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PRESS RELEASE

Energy Savings Reports Fiscal 2004 Results
Continued Growth – 17th Increase in Distribution Rate

TORONTO, ONTARIO - - May 17, 2004 - -

Highlights for the Year Ended March 31, 2004 (after removing effects of seasonality) included:

- During the year, 267,000 residential customer equivalents chose to switch to Energy Savings from the local distribution utilities in Ontario and Manitoba.
- Energy Savings' customer base grew from 690,000 to 993,000 - including 125,000 net additions from three small acquisitions - representing year-over-year internal growth of 37% and total growth of 44%.
- As in past years, the new customers were added without any disruption in the quality of our customer service or our back office processing.
- Following clarification of the former Ontario Government's electricity price cap at the start of the fiscal year, the Fund restarted marketing electricity to larger commercial customers not covered by the cap. A total of 121,000 electricity residential customer equivalents were signed by Energy Savings agents during the year.
- In January 2004, Energy Savings began test marketing natural gas in its first United States market, Illinois,
- Compared to fiscal 2003, results for fiscal 2004 reflected:
    - Sales up 50%
    - Gross margin up 21%
    - Marketing expenditures up 31%
    - Distributions paid up 38% (33% per unit)
- The annual distribution rate increased five times from $0.65 per unit at the end of fiscal 2003 to $0.775 per unit at year-end 2004. We have announced two

subsequent increases, to $0.805 effective April and to $0.835 effective July. Over and above distributions, our cash position grew from $34.7 million to $40.2 million.

- Customers signed in our second year of operation (renewed in fiscal 2004) realized similar savings to our first customers who renewed in fiscal 2003. During their term, on average they saved more than $1,000 versus what they would have paid under the utility floating rate. Savings for customers whose contracts expired in F2003 were an average of more than $900.
- The Fund announced its 17th increase in annual distribution rate to $0.835 from $0.805 effective the distribution paid July 30, 2005

Energy Savings

Energy Savings Income Fund announced results for the fourth quarter and the fiscal year ended March 31, 2004.

(millions except per share)	Three Months ended March 31, 2004	Three Months ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2003
Sales	$ 312.9	$ 225.1	$ 733.1	$ 538.7
Net Income	$ 21.3	$ 21.7	$ 16.7	$ 17.9
Per Unit - Basic	$ 0.23	$ 0.28	$ 0.20	$ 0.23
Per Unit - Diluted	$ 0.22	$ 0.23	$ 0.19	$ 0.22

For the quarter, the Fund had net income of $21.3 million or $0.22 per unit down from $21.7 million or $0.23 per unit. The reduction was largely attributable to a substantially warmer winter in F2004 reducing consumption per customer. This weather impact is concentrated in Q4 as it is the winter quarter. Year over year comparison against the same quarter in fiscal 2003 showed growth of over 39% in sales reflecting a higher number of customers.

The 12 month results for fiscal 2004 versus fiscal 2003 were net income of $17.4 million or $0.19 per unit compared to $17.9 million or $0.22 per unit and sales of $733.1 up 36% from F2003.

Energy Savings is an Income Fund and it reports within its Management's Discussion and Analysis a calculation of distributable cash both before and after marketing expenditures to expand the Fund's customer base.

Management believes the best basis for analyzing the Fund's operating results is to focus on amounts actually received, rather than sales which reflect seasonal variance in the consumption of gas. In the MD&A the Fund presents an analysis which presents the cash received in the period which in effect removes the seasonality of sales recognition.

The table which follows highlights both the reported results as per the Fund's financial statements as well as an analysis removing seasonality.

As reported:	**Year over Year**			**Year over Year**		
($000's except per unit)	**F2004**	**F2003**		**12 Months ended March 31,**		
	Q4	**Q4**	**Change**	**F2004**	**F2003**	**Change**
Per Financial Statements						
Sales	312,905	225,125	39%	733,104	538,668	36%
Gross Margin	57,729	57,338	1%	129,049	119,084	8%
Net income per unit – Basic	0.23	0.28	N/A	0.20	0.23	N/A
Net income per unit – Diluted	0.22	0.23	N/A	0.19	0.22	N/A
Seasonally Adjusted						
Sales	193,340	133,612	45%	742,611	494,228	50%
Gross Margin	35,535	34,303	4%	136,759	112,635	21%
Amount available for distributions						
- before selling	28,828	30,281	(5%)	116,391	99,670	17%
- after selling	22,455	25,875	(13%)	86,216	76,623	13%
Distributions	20,237	16,014	26%	75,949	55,214	38%
Amount available for distributions						
- before selling per unit	0.27	0.29	(7%)	1.11	0.98	13%
- after selling per unit	0.22	0.25	(12%)	0.82	0.75	9%
Payout ratio						
- before selling	70%	53%	N/A	65%	55%	N/A
- after selling	90%	62%	N/A	88%	72%	N/A

Rebecca MacDonald, CEO of Energy Savings, stated: "As I stated at our last annual meeting, given the size to which Energy Savings has grown, the days of 100% annual growth are behind us. In fiscal 2004, we saw our customer growth continue with a 37% increase through our own aggregation efforts exceeding our published targets and a 44% increase including three small acquisitions. Our margin growth was in line with our target, growing at 21%. Our distributable cash increased by 17%, less than our margin increase due to the costs of building a base for our planned expansions into Illinois, Quebec and British Columbia. While none of these markets contributed in F2004, we are targeting 100,000 gross customer additions from geographic expansion during fiscal 2005."

“Overall, we are targeting the gross additions of 260,000 new customers for the coming year which if achieved will result, after conservative allowances for customer moves and loss of customers on renewal, in an increase of 16% in our customer base by year end.”

With respect to the fourth quarter, Ms. MacDonald stated; “The fourth quarter saw a significant decline in our gas consumption per customer due to a relatively mild winter compared to a very cold winter in F2003. This resulted in lower gas margin per customer in the quarter and this was compounded by the addition of 100,000 very low margin customers acquired from Toronto Hydro. Despite this, we realized our margin target for the year. Over the longer term, these weather effects balance out.”

“Given the stability of our customer book and the targets we have set for our customer additions in existing and new markets, we are very comfortable in announcing our 17th distribution increase to $0.835 per year effective July. I want to thank all members of the Energy Savings team as well as our Unitholders for their past and future support.”

The Fund

Energy Savings’ business, which is conducted in Ontario, Manitoba, Quebec and Illinois, involves the sale of natural gas to residential, small to mid-size commercial and small industrial customers under long term, irrevocable fixed price contracts. Energy Savings also supplies electricity to Ontario customers under contracts secured prior to the November 11, 2002 price freeze and to certain large volume users who do not fall under the Government’s price cap. By fixing the price of natural gas or electricity under its fixed price contracts for a period of up to five years, Energy Savings’ customers eliminate their exposure to changes in the price of these essential commodities. Energy Savings, which commenced business in July of 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.

Forward-Looking Statements

The Fund’s press releases may contain forward-looking statements including statements pertaining to customer revenues and margins, customer additions and renewals, customer consumption levels, distributable cash and treatment under governmental regulatory regimes. Forward-looking 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 securities regulatory authorities which can be accessed through the SEDAR website at www.sedar.com or through the Fund's website at www.esif.ca

The Toronto Stock Exchange has neither approved nor disapproved of the contents of this release.

