.S. – gas	U.S. – electricity
Fiscal period				
Remainder of 2009	6%	4%	0%	13%
2010	25	7	10	18
2011	24	23	17	9
2012	20	23	14	12
2013	15	30	35	18
Beyond 2013	10	13	24	30
Total	100%	100%	100%	100%

Energy Savings continuously monitors its customer renewal rates and continues to modify its offering to existing customers in order to maximize the number of customers who renew their contracts.

General and administrative expenses

General and administrative costs were $13.2 million for the three months ended September 30, 2008, representing a 19% increase from $11.1 million in the second quarter of fiscal 2008. The expenses increased over the prior year comparable quarter primarily due to staffing in our corporate office to support our growth and expenses related to our new call centre, which opened in the third quarter of the last fiscal year. General and administrative costs were down slightly from the first quarter.

Expenditures for general and administrative costs for the six months ended September 30, 2008, were $26.7 million, an increase of 21% from $22.1 million in the prior comparable period as a result of the additional costs noted above.

Marketing expenses

Marketing expenses, which consist of commissions paid to independent sales contractors for signing new customers as well as an allocation of corporate marketing costs, were $17.3 million, an increase of 11% from $15.6 million in the second quarter of fiscal 2008. Total gross customer additions (excluding the CEG gas customers acquired) were down by 3% in the current quarter versus the same period last year. Increased commissions and recruiting fees were the major contributors to higher costs.

For the six months ended September 30, 2008, marketing expenses were $30.8 million, a slight increase from the $30.1 million reported in the same period last year. This reflects lower than expected customer additions, offset by higher than expected costs related to recruiting and corporate marketing overhead. In the first six months of fiscal 2008, management undertook a sales and marketing reorganization initiative to provide improved infrastructure to facilitate future growth.

Marketing expenses to maintain gross margin are allocated based on the ratio of gross margin lost from attrition as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to maintain gross margin increased by 42% to $10.9 million as compared to $7.7 million in the second quarter of fiscal 2008. The increased costs resulted from increased corporate marketing expenses, lower margins for the CEG gas customers signed and higher customer attrition in the quarter.

Marketing expenses to add new gross margin are allocated based on the ratio of net new gross margin earned on the customers signed, less attrition, as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to add new gross margin totalled $6.4 million, a decrease of 19% from $7.9 million in the prior year comparable quarter. The decrease in costs resulted from lower net margin added during the quarter as a result of lower net customer additions. The marketing costs related to the GEO product offerings are allocated against new margin.

The actual aggregation costs per unit of volume compared to the fiscal 2009 target were as follows:

	For the six months ended September 30, 2008	Target fiscal 2009
Natural gas		
Canada	$ 2.82/UV	
United States	1.75/UV	
Combined	2.03/UV	$ 1.60/UV
Electricity		
Canada	$ 18.58/UV	
United States	16.98/UV	
Combined	17.69/UV	$ 14.25/UV

Actual aggregation costs for Canada gas and electricity customers to date for fiscal 2009 were $2.82 per unit volume for gas and $18.58 per unit volume for electricity. The gas aggregation costs were above target as a result of higher commissions and spending to build B.C. marketing infrastructure to support the CEG book. Management expects that this gas cost will move toward the targeted rate as the new marketing team begins to generate contracts. Electricity aggregation costs were also higher than target due to lower than expected volume additions for the six months, and therefore, higher corporate, marketing and customer service costs were allocated to each unit of volume. Approximately 40% of the total marketing expense relates to the costs associated with corporate, marketing and customer service overhead.

In the U.S., aggregation costs were $1.75 per unit volume and $16.98 per unit volume for gas and electricity customers, respectively. These costs were slightly above target based on slightly lower than expected customer additions for the six months. Customer aggregation was much stronger in in the second quarter versus the first quarter. Current run rates remain stronger than those seen in the first quarter and the result should be lower aggregation costs per unit volume in the coming quarters.

Unit-based compensation

Compensation in the form of units (non-cash) granted by the Fund to the directors, officers, full-time employees and service providers of its subsidiaries and affiliates pursuant to the 2001 unit option plan, the 2004 unit appreciation rights plan and the directors' deferred compensation plan for the second quarter amounted to $0.9 million, a decrease of 36% from the $1.4 million paid in the prior comparable quarter. Total costs for the six months ended September 30, 2008, totalled $1.8 million, versus $2.6 million for the same period last year. The decreased expense to date in fiscal 2009 is a result of fewer fully paid unit appreciation rights awarded to employees in fiscal 2008.

Bad debt expense

In Illinois, Alberta and Texas, Energy Savings assumes the credit risk associated with the collection of all customer accounts. In addition, for large direct-billed accounts in B.C. and Ontario, the Fund is responsible for the bad debt risk. Credit review processes have been established to manage the customer default rate. Management factors default from credit risk into its margin expectations for all of the above noted markets.

Bad debt expense for the second quarter of fiscal 2009 was $2.5 million versus $0.8 million expensed in the same quarter of last year. The difference is attributable to the reversal of an excess reserve in the second quarter of fiscal 2008. Actual bad debt write-offs for the quarter and year to date are below prior year levels despite the weakening economic environment. Continued improvements made to the credit and collection processes have reduced the bad debt expense. Management integrates its default rate for bad debts within its margin targets and continuously reviews and monitors the credit approval process to mitigate customer delinquency.

For the six months ended September 30, 2008, the bad debt expense was $3.5 million, representing approximately 2% of $172.9 million in revenues. In fiscal 2008, the total bad debt expense was $2.5 million, or 2%, of $148.4 million in revenue for the six-month period. Management continues to target bad debt expense of approximately 2% to 3% during fiscal 2009.

For each of Energy Savings' other markets, the LDCs provide collection services and assume the risk of any bad debt owing from Energy Savings' customers for a fee.

Interest expense

Total interest expense for the three months ended September 30, 2008, amounted to $1.0 million, down from $1.4 million in the prior year comparable period. For the six-month period of fiscal 2009, the total interest cost was $1.9 million versus $2.3 million paid in fiscal 2008. Energy Savings is required to meet a number of financial covenants under the credit facility agreement and as at September 30, 2008, all of these covenants have been met.

Foreign exchange

Energy Savings has an exposure to U.S. dollar exchange rates as a result of its U.S. operations, and any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income (loss) for fiscal 2009. For the quarter, a foreign exchange unrealized gain of $8.4 million was reported in other comprehensive income (loss) versus $1.2 million reported in the prior year comparable period. For the six months ended September 30, 2008, the foreign exchange unrealized gain was $8.1 million versus a loss of $0.4 million for the same period in fiscal 2008. In fiscal 2009 to date, all monies earned in the U.S. have been redeployed in the U.S. to fund continued growth.

Class A preference share distributions

The remaining holder of the Ontario Energy Savings Corp. ("OESC") Class A preference shares (which are exchangeable into units on a 1:1 basis) is entitled to receive, on a quarterly basis, a payment equal to the amount paid or payable to a Unitholder on an equal number of units. The total amount paid for the three and six months ended September 30, 2008, including tax, amounted to $1.6 million and $3.5 million, respectively. In fiscal 2008, the distribution paid for the three- and six-month periods were $2.6 million and $5.1 million, respectively. The decrease in the preference share distributions resulted from the exchange of 3,442,484 shares into units over the past year. These distributions on the Class A preference shares are reflected in the Statement of Unitholders' Equity of the Fund's consolidated financial statements, net of tax.

Provision for (recovery of) income tax

(thousands of dollars)

	For the three months ended September 30, Fiscal 2009	For the three months ended September 30, Fiscal 2008	For the six months ended September 30, Fiscal 2009	For the six months ended September 30, Fiscal 2008
Current income tax expense (recovery)	$ 615	$ (907)	$ 758	$ (872)
Amount credited to Unitholders' equity	589	939	1,274	1,829
Future tax provision (recovery)	(90,752)	62	(91,766)	(7,296)
Provision for (recovery of) income tax	$ (89,548)	$ 94	$ (89,734)	$ (6,339)

The Fund recorded a current income tax expense of $0.6 million versus a recovery of $0.9 million in the same period last year. A tax provision of $0.8 million has been recorded for the six-month period of fiscal 2009 versus a recovery of $0.9 million for the same period last year. Also included in the income tax provision is an amount relating to the tax impact of the distributions paid to the Class A preference shareholders of OESC. In accordance with EIC 151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", all Class A preference shares are included as part of Unitholders' equity and the distributions paid to the shareholders are included as distributions on the Statement of Unitholders' equity, net of tax. For the three and six months ended September 30, 2008, the tax impact of these distributions amounted to $0.6 million and $1.3 million, respectively, based on a tax rate of 33%.

Effective July 1, 2008, Energy Savings has elected to discontinue the practice of hedge accounting. All gains and losses on financial instruments have been recorded in change in fair value of derivative instruments. This change results in significant future tax implications due to the recognition of the impact of the adjustments in the consolidated statement of operations and the future tax provision associated with these gains and losses.

The Fund is a Specified Investment Flow-through Entity ("SIFT") as defined in the SIFT Legislation. Commencing with its taxation year ending December 31, 2011, the Fund will be subject to taxes on distributions of certain income earned from investments in its subsidiaries. The Fund is also required to recognize future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities and those of its flow-through subsidiaries that are expected to reverse in or after 2011. The Fund expects that its distributions will not be subject to tax prior to 2011, and accordingly, has not provided for future income taxes on the remaining portion of temporary differences which are expected to reverse prior to 2011. The SIFT Legislation does not affect the current and future tax amounts of the Fund's corporate subsidiaries.

