Large Filing Separator Sheet

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GROSS MARGIN EARNED THROUGH NEW MARKETING EFFORTS

Annual gross margin per customer for new and renewed customers

The table below depicts the annual margins on contracts of residential and commercial customers signed during the year. This table reflects all margin earned on new additions and renewals including both the brown commodity and JustGreen. Customers added through marketing were at or above the margins of customers lost through attrition or failure to renew. Renewing customers were at lower margins largely due to lesser take-up of JustGreen on renewal. However, JustGreen is beginning to be aggressively marketed for renewals, with the expectation that rates similar to those for new customers can be achieved. Sales of the JustGreen products remained very strong, with approximately 36% of all residential customers added in the past year taking some or all green energy supply. Customers that have purchased the JustGreen product elected, on average, to take 90% of their consumption in green supply. For large commercial customers, the average gross margin for new customers added was $88/RCE. The aggregation cost of these customers is commensurately lower per RCE than a residential customer.

Annual gross margin per customer[1]

	Fiscal 2011	Number of customers
Residential and small commercial customers added in the year		
Canada – gas	$ 209	29,000
Canada – electricity	161	49,000
United States – gas	217	128,000
United States – electricity	189	222,000
Average annual margin	195	
Residential and small commercial customers renewed in the year		
Canada – gas	166	98,000
Canada – electricity	120	98,000
United States – gas	196	35,000
United States – electricity	177	32,000
Average annual margin	154	
Residential and small commercial customers lost in the year		
Canada – gas	204	130,000
Canada – electricity	150	129,000
United States – gas	208	113,000
United States – electricity	227	92,000
Average annual margin	195	
Large commercial customers added in the year	88	571,000
Large commercial customers lost in the year	118	172,000

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

HOME SERVICES DIVISION (NHS)

NHS provides Ontario residential customers with long-term water heater rental programs that offer conventional tanks, power vented tanks and tankless water heaters in a variety of sizes, in addition to leasing HVAC products. NHS had continued strong customer growth and as at March 31, 2011, had a cumulative installed base of 115,200 water heaters, 2,600 furnaces and 800 air conditioners in residential homes. The water heater installed base has increased by 50% in the past year, from 77,000 as at March 31, 2010. Management is confident that NHS will contribute to the long-term profitability of Just Energy and continue to contribute to diversification. NHS currently markets through approximately 210 independent contractors.

As NHS is a high growth, relatively capital-intensive business, Just Energy's management believes that, in order to maintain stability of dividends, separate non-recourse financing of this capital is appropriate. NHS announced that it had entered into a long-term financing agreement with Home Trust Company ("HTC") for the funding of the water heaters and HVAC products in the Enbridge Gas (January 2010) and Union Gas (July 2010) distribution territories. Under the agreements, NHS receives funds equal to the amount of the five-, seven- or ten-year cash flow (at its option) of the water heater and HVAC contracts discounted at the contracted rate, which is currently 7.99%. HTC is then paid an amount which is equal to the customer rental payments on the water heaters for the next five, seven or ten years. The funding received from HTC up to March 31, 2011, was $105.7 million.

Management's strategy for NHS is to self-fund the business through its growth phase, building value within the customer base. This way, NHS will not require significant cash from Just Energy's core operations nor will Just Energy rely on NHS's cash flow to fund dividends. The result should be a valuable asset, which will generate strong cash returns following repayment of the HTC financing.

The 2011 fiscal year saw significant geographic and product expansions for NHS. The division began marketing its products in Union Gas territory in Ontario, expanding its reach to the entire province. It also rolled out an offering of furnace and air conditioner rentals and sales. These expansions were funded by increased general and administrative costs but are expected to substantially increase the growth and profitability of NHS in the future.

Selected financial information

For the years ended March 31
(thousands of dollars, except where indicated)

	Fiscal 2011	Fiscal 2010[1]
Sales per financial statements	$ 22,566	$ 8,886
Cost of sales	6,869	1,837
Gross margin	15,697	7,049
Marketing expenses	3,302	2,824
General and administrative expense	12,083	5,789
Interest expense	6,468	818
Capital expenditures	30,625	24,544
Amortization	1,902	1,975
Ending total number of water heaters installed	115,200	77,000

[1] Represents results from the date of acquisition, July 1, 2009, through to March 31, 2010.