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Overview

Energy Savings Income Fund ("Energy Savings" or the "Fund") is an open-ended, limited-purpose trust established under the laws of Ontario to hold securities and to distribute the income of its wholly owned subsidiaries: Ontario Energy Savings Corp. ("OESC"), Manitoba Energy Savings Corp. ("MESC"), Energy Savings (Quebec) L.P. ("QESC") and U.S. Energy Savings Corp. ("USESC"), collectively (the "Company"). Through its subsidiaries and affiliates, Energy Savings markets natural gas to residential customers and small to mid-sized commercial businesses in Ontario, Manitoba and Illinois and solely to commercial customers in Quebec. Energy Savings also markets electricity to mid-sized commercial and small industrial customers in Ontario.

The Fund meets the estimated energy requirements of its customers by purchasing matching volumes of gas and electricity. Customers eliminate their exposure to price escalations and the Fund locks in its margins by entering into these long-term, fixed price contracts.

The following analysis reflects the operating results of Energy Savings for the year ended March 31, 2004. The Fund subdivided its units on a two for one basis effective January 30, 2004. All information relating to the units and per unit data including comparative figures have been adjusted retroactively to reflect the impact of the unit split in this discussion.

Financial Highlights
For the years ended March 31,
(Thousands of dollars except where indicated and per unit amount)

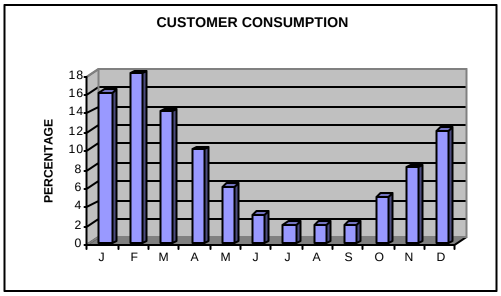
	2004			2003			2002	
	$	**Per Unit**	**Change**	**$**	**Per Unit**	**Change**	**$**	**Per Unit**
Amount available for distribution								
▪ Before selling expense	116,391	$1.11	17%	99,670	$0.98	109%	47,728	$0.54
▪ After selling expense	86,216	$0.82	13%	76,623	$0.75	145%	31,232	$0.35
Distributions	75,949	$0.72	38%	55,214	$0.54	106%	26,830	$0.30
General and administrative	19,684	$0.19	56%	12,633	$0.13	109%	6,050	$0.07
Payout Ratio								
▪ Before selling expense	65%			55%			56%	
▪ After selling expense	88%			72%			86%	
Selling Price at end of Year								
▪ Gas – Canada	29.5¢/m^3			31.5¢/m^3			26.9¢/m^3	
▪ Gas – U.S.	73.9¢/therm			N/A			N/A	
▪ Electricity – commercial	6.9¢/kWh			7.2¢/kWh			N/A	

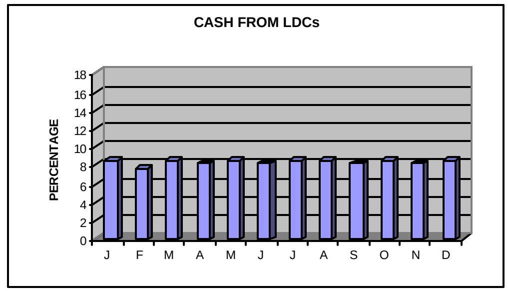
Premarketing distributable cash in 2004 increased 17% over the prior year compared to a distribution increase of 38% over the same comparative period. Cashflow from operations earned in prior period was utilized to pay out distributions to Unitholders in the current period. This is consistent with the Fund's policy to distribute cash to Unitholders above the level necessary for marketing and working capital. The percentage change in premarketing distributable cash and distributions between fiscal 2003 and 2002 is comparable. It continued to be the Fund's intent to maintain sufficient cash reserves to support further expansion into the U.S. market.

Operations

Gas - Ontario and Manitoba

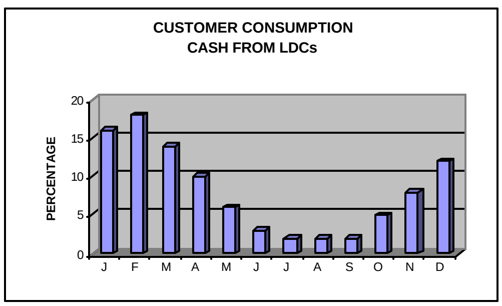
Currently in Ontario and Manitoba, Energy Savings is required to deliver gas to the local distribution companies (Enbridge Consumers Gas and Union Gas, collectively the "LDCs") for its customers throughout the year. The Company receives cash from the LDCs as the gas is delivered. The Company's accounting policy accounts for sales when the customer actually consumes the gas. Therefore, as is illustrated in the tables below, during the winter months gas is consumed at a rate which is greater than delivery and in the summer months gas is delivered in excess of gas consumed. Subsequent to year end the Company entered into the Quebec market. This market functions similar to the Ontario and Manitoba markets.





Gas - Illinois

The structure in the Illinois market is different than Ontario and Manitoba. In Illinois, Energy Savings receives cash from the LDC, (Nicor the "Illinois LDC") only when the customer has ultimately consumed gas; this is different to that of the current Canadian market as previously mentioned. Consequently as illustrated in the table below, cashflows from operations will be greater in the Fund's third and fourth quarter assuming cash is received from the LDCs in the same period as customer consumption. The Illinois gas market also requires the Company to bear the credit risk associated with customers payment obligations. The default payment rate in the Nicor territory is approximately 1.1%. Energy Savings has instituted a rigorous credit approval policy to ensure only customers with good payment history ultimately become customers of Energy Savings. It is also important to note that the Canadian gas markets function differently than the majority of future U.S. markets. Presently the Fund anticipates it will enter into those markets that will be similar in nature to the current Illinois model.



Electricity - Ontario

Electricity accounts are balanced daily. Any supply greater than consumption is immediately sold off into the open market at the spot price or to another party at a negotiated fixed price. Under Energy Savings aggregated contracts, customers bear all electricity balancing costs and retain any profit on balancing sales.

Seasonally Adjusted Analysis

Presently management believes the best basis for analyzing both the Fund's operating results and the amount available for distribution is to focus on amounts actually received ("seasonally adjusted"). The following analysis eliminates this seasonal variance and illustrates the gas actually delivered to LDCs, the revenue received and associated margins. Management utilizes this non-GAAP financial measure to determine future distributions. These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other issuers. As the Fund continues to further expand into other U.S. markets, seasonal working capital requirements will increase. This working capital requirement is directly attributable to the fact that the Company must purchase and deliver gas supply in advance of customer consumption and ultimately cash receipt from the LDCs. The Company is currently analyzing future working capital requirements and funding alternatives to bridge the Company's expected gas storage requirements and longer delays for payment of receivables.

No such seasonally adjusted analysis is required for electricity since electricity is consumed at the same time as delivery.