The Minister of Finance released a legislative proposal on July 14, 2008, which generally provided for a tax-deferred conversion of a SIFT from a trust or partnership to a corporation. Energy Savings is currently investigating the detailed implications of the change in the regulations.

Liquidity and capital resources

Summary of cash flows

	For the three months ended September 30, Fiscal 2009	For the three months ended September 30, Fiscal 2008	For the six months ended September 30, Fiscal 2009	For the six months ended September 30, Fiscal 2008
Operating activities	**$ 17,743**	$ 20,983	**$ 63,005**	$ 63,580
Investing activities	**(3,460)**	(3,778)	**(3,668)**	(37,700)
Financing activities, excluding distributions	**20,299**	21,145	**15,574**	53,725
Gain on foreign exchange	**492**	3,124	**470**	999
Increase in cash before distributions	**35,074**	41,474	**75,381**	80,604
Distributions (cash payments)	**(26,952)**	(30,710)	**(53,525)**	(59,760)
Increase in cash	**8,122**	10,764	**21,856**	20,844
Cash – beginning of period	**41,044**	26,866	**27,310**	16,786
Cash – end of period	**$ 49,166**	$ 37,630	**$ 49,166**	$ 37,630

Operating activities

Cash flow from operating activities for the three and six months ended September 30, 2008, was $17.7 million and $63.0 million, respectively, a decrease from $21.0 million and $63.6 million, respectively, in the prior comparable periods. The decrease is primarily attributable to a decrease in net income (loss) offset by unrealized income related to the financial instruments recorded in the quarter.

Investing activities

The Fund purchased capital assets totalling $1.1 million during the quarter, a decrease from $3.8 million in the prior year comparable quarter. Capital asset purchases amounted to $1.3 million for the six months ended September 30, 2008, compared with $4.3 million in the same period last year. During the second quarter (August 12, 2008), Energy Savings purchased substantially all of the commercial and residential customer contracts of CEG in British Columbia for $1.8 million. CEG was a western Canadian marketer of natural gas, wholly owned by SemCanada Energy Company ("SemCanada"), both of which filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") on July 30, 2008. The customer contracts had annualized volumes of approximately 4.9 million GJs or 46,000 RCEs. The remaining term of the contracts is estimated to be 20 months. As well, the Fund entered into a limited partnership to form Newten Home Comfort L.P., a business involving the marketing, leasing, sale and installation of tankless water heaters for an investment of $0.5 million. In the prior comparable six-month period of fiscal 2008, Energy Savings completed the acquisition of Just Energy, including all of its electricity contracts for a total, net of cash, of $33.4 million, of which $18.1 million involved the issuance of units of the Fund on October 9, 2007.

Financing activities

Financing activities excluding distributions relate primarily to the drawdown of the operating line for working capital requirements. During the three months ended September 30, 2008, Energy Savings had drawn a total of $16.3 million against the credit facility versus $17.3 million drawn in the second quarter of fiscal 2008. Credit facility drawdowns year to date have netted to $11.3 million for a total bank indebtedness of $79.9 million. As Energy Savings continues to expand in the United States markets, the need to fund working capital and security requirements will increase, driven primarily by the number of customers aggregated and to a lesser extent by the number of new markets. Based on the markets in which Energy Savings currently operates and others that management expects to enter, funding requirements will be supported through the credit facility. The Bank of Nova Scotia has joined the lending syndicate on October 17, 2008, with funding totalling $20.0 million, and the Fund's total commitments under the facility are now $170.0 million.

The Fund's liquidity requirements are driven by the delay from the time that a customer contract is signed until cash flow is generated. Approximately 50% of an independent sales contractor's commission payment is made following reaffirmation or verbal verification of the customer contract with most of the remaining 50% being paid after the energy commodity begins flowing to the customer.

The elapsed period between the times when a customer is signed to when the first payment is received from the customer varies with each market. The time delays per market are approximately two to six months. These periods reflect the time required by the various LDCs to enroll, flow the commodity, bill the customer and remit the first payment to Energy Savings. In Alberta and Texas, Energy Savings receives payment directly from the customer.

Distributions (cash payments)

Investors should note that due to the institution of a distribution reinvestment program ("DRIP") on December 20, 2007, a portion of dividends declared are not paid in cash. During the quarter, the Fund made cash distributions to its Unitholders in the amount of $27.0 million, compared to $30.7 million in the prior year comparable period, a decrease of 12% due to the creation of the DRIP. Under the program, Unitholders can elect to receive their distributions in units at a 5% discount to the prevailing market price rather than the cash equivalent.

For the six months ended September 30, 2008, cash distributions totalled $53.5 million compared to $59.8 million in the same period during fiscal 2008.

Energy Savings will continue to utilize its cash resources for expansion into new markets, growth in its existing customer base, acquisitions, such as the CEG customers, as well as distributions to its Unitholders.

At the end of the quarter, the annual rate for distributions per unit was $1.24. The Fund intends to make distributions to its Unitholders, based upon cash receipts of the Fund, excluding proceeds from the issuance of additional Fund units, adjusted for costs and expenses 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.

Balance sheet as at September 30, 2008, compared to March 31, 2008

Cash increased from $27.3 million as at March 31, 2008 to $49.2 million at September 30, 2008. The utilization of the credit facility increased from $67.6 million to $79.9 million as a result of normal injection of gas into storage and various other working capital requirements. Working capital requirements in the U.S. and Alberta result from the timing difference between customer consumption and cash receipts. For electricity, working capital is required to fund the lag between settlements with the suppliers and settlements with the LDCs. Under the terms of the credit facility, Energy Savings is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 150 basis points, prime rate advances at Canadian and U.S. prime plus 0.5%, and letters of credit at 1.5%.

The decrease in accounts receivable from $207.8 million to $160.6 million is primarily attributable to the decrease in sales during the period associated with the period of lower gas consumption in the second quarter in comparison to the fourth quarter. Accounts payable and accrued liabilities has also decreased from $128.7 million to $116.5 million relating to decreased customer consumption associated with the seasonality of the Fund.

Gas in storage has increased from $4.3 million to $39.0 million for the second quarter of fiscal 2009. The increased balance reflects injections into storage for the expanding Illinois, New York and Indiana customer base, which occurs from April to November.

At the end of the quarter, Energy Savings had delivered more gas to the LDCs in Ontario and Quebec than customers had consumed. Since Energy Savings is paid for this gas when delivered yet recognizes revenue when the gas is consumed by the customer, the balance sheet includes deferred revenue of $69.1 million and gas delivered in excess of consumption of $55.9 million. At March 31, 2008, customers had consumed more than had been delivered to the LDCs, thereby resulting in unbilled revenues amounting to $47.3 million and accrued gas accounts payable of $38.5 million.

Effective July 1, 2008, Energy Savings has elected to discontinue the practice of hedge accounting. Previously, the Fund had elected to use hedge accounting and thus was able to book the changes in fair value predominantly to other comprehensive income. The mark to market gains and losses can result in significant changes in net income, and accordingly, unitholders equity from quarter to quarter due to commodity price volatility. Given the Fund's requirement to purchase supply to cover estimated customer usage, management believes that these non-cash quarterly changes are not meaningful.

Contractual obligations

In the normal course of business, the Fund is obligated to make future payments for contracts and other commitments that are known and non-cancellable.

Payments due by period

(thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Long-term debt	$ 79,862	$ –	$ 79,862	$ –	$ –
Property and equipment lease agreements	24,656	2,585	8,972	5,912	7,187
EPCOR billing, collections and supply commitments	9,702	4,158	5,544	–	–
Gas and electricity supply purchase commitments	3,601,706	734,181	2,023,813	773,916	69,796
	$ 3,715,926	$ 740,924	$ 2,118,191	$ 779,828	$ 76,983

Other obligations

The Fund is also subject to certain contingent obligations that become payable only if certain events or rulings were to occur. The inherent uncertainty surrounding the timing and financial impact of these events or rulings prevents any meaningful measurement, which is necessary to assess any material impact on future liquidity. Such obligations include potential judgments, settlements, fines and other penalties resulting from actions, claims or proceedings. In the opinion of management, the Fund has no material pending actions, claims or proceedings that have not been either included in its accrued liabilities or in the financial statements.

Transactions with related parties

The Fund does not have any material transactions with any individuals or companies that are not considered independent to the Fund or any of its subsidiaries and/or affiliates.

Critical accounting estimates

The consolidated financial statements of the Fund have been prepared in accordance with Canadian GAAP. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales, marketing and general and administrative expenses. Estimates are based on historical experience, current information and various other assumptions that are believed to be reasonable under the circumstances. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

The following assessment of critical accounting estimates is not meant to be exhaustive. The Fund might realize different results from the application of new accounting standards promulgated, from time to time, by various rule-making bodies.

Unbilled revenues/accrued gas accounts payable

Unbilled revenues result when customers consume more gas than has been delivered by Energy Savings to the LDCs. These estimates are stated at net realizable value. Accrued gas accounts payable represents Energy Savings' obligation to the LDC with respect to gas consumed by customers in excess of that delivered. This obligation is also valued at net realizable value. This estimate is required for the gas business unit only, since electricity is consumed at the same time as delivery. Management uses the current average customer contract price and the current average supply cost as a basis for the valuation.

Gas delivered in excess of consumption/deferred revenues

Gas delivered to LDCs in excess of consumption by customers is valued at the lower of cost and net realizable value. Collections from LDCs in advance of their consumption results in deferred revenues which are valued at net realizable value. This estimate is required for the gas business unit only since electricity is consumed at the same time as delivery. Management uses the current average customer contract price and the current average supply cost as a basis for the valuation.