Results of operations

For the year ended March 31, 2011, NHS had sales of $22.6 million, up 154% year over year, and gross margin of $15.7 million, up 123% from the comparable period. The cost of sales for the year was $6.9 million, of which $4.6 million represents the non-cash amortization of the installed water heaters for the customer contracts signed to date. Marketing expenses for fiscal 2011 were $3.3 million and include the amortization of commission costs paid to the independent agents, sales-related automotive fleet costs, advertising and promotion, and telecom and office supplies expenses. General and administrative costs, which relate primarily to administrative staff compensation and warehouse expenses, were $12.1 million for the year ended March 31, 2011, up 109% year over year. The higher level of general and administrative costs relative to the past year was largely due to the expansion into Union Gas territory and the rollout of furnace and air conditioner offerings. The infrastructure has now been put in place to allow for strong growth in the Union Gas territory.

Interest expense amounted to $6.5 million as a result of the financing arrangement with HTC. Capital expenditures, including installation costs, amounted to $30.6 million for the year ended March 31, 2011. Amortization costs were $1.9 million for the current year and include both the depreciation on non-tank-related capital assets noted above and the amortization of the purchased water heater contracts.

For the prior comparable period, which represents operations from the date of acquisition, July 1, 2009, through March 31, 2010, sales and gross margin amounted to $8.9 million and $7.0 million, respectively. Marketing expenses were $2.8 million and general and administrative expenses amounted to $5.8 million. Interest expense for the nine months was $0.8 million as a result of the HTC financing just being secured in January 2010.

The growth of NHS has been rapid and, combined with the HTC financing, is expected to be self-sustaining on a cash flow basis.

ETHANOL DIVISION (TGF)

TGF continues to remain focused on improving the plant production and run time of the Belle Plaine, Saskatchewan, wheat-based ethanol facility. For the year ended March 31, 2011, the plant achieved an average production capacity of 78%, a significant increase from average production capacity of 62% in the prior comparative period. The Phase 1 grain-milling upgrade done in late fiscal 2010 has allowed the plant to achieve daily milling rates exceeding nameplate capacity from time to time. In the fourth quarter, the plant achieved average production capacity of 86%. In the first quarter of fiscal 2012, the plant will complete scheduled maintenance, resulting in production downtime.

Ethanol prices were, on average, $0.57 per litre for the year and wheat prices averaged $168 per metric tonne for the year. As at March 31, ethanol was priced at $0.68 per litre. The ethanol division has separate non-recourse financing in place such that capital requirements and operating losses will not impact Just Energy's core business and its ability to pay dividends.

Selected financial information

For the years ended March 31
(thousands of dollars, except where indicated)

	Fiscal 2011	Fiscal 2010[1]
Sales per financial statements	$ 108,526	$ 56,455
Cost of sales	94,260	51,945
Gross margin	14,266	4,510
General and administrative expense	11,231	9,089
Interest expense	6,862	5,107
Capital expenditures	266	4,599
Amortization	1,193	1,079

[1] Represents results from the date of acquisition, July 1, 2009, through to March 31, 2010.

Results of operations

For fiscal 2011, TGF had sales and gross margin of $108.5 million and $14.3 million, respectively. During the fiscal year, the plant produced 117.7 million litres of ethanol and 111,417 metric tonnes of DDG. For the year ended March 31, 2011, TGF incurred $11.2 million in general and administrative expenses and $6.9 million in interest charges. Fiscal 2011 is the first year in which the ethanol facility has generated positive EBITDA.

For the prior comparable period, which represents results from the date of acquisition, July 1, 2009 to March 31, 2010, sales and gross margin totaled $56.5 million and $4.5 million, respectively. The plant produced 69.4 million litres of ethanol and 66,487 metric tonnes of DDG. General and administrative expenses were $9.1 million and interest expense was $5.1 million. Capital expenditures were $4.6 million in fiscal 2010, primarily relating to the milling upgrade completed near year-end.

TGF receives a federal subsidy related to the ecoEnergy for Biofuels Agreement signed on February 17, 2009, as amended from time to time, based on the volume of ethanol produced. From July 1, 2009 to March 31, 2010, the subsidy was ten cents per litre, and throughout fiscal 2011, this subsidy was nine cents per litre. The subsidy will be eight cents per litre for fiscal 2012. The subsidy amount declines through time to five cents per litre of ethanol produced in fiscal 2015, the last year of the agreement.

