Management's responsibility for financial reporting

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

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include some amounts that are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this Annual Report has been prepared on a consistent basis with that in the consolidated financial statements.

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

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

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

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

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

Brennan R. Mulcahy (signed)
Chief Executive Officer

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

Auditors' report to the Unitholders

We have audited the consolidated balance sheet of Energy Savings Income Fund as at March 31, 2006 and the consolidated statements of operations, unitholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The comparative figures were audited by another firm of chartered accountants.

KPMG LLP (Chartered Accountants) (signed)

Toronto, Canada, May 10, 2006

Consolidated balance sheets

As at March 31

(thousands of dollars)

		2006		2005
Assets				
Current				
Cash	**$**	**11,663**	$	16,058
Restricted cash *(Note 5)*		**4,452**		5,682
Accounts receivable		**149,424**		101,631
Gas in storage		**4,796**		414
Unbilled revenues		**36,982**		50,536
Prepaid expenses		**1,479**		2,108
Corporate taxes recoverable		**4,308**		–
		213,104		176,429
Gas contracts (less accumulated amortization – $228,314; 2005 – $198,483)		**15,615**		45,446
Electricity contracts (less accumulated amortization – $14,810; 2005 – $3,040)		**11,611**		8,794
Goodwill		**94,576**		94,576
Capital assets *(Note 7)*		**11,263**		10,279
Other assets *(Note 13a)*		**4,056**		5,474
	$	**350,225**	$	340,998
Liabilities				
Current				
Bank indebtedness *(Note 8)*	**$**	**25,184**	$	–
Accounts payable and accrued liabilities		**113,137**		76,505
Customer rebates payable *(Note 5)*		**4,452**		5,682
Management incentive program payable		**1,260**		1,173
Unit distribution payable		**7,591**		7,039
Corporate taxes payable		**382**		10,048
Accrued gas accounts payable		**29,901**		40,900
		181,907		141,347
Deferred charges (less accumulated amortization – $4,440)		**3,552**		–
Other liabilities *(Note 13a)*		**1,499**		644
Future income taxes *(Note 9)*		**16,388**		21,020
		203,346		163,011
Equity				
Unitholders' equity		**138,443**		173,106
Contributed surplus *(Note 12d)*		**8,436**		4,881
		146,879		177,987
	$	**350,225**	$	340,998

See accompanying notes to consolidated statements.

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

Rebecca MacDonald (signed)
Executive Chair

Michael J.L. Kirby (signed)
Corporate Director

Consolidated statements of Unitholders' equity

For the years ended March 31
(thousands of dollars)

	Unitholders' Capital	Accumulated Earnings	Distributions	2006	2005
Unitholders' equity, beginning of year	**$ 317,459**	**$ 92,327**	**$ (236,680)**	**$ 173,106**	$ 206,401
Trust units exchanged	–	–	–	–	3,656
Trust units issued on exercise/ exchange of unit compensation *(Note 12)*	**7,191**	–	–	**7,191**	15,379
Class A preference shares exchanged	–	–	–	–	(3,656)
Net income	–	**51,563**	–	**51,563**	37,205
Distributions	–	–	**(87,507)**	**(87,507)**	(80,073)
Class A preference share distributions – net of tax	–	–	**(5,910)**	**(5,910)**	(5,806)
Unitholders' equity, end of year	**$ 324,650**	**$ 143,890**	**$ (330,097)**	**$ 138,443**	$ 173,106

See accompanying notes to consolidated statements.

Consolidated statements of operations

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

	2006	2005
Sales	**$ 1,212,314**	$ 920,913
Cost of sales	**1,026,229**	754,664
Gross margin	**186,085**	166,249
Expenses		
General and administrative expenses	**34,318**	28,642
Capital tax	**691**	704
Marketing expenses	**48,238**	39,994
Unit based compensation *(Note 12)*	**6,518**	3,462
Bad debt expense	**5,107**	263
Amortization of gas contracts	**29,831**	49,120
Amortization of electricity contracts	**7,330**	2,150
Amortization of capital assets	**2,496**	1,856
	134,529	126,191
Income before other income (expense)	**51,556**	40,058
Other income (expense) *(Note 13)*	**(3,048)**	2,068
Income before income tax	**48,508**	42,126
Provision for (recovery of) income tax *(Note 9)*	**(3,055)**	4,921
Net income	**$ 51,563**	$ 37,205

See accompanying notes to consolidated statements.