Allowance for doubtful accounts

Energy Savings assumes the credit risk associated with the collection of customers' accounts in Alberta, Illinois and Texas. In addition, for large direct-billed accounts in B.C. and Ontario the Fund is responsible for the bad debt risk. Management estimates the allowance for doubtful accounts in these markets based on the financial conditions of each jurisdiction, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience.

Goodwill

In assessing the value of goodwill for potential impairment, assumptions are made regarding Energy Savings' future cash flow. If the estimates change in the future, the Fund may be required to record impairment charges related to goodwill. An impairment review of goodwill was performed during fiscal 2008 and as a result of the review, it was determined that no impairment of goodwill existed at March 31, 2008. There were no events during the quarter which triggered the requirement of an impairment test to be performed as at September 30, 2008.

Fair value of derivative financial instruments and risk management

The Fund has entered into a variety of derivative financial instruments effectively all related to supply contracts as part of the business of purchasing and selling gas, electricity and the Green Energy Option. Energy Savings enters into contracts with customers to provide electricity and gas at fixed prices and provide comfort to certain customers that a specified amount of energy will be derived from "green" generation. These customer contracts expose Energy Savings to changes in market prices to supply these commodities. To reduce the exposure to the commodity market price changes, Energy Savings uses derivative financial and physical contracts to secure fixed-price commodity supply, matching its delivery or green commitment obligations.

The Fund's business model objective is to minimize commodity risk other than consumption changes, which are usually attributable to weather. Accordingly, it is Energy Savings' policy to hedge the estimated requirements of its customers with offsetting hedges of natural gas and electricity at fixed prices for terms equal to those of the customer contracts. The cash flow from these supply contracts is expected to be effective in offsetting the Fund's price exposure and serves to fix acquisition costs of gas and electricity to be delivered under the fixed-price or price-protected customer contracts. Energy Savings' policy is not to use derivative instruments for speculative purposes.

The financial statements are in compliance with Section 3855 of the Canadian Institute of Chartered Accountant's ("CICA") Handbook, which requires a determination of fair value for all derivative financial instruments. Up to June 30, 2008, the financial statements also applied Section 3865 of the CICA Handbook, which permitted a further calculation for qualified and designated accounting hedges to determine the effective and ineffective portion of the hedge. This calculation permitted the change in fair value to be predominantly accounted for in the statement of other comprehensive income. As of July 1, 2008, management has decided that the increasing complexity and costs of maintaining this treatment outweigh the benefits. This fair value (and when it was applicable, the ineffectiveness) is determined using market information at the end of each quarter. Management believes the Fund remains economically hedged operationally across all jurisdictions.

Preference shares of OESC and trust units

As at November 6, 2008, there were 5,263,728 Class A preference shares of OESC outstanding and 106,149,651 units of the Fund outstanding.

Taxability of distributions

Cash and unit distributions received in calendar 2007 were allocated as 100% other income. Additional information can be found on our website at www.esif.ca. Management estimates the distributions for calendar 2008 to be allocated in a similar manner to that of 2007.

Adoption of new accounting policies

On April 1, 2008, the Fund adopted three new accounting standards that were issued by the CICA: Handbook Section 1535, Capital Disclosures; Handbook Section 3862, Financial instruments – Disclosures; and Handbook Section 3863, Financial instruments – Presentation. Energy Savings adopted these standards prospectively as required by the standards.

Capital Disclosures

Section 1535 requires disclosure of information related to the objectives, policies and processes for managing capital. In addition, disclosures include whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the financial position of the Fund.

Financial instruments – Disclosures, and Financial instruments – Presentation

Section 3862, Financial instruments – Disclosures and Section 3863, Financial instruments – Presentation, replace Section 3861, Financial instruments – Disclosures and Presentation. The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements. As these standards only address presentation and disclosure requirements, there is no impact on the financial position of the Fund.

Recently issued accounting standards

The following are new standards, not yet in effect, which are required to be adopted by the Fund on the effective date.

Goodwill and Intangible Assets

As of April 1, 2009, the Fund will be required to adopt Section 3064, Goodwill and Intangible Assets, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard is effective for fiscal years beginning on or after October 1, 2008. The Fund has not yet determined the impact of this standard on its financial statements.

International Financial Reporting Standards

In February 2008, CICA announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from GAAP to IFRS will be applicable to the Fund's reporting for the first quarter of fiscal 2012 for which the current and comparative information will be prepared under IFRS. The Fund is currently assessing the impact of the transition to IFRS and is developing a plan accordingly.

Risk factors

The Fund is subject to a number of risks and uncertainties that could have a material adverse effect on the results of operations, business prospects, financial condition, distributions and the trading price of the Fund. A comprehensive discussion of these risks can be found in the Fund's Annual Information Form and the 2008 Annual Report which is available on our corporate website under "reports and filings" at www.esif.ca and from SEDAR through its website at www.sedar.com. There have been no material changes for the period April 1, 2008 to November 6, 2008 that require an update to the discussion of applicable risks except for the paragraph noted below.

The investigation commenced by the Buffalo office of the New York Attorney General concerning the contract and practices of New York Energy Savings Corp. has been settled without a material impact on the financial condition or liquidity of the Fund. The action commenced by the Illinois Attorney General in connection with the marketing practices of the Illinois Energy Savings Corp. remains outstanding and settlement negotiations continue.

Other than referenced above, there have been no material developments in our legal proceedings as previously reported in the Fund's 2008 Annual Report.

Changes in internal control over financial reporting

During the most recent interim period, there have been no changes in the Fund's policies and procedures that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting.

Corporate governance

Energy Savings is committed to transparency in our operations and our approach to governance meets all recommended standards. Full disclosure of our compliance with existing corporate governance rules is available on our website at www.esif.ca and is included in the Fund's May 15, 2008 management proxy circular. Energy Savings actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

Outlook

Very weak economic conditions and the turmoil in the credit and financial markets have had a limited effect on Energy Savings. In general, utility bills are among the last to go unpaid in times of financial hardship. Impact on the Fund to date has been limited to higher attrition in the United States due to record foreclosures and utility shutoffs. Higher bad debt losses were not seen in the second quarter but there can be no assurance that bad debt will not increase during an extended recession. The Fund does not bear bad debt risk in Ontario, Quebec, Manitoba, British Columbia, New York and Indiana. These markets contain the vast majority of Energy Savings' customers.

In light of the very weak North American economic forecast for the next six months, and based on results to date, management believes that a reasonable target for growth in distributable cash after gross margin replacement for fiscal 2009 is 5% to 10% rather than the 10% previously targeted.

The financial positions of the Fund's commodity suppliers are currently sound, based on analysis by management, as are those of the banks participating in the credit facility. Management does not believe that weakness in the global credit markets will have any near-term impact on either existing business or the Fund's ability to grow in the future.

The Fund does not require the issuance of units to fund its growth, and the recent increase of its working capital line during the peak of the credit market crisis is evidence of the Fund's very conservative balance sheet. Looking forward, a weak economy will likely result in continued higher than expected attrition, particularly in the United States. In the past, times of financial stress have increased the importance of accurate budgeting for homeowners and small businesses. This would be positive for Energy Savings and its insurance-type contracts. Finally, tight credit and a weak economy should increase the number of competitors that fail or are forced to sell out. This will be favourable for a well-capitalized acquisitor like Energy Savings.

Energy Savings is expanding its product offerings to include other energy conservation-related products and services such as tankless water heaters and home energy audits. These products will provide homeowners with the opportunity to reduce their environmental footprints while, at the same time, lowering their energy bills.

The Fund intends to continue its geographic expansion into new markets in the United States both through organic growth and focused acquisitions. The Fund is actively reviewing a number of possible acquisitions. Management has concluded that this expansion should also include a broadening of the Energy Savings product offering to include some shorter-term contract options as well as products that will appeal to larger commercial customers.

Energy Savings continues to actively monitor the progress of the deregulated markets in various jurisdictions, including Massachusetts, Connecticut, Maryland, New Jersey and Michigan.

While the October 31, 2006 announcement to tax income trusts does not affect existing income trusts until 2011, except as noted in the future tax provision discussion, the announcement has had a material impact on the trading value of Energy Savings' units. While the price declines have been felt across the entire income fund sector, management believes that the current unit price is not representative of the financial strength and sustainability inherent in the Energy Savings model. Management is presently investigating alternative corporate forms and is committed to reinstating value to Unitholders. Like many income trusts, Energy Savings is actively analyzing potential restructuring options in preparation for conversion from a trust to a corporation in or before 2011.

The Minister of Finance released a legislative proposal on July 14, 2008, which generally provided for a tax deferred conversion of a SIFT from a trust or partnership to a corporation.

Based on operations to date, it appears clear that the Fund will again have to make a special distribution to avoid tax at the trust level for calendar 2008. The amount of the distribution is currently expected to be approximately $0.05–$0.10 per unit. The final amount will be declared on December 31, 2008, and paid through a single distribution in early 2009. The final amount of the distribution may vary based on financial performance in the third quarter.