Reconciliation of Revenue Received and Associated Margin
For the Years Ended March 31,
(Thousands of dollars)

	2004	2003	2002
Gross Margin Per Financial Statements			
Gas	$101,456	$109,836	$55,466
Electricity	27,593	9,248	-
Total	$129,049	$119,084	$55,466
Opening unbilled revenues / accrued gas accounts payable	12,295	217	4,225
Gas in storage	-	2,128	(2,128)
Opening Sunoco inventory	-	(54)	-
Closing unbilled revenues / accrued gas accounts payable	(7,085)	(12,295)	(217)
	5,210	(10,004)	1,880
Other adjustments (Note 1)	-	3,605	3,925
Gross margin before balancing	134,259	112,685	61,271
Balancing allowance (Note 2)	2,500	(50)	(2,450)
Gross margin available for distribution	**$136,759**	**$112,635**	**$58,821**

Amount Available for Distribution
For the Years Ended March 31
(Thousands of dollars except per unit amount)

	2004	Per Unit (Note 3)	2003	Per Unit (Note 3)	2002	Per Unit (Note 3)
Gross margin available for distribution	$136,759		$112,635		$58,821	
Less:						
General and administrative	19,684		12,633		6,050	
Capital tax	1,198		820		670	
Other income	(514)		(488)		(245)	
Income taxes					4,618	
	20,368		12,965		11,093	
Available for distribution before selling expenses	116,391	$1.11	99,670	$0.98	47,728	$0.54
Selling expenses	30,175		23,047		16,496	
Amount available for distribution	$86,216	$0.82	$76,623	$0.75	$31,232	$0.35
Reconciliation to Statement of Cash Flow						
Cash flow from operations	$74,520		$63,897		$23,241	
Management incentive program	8,802		11,123		7,954	
Income taxes (Note 4)	394		1,230		(1,438)	
	83,716		76,250		29,757	
Allowance for balancing (Note 2)	2,500		(50)		(2,450)	
Other (Note 1)	-		423		3,925	
	2,500		373		1,475	
Amount available for distribution	$86,216		$76,623		$31,232	
Distributions						
Management incentive program	$8,802		$11,123		$7,954	
Unitholder distributions	67,147		43,195		17,693	
	75,949		54,318		25,647	
Non-cash distributions – Class B preference shares	-		896		1,183	
Total distributions	$75,949	$0.72	$55,214	$0.54	$26,830	$0.30

Note 1
Included in other adjustments for the years ended March 31, 2003 and 2002 are amounts owing to LDCs for over-delivered gas during the year which was subsequently sold to third parties.

Note 2
The Fund has increased the amounts otherwise available for distribution by an allowance for balancing costs in aggregate of $2.5 million bringing the total allowance to Nil for the year ended March 31, 2004, (2003 - $2.5 million and 2002 - $2.45 million). The initial balancing allowance set up in 2002 was in anticipation of balancing costs associated with the 2002 warm winter. Management believes that all those balancing transactions have already occurred and a provision is no longer required.

Note 3
Diluted average number of units amounted to 105.2 million for the year ended March 31, 2004. For comparative purposes the diluted number of units was 101.8 million for the year ended March 31, 2003 and 89.2 million for the year ended March 31, 2002. The Fund subdivided its Units on a 2:1 basis effective January 30, 2004. All unit and per unit data have been adjusted retroactively to reflect the impact of the unit split. In fiscal 2003, the Fund also subdivided its Units on a 2:1 basis effective July 30, 2002.

Note 4
Income taxes payable relate solely to large corporation tax. The Company does not have income taxes currently payable due to the deduction of certain acquisition costs.

Selected Consolidated Financial Data
For the Years Ended March 31
(thousands of dollars except where indicated and per unit amount)

The Consolidated Financial Statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are expressed in Canadian dollars. The following table provides selected financial information for the last three fiscal years.

Statement of Operations Data	**2004**	**2003**	**2002 ***
Sales	$733,104	$538,668	$183,900
Net income	$17,392	$17,863	$2,058
Net income per unit			
Basic	$0.20	$0.23	$0.02
Diluted	$0.19	$0.22	$0.02
Balance Sheet Data			
Total Assets	301,576	340,946	255,940
Long Term Liabilities	29,856	40,706	45,763

* The Fund acquired OESC on April 30, 2001. Therefore the information for 2002 reflects operating results for only eleven months.

2004 Compared with 2003

The increase in sales over the prior year is primarily a result of the overall increase in long-term customers from 690,000 to 993,000.
Net income year over year remained constant. Lower margins associated with the customer contracts acquired and an overall increase in expense to support new market expansion and a larger customer base were largely offset by the increase in income tax recovery.
Net income per unit decreased primarily as a result of an increased number of units outstanding during the year compared to prior years.
Long-term liabilities relate entirely to future income taxes. The decrease in future income taxes is attributable to the difference between the tax and accounting cost basis for the gas and electricity contracts. The majority of these assets are deducted for tax at a rate greater than that for accounting.

2003 Compared with 2002

The increase in sales over prior year is primarily a result of the increase in long term customers which included 140,000 Customers acquired from Sunoco. The Sunoco book of business included several large industrial customers whose consumption was less seasonal, resulting in a greater increase in consumption and consequently, sales.
The increase in net income compared to the prior year, is primarily attributable to an overall increase in gross margin associated with the increase in the Fund's customer base.
Total assets increased 33% over the prior year, largely as a result of the acquisition of the Sunoco gas contracts during fiscal 2003 and an increase of 113% in unbilled revenues due to a substantially colder winter in 2003.

Summary of Quarterly Results
For the Years Ended March 31
(thousands of dollars except where indicated and per unit amount)

2004

	Q1	Q2	Q3	Q4	Total
Sales per financial statements	$132,300	$106,096	$181,803	$312,905	$733,104
Net income (loss)	769	(8,504)	3,872	21,255	17,392
Net income (loss) per unit - Basic	$(0.01)	$(0.10)	$0.04	$0.23	$0.20
Net income (loss) per unit - Diluted	(0.01)	(0.10)	0.04	0.22	0.19
Amount available for distribution					
▪ Before selling expense	$29,544	$27,138	$30,881	$28,828	$116,391
▪ After selling expense	20,580	20,707	22,474	22,455	86,216
Payout ratio					
▪ Before selling expense	63%	69%	64%	70%	65%
▪ After selling expense	91%	91%	88%	90%	88%
Gross margin per customer – Gas (Note 1)	$185	$186	$175	$161	$177
Gross margin per customer – Electricity (Note 1)	$86	$73	$95	$96	$90

2003

	Q1	Q2	Q3	Q4	Total
Sales per financial statements	$124,037	$58,817	$130,689	$225,125	$538,668
Net income (loss)	936	(6,273)	1,460	21,740	17,863
Net income (loss) per unit - Basic	$0.01	$(0.10)	$0.01	$0.28	$0.23
Net income (loss) per unit - Diluted	0.01	(0.10)	0.01	0.23	0.22
Amount available for distribution					
▪ Before selling expense	$21,132	$23,277	$24,980	$30,281	$99,670
▪ After selling expense	18,038	16,274	16,436	25,875	76,623
Payout ratio					
▪ Before selling expense	55%	57%	61%	53%	55%
▪ After selling expense	65%	82%	93%	62%	72%
Gross margin per customer – Gas (Note 1)	$173	$188	$174	$178	$178
Gross margin per customer – Electricity (Note 1)	N/A	$111	$118	$102	$108

Note 1
Including customers acquired through acquisitions. Annual customer margins for Energy Savings' base business excluding acquisitions were $195 for gas and $115 for electricity, (2003 - $189 for gas and $108 for electricity)

Analysis of the Fourth Quarter

There were no significant transactions during the quarter. Sales are typically higher in Q4 given gas consumption is at the highest level during the winter months. The 39% increase in sales compared to Q4, F2003 is primarily attributable to the 44% increase in customers year over year. See Customer Aggregation for further details.