OVERALL CONSOLIDATED RESULTS – JUST ENERGY

General and administrative expenses

General and administrative costs were $109.4 million for the year ended March 31, 2011, representing a 24% increase from $88.4 million in fiscal 2010. This was primarily due to the inclusion of a full year of administrative costs for NHS and TGF as well as the addition of Hudson's commercial energy marketing administrative costs.

	Fiscal 2011	Fiscal 2010	% Increase
Energy marketing	$ 86,093	$ 73,545	17%
NHS	12,083	5,789	109%
TGF	11,231	9,089	24%
Total general and administrative expenses	$ 109,407	$ 88,423	24%

Energy marketing general and administrative costs were $86.1 million in fiscal 2011, an increase of 17% from $73.5 million for the year ended March 31, 2010. The 17% increase has allowed Just Energy to support a 45% increase in customers as well as fund one-time costs for the conversion to a corporate structure. In addition, the increase versus the prior year is a result of a full year of Universal-related expenses (versus nine months in the prior year) offset by realized synergies as well as the inclusion of Hudson administrative costs. Just Energy obtained a new commercial license in Pennsylvania and incurred costs to prepare to enter Pennsylvania for residential sales and Saskatchewan for the commercial business. Just Energy expects continued general and administrative spending to support geographic market expansion but management believes that costs per customer will continue to decline over the long term.

Marketing expenses

Marketing expenses, which consist of commissions paid to independent sales contractors, brokers and independent representatives for signing new customers, as well as sales-related corporate costs, were $133.6 million, an increase of 40% from $95.8 million in fiscal 2010. New customers signed by our marketing sales force were 999,000 during fiscal 2011, up 98% compared to 505,000 customers added through our sales offices in the prior year. The increase in the current year expense reflects the cost of a 98% gross and a 395% net increase in customer additions, offset by the lower total aggregation cost per customer and a lower U.S. dollar exchange rate.

Marketing expenses to maintain gross margin are allocated based on the ratio of gross margin lost from attrition as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to maintain gross margin were $84.8 million for the year, an increase of 35% from $62.8 million in fiscal 2010.

Marketing expenses to add new gross margin are allocated based on the ratio of net new gross margin earned on the customers signed, less attrition, as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to add new gross margin in the year ended March 31, 2011, totaled $36.4 million, a 10% increase from $33.0 million in fiscal 2010. Although there was a large increase in the net customer additions through marketing of 361,000 for the current year, up from 73,000 in fiscal 2010, the blend of commercial and residential customers added resulted in a 20% increase in embedded margin, lower than the 45% increase in total customers.

Commissions related to obtaining and renewing Hudson commercial contracts are paid all or partially up front or as residual payments over the life of the contract. If the commission is paid all or partially up front, the amortization is included in marketing expenses as the associated revenue is earned. If the commission is paid as a residual payment, the amount is expensed as earned. Of the current total commercial customer base, approximately 60% are commercial broker customers and 55% of these commercial brokers are being paid recurring residual payments.

Marketing expenses included in distributable cash exclude amortization related to the contract initiation costs for Hudson and NHS. For the year ended March 31, 2011, the amortization amounted to $14.5 million. Capitalized marketing costs associated with maintaining margin are reflected as maintenance capital in Adjusted EBITDA.

The actual aggregation costs for the year ended March 31, 2011, per customer for residential and commercial customers signed by independent representatives and commercial customers signed by brokers were as follows:

	Residential customers	Commercial customers	Commercial broker customers
Natural gas			
Canada	$ 277/RCE	$ 157/RCE	$ 31/RCE
United States	177/RCE	126/RCE	19/RCE
Electricity			
Canada	213/RCE	157/RCE	31/RCE
United States	150/RCE	85/RCE	40/RCE
Total aggregation costs	$ 173/RCE	$ 122/RCE	$ 35/RCE

The actual aggregation per customer added for all energy marketing for the year ended March 31, 2011, was $102. The $35 average aggregation cost for the commercial broker customers is based on the expected average annual cost for the respective customer contracts. It should be noted that commercial broker contracts are paid further commissions averaging $35 per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately $63 (1.8 X $35) to the fiscal 2011 $35 average aggregation cost for commercial broker customers reported above.