CONSOLIDATED BALANCE SHEETS

(Unaudited – thousands of dollars)

	September 30, 2008	March 31, 2008
Assets		
Current		
Cash	$ 49,166	$ 27,310
Restricted cash	7,245	4,749
Accounts receivable	160,630	207,793
Gas delivered in excess of consumption	55,856	–
Gas in storage	38,967	4,268
Unbilled revenues	491	47,299
Prepaid expenses	2,080	2,343
Corporate taxes recoverable	547	2,665
Other assets – current *(Note 7a)*	8,578	193,398
	323,560	489,825
Electricity contracts (less accumulated amortization – $34,962; March 31, 2008 – $32,401)	3,591	1,527
Gas contracts (less accumulated amortization – $138; March 31, 2008 – $nil)	1,704	–
Goodwill	113,928	116,146
Capital assets (less accumulated amortization – $16,555; March 31, 2008 – $14,114)	15,770	16,637
Future income tax assets	–	9,420
Other assets – long term *(Note 7a)*	5,487	75,560
	$ 464,040	$ 709,115
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 116,497	$ 128,682
Customer rebates payable	7,098	4,617
Management incentive program payable	865	2,235
Unit distribution payable	17,751	30,696
Deferred revenue	69,144	–
Accrued gas accounts payable	575	38,522
Other liabilities – current *(Note 7a)*	203,694	59,150
	415,624	263,902
Long-term debt	79,862	67,583
Other liabilities – long term *(Note 7a)*	231,903	159,207
Future income tax liabilities	–	19,458
	727,389	510,150
Equity (Deficit)		
Deficit	$ (1,168,705)	$ (211,931)
Accumulated other comprehensive income	500,041	40,789
	(668,664)	(171,142)
Unitholders' capital	392,221	358,103
Contributed surplus	13,094	12,004
Unitholders' equity	(263,349)	198,965
	$ 464,040	$ 709,115

Commitments *(Note 11)*

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Unaudited – thousands of dollars)
For the six months ended September 30

	2008	2007
Accumulated earnings (deficit)		
Accumulated earnings, beginning of period	$ 392,082	$ 237,802
Adjustment for change in accounting policy – (2007 – net of income taxes of $49)	–	1,519
Net income (loss)	(889,758)	30,672
Accumulated earnings (deficit), end of period	(497,676)	269,993
Distributions		
Distributions, beginning of period	(604,013)	(435,430)
Distributions	(64,762)	(57,679)
Class A preference share distributions – net of income taxes of $1,274 (2007 – $890)	(2,254)	(3,235)
Distributions, end of period	(671,029)	(496,344)
Deficit	(1,168,705)	(226,351)
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income, beginning of period	40,789	–
Transitional adjustment upon implementation – derivative instruments designated as cash flow hedges and derivative gains previously deferred – (2007 net of income taxes of $1,536)	–	113,865
Adjustment upon conversion – unrealized losses on translation of self-sustaining foreign operations	–	(87)
Other comprehensive income (loss)	459,252	(492,953)
Accumulated other comprehensive income (loss), end of period	500,041	(379,175)
Unitholders' capital *(Note 6a)*		
Unitholders' capital, beginning of period	358,103	328,153
Trust units exchanged	3,606	–
Trust units issued on exercise/exchange of unit compensation	4,981	1,263
Trust units issued	29,137	–
Class A preference shares exchanged	(3,606)	–
Unitholders' capital, end of period	392,221	329,416
Contributed surplus *(Note 6b)*	13,094	12,082
Unitholders' deficit, end of period	$ (263,349)	$ (264,028)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited – thousands of dollars, except per unit amounts)

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the six months ended September 30, 2008	For the six months ended September 30, 2007
Sales	$ 294,122	$ 283,531	$ 672,032	$ 636,400
Cost of sales	249,996	239,924	572,685	540,984
Gross margin	44,126	43,607	99,347	95,416
Expenses				
General and administrative expenses	13,236	11,142	26,683	22,084
Capital tax expense (recovery)	(66)	264	–	795
Marketing expenses	17,252	15,550	30,840	30,060
Unit-based compensation	897	1,396	1,754	2,611
Bad debt expense	2,462	757	3,525	2,526
Amortization of electricity contracts	263	2,106	2,230	3,355
Amortization of gas contracts	138	–	138	177
Amortization of capital assets	1,125	836	2,341	1,602
	35,307	32,051	67,511	63,210
Income before the undernoted	8,819	11,556	31,836	32,206
Interest expense	965	1,443	1,856	2,304
Change in fair value of derivative instruments *(Note 7a)*	1,022,629	5,411	1,011,514	5,744
Other income	(1,237)	(146)	(2,042)	(175)
Income (loss) before income tax	(1,013,538)	4,848	(979,492)	24,333
Provision for (recovery of) income tax	(89,548)	94	(89,734)	(6,339)
Net income (loss)	$ (923,990)	$ 4,754	$ (889,758)	$ 30,672
Net income per unit *(Note 9)*				
Basic	$ (8.39)	$ 0.05	$ (8.12)	$ 0.29
Diluted	$ (8.31)	$ 0.04	$ (8.04)	$ 0.28

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited – thousands of dollars)

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the six months ended September 30, 2008	For the six months ended September 30, 2007
Net income (loss)	**$ (923,990)**	$ 4,754	**$ (889,758)**	$ 30,672
Unrealized gain (loss) on translation of self-sustaining operations	**8,386**	1,193	**8,098**	(422)
Unrealized and realized gain (loss) on derivative instruments designated as cash flow hedges prior to July 1, 2008, net of income taxes of $nil (2007 – $8,953) and ($89,257) (2007 – $21,634) for the three and six months, respectively *(Note 7a)*	**–**	(200,408)	**498,654**	(492,531)
Amortization of deferred unrealized gain of discontinued hedges net of income taxes of $11,214 and $11,127 for the three and six months, respectively *(Note 7a)*	**(51,962)**	–	**(47,500)**	–
Other comprehensive income (loss)	**(43,576)**	(199,215)	**459,252**	(492,953)
Comprehensive loss	**$ (967,566)**	$ (194,461)	**$ (430,506)**	$ (462,281)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – thousands of dollars)

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the six months ended September 30, 2008	For the six months ended September 30, 2007
Net inflow (outflow) of cash related to the following activities				
Operating				
Net income (loss)	$ (923,990)	$ 4,754	$ (889,758)	$ 30,672
Items not affecting cash				
Amortization of gas contracts	138	–	138	177
Amortization of electricity contracts	263	2,106	2,230	3,355
Amortization of capital assets	1,125	836	2,341	1,602
Unit-based compensation	897	1,396	1,754	2,611
Future income taxes	(90,752)	62	(91,766)	(7,296)
Other	(172)	129	(1,200)	129
Change in fair value of derivative instruments	1,022,629	5,411	1,011,514	5,744
	934,128	9,940	925,011	6,322
Adjustments required to reflect net cash receipts from gas sales	17,667	14,057	22,149	17,557
Changes in non-cash working capital	(10,062)	(7,768)	5,603	9,029
	17,743	20,983	63,005	63,580
Financing				
Exercise of trust unit options *(Note 6a)*	3,955	1,033	4,293	1,088
Distributions paid to Unitholders	(25,645)	(29,186)	(50,471)	(56,759)
Distributions to Class A preference shareholders	(1,896)	(2,463)	(4,328)	(4,830)
Tax impact on distributions to Class A preference shareholders	589	939	1,274	1,829
Issuance of long-term debt and increase in bank indebtedness	21,098	17,288	23,598	64,523
Repayment of long-term debt and bank indebtedness	(4,754)	–	(12,308)	(13,953)
Restricted cash	–	2,824	(9)	2,067
	(6,653)	(9,565)	(37,951)	(6,035)
Investing				
Purchase of capital assets	(1,118)	(3,778)	(1,326)	(4,300)
Acquisitions *(Note 5)*	(2,342)	–	(2,342)	(33,400)
	(3,460)	(3,778)	(3,668)	(37,700)
Effect of foreign currency translation on cash balances	492	3,124	470	999
Net cash inflow	8,122	10,764	21,856	20,844
Cash, beginning of period	41,044	26,866	27,310	16,786
Cash, end of period	$ 49,166	$ 37,630	$ 49,166	$ 37,630
Supplemental information				
Interest paid	$ 974	$ 1,605	$ 1,915	$ 2,573
Income taxes paid	$ 66	$ 410	$ 132	$ 803

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – thousands of dollars, except where indicated and per unit amounts)

NOTE 1

Interim financial statements

The unaudited interim consolidated financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements and notes thereto included in the Fund's annual report for fiscal 2008. The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian GAAP applicable to interim consolidated financial statements and follow the same accounting policies and methods in their applications as the most recent annual financial statements, except as described in Note 3.

NOTE 2

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"), Indiana Energy Savings Corp. ("INESC"), Energy Savings Texas Corp. ("ESTC") and Newten Home Comfort L.P. ("NHCLP") (collectively the "Energy Savings Group").

NOTE 3

Changes in significant accounting policies

(a) Change in accounting policy

Effective July 1, 2008, the Fund ceased the utilization of hedge accounting. In accordance with CICA Section 3865, Hedges, the Fund is amortizing the accumulated gains and losses to June 30, 2008, from other comprehensive income in the same period in which the original hedged item affects the Statement of Operations. No retrospective restatement is required for this change.

(b) New accounting standards

On April 1, 2008, the Fund adopted three new accounting standards that were issued by the CICA: Handbook Section 1535, Capital Disclosures; Handbook Section 3862, Financial Instruments – Disclosures; and Handbook Section 3863, Financial Instruments – Presentation. Energy Savings adopted these standards prospectively as required by the standards.

Capital Disclosure

Section 1535 requires disclosure of information related to the objectives, policies and processes for managing capital. In addition, disclosures include whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the financial position of the Fund (Note 8).