Overall gross margins in Q4 increased 1% compared to Q4 in the prior comparative period. The increased margin associated with a 44% increase in long-term customers was almost entirely offset by the lower margins recognized on acquired customers and lower consumption per customer due to warmer comparative winter.

Sales, Gross Margins and Marketing Results
For the Years Ended March 31 (thousands of dollars)

	Per Financial Statements			Seasonally Adjusted		
Gas	**Sales**	**Cost of Sales**	**Gross Margin**	**Sales**	**Cost of Sales**	**Gross Margin**
▪ 2004	$525,497	$424,041	$101,456	$535,004	$425,838	$109,166
▪ 2003	484,795	374,959	109,836	440,355	336,968	103,387
Increase (decrease)	40,702	49,082	(8,380)	94,649	88,870	5,779
Electricity						
▪ 2004	$207,607	$180,014	$27,593	$207,607	$180,014	$27,593
▪ 2003	53,873	44,625	9,248	53,873	44,625	9,248
Increase	153,734	135,389	18,345	153,734	135,389	18,345
Total increase	$194,436	$184,471	$9,965	$248,383	$224,259	$24,124

Financial Statements – Gross Margin

As noted above, sales have increased $194.4 million (36%) on a financial statement basis and $248.4 million (50%) on a seasonally adjusted basis for the year ended March 31, 2004 as compared to the prior year. Financial statement margins have increased $10.0 million (8%) and $24.1 million seasonally adjusted (21%) for the same comparative period.

Gas

Long term customers increased 20% in 2004 from the previous year; see Customer Aggregation for further details. Gas margins were $101.5 million for the year, down from $109.8 million in the prior year. The major contributing factor to the decline in margins was warmer weather during the heating season reducing consumption by approximately 12% compared to fiscal 2003. This warmer weather resulted in lower overall consumption by our gas customers.

In addition, sales and the cost of sales for the predominately industrial customers acquired from Toronto Hydro during the year amounted to $53.9 million and $52.1 million respectively, resulting in a gross margin of $1.8 million, a substantially lower margin percentage than that traditionally realized by Energy Savings on customers it aggregates. Management purchased Toronto Hydro in anticipation of renewing the residential and small to mid-sized commercial customers.

During fiscal 2003, a large number of industrial customers acquired from Sunoco (whose gas consumption is much less seasonal) generated substantial financial statement gross margin at very low gross margin percentages. Energy Savings chose not to renew most of these customers; therefore this margin was not replicated in the current year.

The combined effect of the above was an 8% decrease in financial statement gross margin year over year versus an 8% increase in sales.

Electricity

Electricity margins were $27.6 million in 2004, up from $9.2 million (198%) in fiscal 2003. The increase in margins was largely the result of an increase in long-term customers of 126% from the previous year. See Customer Aggregation for further details.

Electricity gross margin per customer was lower than fiscal 2003. Customers acquired during the year from First Source reduced the overall margin for the combined book of business to $90/RCE. The gross margin recognized on Energy Savings' base electricity business increased from $108 to $115 per RCE in fiscal 2004.

Seasonally adjusted – Gross Margin

Gas

The Fund has separated the gross margin received from the LDCs (this number eliminates both seasonality and other weather variances) and the gross margin attributable to balancing activities in the quarter (the approximate impact of weather variance for the period) for the gas business. These components are added to electricity gross margin (electricity balancing costs are primarily passed on to the customer) and extraction revenue (sale of liquids extracted from gas) to equal total gross margin.

	Fiscal 2004				
	Q1	**Q2**	**Q3**	**Q4**	**YTD**
Customer margins from LDCs	$25,620	$28,064	$28,805	$26,850	$109,339
Balancing adjustments	1,017	(2,861)	(619)	(599)	(3,062)
Balancing allowance	1,500	250	-	750	2,500
Extraction revenue	102	148	106	33	389
Total gas margins	28,239	25,601	28,292	27,034	109,166
Electricity margins	5,009	6,119	7,964	8,501	27,593
Total margin	$33,248	$31,720	$36,256	$35,535	$136,759

	Fiscal 2003				
	Q1	**Q2**	**Q3**	**Q4**	**YTD**
Customer margins from LDCs	$26,068	$27,615	$25,015	$25,047	$103,745
Balancing adjustments	(2,638)	(1,680)	(881)	4,531	(668)
Balancing allowance	250	(1,000)	-	700	(50)
Extraction revenue	38	82	113	127	360
Total gas margins	23,718	25,017	24,247	30,405	103,387
Electricity margins	325	1,605	3,420	3,898	9,248
Total margin	$24,043	$26,622	$27,667	$34,303	$112,635

On a seasonally adjusted basis, margins from long term customers were $109.3 million, up from $103.7 million (5%) in the prior year. The increase in margins is primarily the result of an increase in customers of 20% offset by lower per customer consumption due to warmer weather. Total gas margins for the year (including balancing adjustments and extraction revenue) was $109.2 million up from $103.4 million (6%) in 2003. Balancing adjustments for the year resulted in a charge to margins of $3.1 million; these costs were offset by an allowance for balancing of $2.5 million. The balancing costs were predominately related to financial reconciliations with utilities to offset past over-deliveries due to the warmer winter. Financial reconciliations with utilities represent the difference between money collected based on actual consumption versus money paid on deliveries. These reconciliations are performed on the annual anniversary of each customer contract.

Electricity

Seasonally adjusted electricity margins for the year were $27.6 million, the same as on a financial statement basis. Refer to Financial Statements – Gross Margin for details.

Customer Aggregation
Net RCE's Added for the Years Ended March 31

Long Term Customers

Gas	Beginning	Additions	Acquired	Attrition[3]	Failed to Renew[4]	Ending
2004	536,000	146,000	43,000[1]	(55,000)	(25,000)	645,000
2003	320,000	110,000	140,000	(34,000)	NMF	536,000
Increase						20%
Electricity						
2004	154,000	149,000	60,000[2]	(15,000)	-	348,000
2003	-	160,000	-	(6,000)	-	154,000
Increase						126%
Combined						
2004	690,000	295,000	103,000	(70,000)	(25,000)	993,000
2003	320,000	270,000	140,000	(40,000)	-	690,000
Increase						44%

Customers Not Expected to Renew

Gas	Beginning		Acquired	Attrition[3]	Failed to Renew [4]	Ending
2004	22,000	-	80,000[1]	(7,000)	(31,000)	64,000
2003	-	-	140,000	(6,000)	(112,000)	22,000
Increase						191%
Electricity						
2004	-	-	53,000[2]	(10,000)	(1,000)	42,000
2003	-	-	-	-	-	-
Increase						100%
Combined						
2004	22,000	-	133,000	(17,000)	(32,000)	106,000
2003	-	-	140,000	(6,000)	(112,000)	22,000
Increase						381%

(1) Long Term Gas Customers: Union Energy - 20,000, Toronto Hydro - 20,000, Sunoco - 3,000
Gas Customers Not Expected to Renew: Toronto Hydro - 80,000

(2) On acquisition of First Source, a total of 60,000 Long Term Customers and 53,000 Customers Not Expected to Renew were estimated out a total of 113,000 RCEs acquired. By the end of processing and reaffirmation of pending First Source contracts a further 28,000 Long Term Customers were added in Q3

(3) Attrition – Customers whose contracts were terminated primarily due to relocation or death

(4) Failure to Renew – Customers who did not renew expiring contracts at the end of their term

Key terms:

Long-term Customers - Aggregated and acquired customers Energy Savings expects to retain

RCE – Residential Customer Equivalent or a "Customer"

Marketing

The natural gas market remained receptive to the Energy Savings five year fixed price offering during the year. Management believes that due to reduced competition, we believe Energy Savings gained the majority of new Ontario gas customers signed during the year. Management has experienced no decrease in demand for long-term gas contracts in Ontario. During the year, Energy Savings only marketed electricity to larger commercial customers (consumption over 250,000 kWh) and saw lower total additions of these customers compared to the prior year. See "Outlook" for potential other electricity customer opportunities.