Net income per unit (Note 14)		
Basic	**$ 0.49**	$ 0.36
Diluted	**$ 0.48**	$ 0.35

Consolidated statements of cash flows

For the years ended March 31
(thousands of dollars)

		2006		2005
Net inflow (outflow) of cash related to the following activities				
Operating				
Net income	$	**51,563**	$	37,205
Items not affecting cash				
Amortization of gas contracts		**29,831**		49,120
Amortization of electricity contracts		**7,330**		2,150
Amortization of capital assets		**2,496**		1,856
Unit based compensation		**6,518**		3,462
Future income taxes		**(4,632)**		(8,836)
Loss on foreign exchange (unrealized)		**531**		583
Other (income) expenses (unrealized)		**1,667**		(2,258)
		43,741		46,077
Adjustments required to reflect net cash receipts from gas sales *(Note 19)*		**2,555**		(2,551)
		97,859		80,731
Changes in non-cash working capital *(Note 20)*		**(28,277)**		(13,589)
Cash inflow from operations		**69,582**		67,142
Financing				
Exercise of trust unit options *(Note 12)*		**4,221**		10,172
Distributions paid to Unitholders		**(86,945)**		(79,134)
Distributions on Class A preference shares		**(9,251)**		(9,088)
Tax impact on distributions on Class A preference shares		**3,341**		3,282
Bank indebtedness		**25,184**		–
		(63,450)		(74,768)
Investing				
Purchase of capital assets		**(3,480)**		(5,642)
Acquisition of customer contracts		**(6,593)**		(10,332)
		(10,073)		(15,974)
Loss on foreign exchange (unrealized)		**(531)**		(583)
Other income foreign exchange (unrealized)		**77**		–
Net cash outflow		**(4,395)**		(24,183)
Cash, beginning of year		**16,058**		40,241
Cash, end of year	$	**11,663**	$	16,058

See accompanying notes to consolidated statements.

Supplemental information				
Interest paid	$	**997**	$	104
Income taxes paid	$	**12,883**	$	907

Notes to the consolidated financial statements

For the year ended March 31, 2006
(thousands of dollars except per unit amounts)

Note 1. *Organization*

Energy Savings Income Fund ("Energy Savings" or the "Fund")

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

Note 2. *Operations*

The Energy Savings Group

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

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

Note 3. *Summary of significant accounting policies*

(a) Principles of consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the accounts of Energy Savings Income Fund and its directly and indirectly wholly owned subsidiaries and affiliates.

(b) Cash and cash equivalents

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

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

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

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

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

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

(d) Gas in storage

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

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

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

(e) Capital assets

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

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

(f) Asset retirement obligations

Asset retirement obligations, including any restoration costs required in connection with leased assets or properties, are recognized at fair value in the period in which the obligations are incurred and a reasonable estimate of fair value can be made. Energy Savings did not have any such obligations outstanding for the years ended March 31, 2006 or 2005.

(g) Goodwill

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

(h) Gas contracts

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

(i) Electricity contracts

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

(j) Other assets (liabilities)

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

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

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

Energy Savings enters into hedges of its foreign exchange relating to its anticipated repatriation of U.S. denominated currency by entering into foreign exchange forward contracts with its lender. Energy Savings uses the settlement method of hedge accounting for these foreign exchange forwards whereby the gain or loss incurred upon settlement is recognized in the related income statement expense line. The timing of these settlements is anticipated to match the timing of the recognition of the anticipated repatriation of U.S. denominated funds which these forwards hedge. Changes in the fair value of these forwards are not recognized in the financial statements.

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

(k) Derivative instruments and hedge accounting

Electricity:

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

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

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

Gas:

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

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

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

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

Foreign exchange:
To reduce its exposure to movements in foreign exchange rates, Energy Savings uses foreign exchange forwards ("foreign exchange contracts"). These foreign exchange contracts are expected to be effective as hedges of the anticipated cross border cash flow.