Financial Instruments – Disclosures and Financial Instruments – Presentation

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation, which replace Section 3861, Financial Instruments – Disclosures and Presentation, increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements. As this standard only addresses presentation and disclosure requirements, there is no impact on the financial position of the Fund (Note 7).

(c) Recently issued accounting standards

The following outlines new standards, not yet in effect, which are required to be adopted by the Fund on the effective dates.

Goodwill and Intangible Assets

As of April 1, 2009, the Fund will be required to adopt Section 3064, Goodwill and Intangible Assets, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard is effective for fiscal years beginning on or after October 1, 2008. The Fund has not yet determined the impact of this standard on its financial statements.

International Financial Reporting Standards

In February 2008, CICA announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from GAAP to IFRS will be applicable to the Fund's reporting for the first quarter of fiscal 2012 for which the current and comparative information will be prepared under IFRS. The Fund is currently assessing the impact of the transition to IFRS and is developing a plan accordingly.

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 Acquisitions

(a) Acquisition of CEG Energy Options Inc.'s ("CEG") natural gas customers

On August 14, 2008, Energy Savings purchased substantially all of the commercial and residential customer contracts of CEG in British Columbia. CEG was a western Canada marketer of natural gas, wholly owned by SemCanada Energy Company, both of which filed for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") on July 30, 2008. The customer contracts had annualized volumes of approximately 4.9 million GJs.

The purchase price has been allocated as follows:

Net assets acquired	
Gas contracts	$ 1,842
Consideration	
Cash	$ 1,842

The entire purchase price will be amortized over the average remaining life of the contracts, which at the time of the acquisition was 20 months.

(b) Partnership with Newten Home Comfort Inc.

On July 18, 2008, the Fund through its affiliates entered into a limited partnership to form Newten Home Comfort L.P., a business involving the marketing, leasing, sale, and installation of tankless water heaters. The Fund will hold approximately an 80% equity interest and will invest up to $1,400 as equity and up to $1,850 as convertible debt financing in Newten Home Comfort L.P. As at September 30, 2008, the Fund had invested $500 as equity.

(c) Acquisition of Just Energy Texas L.P.

During the prior fiscal year, Energy Savings completed the acquisition of Just Energy Texas LP ("Just Energy"), including all of its electricity contracts. The aggregate cost of this transaction, including transaction costs, was US$34,165 including cash acquired in the amount of US$3,373. Pursuant to the agreement, Energy Savings acquired approximately 1.3 million megawatt hours (MWh). The acquisition was funded through a credit facility drawdown, of which $18,079 (US$18,362) including interest of $356 (US$362) was returned to the Fund on October 9, 2007, in exchange for 1,169,399 units of the Fund issued from treasury. The units are subject to the terms of an escrow agreement for the benefit of the Just Energy vendors and are being released to the vendors over a three-year period.

The purchase price was allocated as follows:

	US$	CAD$
Net assets acquired		
Working capital (including cash of US$3,373, CAD$3,659)	$ 7,236	$ 7,849
Electricity contracts	11,400	12,365
Goodwill	17,826	19,336
Capital assets	18	20
Long-term liabilities	(2,315)	(2,511)
	$ 34,165	$ 37,059
Consideration		
Cash	$ 34,165	$ 37,059

The acquisition of Just Energy was accounted for using the purchase method of accounting. Energy Savings allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition. The electricity contracts acquired are amortized over the average estimated remaining life of the contracts. During the first quarter of fiscal 2009, upon finalization of the purchase price allocation, there was an increase of $3,457 (US$3,187) in intangible assets relating to electricity contracts and a resulting reduction in goodwill.

NOTE 6 Unitholders' capital

(a) 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 expenses of the Fund, amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of units and any other amounts 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, excluding any special distributions.

Class A preference shares of OESC

The terms of the unlimited Class A preference shares of OESC are non-voting, non-cumulative and 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.

	2008		2007	
Issued and outstanding	Units/shares		Units/shares	
Trust units				
Balance, beginning of period	102,152,194	$ 341,337	98,082,535	$ 306,387
Options exercised	355,000	4,840	92,500	1,226
Unit appreciation rights exchanged	9,788	141	2,668	37
Distribution reinvestment plan	1,053,378	13,619	–	–
Units issued	929,198	15,518	–	–
Exchanged from Class A preference shares	1,442,484	3,606	–	–
Balance, end of period	105,942,042	379,061	98,177,703	307,650
Class A preference shares				
Balance, beginning of period	6,706,212	16,766	8,706,212	21,766
Exchanged into units	(1,442,484)	(3,606)	–	–
Balance, end of period	5,263,728	13,160	8,706,212	21,766
Unitholders' capital, end of period	111,205,770	$ 392,221	106,883,915	$ 329,416

Distribution reinvestment plan

During the prior fiscal year, the Fund established a distribution reinvestment program ("DRIP"). Under the program, Unitholders holding a minimum of 100 units can elect to receive their distributions in units rather than cash at a 5% discount to the simple average closing price of the units for five trading days preceding the applicable distribution payment date, providing the units are issued from treasury and not purchased on the open market.

(b) Contributed surplus

Amounts credited to contributed surplus include unit-based compensation awards, unit appreciation rights ("UARs") and deferred unit grants ("DUGs"). Amounts charged to contributed surplus are awards exercised during the period.

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the six months ended September 30, 2008	For the six months ended September 30, 2007
Contributed surplus				
Balance, beginning of period	$ 12,742	$ 10,816	$ 12,004	$ 9,633
Add: unit-based compensation awards	897	1,396	1,754	2,611
non-cash deferred unit grant distributions	13	8	25	14
Less: unit-based awards exercised	(558)	(138)	(689)	(176)
Balance, end of period	$ 13,094	$ 12,082	$ 13,094	$ 12,082

Total amounts credited to Unitholders' capital in respect of options and UARs exercised or exchanged during the three and six months ended September 30, 2008, amounted to $4,513 (2007 – $1,170) and $4,981 (2007 – $1,263).

Cash received from options exercised for the three and six months ended September 30, 2008, amounted to $3,955 (2007 – $1,033) and $4,293 (2007 – $1,088).

NOTE 7

Financial instruments

(a) Fair value

The Fund has a variety of gas and electricity supply contracts that are captured under CICA Section 3855, Financial Instruments – Measurement and Recognition. Fair value is the estimated amount that Energy Savings would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the value of electricity and gas swap and forward contracts using a discounted cash flow method, which employs market forward curves as well as a forward curve compiled by management for Alberta and Texas electricity (electricity information is based on market forward curves and available heat rates). 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.

Effective July 1, 2008, the Fund ceased the utilization of hedge accounting. Accordingly, all the mark to market changes on the Fund's derivative instruments are recorded on a single line on the consolidated statements of operations. Due to the commodity volatility and size of the Fund, the quarterly swings in mark to market on these positions will increase the volatility in the Fund's earnings.

The following table contains the components of the change in fair value related to the Fund's derivative financial instruments:

	For the three months ended September 30, 2008	For the six months ended September 30, 2008
Change in fair value of derivative instruments		
Canada		
Fixed-for-floating electricity swaps (i)	$ 153,986	$ 153,399
Renewable energy certificates (vii)	248	720
Options (viii)	2,885	391
Physical gas forward contracts (xii)	569,760	569,760
Transportation forward contract (xiii)	4,035	4,035
United States		
fixed-for-floating electricity swaps (ii)	55,609	53,073
Physical electricity forwards (iii)	77,939	77,939
Unforced capacity forward contracts (iv)	3,544	3,488
Renewable energy certificates (v)	59	117
Verified emission reduction certificates (vi)	(59)	(59)
Options (ix)	13,891	5,179
Physical gas forward contracts (xiv)	203,833	203,833
Transportation forward contract (xv)	(832)	(832)
Heat rate swaps (x)	(230)	(228)
Foreign exchange forward contracts (xi)	833	(674)
Amortization of deferred unrealized gains of discontinued hedges	(63,176)	(58,627)
Others	304	–
Total expense	$ 1,022,629	$ 1,011,514

The following table summarizes certain aspects of the financial assets and liabilities recorded in the financial statements as at September 30, 2008.

	Other assets – current	Other assets – long term	Other liabilities – current	Other liabilities – long term
Description				
Canada				
Fixed-for-floating electricity swaps (i)	$ –	$ –	$ 104,183	$ 137,661
Renewable energy certificates (vii)	12	122	–	–
Options (viii)	–	–	1,697	4,073
Physical gas forward contracts (xii)	–	161	51,544	48,593
Transportation forward contract (xiii)	57	–	3,568	3,864
United States				
Fixed-for-floating electricity swaps (ii)	–	–	7,442	6,142
Physical electricity forwards (iii)	–	–	15,015	15,441
Unforced capacity forward contracts(iv)	534	880	–	–
Renewable energy certificates (v)	3	–	11	33
Verified emission reduction certificates (vi)	16	44	–	–
Options (ix)	547	–	2,533	2,722
Physical gas forward contracts (xiv)	3,900	1,134	14,941	5,685
Transportation forward contract (xv)	–	–	1,703	4,810
Heat rate swaps (x)	–	1,287	1,057	–
Foreign exchange forward contracts (xi)	3,392	1,859	–	–
Other non-derivative assets and liabilities	117	–	–	341
Deferred lease inducements	–	–	–	2,538
As at September 30, 2008	$ 8,578	$ 5,487	$ 203,694	$ 231,903

(i) Energy Savings has electricity fixed-for-floating swap contracts in its Canadian subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of $58,078 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its Canadian subsidiaries and affiliates classified as held-for-trading with the following terms:

Notional volumes (peak, flat, off peak and weekend)	0.0010–35 MWh
Total remaining notional volume (peak, flat, off peak and weekend)	15,032,796 MWh
Maturity dates	October 1, 2008 – October 1, 2015
Fixed price per MWh (in dollars)	$50.94–$128.13
Fair value	$241,844 unfavourable
Notional value	$1,136,497

With respect to the contracts held-for-trading, the loss of $153,986 (2007 – $477) and the loss of $153,875 (2007 – $1,387) for the three and six months ended September 30, 2008, respectively, has been recorded in other liabilities with their offsetting value being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $75,830 recorded as at June 30, 2008 (2007 – loss of $71,868 and $147,116, for the three and six months, respectively) with the offsetting values recorded as to a gain of $nil (2007 – $70,931 loss) and gain of $75,354 (2007 – $147,227 loss) in other comprehensive income and a gain of $nil (2007 – $937 loss) and gain of $476 (2007 – $2,889 loss), respectively, in change in fair value of derivative instruments for the three and six months ended September 30, 2008.