Management provided published targets for Gross Customer Additions for each of its business units. The following table shows the result in meeting these targets.

Gross Customer Additions	F2004	Published Target	% of Target	F2003	Published Target	% of Target
Gas						
- Aggregated	146,000	92,000	159%	110,000	80,000	138%
- Acquired	43,000			140,000		
Total	189,000	92,000	205%	250,000	80,000	313%
Electricity						
- Aggregated	121,000	80,000	151%	160,000	120,000	133%
- Acquired	88,000[1]			-		
Total	209,000	80,000	261%	160,000	120,000	133%

1 Allocates 28,000 First Source customers processed and reconfirmed since the acquisition to acquired customers as opposed to aggregated.

Attrition in the natural gas customer book for the year was 9.4%, higher than the long term historical average of 7%. Management believes that the abnormally high volume this year may have resulted from record low mortgage rates and record number of house sales in Ontario, resulting in increased customer moves. Annual attrition for the electricity customer book was approximately 6.0% reflecting the fact that the vast majority of electricity customers are commercial, a group which has much lower propensity to move. Overall, the combined annual attrition for both gas and electricity was 8.6% higher than our 7% estimated annual target. Management sees no sign of this trend slowing and has adjusted its internal planning model to reflect 10% customer attrition. A total of 25,000 long term customers failed to renew their contracts in fiscal 2004. This compares to 120,000 long term customers that have renewed their contracts with Energy Savings during the year.

Selling expenses, which primarily consist of one-time costs of signing new customers, were $30.2 million for the year, compared to $23.0 million for the prior year. This change in aggregation costs reflects the numbers of new customers added, and the mix of gas and electricity customers signed.

General and Administration

General and administrative costs were $19.7 million for the year. These costs represent an increase of 56% from fiscal 2003. The increase in general and administrative costs was primarily driven by the costs associated with the expansion into new markets, including Quebec, British Columbia and the United States and an overall increase in the Fund's customer base. The main increases in costs were in the customer service, information technology and operations areas. It is anticipated that additional investments in staff levels and infrastructure will be made in the upcoming year to complete the Fund's entry into these new markets.

Unit Based Compensation

In the prior year the Fund adopted CICA Handbook section 3870, Stock-Based Compensation and Other Stock-Based Payments; accordingly all unit based compensation is expensed. The non-cash charge for 2004 amounted to $6.0 million compared to $3.3 million in fiscal 2003.

Management Incentive Program

Each of the holders of the Class A Preference Shares are entitled to receive, on a quarterly basis, a management bonus equal to the amount paid or payable to a Unitholder. Total amounts paid during the year amounted to $8.8 million.

Selling Price

The natural gas selling price at the end of the year was 29.5¢/m^3 for Canada and 73.9¢/therm for the U.S. The Fund's electricity price was 6.9¢/kWh for large commercial customers at the end of the year, with our customers retaining the right to the Ontario Government's mandated rebate. Effective, April 20, 2004, Energy Savings increased its gas offering price to $29.9¢/$m^3$ in response to higher commodity prices. The Fund continues to meet annual target margins of $170 for new gas customers and $100 for new electricity customers.

Gas Supply

Consumption during the year decreased by approximately 12%, the decrease is directly attributable to the warmer winter in comparison to fiscal 2003. Management believes that all balancing transactions relating to prior years have occurred and a provision is no longer required in addition to the amounts recorded in the financial statements.

Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are funds generated from operations, the existing credit facility and an ability to issue units. These resources are used to satisfy our capital resource requirements, growth in operations and payment of Unitholder distributions. During 2004, cash inflow from operations totaled $74.5 million a 17% increase from 2003. The increase was largely the result of increased receipts from gas and electricity sales from a larger customer base.

During the year the primary uses of cash beyond selling costs included Unitholder distributions totaling $75.9 million (including the management incentive program distributions) and acquisitions of customer contracts for $10.7 million. These uses of cash are consistent with the overall business strategy of the Fund.

At year end, the Fund had a cash balance of $40.2 million. Our entry into new markets will require the utilization of some of the cash resources to meet working capital requirements associated with selling costs and inventory storage. The Fund will ensure that the cash and credit facilities will be sufficient to meet these needs.

Energy Savings purchased capital assets totaling $4.0 million in 2004 compared to $3.2 million in 2003. The purchases were primarily for information technology systems. The Fund anticipates this level of capital asset purchases in 2005, supporting our entry into new markets.

At March 31, 2004, the Fund had a $10.0 million credit facility. This operating line is primarily utilized to provide credit support to various suppliers. As at March 31, 2004, OESC had provided letters of credit totaling $7.1 million primarily in support of future commodity purchases.

Distributions

During the year, the Fund made distributions of $75.9 million, (including the management incentive program distributions) compared to $55.2 million in prior year, an increase of 38%. Payout ratio before marketing costs was 65% for the year and 55% for the prior year. After marketing costs, the payout ratio was 88% for the year compared to 72% for the prior year.

At the end of the year, the annual rate for distributions per unit was $0.775, subsequently increased to $0.805 effective for the distribution paid in April and $0.835 effective the distribution to be paid in July. The distribution rate was $0.65 (post-split) at the beginning of the year. The Fund has increased its rate of distribution seventeen times since its IPO in April 2001.

Balance Sheet March 31, 2004 compared to 2003

As expected at the end of the year, customers had consumed more gas than was supplied to the LDCs for their use. Since the Fund is paid for this gas when delivered yet recognises revenue when the gas is consumed by the customer, the result on the balance sheet is the unbilled revenue amount of $37.5 million and accrued gas accounts payable of $30.4 million. Although the number of customers increased compared to the prior year, overall consumption decreased resulting in a decrease in unbilled revenue/accrued gas accounts payable.

Restricted cash represents electricity rebate monies received from LDCs as provided by the Independent Market Operator to be passed through to eligible customers. The electricity rebate program began Q1, F2004.

The carrying value of Electricity contracts increased by $5.3 million due to the acquisition of the First Source electricity customers but was reduced by $0.9 million of non-cash amortization.

The carrying value of Gas contracts increased by $5.3 million due to the acquisitions of both Toronto Hydro and Union Energy gas customers but was reduced by $54.8 million of non-cash amortization.

Contractual Obligations

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

Payments due by period ***(thousands of dollars)***	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Property & equipment lease agreements	$8,898	$1,874	$4,847	$2,177	-
Marketing agreement obligations	5,625	1,875	3,750	-	-
Gas & electricity supply purchase commitments	1,865,136	606,870	1,149,801	108,465	-
	$1,879,659	$610,619	$1,158,398	$110,642	-

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 impact on future liquidity. Such obligations include potential settlements resulting from litigation. In the opinion of management, the Fund has no material pending litigation.

Off Balance Sheet Arrangements

The Fund does not currently utilize any off balance sheet arrangements with unconsolidated entities to enhance liquidity and capital resource positions or for any other purpose.