Realized and unrealized gains and losses on foreign exchange contracts designated as hedging instruments are deferred and recognized over the term of the contract based on the timing of the underlying hedged transactions and are recorded in the income statement expense line. Any contracts which do not qualify for hedge accounting or are dedesignated as a hedge are valued at fair market value with the changes in fair value recorded in current period income as a component of other income (expense).

(l) Revenue recognition

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

(m) Marketing expenses

Commissions and various other costs related to obtaining and renewing customer contracts are charged to income in the period incurred.

(n) Foreign currency translation

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

(o) Per unit amounts

The computation of income per unit is based on the weighted average number of units outstanding during the year.

(p) Unit based compensation plans

The Fund accounts for all of its unit based compensation awards using the fair value based method.

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

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

(q) Employee future benefits

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

Participation in either plan is voluntary. The Plan has a two-year vesting period beginning from the later of the Plan's effective date and the employee's starting date. During the year Energy Savings contributed $428 (2005 – $367) to both plans, which was paid in full during the year.

(r) Exchangeable securities

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

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

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

(s) Use of estimates

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

Note 4. *Seasonality of operations*

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

Note 5. *Restricted cash/customer rebates payable*

Restricted cash represents rebate monies received from LDCs in Ontario as provided by the Independent Electricity System Operator. OESLP is obligated to disperse the monies to eligible end-use customers in accordance with the Market Power Mitigation Agreement as part of OESLP's Retailer License conditions.

Note 6. *Acquisition of customer contracts*

(a) Acquisition of EPCOR Utilities Inc.'s Ontario electricity contracts

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

The purchase price has been allocated as follows:

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

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

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

(b) Acquisition of EPCOR's gas and electricity contracts

On December 1, 2004, Energy Savings purchased, effective November 1, 2004, approximately 45,000 RCEs of deregulated gas customers and 90,000 RCEs of deregulated electricity customers from EPCOR, the Edmonton-based integrated energy services and utility holding company, for $10,332.

The purchase price has been allocated as follows:

Net assets acquired:		
Gas contracts	$	3,836
Electricity contracts		6,496
	$	10,332
Consideration:		
Cash	$	10,332

The entire purchase price will be amortized over the average remaining life of the contracts, which at the time of the acquisition was 2.5 years.

Note 7. *Capital assets*

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

2005		Cost		Accumulated Amortization		Net Book Value
Furniture and fixtures	$	2,014	$	461	$	1,553
Office equipment		1,664		399		1,265
Computer equipment		2,438		938		1,500
Commodity billing and settlement system		5,120		1,116		4,004
Leasehold improvements		2,601		644		1,957
	$	13,837	$	3,558	$	10,279

Note 8. *Bank indebtedness*

An operating credit facility is available to Energy Savings to meet working capital requirements. During the year, the facility was increased from $60,000 to $100,000 to support the Fund's growth needs. The operating line of credit bears interest at bank prime plus 0.5% and the letters of credit bear interest at 1.5%. As at March 31, 2006, the Canadian prime rate was 5.5% and the U.S. prime rate was 7.75%. As at March 31, 2006, Energy Savings had drawn $25,184 against the facility and total letters of credit outstanding amounted to $21,976. Energy Savings has $52,840 of the facility remaining for future working capital and security requirements. Energy Savings' obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a pledge of the assets of Energy Savings and the majority of its operating subsidiaries and affiliates. Energy Savings is required to meet a number of financial covenants under the credit facility agreement. As at March 31, 2006 and 2005, all of these covenants have been met.

Note 9. *Income taxes*

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

Canadian-based corporate subsidiaries are subject to tax on their taxable income at a rate of 36% (2005 – 36%).