For the prior comparable year, aggregation costs per customer in the Canadian and U.S. gas markets were $215/RCE and $174/RCE, respectively, with a combined cost of $182/RCE. In the Canadian and U.S. electricity markets, the aggregation costs per customer amounted to $188/RCE and $161/RCE, respectively, with the combined cost amounting to $168/RCE.

Share-based compensation

Compensation in the form of stock (non-cash) granted by Just Energy to the directors, officers, full-time employees and service providers of the Company and its subsidiaries and affiliates pursuant to the 2010 Share Option Plan (formerly the 2001 Unit Option Plan), the 2010 Restricted Share Grant Plan (formerly the 2004 unit appreciation rights plan) and the Directors' Compensation Plan amounted to $5.5 million, an increase of 16% from the $4.8 million paid in fiscal 2010. The increase relates primarily to additional fully paid long-term retention restricted share grants awarded to the senior management of the Company.

Bad debt expense

In Illinois, Alberta, Texas, Pennsylvania, California and Massachusetts, Just Energy assumes the credit risk associated with the collection of customer accounts. In addition, for commercial direct-billed accounts in B.C., New York and Ontario, Just Energy is responsible for the bad debt risk. NHS has also assumed credit risk for customer account collection for certain territories within Ontario. Credit review processes have been established to manage the customer default rate. Management factors default from credit risk into its margin expectations for all of the above-noted markets. During the year, Just Energy was exposed to the risk of bad debt on 35% of its sales.

Bad debt expense for fiscal 2011 was $27.7 million, up 54% from $17.9 million expensed last year. The bad debt expense increase was entirely related to the 59% increase in total revenues for the current year to $1,033.5 million, in the markets where Just Energy assumes the risk for accounts receivable collections. These markets also now include incremental commercial customers. Management integrates its default rate for bad debts within its margin targets and continuously reviews and monitors the credit approval process to mitigate customer delinquency. For the year ended March 31, 2011, the bad debt expense of $27.7 million represents approximately 2.7% of revenue, slightly lower than the bad debt for fiscal 2010, which represented 2.8% of relevant revenue.

Credit losses in Texas as a percentage of total revenues have declined due to aggressive collection efforts and quicker disconnection for delinquent customers. Continued improvements in the Illinois collection efforts and lower default rates for acquired Hudson commercial customers have also contributed to the improvement in the bad debt rate versus the prior year. Management expects that bad debt expense will remain in the range of 2% to 3% for the next fiscal year assuming that the housing market in the U.S. continues to show signs of improvement.

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

Interest expense

Total interest expense for the year ended March 31, 2011, amounted to $50.4 million, a 213% increase from $16.1 million in fiscal 2010. The large increase in costs primarily relates to the interest expense for the $330 million convertible debentures associated with the Hudson acquisition as well as interest costs associated with the NHS financing.

This increase also reflects a full year compared to the inclusion of nine months in the prior comparable year of interest relating to the JEEC convertible debentures and TGF financing in the prior comparable year.

Foreign exchange

Just Energy has an exposure to U.S. dollar exchange rates as a result of its U.S. operations and any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income. For the year ended March 31, 2011, a foreign exchange unrealized gain of $0.3 million was reported in other comprehensive income (loss) versus a $26.6 million gain reported in the prior fiscal year.

Overall, a weaker U.S. dollar decreases the value of sales and gross margin in Canadian dollars but this is partially offset by lower operating costs denominated in U.S. dollars. Just Energy retains sufficient funds in the U.S. to support ongoing growth and surplus cash is repatriated to Canada. U.S. cross border cash flow is forecasted annually, and hedges for cross border cash flow are entered into. Just Energy hedges between 25% and 90% of the next 12 months' cross border cash flows depending on the level of certainty of the cash flow. During fiscal 2011, a total of $28.0 million in U.S. funds was repatriated back to Canada, versus $23.0 million in the prior fiscal year.