Transactions with Related Parties

Included in accounts receivable in prior year were loans in the amount of $0.75 million to certain officers of OESC, to assist with purchase of $1 million in units of the Fund. These loans were repaid during the year.

Critical Accounting Estimates

The Fund's financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales and selling 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 the company to the LDCs. These estimates are stated at net realizable value. Gas accounts payable represents the company's 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.

Goodwill

In assessing the value of goodwill for potential impairment, assumptions are made regarding the company's future cash flows. 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 2004 and as a result of the review, it was determined that no impairment of goodwill existed at March 31, 2004.

Fair Value of Derivative Instruments and Risk Management

The Fund has entered into a variety of derivative instruments as part of the business of purchasing and selling gas and electricity. The Company enters into contracts with customers to provide electricity and gas at fixed prices. These contracts expose the Company to changes in market prices to supply these commodities. To reduce the exposure to the commodity market price changes, the Company uses derivative financial and physical contracts to secure fixed price commodity supply matching its delivery obligations.

The Fund's business model objective is to minimize commodity risk other than consumption, usually attributable to weather. Accordingly, it is the Company's policy to hedge the estimated requirements of its customers with offsetting volumes of natural gas and electricity, at fixed prices for terms equal to those of the customer contracts.

The Fund is also planning further expansion into the United States market place. This will introduce foreign exchange related risks. Similar to the gas and electricity commodities, it is the intent of the Company to hedge this exposure through the use of foreign exchange strategies. Due to the current size of the foreign operations there are no derivative instruments currently in place.

The estimation of the fair value of certain electricity and gas supply contracts requires considerable judgment. The estimation of the fair value is based on market prices or management's best estimates if there is no market and/or if the market is illiquid. Effective April 1, 2004, the Fund will adopt CICA Accounting Guideline 13, "Hedging Relationships" ("AcG-13"). AcG-13 establishes criteria to be satisfied before hedge accounting may be applied. Management believes that the majority of the current electricity and gas supply contracts meet the criteria for designation as effective hedges under the new guideline.

Adoption of New Accounting Policies

Foreign Currency Translation

The Fund's 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.

New Accounting Standards

Hedging Relationships

In June 2003, the Accounting Standards Board ("AcSB") issued AcG-13, "Hedging Relationships" which is effective for year ends beginning on or after January 1, 2004. As previously mentioned, the Fund has adopted AcG-13 effective April 1, 2004. AcG-13 requires all financial derivative instruments to be recorded on the balance sheet as either an asset or liability measured at fair value, with changes in fair value recognized in income unless the arrangement can meet the "effective hedge" criteria.

Consolidation of Variable Interest Entities

AcG-15 is effective for interim and year ends beginning on or after November 1, 2004. Using this guidance, the Fund may be required to include in its consolidated financial statements the results of any variable interest entity ("VIE"), defined as an entity that is controlled other than through majority voting rights. None exist at March 31, 2004.

Risks and Uncertainties

The Company operates in the deregulated gas market in Ontario, Manitoba, Quebec and Illinois, as well as the deregulated electricity market in Ontario. Any significant change to the legislative environment may affect the Company's ability to grow or maintain its market position.

On November 25, 2003, the newly elected Ontario government introduced new legislation. The purpose of the proposed legislation, entitled the Ontario Energy Board Amendment Act, 2003, is to ensure a fair and predictable approach to electricity pricing.

Beginning April 1, 2004, under the proposed plan, an interim pricing plan was implemented effectively removing the 4.3¢/kWh constant price charged to consumers in favour of a pricing structure that better reflects the true cost of electricity in Ontario. The first 750 kWh consumed in any month is priced at 4.7¢/kWh with consumption above that level priced at a higher rate of 5.5¢/kWh. This pricing plan will remain in place until the independent regulator, the Ontario Energy Board (OEB), develops new mechanics for setting prices in the future. The OEB's new pricing mechanism is expected to be determined in 2004.

On December 17, 2003, the Illinois Commerce Commission granted Energy Savings an Alternative Gas Supplier License. There are certain risks associated with operating in the United States including exchange rate fluctuations and differences in commodity procurement and regulatory environment and propensity for litigation. These risks will be delineated in greater detail as the Fund's United States operations become a meaningful portion of its overall business. Refer to the "Outlook" section for further details.

The Fund is subject to a number of risks which are detailed within its Annual Information Form available to investors from SEDAR through its website sedar.com. Among the risks detailed is the fact that the Fund purchases the vast majority of its commodity supply through Coral Energy (Shell Trading). Supply is made available through an "evergreen" contract with Coral. To the extent that Coral were to default on the contract, the Fund would have to find new suppliers and there would be no assurance that the terms and profitability under the new arrangements would be comparable to those established with Coral. The Fund is currently pursuing alternative suppliers to diversify its sources of commodity.

Outlook

The Ontario government announced in October 2003 that the Ontario electricity market would be restructured. Comments from government officials indicate that the new legislation expected in June will create a market where the true price of electricity will be paid by all customers. To the extent that the regulation of electricity moves to an OEB administered market-based pricing for the small business segment (1.5 million RCEs) and/or the residential market (4.0 million RCEs), Energy Savings, stands to benefit through a much larger available market for its electricity offering. The Fund has set a target of 50,000 gross RCEs for the Ontario electricity market for fiscal 2005. This target is based on only marketing to the existing large commercial market and makes no provision for the opening of other market segments.

During 2004 the company entered the Illinois gas market place. The size of the Illinois market (3.1 million RCEs) is very similar to that of Ontario, however, due to the relatively short history of deregulation, penetration of deregulated markets in Illinois is approximately 6% compared to approximately 50% in Ontario. Energy Savings management believes that a controlled expansion into Illinois and, subsequently, other U.S. states, represents a realistic growth opportunity for both the near and the long term. The Fund's aggregation target for Illinois in fiscal 2005 is 50,000 gross RCEs. Based on the test marketing to date, acceptance to Energy Savings' five year, fixed price product has been positive. Marketing to residential customers will begin in Q1 of F2005.

Subsequent to year end, Energy Savings entered the Quebec market and is planning an entry into British Columbia. The Fund has set a combined customer aggregation target of 50,000 RCEs for F2005 based on the results of early test marketing in Quebec.

Energy Savings continues to actively monitor the progress of the deregulated markets of Alberta, Indiana, New York, Virginia and Maryland.

Energy Savings has been and remains a marketing company. While the Fund has more than one million customer equivalents under long term contracts at locked-in margins, its future results are dependent upon its ability to continue to add new customers both in Ontario and new markets. Management believes that these growth opportunities exist and will continue to exist.

Preference Shares of OESC and Trust Units

As at May 12, 2004 there were 11,631,178 preference shares of OESC outstanding and 92,833,132 Units of the Fund outstanding.

Forward-Looking Information

This Management Discussion and Analysis contains certain forward-looking information statements pertaining to customer additions that are based on the Fund’s current expectations, estimates, projections and assumptions that were made by management given recent experience and historical trends. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those, anticipated.