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

		2006		2005
Net income before income tax	**$**	**48,508**	$	42,126
Income tax expense at the combined basic rate of 36% (2005 – 36%)		**17,463**		15,165
Taxes on income attributable to Unitholders		**(28,740)**		(13,501)
Large corporations tax		**159**		–
Benefit of U.S. accounting losses not recognized		**5,253**		842
Non-deductible expenses		**2,810**		2,415
Provision for (recovery of) income tax	**$**	**(3,055)**	$	4,921

Components of Energy Savings' income tax provision are as follows:

Income tax provision (recovery)	**$**	**(1,764)**	$	10,475
Amount credited to Unitholders' equity		**3,341**		3,282
Current income tax provision		**1,577**		13,757
Future tax recovery		**(4,632)**		(8,836)
Provision for (recovery of) income tax	**$**	**(3,055)**	$	4,921

Components of Energy Savings' net future income tax liability are as follows:

Carrying value of gas and electricity contracts in excess of tax value	**$**	**7,707**	$	15,700
Partnership income deferred for tax purposes		**4,708**		1,006
Other		**3,973**		4,314
	$	**16,388**	$	21,020

U.S.-based corporate subsidiaries are subject to tax on their taxable income at a rate of 40% (2005 – 40%). At March 31, 2006, the U.S. subsidiaries of Energy Savings had $15,742 (US$13,478) in combined operating losses carry forward for tax purposes, of which $415 (US$356) of the carry forward will expire by 2024, $5,665 (US$4,850) by 2025, and $9,662 (US$8,272) by 2026. The tax benefit of these losses has not been recognized in these financial statements.

At March 31, 2006, the difference between the carrying value and the tax basis of assets and liabilities attributable to various partnerships of $9,985 has not been accounted for in the current year's future income tax recovery; as such the amount is to be allocated to ESIF Commercial Trust, a flow through entity for tax purposes.

Note 10. *Related party transactions*

Energy Savings has obligations under its existing Marketing Fee Agreements ("Marketing Agreements") to three of its officers. These three officers have resigned. Each of their Marketing Agreements will expire in early fiscal 2007, effective each of their respective resignation dates. Each officer was entitled to receive annual marketing fees or commissions equal to the greater of the individual's percentage of Energy Savings' incremental gross margin and the individual's specified guaranteed amount, payable on March 31 of each year, as to, 50% in cash and 50% in fully paid unit appreciation rights ("UARs"), which vest on the first, second and third anniversary day of the grant date when they become exchangeable into units on a one for one basis. All unvested fully paid UARs will be canceled effective the resignation dates of each of the respective officers. For the year ended March 31, 2006, payments to the three officers amounted to $450 (2005 – $1,425), while payments made in the form of UARs amounted to $1,450 (2005 – $941).

The resignations of two of the three officers occurred in the fourth quarter of fiscal 2006 with the resignation of the third officer occurring at the beginning of fiscal 2007. The entitlement under the Marketing Agreement will cease on March 31, 2006 for all individuals, except for one, who will continue to be paid during a period of transition ending on September 30, 2006.

Note 11. *Unitholders' capital*

Trust units of the Fund

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

Preference shares of OESC

Unlimited Class A preference shares, non-voting for OESC, non-cumulative, exchangeable into trust units in accordance with the OESC shareholders' agreement, 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 which they would otherwise be entitled to receive if they exercised their shareholder exchange rights. Class A preference shareholders have equal entitlement to distributions from the Fund as Unitholders.

			2006			2005
Issued and Outstanding	**Units/Shares**			Units/Shares		
Trust units						
Balance, beginning of year	**95,515,617**	**$**	**292,037**	91,093,142	$	273,002
Options exercised	**873,168**		**7,138**	2,959,992		15,379
Deferred unit grants exchanged	**3,206**		**53**	–		–
Class A preference shares exchanged	**–**		**–**	1,462,483		3,656
Balance, end of year	**96,391,991**		**299,228**	95,515,617		292,037
Class A preference shares						
Balance, beginning of year	**10,168,695**		**25,422**	11,631,178		29,078
Exchanged into units	**–**		**–**	(1,462,483)		(3,656)
Balance, end of year	**10,168,695**		**25,422**	10,168,695		25,422
Unitholders' capital, end of year	**106,560,686**	**$**	**324,650**	105,684,312	$	317,459

Note 12. *Unit based compensation plans*

(a) Unit option plan

The Fund grants awards under its 2001 unit option plan to directors, officers, full-time employees and service providers (non-employees) of its subsidiaries and affiliates. In accordance with the unit option plan and as a result of the unit splits which took effect July 29, 2002 and January 30, 2004, the Fund may grant options to a maximum of 11,300,000 units. As at March 31, 2006, there were 859,166 options still available for grant under the plan. Of the options issued, 1,227,667 options remain outstanding at year end. The exercise price of the unit options equals the closing market price of the Fund's units on the last business day preceding the grant date. The unit options will vest over periods ranging from three to five years from the grant date and expire after five or ten years from the grant date.