Class A preference share cash distributions

On January 1, 2011, as part of the conversion from an income trust to a corporation, the remaining Class A preference shares of Just Energy Corp. ("JEC") were converted into JEGI common shares. Prior to this, the holder of the JEC Class A preference shares was entitled to receive, on a quarterly basis, a payment equal to the amount paid to a unitholder on an equal number of units. The total amount paid for the nine months ended December 31, 2010, including tax, amounted to $4.9 million. The distributions on the Class A preference shares are reflected in the consolidated statement of unitholders'/shareholders' deficiency in the consolidated financial statements, net of tax.

Provision for (recovery of) income tax

(thousands of dollars)

	Fiscal 2011	Fiscal 2010
Current income tax provision	$ 8,182	$ 19,253
Amount credited to unitholders'/shareholders' equity	1,305	2,501
Future tax expense (recovery)	22,655	(122,014)
Provision for (recovery of) income tax	$ 32,142	$ (100,260)

Just Energy recorded a current income tax expense of $8.2 million for the year versus $19.3 million of expense in fiscal 2010. The change is mainly attributable to lower Canadian income taxes as a result of the integration of the Universal entities into the income fund structure during the first three quarters of the current fiscal year.

Also included in the income tax provision is an amount relating to the tax deduction for JEC relating to the Class A preference share distributions. In accordance with EIC 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, all Class A preference shares are included as part of unitholders' equity and the distributions paid to the shareholders are included as distributions on the consolidated statement of unitholders' deficiency, net of tax. For the year ended March 31, 2011, the tax impact of these distributions, based on a tax rate of 30%, amounted to $1.3 million, versus an amount of $2.5 million based on the 33% tax rate last year. The decrease of this tax impact in the current year is due to the combined effect of the cessation of such distributions to the Class A preference shareholder at the time that Just Energy converted to a taxable Canadian corporation effective January 1, 2011, and a decline in the corporate tax rate in Canada during the current year.

As noted in Just Energy's 2010 Annual Report, a future tax recovery of $122.0 million was recorded in fiscal 2010 to recognize the significant temporary differences attributed to mark to market losses from financial instruments, which are expected to be realized subsequent to the Conversion on January 1, 2011. During this fiscal year, these mark to market losses declined as a result of a change in fair value of these derivative instruments and, as a result, a future tax expense of $22.7 million has been recorded for this year.

After the Conversion on January 1, 2011, Just Energy has been taxed as a taxable Canadian corporation. Therefore, the future tax asset or liability associated with Canadian liabilities and assets recorded on the consolidated balance sheets as at that date will be realized over time as the temporary differences between the carrying value of assets in the consolidated financial statements and their respective tax bases are realized. Current Canadian income taxes are accrued to the extent that there is taxable income in Just Energy and its underlying corporations. Canadian corporations under Just Energy are subject to a tax rate of approximately 28% after the Conversion.

The U.S.-based corporate subsidiaries are subject to U.S. income taxes on their taxable income determined under U.S. income tax rules and regulations. During the year, the U.S. subsidiaries had fully utilized their combined operating losses for tax purposes carried over from prior years, and after taking these tax losses into effect, recorded a $3.1 million current U.S. income tax for the year.

Just Energy follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates. A valuation allowance is recorded against a future income tax asset if it is not anticipated that the asset will be realized in the foreseeable future. The effect of a change in the income tax rates used in calculating future income tax liabilities and assets is recognized in income during the period in which the change occurs.

LIQUIDITY AND CAPITAL RESOURCES

Summary of cash flows

(thousands of dollars)

	Fiscal 2011	Fiscal 2010
Operating activities	**$ 153,360**	$ 158,273
Investing activities	**(318,847)**	(37,466)
Financing activities, excluding distributions/dividends	**346,266**	46,666
Effect of foreign currency translation	**(891)**	(3,861)
Increase in cash before distributions/dividends	**179,888**	163,612
Distributions/dividends (cash payments)	**(142,387)**	(162,574)
Increase in cash	**37,501**	1,038
Cash – beginning of year	**60,132**	59,094
Cash – end of year	**$ 97,633**	$ 60,132

Operating activities

Cash flow from operating activities for the year ended March 31, 2011, was $153.4 million, a decrease from $158.3 million in the prior year. The decrease is a result of the higher gross margin being offset by an increase in short-term working capital, general and administrative, marketing, bad debt and interest expenses.