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 wherein the quantity of electricity is established but varies throughout the term of the contracts.

(ii) Energy Savings has electricity fixed-for-floating swap contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these swaps up to June 30, 2008, after which, the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of $37,740 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had electricity fixed-for-floating swap contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volumes (peak, flat, off peak and weekend)	0.10–14.70 MWh
Total remaining notional volume (peak, flat, off peak and weekend)	1,547,592 MWh
Maturity dates	October 31, 2008 – January 31, 2014
Fixed price per MWh (in dollars)	$60.77–$145.53 (US$57.10–US$136.75)
Fair value	$13,584 (US$12,765) unfavourable
Notional value	$166,367 (US$156,331)

With respect to the contracts held-for-trading, the loss of $55,609 (US$52,546) (2007 – $nil) and the loss of $52,906 (US$49,886) (2007 – $nil) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $40,306 (US$39,645) recorded as at June 30, 2008 (2007 – loss of $3,033 (US$2,904) and loss of $1,790 (US$1,737) for the three and six months, respectively) with the offsetting values recorded as to a loss of $nil (2007 – $1,834 (US$1,756)) and gain of $40,473 (US$39,808) (2007 – loss of $1,303 (US$1,258)) in other comprehensive income and a loss of $nil (US$nil) (2007 – $1,199 (US$1,148)) and loss of $167 (US$164) (2007 – loss of $486 (US$479)) in change in fair value of derivative instruments, respectively, for the three and six months ended September 30, 2008.

(iii) Energy Savings has electricity physical forward contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related gain of $45,027 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had electricity physical forward contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volumes (peak and off peak)	1.0–15.0 MWh
Total remaining notional volume (peak and off peak)	2,517,688 MWh
Maturity dates	October 31, 2008 – November 30, 2013
Fixed price per MWh (in dollars)	$49.86–$182.87 (US$46.85–US$171.84)
Fair value	$30,456 (US$28,619) unfavourable
Notional value	$205,831 (US$193,413)

With respect to the contracts held-for-trading, the loss of $77,939 (US$73,646) (2007 – $nil) and the loss of $77,939 (US$73,646) (2007 – $nil) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $30,573 (US$30,071) recorded as at June 30, 2008 (2007 – loss of $1,340 (US$1,282) and $10,910 (US$10,267) for the three and six months, respectively) with the offsetting values recorded as to a loss of $nil (2007 – $1,106 (US$1,059)) and gain of $30,573 (US$30,071) (2007 – loss of $10,681 (US$10,047)) in other comprehensive income and a loss of $nil (US$nil) (2007 – $234 (US$224)) and loss of $nil (US$nil) (2007 – $229 (US$219)) in change in fair value of derivative instruments, respectively, for the three and six months ended September 30, 2008.

(iv) Energy Savings has unforced capacity contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, this net gain (loss) of $4,665 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had unforced capacity contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volumes	0.10–45 MW/month
Total remaining notional volume	2,730 MW/month
Maturity dates	October 31, 2008 – November 30, 2012
Fixed price per MW (in dollars)	$2.05–$8.51 (US$1.93–US$8.00)
Fair value	$1,414 (US$1,329) favourable
Notional value	$41,292 (US$38,801)

With respect to the contracts held-for-trading, the loss of $3,544 (US$3,349) (2007 – $14 (US$13)) and the loss of $3,488 (US$3,294) (2007 – $33 (US$30)) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $4,742 (US$4,665) recorded as at June 30, 2008 (2007 – n/a) with the offsetting values recorded as to a loss of $nil (2007 – n/a) and gain of $4,742 (US$4,665) (2007 – n/a) in other comprehensive income), respectively, for the three and six months ended September 30, 2008.

(v) As at September 30, 2008, Energy Savings had renewable energy certificates in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	1,000–21,000 MWh
Total remaining notional volume	151,605 MWh
Maturity dates	December 31, 2008 – December 31, 2012
Fixed price per MWh (in dollars)	$3.19–$6.39 (US$3.00–US$6.00)
Fair value	$41 (US$38) unfavourable
Notional value	$851 (US$799)

The loss of $59 (US$56) (2007 – n/a) and the loss of $117 (US$113) (2007 – n/a) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets and in other liabilities with its offsetting values being recorded in change in fair value of derivative instruments and foreign exchange.

(vi) As at September 30, 2008, Energy Savings had verified emission reduction certificates in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10,000 MWh
Total remaining notional volume	80,000 MWh
Maturity dates	December 31, 2008 – December 31, 2012
Fixed price per MWh (in dollars)	$8.78 (US$8.25)
Fair value	$60 (US$59) favourable
Notional value	$702 (US$660)

The gain of $59 (US$56) (2007 – n/a) and the gain of $59 (US$56) (2007 – n/a) for the three and six months ended September 30, 2008, respectively, has been recorded in other assets with its offsetting values being recorded in change in fair value of derivative instruments and foreign exchange.

(vii) As at September 30, 2008, Energy Savings had renewable energy certificates in its Canadian subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	10–28,500 MWh
Total remaining notional volume	560,573 MWh
Maturity dates	December 31, 2008 – December 31, 2013
Fixed price per MWh (in dollars)	$3.00–$9.00
Fair value	$134 favourable
Notional value	$2,257

The loss of $248 (2007 – n/a) and the loss of $720 (2007 – n/a) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets with its offsetting values being recorded in change in fair value of derivative instruments.

(viii) At September 30, 2008, Energy Savings had gas put and call options in its Canadian subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	46–114,000 GJ/month
Total remaining notional volume	9,332,630 GJ
Maturity dates	October 31, 2008 – September 30, 2013
Fixed price per GJ (in dollars)	$5.48–$13.20
Fair value	$5,770 unfavourable

The fair value is net of the present value of premiums which have yet to be paid. The loss of $2,885 (2007 – $111 gain) and loss of $391 (2007 – $48 loss) for the three and six months ended September 30, 2008, respectively, has been recorded in other liabilities with its offsetting values being recorded in change in fair value of derivative instruments.

(ix) At September 30, 2008, Energy Savings had other gas put and call options in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	5–112,500 MmBTU/month
Total remaining notional volume	10,943,680 MmBTU
Maturity dates	October 31, 2008 – May 31, 2013
Fixed price per MmBTU (in dollars)	$5.85–$14.69 (US$5.50–US$13.80)
Fair value	$4,708 (US$4,424) unfavourable

The fair value is net of the present value of premiums which have yet to be paid. The loss of $13,891 (US$13,126) (2007 – $2,529 (US$2,421) loss) and loss of $5,179 (US$4,557) (2007 – $2,873 (US$2,744) loss) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets and in other liabilities with its offsetting values being recorded in change in fair value of derivative instruments.

(x) As at September 30, 2008, Energy Savings had heat rate swaps in its U.S. subsidiaries and affiliates which have been classified as held-for-trading and marked to market with the following terms:

Notional volume	1–13 MWh
Total remaining notional volume	40,726 MWh
Maturity dates	October 31, 2008 – May 31, 2011
Fixed price per MWh (in dollars)	$59.37–$134.25 (US$55.785–US$126.15)
Fair value	$230 (US$216) favourable
Notional value	$2,380 (US$2,236)

The gain of $230 (US$218) (2007 – n/a) and the gain of $228 (US$216) for the three and six months ended September 30, 2008, respectively, has been recorded in other assets and other liabilities with its offsetting values being recorded in change in fair value of derivative instruments and foreign exchange.

(xi) 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 de-designated and a loss of $195 for the year ended March 31, 2007, was 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 recorded in AOCI and is being recognized in the Statement of Operations over the remaining term of each hedging relationship. At September 30, 2008, Energy Savings had foreign exchange forwards classified as held-for-trading to which it has committed with the following terms:

Notional amount	$1,981–$2,276 (US$2,000)
Total remaining notional amount	$80,667 (US$76,000)
Maturity dates	October 7, 2008 – April 7, 2010
Exchange rates	$0.9896–$1.1381
Fair value	$5,251 favourable

The loss of $833 (2007 – $2,890 gain) and gain of $674 (2007 – $6,428 gain) for the three and six months ended September 30, 2008, respectively, has been recorded in other assets with the offsetting values being recorded in change in fair value of derivative instruments.