A summary of the status of the Fund's unit option plan is outlined below.

	Outstanding Options	Range of Exercise Prices	Weighted Average Exercise Price[1]	Weighted Average Grant Date Fair Value[2]
Balance, April 1, 2004	4,651,660	$ 2.50–$ 15.45	$ 5.17	
Granted	170,000	$ 15.50–$ 18.70	$ 17.33	$ 2.63
Forfeited/canceled	(35,833)	$ 11.25–$ 16.58	$ 11.62	
Exercised	(2,959,992)	$ 2.50–$ 11.25	$ 3.44	
Balance, March 31, 2005	1,825,835	$ 2.50–$ 18.70	$ 8.99	
Granted	275,000	$ 15.63–$ 15.90	$ 15.65	$ 2.20
Exercised	(873,168)	$ 2.50–$ 11.25	$ 4.83	
Balance, March 31, 2006	1,227,667	$ 6.09–$ 18.70	$ 13.44	

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

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

2006		**Options Outstanding**			**Options Exercisable**
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$ 4.24–$ 6.09	**6,668**	**1.00**	**$ 6.09**	**6,668**	**$ 6.09**
$ 7.29–$ 10.68	**70,166**	**2.02**	**$ 9.51**	**38,834**	**$ 9.29**
$11.25–$12.17	**693,333**	**2.03**	**$ 12.05**	**660,002**	**$ 12.09**
$14.25–$18.70	**457,500**	**3.61**	**$ 16.24**	**29,500**	**$ 16.68**
Balance, end of year	**1,227,667**	**2.62**	**$ 13.44**	**735,004**	**$ 12.07**

2005		Options Outstanding			Options Exercisable
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 2.50–$ 3.24	199,998	1.08	$ 2.50	199,998	$ 2.50
$ 4.24–$ 6.09	574,005	1.85	$ 5.10	60,667	$ 5.91
$ 7.29–$ 10.68	169,332	2.60	$ 8.40	20,000	$ 7.78
$11.25–$12.17	700,000	7.64	$ 12.05	233,333	$ 12.05
$14.25–$18.70	182,500	3.91	$ 17.12	3,000	$ 14.65
Balance, end of year	1,825,835	4.26	$ 8.99	516,998	$ 7.48

Options Available for Grant	2006	2005
Balance, beginning of year	**1,134,166**	1,268,333
Add: canceled/forfeited during the year	**–**	35,833
Less: granted during the year	**(275,000)**	(170,000)
Balance, end of year	**859,166**	1,134,166

The Fund uses a binomial option pricing model to estimate the fair values. The binomial model was chosen because of the yield associated with the units. Fair values of employee unit options are estimated at grant date. Fair values of non-employee unit options are estimated and revalued each reporting period until a measurement date is achieved. The following weighted average assumptions have been used in the valuations for 2006:

Risk free rate	3.53%–3.65%
Expected volatility	25.57%–25.62%
Expected life	5 years
Expected distributions	$0.885–$0.915 per year

(b) Unit appreciation rights

The Fund grants awards under its 2004 unit appreciation rights (“UARs”) plan to senior officers or service providers of its subsidiaries and affiliates in the form of fully paid UARs. In accordance with the unit appreciation rights plan, the Fund may grant UARs to a maximum of 1,000,000. As at March 31, 2006 there were 498,791 UARs still available for grant under the plan. Except as otherwise provided, (i) the UARs vest up to one to five years from the grant date; (ii) expire no later than ten years from the grant date; (iii) a holder of UARs is entitled to distributions as if a UAR were a unit; and (iv) when vested, the holder of a UAR may exchange one UAR for one unit.