Investing activities

Just Energy purchased capital assets totaling $36.6 million during the year, a decrease from $41.2 million in the prior year. In fiscal 2011 to date, Just Energy's capital spending related primarily to the home services business and costs related to purchases of office equipment and IT software.

Financing activities

Financing activities, excluding distributions/dividends, relates primarily to the issuance of the $330 million in convertible debentures in relation to the Hudson acquisition. Long-term debt, amounting to $484 8 million, was issued (related to the convertible debentures, NHS financing and the credit facility) with repayment during the year of $148.3 million. In the prior comparable year, $243.8 million was issued in long-term debt while $207.5 million was repaid.

As of March 31, 2011, Just Energy had a credit facility of $350 million. In connection with the Conversion on January 1, 2011, Just Energy increased its credit facility with repayment of the facility due on December 31, 2013. The syndicate of lenders now includes the Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada, Société Générale, Bank of Nova Scotia, Toronto-Dominion Bank and Alberta Treasury Branches.

As Just Energy continues to expand in the U.S. markets, the need to fund working capital and collateral posting requirements will increase, driven primarily by the number of customers aggregated, and to a lesser extent, by the number of new markets. Based on the markets in which Just Energy currently operates and others that management expects the Company to enter, funding requirements will be fully supported through the credit facility.

Just Energy's liquidity requirements are driven by the delay from the time that a customer contract is signed until cash flow is generated. For residential customers, approximately 60% of an independent sales contractor's commission payment is made following reaffirmation or verbal verification of the customer contract, with most of the remaining 40% being paid after the energy commodity begins flowing to the customer. For commercial customers, commissions are paid either as the energy commodity flows throughout the contract or partially up front once the customer begins to flow.

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

Distributions/Dividends (cash payments)

In conjunction with the Conversion, investors began receiving dividends as of January 31, 2011, instead of distributions. Just Energy maintains its annual dividend rate at $1.24/share, the same rate that was previously paid for distributions. Investors should note that due to the dividend reinvestment plan ("DRIP"), a portion of dividends (and prior to January 1, 2011, distributions) declared are not paid in cash. Under the program, shareholders can elect to receive their dividends in shares at a 2% discount to the prevailing market price rather than the cash equivalent. *For the fiscal year ended March 31, 2011, $26.0 million of the distributions/dividends were paid in shares/units under* the DRIP, a 30% increase from $20.0 million in the prior comparable year. During the year ended March 31, 2011, Just Energy made cash distributions/dividends to its unitholders/shareholders and the Class A preference shareholder in the amount of $142.4 million compared to $162.6 million in the prior comparable periods.

Just Energy will continue to utilize its cash resources for expansion into new markets, growth in its existing energy marketing customer base, JustGreen products and Home Services division, and also to make accretive acquisitions of customers as well as dividends to its shareholders.

At the end of the year, the annual rate for distributions per unit was $1.24. The current dividend policy provides that shareholders of record on the 15th of each month receive dividends at the end of the month.

BALANCE SHEET AS AT MARCH 31, 2011, COMPARED TO MARCH 31, 2010

Cash increased from $60.1 million as at March 31, 2010, to $97.6 million. Restricted cash, which includes cash collateral posted related to supply procurement and credit support for Universal, Commerce and the TGF entities, has decreased to $0.8 million on March 31, 2011, from $18.7 million. The utilization of the credit facility decreased slightly from $57.5 million to $51.0 million as a result of normal working capital requirements. Working capital requirements in the U.S. and Alberta are a result of the timing difference between customer consumption and cash receipts. For electricity, working capital is required to fund the lag between settlements with the suppliers and settlement with the LDCs.

As at March 31, 2011, accounts receivable and unbilled revenue amounted to $281.7 million and $125.1 million, respectively, compared to a year earlier when the accounts receivable and unbilled revenue amounted to $232.6 million and $74.0 million. Accounts payable and accrued liabilities have increased from $184.7 million to $282.8 million in the past year. Both increases in accounts receivable and payable are related to added consumption as a result of the Hudson customers acquired and strong net additions in fiscal 2011 as well as the colder winter temperatures in the current fiscal year compared with fiscal 2010.