(xii) Energy Savings has physical gas forward contracts in its Canadian subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of $469,784 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had physical gas forward contracts in its Canadian subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volume	0.14441–14,901 GJ/day
Total remaining notional volume	179,811,560 GJ
Maturity dates	October 31, 2008 – July 31, 2014
Fixed price per GJ (in dollars)	$5.05–$13.19
Fair value	$99,976 unfavourable
Notional value	$1,424,697

With respect to the contracts held-for-trading, the loss of $569,760 (2007 – n/a) and $569,760 (2007 – n/a) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting value being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $313,071 recorded as at June 30, 2008 (2007 – loss of $120,641 and $324,644, for the three and six months, respectively) with the offsetting values recorded as to a gain of $nil (2007 – $120,641 loss) and $313,071 (2007 – $324,644 loss) in other comprehensive income, respectively, for each of the three and six months ended September 30, 2008.

(xiii) Energy Savings has gas transportation forward contracts in its Canadian subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, this net loss of $3,340 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had gas transportation forward contracts in its Canadian subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volume	74–70,000 GJ/day
Total remaining notional volume	83,628,640 GJ
Maturity dates	October 1, 2008 – October 31, 2013
Fixed price per GJ (in dollars)	$0.01–$1.68
Fair value	$7,375 unfavourable
Notional value	$100,013

With respect to the contracts held-for-trading, the loss of $4,035 (2007 – $nil) and the loss of $4,035 (2007 – $nil) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting value being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $5,958 recorded as at June 30, 2008 (2007 – loss of $627 and gain of $3,473, for the three and six months respectively) with the offsetting values recorded as to a gain of $nil (2007 – $627 loss) and gain of $5,958 (2007 – $3,473) in other comprehensive income, respectively, for each of the three and six months ended September 30, 2008.

(xiv) Energy Savings has physical gas forward contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net gain of $177,953 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had physical gas forward contracts in its U.S. subsidiaries and affiliates classified as held-for-trading to which it has committed with the following terms:

Notional volume	5–4,663 MmBTU/day
Total remaining notional volume	54,863,198 MmBTU
Maturity dates	October 31, 2008 – November 30, 2013
Fixed price per GJ (in dollars)	$5.64–$13.39 (US$5.30–US$12.58)
Fair value	$15,592 (US$14,651) unfavourable
Notional value	$502,994 (US$472,650)

With respect to the contracts held-for-trading, the loss of $203,833 (US$192,604) (2007 – n/a) and the loss of $203,833 (US$192,604) (2007 – n/a) for the three and six months ended September 30, 2008, respectively, has been recorded against other assets and in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the gain of $124,759 (US$122,710) recorded as at June 30, 2008 (2007 – loss of $18,388 (US$17,603) and loss of $31,933 (US$30,319), for the three and six months, respectively) with the offsetting values recorded as to a gain of $nil (2007 – $18,388 (US$17,603) loss) and $124,759 (US$122,710) (2007 – $31,933 (US$30,319) loss) in other comprehensive income, respectively, for each of the three and six months ended September 30, 2008.

(xv) Energy Savings has gas transportation forward contracts in its U.S. subsidiaries and affiliates. Hedge accounting was applied to most of these forward contracts up to June 30, 2008, after which the hedges were de-designated and classified as held-for-trading. As the required hedge accounting effectiveness was achieved to June 30, 2008, the related net loss of $6,906 has been deferred in AOCI and is being recognized in the Statement of Operations over the remaining term of the hedging relationship. At September 30, 2008, Energy Savings had physical gas forward contracts in its U.S. subsidiaries and affiliates classified as held-for-trading which it has committed with the following terms:

Notional volume	380–12,300 MmBTU/day
Total remaining notional volume	21,428,540 MmBTU
Maturity dates	October 31, 2008 – January 31, 2013
Fixed price per GJ (in dollars)	$0.0027–$0.05 (US$0.0025–US$0.05)
Fair value	$6,513 (US$6,120) unfavourable
Notional value	$6,931 (US$6,512)

With respect to the contracts held-for-trading, the gain of $832 (US$787) (2007 – n/a) and the gain of $832 (US$787) (2007 – n/a) for the three and six months ended September 30, 2008, respectively, has been recorded in other liabilities with their offsetting values being recorded in change in fair value of derivative instruments. With respect to the designated hedges to June 30, 2008, there is no change to the loss of $7,022 (US$6,906) recorded as at June 30, 2008 (2007 – $nil (US$nil) and $nil (US$nil), for the three and six months, respectively) with the offsetting values recorded as to a gain of $nil (2007 – $nil (US$nil)) and $7,022 (US$6,906) (2007 – $nil (US$nil)) in other comprehensive income, respectively, for each of the three and six months ended September 30, 2008.

	For the three months ended September 30, 2008		For the six months ended September 30, 2008	
	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income
Description				
Canada				
Fixed-for-floating electricity swaps	$ –	$ –	$ (19,208)	$ 94,562
Physical gas forward contracts and transportation forward contracts	–	–	(135,808)	454,838
United States				
Fixed-for-floating electricity swaps	–	–	(13,826)	54,299
Physical electricity forwards	–	–	(30,659)	61,232
Physical gas forward contracts and transportation forward contracts	–	–	(26,184)	143,922
Unforced capacity forward contracts	–	–	–	4,743
Amortization of deferred unrealized gains of discontinued hedges	(63,176)	–	(58,627)	–
Total realized and unrealized gains (losses)	$ (63,176)	$ –	$ (284,312)	$ 813,596

	For the three months ended September 30, 2007		For the six months ended September 30, 2007	
	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income	Gain (loss) on cash flow hedges transferred from other comprehensive income to the Statement of Operations	Unrealized gain (loss) recorded in other comprehensive income
Description				
Canada				
Fixed-for-floating swaps	$ 18,526	$ (52,405)	$ 31,835	$ (112,392)
Physical gas forward contracts	21,299	(99,342)	8,106	(316,538)
Transportation forward contract	399	(229)	893	4,366
United States				
Fixed-for-floating swaps	1,620	(935)	5,651	3,240
Physical electricity forwards	2,383	2,310	3,407	(6,859)
Physical gas forward contracts	3,863	(10,670)	7,815	(28,275)
Total realized and unrealized gains (losses)	$ 48,090	$ (161,271)	$ 57,707	$ (456,458)

The estimated amortization of deferred gains and losses reported in AOCI that is expected to be amortized to net income within the next 12 months is a gain of $248,357.

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.

In Illinois, Texas 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 Illinois, Texas and Alberta.

(b) Classification of financial assets and liabilities

The carrying values of the Fund's financial instruments are classified as follows:

As at September 30, 2008	Carrying amount	Fair value
Cash and cash equivalents and restricted cash	$ 56,411	$ 56,411
Accounts receivable	160,630	160,630
Accounts payable and accrued liabilities, customer rebates payable, management incentive program payable and unit distribution payable	142,211	142,211
Long-term debt	79,862	79,862

	For the three months ended September 30, 2008	For the six months ended September 30, 2008
Gain (loss) on cash and cash equivalents and restricted cash	$ –	$ –
Gain (loss) on accounts receivable	–	–
Gain (loss) on accounts payable and accrued liabilities, customer rebates payable, management incentive program payable and unit distribution payable	(298)	6
Gain (loss) on long-term debt	–	–
Fee and interest income on financial assets not held-for-trading	–	–
Interest expense on financial liabilities not held-for-trading	965	1,844

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.

The carrying value of the long-term debt approximates its fair value as the interest payable on outstanding amounts at rates that vary with Bankers' Acceptance, LIBOR, Canadian bank prime rate or U.S. prime rate.

(c) Management of risks arising from financial instruments

The risks associated with the Fund's financial instruments are as follows:

(i) Market risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Components of market risk to which the Fund is exposed are discussed below.

Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates.

A portion of Energy Savings' earnings is generated in U.S. dollars and is subject to currency fluctuations. The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect Energy Savings' earnings. Due to its growing operations in the U.S., Energy Savings expects to have a greater exposure to U.S. fluctuations than in prior years. Currently, all U.S. cash generated by the U.S. operations is reinvested back into U.S. operations, resulting in no repatriation of U.S. funds back to Canada. As needed, Energy Savings enters into derivative instruments to manage exposures to changes in foreign currency rates for the repatriation of U.S. funds to Canada.

The Fund may nevertheless, from time to time, experience losses resulting from fluctuations in the values of these foreign currencies, which could adversely affect operating results.

With respect to translation exposure, as at September 30, 2008, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar, assuming that all the other variables had remained constant, income before taxes for the three and six months ended September 30, 2008, would have been $12,591 and $11,951 higher or lower, respectively, and other comprehensive income would have been $6,973 lower or higher.

Interest rate risk

Energy Savings is also exposed to interest rate fluctuations associated with its floating rate credit facility. Energy Savings' current exposure to interest rates does not economically warrant the use of derivative instruments.

The Fund's exposure to interest rate risk is relatively immaterial and temporary in nature. As such, the Fund does not believe that this long-term debt exposes it to material financial risks and sees no need to set out parameters to manage that said risk.

A 1% increase (decrease) in interest rates would have resulted in a decrease (increase) in income before taxes for the three and six months ended September 30, 2008, of approximately $195 and $352, respectively.

Commodity price risk

Energy Savings is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Energy Savings' exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. Energy Savings enters into derivative instruments in order to manage exposures to changes in commodity prices. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand in Canadian dollars and thereby fix margins such that Unitholder distributions can be appropriately established. Derivative instruments are generally transacted over-the-counter. The inability or failure of Energy Savings to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of Energy Savings.

As at September 30, 2008, if the electricity prices had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the six-month period ended September 30, 2008, would have increased (decreased) by $114,496 ($114,592) primarily as a result of the change in the fair value of the Fund's derivative instruments.