UARs Available for Grant	2006	2005
Balance, beginning of year	**759,574**	1,000,000
Less: granted during the year	**(260,783)**	(240,426)
Balance, end of year	**498,791**	759,574

(c) Deferred unit grants

The Fund grants awards under its 2004 Directors’ deferred compensation plan to all independent directors. In accordance with the deferred compensation plan, the Fund may grant deferred unit grants (“DUGs”) to a maximum of 100,000. The DUGs vest on the earlier of the date of the Director’s resignation or three years following the date of grant and expire ten years following the date of grant. As of March 31, 2006, there were 82,781 DUGs available for grant under the plan.

DUGs Available for Grant	2006	2005
Balance, beginning of year	**90,635**	100,000
Less: granted during the year	**(7,854)**	(9,365)
Balance, end of year	**82,781**	90,635

(d) Contributed surplus

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

Contributed Surplus		**2006**		2005
Balance, beginning of year	**$**	**4,881**	$	6,622
Add: unit based compensation awards		**6,518**		3,462
Less: unit based awards exercised		**(2,963)**		(5,203)
Balance, end of year	**$**	**8,436**	$	4,881

Total amounts credited to Unitholders' capital in respect of unit options and deferred unit grants exercised or exchanged during the year ended March 31, 2006 amounted to $7,191 (2005 – $15,379).

Cash received from options exercised for the year ended March 31, 2006 amounted to $4,221 (2005 – $10,172).

Note 13. *Financial instruments*

(a) Fair value

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

(i)(a) At March 31, 2006, Energy Savings had electricity fixed-for-floating swap contracts in Ontario designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak, flat off peak and weekend)	5.0–50.0 MW/h
Total remaining notional volume (peak, flat off peak and weekend)	14,538,807 MWh
Maturity dates	April 30, 2006–April 30, 2011
Fixed price per MWh (in dollars)	$45.00–$106.00
Fair value	$56,685 favorable
Notional value	$1,003,957

(i)(b) At March 31, 2006, Energy Savings had electricity fixed-for-floating swap contracts in Alberta designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak and off peak)	0.1–7.9 MW/h
Total remaining estimated notional volume (peak, off peak and load following)	2,912,511 MWh
Maturity dates	April 30, 2006–May 31, 2012
Fixed price per MWh (in dollars)	$55.80–$79.30
Fair value	$15,237 favorable
Notional value	$193,879

(i)(c) At March 31, 2006, Energy Savings had electricity fixed-for-floating swap contracts in New York designated as hedges of Energy Savings' anticipated cost of sales to which it has committed with the following terms:

Notional volumes (peak and off peak)	0.9–14.4 MW/h
Total remaining notional volume (peak and off peak)	1,375,775 MWh
Maturity dates	April 30, 2006–April 30, 2011
Fixed price per MWh (in dollars)	$109.11–$133.09 (US$93.42–US$113.95)
Fair value	$21,589 (US$18,484) unfavorable
Notional value	$175,844 (US$150,551)

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

(ii) At March 31, 2006, Energy Savings' fixed-for-floating gas swap contract in Ontario had expired. The loss of $716 (2005 – $86 loss) for the year ended March 31, 2006 has been recorded in other income (expense).

(iii) At March 31, 2006, Energy Savings' floating-for-fixed gas swap contract in Ontario had expired. The gain of $171 (2005 – $171 loss) for the year ended March 31, 2006 has been recorded in other income (expense).

(iv) At March 31, 2006, Energy Savings had other gas puts and calls in Manitoba which have been marked to market with the following terms:

Notional volume	465–51,750 GJ/month
Total remaining notional volume	1,724,545 GJ
Maturity dates	April 30, 2006–April 30, 2011
Fixed price per GJ (in dollars)	$5.48–$9.18
Fair value	$678 unfavorable

The loss of $34 (2005 – $1,050 loss) for the year ended March 31, 2006 has been recorded in other liabilities with its offsetting value being recorded in other income (expense). The fair value of the options is net of the present value of premiums which have yet to be paid.