ENERGY SAVINGS INCOME FUND

CONSOLIDATED BALANCE SHEETS

(Audited - thousands of dollars)

AS AT MARCH 31

		102,576
		$ 340,946
LIABILITIES		
		54,578
	88,553	95,284
EQUITY		
	213,023	245,662
	$ 301,576	$ 340,946

ENERGY SAVINGS INCOME FUND

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(Audited - thousands of dollars)

FOR THE YEAR ENDED MARCH 31

				2003
		-		71,123
		6,379		35,843
		17,392		17,863
		(67,147)		(44,091)
	$	177,323	$	208,078

ENERGY SAVINGS INCOME FUND

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited - thousands of dollars except per unit amount)

	Three months ended March 31		Year ended March 31
	$ 312,905	$ 225,125	$ 538,668
	57,729	57,338	119,084
	6,507	3,783	12,633
	350	350	820
	6,373	4,406	23,047
	1,809	1,581	3,270
	2,299	2,649	11,123
	13,463	14,329	57,315
	109	-	-
	370	213	510
			108,718
	26,449	30,027	10,366
			10,854
	$ 21,255	$ 21,740	$ 17,863
Net income per unit (Note 11)			
Basic	$ 0.23	$ 0.28	$ 0.23
Diluted	$ 0.22	$ 0.23	$ 0.22

ENERGY SAVINGS INCOME FUND

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - thousands of dollars)

	Three months ended March 31		Year ended March 31	
Adjustments required to reflect net cash receipts from gas sales				(10,004)
	19,425	22,195	74,520	63,897
	6,703	(1,776)		(15,750)
				48,147
FINANCING				
				36,551
INVESTING				
				(69,166)
NET CASH INFLOW		7,586	5,519	15,532
		$ 34,722	$ 40,241	$ 34,722
Supplemental Information				
Income taxes paid		$ -	$ 575	$ 654

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 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 2003. The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles 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 indicated in Note 2.

2. NEW ACCOUNTING POLICIES

(a) Electricity contracts

Electricity contracts represent the original fair value of existing sales and supply contracts acquired by the Fund's wholly owned subsidiary, Ontario Energy Savings Corp. ("OESC" or the "Company"), on the acquisition of First Source Energy Corp.'s fixed price electricity contracts. These contracts will be amortized over their estimated remaining life.

(b) Foreign currency translation

The Fund's 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 period. Foreign exchange gains and losses are included in net income for the period.

3. SEASONALITY OF OPERATIONS

The Fund's operations are seasonal. Gas consumption by customers is typically highest in the fall and winter quarters, October through March and lowest in the spring and summer quarters, April through September. Electricity consumption is typically highest in the winter and summer quarters, January through March and July through September. Electricity consumption is lowest in the fall and spring quarters, October through December and April through June.

4. RESTRICTED CASH/CUSTOMER REBATES PAYABLE

Restricted cash represents rebate monies received from Local Distribution Companies (LDCs) as provided by the Independent Market Operator (IMO). OESC is obligated to disperse the monies to eligible end-use customers in accordance with the Market Power Mitigation Agreement as part of OESC's Retailer License Conditions.

(Unaudited - thousands of dollars except where indicated and per unit amount)

5. ACQUISITIONS OF CUSTOMER CONTRACTS

(a) Acquisition of Union Energy Inc.'s Gas Contracts

On October 16, 2003, OESC purchased effective August 1, 2003, approximately 20,000 deregulated gas residential customer equivalents as well as the associated gas supply from Union Energy Inc., a marketing subsidiary of Epcor Utilities Inc. for $4,128.

Assets acquired:	
Gas contracts	$ 4,128
Consideration:	
Cash	$ 4,128

The entire purchase price will be amortized and is deductible at various rates for tax purposes.

(b) Acquisition of Toronto Hydro Energy Inc.'s Gas Contracts

On July 31, 2003, OESC purchased effective June 1, 2003, approximately 31,500 deregulated gas fixed price customer contracts from Toronto Hydro Energy Services Inc. for $1,197.

The purchase price has been allocated as follows:

Assets acquired:	
Gas contracts	$ 1,197
Consideration:	
Cash	$ 1,197

The entire purchase price will be amortized and is deductible at various rates for tax purposes.

(c) Acquisition of First Source Energy Corp.'s Electricity Contracts

On May 21, 2003, OESC purchased effective May 1, 2003, fixed price electricity contracts from First Source Energy Corp. for $5,338. Pursuant to the agreement, OESC acquired approximately 113,000 residential customer equivalents.

The purchase price has been allocated as follows:

Assets acquired:	
Electricity contracts	$ 5,338
Consideration:	
Cash	$ 5,338

The entire purchase price will be amortized and is deductible at various rates for tax purposes.

6. UNIT AND SHARE SPLIT

On January 20, 2004, the Board of Directors approved a subdivision of the Fund's units on a two for one basis. All information relating to units and per unit data, including comparative figures, have been adjusted retroactively to reflect the impact of the unit split in these consolidated financial statements. Trading of the units on a split basis became effective on January 30, 2004. On January 20, 2004, a certificate of amendment was issued to OESC subdividing on a two for one basis all of the outstanding common shares and Class A preference shares. No certificate of amendment was required for the Class B preference shares as the remaining shares were exchanged into units prior to the two for one split.

7. PREFERENCE SHARES OF OESC

Authorized

Unlimited Class A preference shares, non-voting, exchangeable into trust units and/or Class B preference shares of OESC in accordance with the OESC shareholders' agreement, with no priority on dissolution.

Unlimited Class B preference shares, non-voting, exchangeable into trust units in accordance with the OESC shareholders' agreement, with no priority on dissolution. The Class B preference shares were redeemable at the option of OESC and retractable at the option of the holder, at a price of $2.50 (post split) per Class B preference share together with all accrued and unpaid dividends subject to consent of the holder or OESC, respectively. Pursuant to the terms of the OESC shareholders' agreement, all shareholder exchange rights relating to Class B preference shares must have been exercised by January 1, 2004. As a result, no Class B preference shares were outstanding at year end.

Pursuant to the "Declaration of Trust" which governs the Fund, the holders of Class A and Class B 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 receive if they exercised their shareholder exchange rights.

29,078

8. TRUST UNITS

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.

177,323

9. 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 OESC. In accordance with the unit option plan subsequent to the unit split which took effect January 30, 2004, the Fund may grant options to a maximum of 11,300,000 units. As at March 31, 2004 there were 1,268,333 options still available for grant under the plan. Of these options issued, 4,651,660 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.

During the year, the Fund implemented a unit appreciation right plan, which is subject to TSX approval and Unitholder ratification. Under the plan, certain officers and consultants are granted unit appreciation awards whose value is contingent upon increases in the Fund's gross margin per unit year over year. Their unit appreciation rights will vest as to one-third of the units granted on each of the first, second and third anniversaries of the date of grant. Each unit appreciation right may be exchanged into one unit from the date it vests until the third anniversary of the date of the grant. Independent directors were also granted unit appreciation awards under the plan valued at $15 per annum. The unit appreciation rights may be exchanged into one unit from the date it vests until the tenth anniversary of the date of grant.

(Unaudited - thousands of dollars except where indicated and per unit amount)

9. UNIT OPTION PLAN (cont'd)

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

Balance, end of year

(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.