As at March 31, 2011, Just Energy had delivered less gas to the LDCs than had been consumed by customers in Ontario, Manitoba, Quebec and Michigan, resulting in accrued gas receivable and payable balances of $26.5 million and $19.4 million, respectively. At March 31, 2010, Just Energy had accrued gas receivable and payable amounting to $20.8 million and $15.1 million, respectively and gas delivered in excess of consumption and deferred revenue of $7.4 million and $7.2 million, respectively.

Contract initiation costs relate to the commissions paid by both Hudson and NHS for contracts sold and will be amortized over the life of the contract. The balance increased to $29.7 million from $5.6 million at the end of the last fiscal year mainly due to the Hudson acquisition. The March 31, 2010, balance related to contract initiation costs for NHS only.

Other assets and other liabilities relate entirely to the fair value of the financial derivatives. The mark to market gains and losses can result in significant changes in net income and, accordingly, shareholders' equity from quarter to quarter due to commodity price volatility. Given that Just Energy has purchased this supply to cover future customer usage at fixed prices, management believes that these non-cash quarterly changes are not meaningful.

Intangible assets include the acquired customer contracts as well as other intangibles such as brand, broker network and information technology systems, primarily related to the Hudson and Universal purchases. The total intangible asset and goodwill balances increased to $413.0 million and $211.4 million, respectively, from $342.0 million and $177.9 million, respectively, as at March 31, 2010.

Long-term debt excluding the current portion has increased to $507.5 million in the year ended March 31, 2011, from $231.8 million and is detailed below.

LONG-TERM DEBT AND FINANCING

(thousands of dollars)

	As at March 31, 2011	As at March 31, 2010
Just Energy credit facility	$ 51,035	$ 57,500
TGF credit facility	36,680	41,313
TGF debentures	37,001	37,001
TGF term loan	–	10,000
$90m convertible debentures	84,706	83,417
NHS financing	105,716	65,435
$330m convertible debentures	286,439	–

Just Energy credit facility

Just Energy holds a $350 million credit facility to meet working capital requirements. The syndicate of lenders now includes Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada, Société Générale, Bank of Nova Scotia, Alberta Treasury Branches and Toronto Dominion Bank. Under the terms of the credit facility, Just Energy was able to make use of Bankers' Acceptances and LIBOR advances at stamping fees that vary between 3.25% and 3.75%, prime rate advances at rates of interest that vary between bank prime plus 2.25% and 2.75%, and letters of credit at rates that vary between 3.25% and 3.75%. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates, excluding among others, TGF and NHS, and secured by a pledge of the assets of Just Energy and the majority of its operating subsidiaries and affiliates. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at March 31, 2011 and 2010, all of these covenants had been met.

TGF credit facility

A credit facility of up to $50 million was established with a syndicate of Canadian lenders led by Conexus Credit Union and was arranged to finance the construction of the ethanol plant in 2007. The facility was revised on March 18, 2009, and was converted to a fixed repayment term of ten years commencing March 1, 2009, which includes interest costs at a rate of prime plus 3%, with principal repayments commencing on March 1, 2010. The credit facility is secured by a demand debenture agreement, a first priority security interest on all assets and undertakings of TGF, and a general security interest on all other current and acquired assets of TGF. The facility was further revised on March 31, 2010, postponing the principal payments due for April 1, 2010 to June 1, 2010, and to amortize them over the six-month period commencing October 1, 2010, and ending March 31, 2011. The credit facility includes certain financial covenants, the more significant of which relate to current ratio, debt to equity ratio, debt service coverage and minimum shareholders' equity. The lenders had deferred compliance with the financial covenants until April 1, 2011. TGF is in discussions with the lenders with respect to the language and compliance of such general covenants.

TGF has separate non-recourse financing in place such that capital requirements and operating losses will not impact Just Energy's core business and its ability to pay dividends.

TGF debentures

A debenture purchase agreement with a number of private parties providing for the issuance of up to $40 million aggregate principal amount of debentures was entered into in 2006. The interest rate is 10.5% per annum, compounded annually. Interest is to be paid quarterly with quarterly principal payments commencing October 1, 2009, in the amount of $1.0 million per quarter. The agreement includes certain financial covenants, the more significant of which relate to current ratio, debt to capitalization ratio, debt service coverage, debt to EBITDA and minimum shareholders' equity. The lender has deferred compliance with the financial covenants until April 1, 2011. TGF entered into an agreement with the holders of the debentures to defer scheduled principal payments owing under the debenture until April 1, 2011. The current debenture agreement matures in the second quarter of fiscal 2012. TGF is in negotiations with the debenture holders to renew the financing terms and with respect to the terms of the financial covenants.