(v) At March 31, 2006, Energy Savings had other gas puts and calls in Alberta which have been marked to market with the following terms:

Notional volume	500–48,000 GJ/month
Total remaining notional volume	6,276,000 GJ
Maturity dates	April 30, 2006–March 31, 2011
Fixed price per GJ (in dollars)	$5.50–$12.40
Fair value	$571 unfavorable

The loss of $572 (2005 – $1 gain) for the year ended March 31, 2006 has been recorded in other liabilities with its offsetting value being recorded in other income (expense). The fair value of the options is net of the present value of premiums which have yet to be paid.

(vi) At March 31, 2006, Energy Savings had other gas put and call options in Illinois which have been marked to market with the following terms:

Notional volume	500–45,000 MmBTU/month
Total remaining notional volume	7,745,000 MmBTU
Maturity dates	April 30, 2006–May 31, 2011
Fixed price per MmBTU (in dollars)	$6.42–$11.68 (US$5.50–US$10.00)
Fair value	$2,010 (US$1,721) favorable

The fair value is net of prepaid premiums of $2,046 (US$1,752). These premiums are included in other assets. The loss of $266 (US$228) for the year ended March 31, 2006 (2005 – gain of $2,356 (US$1,949)) has been recorded in other liabilities with its offsetting value being recorded in other income (expense).

(vii) At March 31, 2006, Energy Savings had gas put and call options in New York which have been marked to market with the following terms:

Notional volume	50–1,775 MmBTU/month
Total remaining notional volume	655,983 MmBTU
Maturity dates	April 30, 2006–April 30, 2011
Fixed price per MmBTU (in dollars)	$9.46–$13.27 (US$8.10–US$11.36)
Fair value	$250 (US$214) unfavorable

The loss of $250 (US$214) (2005 – n/a) for the year ended March 31, 2006 has been recorded in other liabilities with its offsetting value being recorded in other income (expense). The fair value of the options is net of the present value of premiums which have yet to be paid.

(viii) The Fund has foreign exchange forwards that are considered derivative financial instruments. The fair value of derivative financial instruments is the estimated amount that Energy Savings would pay or receive to dispose of these forwards at market. Management has estimated the value of its foreign exchange forwards using a discounted cash flow method which employs market forward curves. At March 31, 2006, Energy Savings had foreign exchange forwards designated as hedges of Energy Savings' anticipated cross border cash flow which it has committed with the following terms:

Notional amount	$2,258–$2,276 per month (US$2,000)
Total remaining notional amount	$54,674 (US$48,000)
Maturity dates	May 7, 2008–April 7, 2010
Exchange rates	1.1289–1.1381
Fair value	$266 unfavorable

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

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

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

(b) Customer credit risk

In Illinois and Alberta, Energy Savings assumes the credit risk associated with cash collections from its customers. Credit review processes have been put in place for these markets where Energy Savings has credit risk. 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. Credit review processes have been put in place for these markets to manage the customer default rate. Management factors default from credit risk in its margin expectations for both Illinois and Alberta.

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

(c) Supplier risk

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

(d) Foreign currency risk

Energy Savings has an exposure to foreign currency exchange rates, as a result of its investment in U.S. operations. Changes in the applicable exchange rate may result in a decrease or increase in income. A non-cash loss of $531 for the year ended March 31, 2006 and $583 for the year ended March 31, 2005 has been recorded in other income (expense).

Note 14. *Income per unit*

	2006	2005
Basic income per unit		
Net income available to Unitholders	**$ 51,563**	$ 37,205
Weighted average number of units outstanding	**95,834,000**	93,868,000
Weighted average number of Class A preference shares	**10,169,000**	10,848,000
Basic units and shares outstanding	**106,003,000**	104,716,000
Basic income per unit	**$ 0.49**	$ 0.36
Diluted income per unit[1]		
Net income available to Unitholders	**$ 51,563**	$ 37,205
Basic units and shares outstanding	**106,003,000**	104,716,000
Dilutive effect of:		
Unit options	**683,000**	1,506,000
Unit appreciation rights	**283,000**	55,000
Deferred unit grants	**11,000**	–
Units outstanding on a diluted basis	**106,980,000**	106,277,000
Diluted income per unit	**$ 0.48**	$ 0.35

[1] *For the year ended March 31, 2006, the conversion of unit options, unit appreciation rights and deferred unit grants are dilutive. For the year ended March 31, 2005, the exercise of unit options and unit appreciation rights are dilutive.*

Note 15. *Reportable business segments*

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

Energy Savings evaluates segment performance based on gross margin.