	Options Outstanding		Options Exercisable	
		Weighed Average Remaining Contractual Life		Weighted Average Exercise Price
	1,346,006	2.85	56,000	$6.00
	180,000	3.24	6,666	$7.29
	844,000	4.33		
	15,000	4.71		

Options Available for Grant

Add: cancelled/forfeited in prior years	346,665
Less: granted in prior years	(10,054,000)
Balance, beginning of year	1,592,665
Add: cancelled/forfeited during the year	534,668
Less: granted during the year	(859,000)
	1,268,333

(Unaudited - thousands of dollars except where indicated and per unit amount)

9. UNIT OPTION PLAN (cont'd)

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:

Risk free rate	3.4 - 5.6%
Expected volatility	22.80% - 26.18%
Expected life	3 - 5 years
Expected distributions	$0.30 - $0.81 per year

Total amounts credited to contributed surplus in respect of unit-based compensation awards and unit appreciation rights amounted to $5,980 for the year ended March 31, 2004, and $1,809 for the three months ended March 31, 2004.

Total amounts charged to contributed surplus in respect of awards exercised during the year ended March 31, 2004 amounted to $3,243 and $166 for the three months ended March 31, 2004.

Cash received from options exercised for the year ended March 31, 2004 amounted to $11,136.

Subsequent to March 31, 2004, 1,739,990 options were exercised resulting in cash receipts of $4,374. Of these options exercised, 1,599,992 vested subsequent to year end.

10. FINANCIAL INSTRUMENTS

(a) Fair value

The Company 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 the Company would pay or receive for these supply contracts at market prices. The value is based on market prices or management's best estimates if there is no organized market and/or if the market is illiquid.

At March 31, 2004, the Company had electricity derivative contracts designated as hedges of the Company's business with the following terms:

$618,119

At March 31, 2004, the Company had fixed for floating gas swaps designated as hedges of the Company's business with the following terms:

$3,987

10. FINANCIAL INSTRUMENTS (cont'd)

(a) Fair value (cont'd)

At March 31, 2004, the Company had other gas financial instruments designated as hedges of the Company's business with the following terms:

$406 gain

The Company's 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 and accounts payable and accrued liabilities approximates their fair value due to their short term liquidity.

(b) Interest rate risk

OESC entered into a $10,000 operating facility agreement for a term of 364 days, in order to finance general requirements. The facility expires on March 5, 2005. The operating line of credit bears interest at bank prime plus 0.5% and letters of credit bear interest at 1.5%. Total letters of credit outstanding as at March 31, 2004 amounted to $7,051. The letters of credit are primarily to suppliers in support of future commodity purchases. No amounts have been drawn against the operating facility agreement at March 31, 2004 or 2003.

(Unaudited - thousands of dollars except where indicated and per unit amount)

11. INCOME PER UNIT

	Three months ended March 31		Year ended March 31	
Basic income per unit				
Net income	$ 21,255	$ 21,740	$ 17,392	$ 17,863
Net income available to Unitholders	$ 21,255	$ 21,468	$ 17,392	$ 16,967
	90,839,000	76,417,000	88,787,000	72,744,000
	$ 0.23	$ 0.28	$ 0.20	$ 0.23
Diluted income per unit (1)				
Net income	$ 21,255	$ 21,740	$ 17,392	$ 17,863
	$ 22,726	$ 23,382	$ 23,025	$ 24,759
	-	4,621,000	1,169,000	4,499,000
	3,263,000	3,654,000	3,496,000	3,654,000
	105,789,000	103,172,000	105,174,000	101,794,000
	$ 0.22	$ 0.23	$ 0.19	$ 0.22

(1) For the three months ended March 31, 2004, the conversion of the Class A preference shares is dilutive while the conversion of options is anti-dilutive. For the purpose of calculating dilutive income per unit, it is assumed that the options are not converted. For the three months ended March 31, 2003, the conversion of the convertible shares is dilutive. For the years ended March 31, 2004 and 2003, conversion of options and Class B preference shares are dilutive and the conversion of Class A preference shares is anti-dilutive. For the purpose of calculating diluted income per unit, it is assumed that the Class A preference shares are not converted.

(Unaudited - thousands of dollars except where indicated and per unit amount)

12. REPORTABLE BUSINESS SEGMENTS

The Fund operates in two reportable business segments, which are the reselling of gas and electricity to end-use customers. The Fund operates in three geographic areas, Ontario, Manitoba and Illinois. The results from operations in Manitoba and Illinois were insignificant for the three month period and the year ended March 31, 2004 and therefore have not been separately disclosed.

The Fund evaluates segment performance based on gross margin.

The Fund's business segments are strategic business units that offer a distinct product. Each segment has senior level executives responsible for the performance of the segment.

The following tables present the Fund's results from continuing operations by reportable segment:

3 months ended March 31, 2004

Gross Margin					$	57,729
Expenses		-		(31,280)		(31,280)
Other income		-		150		150
Recovery of income tax		-		(5,344)		(5,344)
Net income (loss)	$	8,501	$	(36,474)	$	21,255
					$	1,761

3 months ended March 31, 2003

Gross Margin					$	57,338
Expenses		-		(27,311)		(27,311)
Other income		-		111		111
Recovery of income tax		-		(8,398)		(8,398)
Net income (loss)	$	3,898	$	(35,598)	$	21,740
					$	477

(Unaudited - thousands of dollars except where indicated and per unit amount)

12. REPORTABLE BUSINESS SEGMENTS (cont'd)

Gross Margin			$ 129,049
Expenses	-	(122,622)	(122,622)
Other income	-	514	514
Recovery of income tax	-	10,451	10,451
Net income (loss)	$ 27,593	$ (111,657)	$ 17,392
			$ 4,016
			$ 94,576
			$ 301,576

Gross Margin			$ 119,084
Expenses	-	(108,718)	(108,718)
Other income	-	488	488
Recovery of income tax	-	7,009	7,009
Net income (loss)	$ 9,248	$ (101,221)	$ 17,863
			$ 3,166
			$ 2,436
			$ 94,576
			$ 340,946

13. GUARANTEES

Effective April 1, 2003, the Fund adopted the new Canadian accounting guideline AcG-14, which requires certain disclosures of guarantees.

(a) Officers and Directors

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

(Unaudited - thousands of dollars except where indicated and per unit amount)

13. GUARANTEES (cont'd)

(b) Financial Guarantee

During the year, the Fund entered into a financial guarantee securing all of the Company's financial obligations, present or future to certain commodity transportation suppliers. The aggregate liability of the guarantee amounts to $950. The guarantee is continuing until complete performance by OESC of its obligation under the various contracts and payment in full of all payment obligations.

(c) Operations

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with consultants, leasing agreements and service agreements. These indemnification agreements may require the Company 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 terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the balance sheet with respect to these agreements.

14. COMMITMENTS

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

2005	$	1,874
2006		1,775
2007		1,627
2008		1,445
2009 and beyond		2,177
	$	8,898

(b) The Company is committed under a marketing agreement for the next three years with the following minimum payments:

2005	$	1,875
2006		1,875
2007		1,875
	$	5,625

(Unaudited - thousands of dollars except where indicated and per unit amount)

14. COMMITMENTS (cont'd)

(c) The Company is committed under long-term gas and electricity contracts with various suppliers for the next five years as follows:

2005	$	606,870
2006		500,304
2007		378,164
2008		271,333
2009 and beyond		108,465
	$	1,865,136

The Company is also committed under long-term contracts with customers to supply gas and electricity. Both the purchase and sales contracts have various expiry dates and renewal options.

Gas and electricity are delivered to the end-use customers by local distribution companies under contract with the Company. The Company has entered into irrevocable letter agreements for the assignment of local distribution company proceeds to which it would otherwise be entitled in favour of Coral Energy Canada Inc. ("Coral"). Coral holds the monies in trust and deducts the portion relating to commodity cost and remits the remaining proceeds.