As at September 30, 2008, if the natural gas prices had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the six-month period ended September 30, 2008, would have increased (decreased) by $154,179 ($205,453) primarily as a result of the change in the fair value of the Fund's derivative instruments.

Changes in gas and electricity prices will not significantly impact the Fund's gross margin.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Energy Savings is exposed to credit risk in two specific areas: customer credit risk and counterparty credit risk.

Customer credit risk

In Alberta, Texas and Illinois, Energy Savings has customer credit risk, and therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse affect on the operations and cash flow of Energy Savings. Management factors default from credit risk in its margin expectations for Illinois, Texas and Alberta.

As at September 30, 2008, accounts receivables from Alberta, Texas and Illinois with a carrying value of $10,567 (March 31, 2008 – $14,285) were past due but not doubtful. As at September 30, 2008, the aging of the accounts receivables from Alberta, Texas and Illinois was as follows:

Current	$	21,990
1–30 days		5,533
31–60 days		4,092
61–90 days		1,806
Over 90 days		5,115
	$	38,536

For the six months ended September 30, 2008, changes in the allowance for doubtful accounts were as follows:

Balance, beginning of period	$	9,162
Provision for doubtful accounts		3,525
Bad debts written off		(5,678)
Others		(189)
Balance, end of period	$	6,820

For the remaining markets, the LDCs provide collection services and assume the risk of any bad debts owing from Energy Savings' customers for a fee. Management believes that the risk of the LDCs failing to deliver payment to Energy Savings is minimal. There is no assurance that the LDCs that provide these services will continue to do so in the future.

Counterparty credit risk

Counterparty credit risk represents the loss that Energy Savings would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in Energy Savings replacing contracted supply at prevailing market rates thus impacting the related customer margin or replacing contracted foreign exchange at prevailing market rates impacting the related Canadian dollar denominated distributions. Counterparty limits are established within the Risk Management Policy. Any exception to these limits requires approval from the Board of Directors of OESC. The Risk Office and Risk Committee monitor current and potential credit exposure to individual counterparties and also monitor overall aggregate counterparty exposure. However, the failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cash flow of Energy Savings.

As at September 30, 2008, the maximum credit risk exposure amounted to $3,640,242, representing the notional value of its derivative financial instruments and accounts receivable.

(iii) Liquidity risk

Liquidity risk is the potential inability to meet financial obligations as they fall due. The Fund manages this risk by monitoring detailed weekly cash flow forecasts covering a rolling six-week period, monthly cash forecasts for the next 12 months, and quarterly forecasts for the following two-year period to ensure adequate and efficient use of cash resources and credit facilities.

(iv) 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. Energy Savings has discounted the fair value of its financial assets by $155 to accommodate for its counterparties' risk of default. A significant portion of these gas and electricity purchases is from Shell Energy North America and its affiliates.

NOTE 8 Capital disclosure

Energy Savings' defines capital as Unitholders' equity (excluding accumulated other comprehensive income) and long-term debt. The Fund's objectives when managing capital are to maintain flexibility between:

a) enabling it to operate efficiently;

b) providing liquidity and access to capital for growth opportunities; and

c) providing returns and generating predictable cash flow for distribution to Unitholders

The Fund manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable profitable growth. The Fund's capital management objectives have remained unchanged from the prior year. The Fund is not subject to any externally imposed capital requirements other than financial covenants on its credit facility and as at September 30, 2008, all of these covenants have been met.

NOTE 9

Net income (loss) per unit

	For the three months ended September 30, 2008	For the three months ended September 30, 2007	For the six months ended September 30, 2008	For the six months ended September 30, 2007
Basic income (loss) per unit				
Net income (loss) available to Unitholders	$ (923,990)	$ 4,754	$ (889,758)	$ 30,672
Weighted average number of units outstanding	104,893	98,140	103,628	98,114
Weighted average number of Class A preference shares	5,263	8,706	5,981	8,706
Basic units and shares outstanding	110,156	106,846	109,609	106,820
Basic income (loss) per unit	$ (8.39)	$ 0.05	$ (8.12)	$ 0.29
Diluted income per unit				
Net income (loss) available to Unitholders	$ (923,990)	$ 4,754	$ (889,758)	$ 30,672
Basic units and shares outstanding	110,156	106,846	109,609	106,820
Dilutive effect of:				
Unit options	22	135	31	132
Unit appreciation rights	1,021	766	1,023	765
Deferred unit grants	42	26	40	24
Units outstanding on a diluted basis	111,241	107,773	110,703	107,741
Diluted income (loss) per unit	$ (8.31)	$ 0.04	$ (8.04)	$ 0.28

NOTE 10

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 U.S. operations have both gas and electricity business segments.

Energy Savings evaluates segment performance based on gross margin.

The following table presents Energy Savings' results from continuing operations by geographic segment:

For the three months ended September 30, 2008	Canada	United States	Consolidated
Sales gas	$ 87,052	$ 23,347	$ 110,399
Sales electricity	128,197	55,526	183,723
Sales	$ 215,249	$ 78,873	$ 294,122
Gross margin	$ 34,462	$ 9,664	$ 44,126
Amortization of electricity contracts	–	(263)	(263)
Amortization of gas contracts	(138)	–	(138)
Amortization of capital assets	(1,049)	(76)	(1,125)
Other operating expenses	(16,856)	(16,925)	(33,781)
Income (loss) before the undernoted	16,419	(7,600)	8,819
Interest expense	(643)	(322)	(965)
Change in fair value of derivative instruments	(696,656)	(325,973)	(1,022,629)
Other income	779	458	1,237
Recovery of income tax	4,547	85,001	89,548
Net loss	$ (675,554)	$ (248,436)	$ (923,990)
Additions to capital assets	$ 1,059	$ 59	$ 1,118

For the three months ended September 30, 2007	Canada	United States	Consolidated
Sales gas	$ 77,185	$ 17,698	$ 94,883
Sales electricity	136,935	51,713	188,648
Sales	$ 214,120	$ 69,411	$ 283,531
Gross margin	$ 36,746	$ 6,861	$ 43,607
Amortization of electricity contracts	(268)	(1,838)	(2,106)
Amortization of capital assets	(714)	(122)	(836)
Other operating expenses	(18,108)	(11,001)	(29,109)
Income (loss) before the undernoted	17,656	(6,100)	11,556
Interest expense	(482)	(961)	(1,443)
Change in fair value of derivative instruments	1,019	(6,430)	(5,411)
Other income (expense)	547	(401)	146
Provision for income tax	(94)	–	(94)
Net income (loss)	$ 18,646	$ (13,892)	$ 4,754
Additions to capital assets	$ 3,565	$ 213	$ 3,778

For the six months ended September 30, 2008	Canada	United States	Consolidated
Sales gas	$ 246,545	$ 63,310	$ 309,855
Sales electricity	259,019	103,158	362,177
Sales	$ 505,564	$ 166,468	$ 672,032
Gross margin	$ 84,185	$ 15,162	$ 99,347
Amortization of electricity contracts	(178)	(2,052)	(2,230)
Amortization of gas contracts	(138)	–	(138)
Amortization of capital assets	(2,102)	(239)	(2,341)
Other operating expenses	(33,146)	(29,656)	(62,802)
Income (loss) before the undernoted	48,621	(16,785)	31,836
Interest expense	(1,274)	(582)	(1,856)
Change in fair value of derivative instruments	(696,804)	(314,710)	(1,011,514)
Other income (expense)	2,047	(5)	2,042
Recovery of income tax	5,295	84,439	89,734
Net loss	$ (642,115)	$ (247,643)	$ (889,758)
Additions to capital assets	$ 1,237	$ 89	$ 1,326
Total goodwill	$ 94,957	$ 18,971	$ 113,928
Total assets	$ 340,414	$ 123,626	$ 464,040

For the six months ended September 30, 2007	Canada	United States	Consolidated
Sales gas	$ 239,851	$ 45,808	$ 285,659
Sales electricity	270,665	80,076	350,741
Sales	$ 510,516	$ 125,884	$ 636,400
Gross margin	$ 82,166	$ 13,250	$ 95,416
Amortization of electricity contracts	(751)	(2,604)	(3,355)
Amortization of gas contracts	(177)	–	(177)
Amortization of capital assets	(1,355)	(247)	(1,602)
Other operating expenses	(36,706)	(21,370)	(58,076)
Income (loss) before the undernoted	43,177	(10,971)	32,206
Interest expense	(831)	(1,473)	(2,304)
Change in fair value of derivative instruments	1,460	(7,204)	(5,744)
Other income (expense)	875	(700)	175
Recovery of (provision for) income tax	6,374	(35)	6,339
Net income (loss)	$ 51,055	$ (20,383)	$ 30,672
Additions to capital assets	$ 4,085	$ 215	$ 4,300
Total goodwill	$ 94,576	$ 20,904	$ 115,480
Total assets	$ 391,003	$ 113,985	$ 504,987

NOTE 11 Commitments

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

2009	$ 2,585
2010	4,818
2011	4,154
2012	3,592
2013	2,320
Thereafter	7,187
	$ 24,656

(b) Commitments under the Master Service Agreement with EPCOR for the duration of the agreement are as follows:

2009	$ 4,158
2010	5,544
	$ 9,702

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

2009	$ 734,181
2010	1,169,582
2011	854,231
2012	510,923
2013	262,993
Thereafter	69,796
	$ 3,601,706

(d) The Fund has a commitment to repay the long-term debt in the amount of $79,862 by October 29, 2010.

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 12 Comparative consolidated financial statements

Certain figures from the comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's consolidated financial statements.

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