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

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

2005	Canada	United States	Consolidated
Sales – gas	$ 621,837	$ 26,853	$ 648,690
Sales – electricity	272,223	–	272,223
Sales	$ 894,060	$ 26,853	$ 920,913
Gross margin	$ 161,512	$ 4,737	$ 166,249
Interest expense	(104)	–	(104)
Amortization of gas contracts	(49,120)	–	(49,120)
Amortization of electricity contracts	(2,150)	–	(2,150)
Amortization of capital assets	(1,798)	(58)	(1,856)
Other operating expenses	(64,406)	(8,555)	(72,961)
Other income	529	1,539	2,068
Provision for income tax	(4,921)	–	(4,921)
Net income (loss)	$ 39,542	$ (2,337)	$ 37,205
Additions to capital assets	$ 5,540	$ 102	$ 5,642
Total goodwill	$ 94,576	$ –	$ 94,576
Total assets	$ 323,250	$ 17,748	$ 340,998

Note 16. *Guarantees*

(a) Officers and directors

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

(b) Operations

In the normal course of business, the Fund and/or the Fund's subsidiaries and affiliates have entered into agreements that include guarantees in favor of third parties, such as purchase and sale agreements, leasing agreements and transportation agreements. These guarantees may require the Fund and/or its subsidiaries and affiliates to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The maximum payable under these guarantees is estimated to be $29,000.

Note 17. *Commitments*

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

2007	$	2,922
2008		3,022
2009		3,003
2010		2,852
2011		2,224
	$	14,023

(b) Commitments under the Master Services Agreement with EPCOR for each of the next four years are as follows *(see Note 18)*:

2007	$	7,560
2008		6,235
2009		5,793
2010		3,862
	$	23,450

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

2007	$	1,144,261
2008		936,593
2009		710,345
2010		525,373
2011		295,578
	$	3,612,150

(d) The commitment under the Marketing Agreement for fiscal 2007 is $338.

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 18. *Alberta services agreements*

Energy Savings, through its subsidiary, AESLP, has entered into long-term arrangements with subsidiaries of EPCOR. These arrangements include a five-year Master Services Agreement, a Wholesale Natural Gas and Financial Electricity Swap Agreement, a Prudential Support Agreement and supply agreements (in respect of the acquired customers), each of which is described below:

(a) Master Services Agreement

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

(b) Wholesale Natural Gas Purchase and Financial Electricity Swap Agreement

In addition to providing the energy supply for the acquired customers, EPCOR will provide gas and electricity supply up to a predetermined volume threshold for AESLP's future marketing requirements.

(c) Prudential Support Agreement

EPCOR will post and monitor, on behalf of AESLP, any credit support requirements with the Alberta Electric System Operator, wire service providers and gas distributors. AESLP will pay EPCOR a fee for the credit support services. If and to the extent that there is a collateral call by the secured parties, AESLP will either post directly or reimburse EPCOR.

Note 19. *Adjustments required to reflect net cash receipts from gas sales*

Changes in:		**2006**		2005
Accrued gas accounts payable	**$**	**(10,999)**	$	10,490
Unbilled revenues		**13,554**		(13,041)
	$	**2,555**	$	(2,551)

Note 20. *Changes in non-cash working capital*

		2006		2005
Management incentive program payable	**$**	**87**	$	(45)
Prepaid expenses		**629**		(305)
Gas in storage		**(4,382)**		(414)
Corporate taxes payable (recoverable)		**(13,974)**		9,563
Accounts payable and accrued liabilities		**36,632**		63,186
Accounts receivable		**(47,793)**		(83,004)
Other		**524**		(2,570)
	$	**(28,277)**	$	(13,589)

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