TGF term/operating facilities

TGF had a term loan for $10,000 with a third party lender bearing interest at prime plus 1%, which was due in full on December 31, 2010. As at December 31, 2010, the $10,000 amount was repaid. In addition, TGF has a working capital operating line bearing interest at prime plus 2% of which $0.3 million of letters of credit have also been issued.

$90m convertible debentures

In conjunction with the acquisition of Universal on July 1, 2009, Just Energy assumed the obligations of the convertible unsecured subordinated debentures issued by Universal in October 2007, which have a face value of $90 million. The fair value of the convertible debenture was estimated by discounting the remaining contractual payments at the time of acquisition. This discount will be accreted using an effective interest rate of 8%. These instruments mature on September 30, 2014, unless converted prior to that date, and bear interest at an annual rate of 6%, payable semi-annually on March 31 and September 30 of each year. As at March 31, 2011, each $1,000 principal amount of the $90m convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 30.87 JEGI shares, representing a conversion price of $32.40 per share. Pursuant to the $90m convertible debentures, if JEGI fixes a record date for the making of a dividend on its shares, the conversion price shall be adjusted in accordance therewith.

On and after October 1, 2010, but prior to September 30, 2012, the $90m convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at Just Energy's sole option on not more than 60 days' and not less than 30 days' prior notice, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the conversion price. On and after September 30, 2012, but prior to the maturity date, the $90m convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at Just Energy's sole option on not more than 60 days' and not less than 30 days' prior notice.

NHS financing

In fiscal 2010, NHS entered into a long-term financing agreement with HTC for the funding of new and existing rental water heater and HVAC contracts in the Enbridge Gas distribution territory. On July 16, 2010, the financing arrangement was expanded to the Union Gas territory. Pursuant to the agreement, NHS will receive financing of an amount equal to the net present value of the first five, seven or ten years (at its option) of monthly rental income, discounted at the agreed upon financing rate of 7.99%, and is required to remit an amount equivalent to the rental stream from customers on the water heater and HVAC contracts for the first five, seven or ten years, respectively. Under the agreement up to one third of rental agreements may be financed for each of the seven- or ten-year terms. As at March 31, 2011, the average term of the HTC funding was 5.4 years.

The financing agreement is subject to a holdback provision, whereby 3% in the Enbridge territory and 5% in the Union Gas territory of the outstanding balance of the funded amount is deducted and deposited to a reserve account in the event of default. Once all of the obligations of NHS are satisfied or expired, the remaining funds in the reserve account will immediately be released to NHS. HTC holds security over the contracts and equipment it has financed. NHS is required to meet a number of covenants under the agreement and, as at March 31, 2011, all of these covenants have been met.

$330m convertible debentures

To fund the acquisition of Hudson, Just Energy entered into an agreement with a syndicate of underwriters for $330 million of convertible extendible unsecured subordinated debentures issued on May 5, 2010. The $330m convertible debentures bear an interest rate of 6.0% per annum payable semi-annually in arrears on June 30 and December 31 of each year, with maturity on June 30, 2017. Each $1,000 of principal amount of the $330m convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 55.6 shares of JEGI, representing a conversion price of $18 per unit.

The $330m convertible debentures are not redeemable prior to June 30, 2013, except under certain conditions after a change of control has occurred. On or after June 30, 2013, but prior to June 30, 2015, the debentures may be redeemed by JEGI, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the conversion price. On or after June 30, 2015, and prior to the maturity date, the debentures may be redeemed by JEGI, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest.

CONTRACTUAL OBLIGATIONS

In the normal course of business, Just Energy is obligated to make future payments for 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
Accounts payable and accrued liabilities	$ 282,805	$ 282,805	$ –	$ –	$ –
Bank indebtedness	2,314	2,314	–	–	–
Long-term debt (contractual cash flow)	652,397	94,117	99,099	119,684	339,497
Interest payments	173,609	45,430	61,282	45,470	21,427
Property and equipment lease agreements	30,662	8,333	10,955	6,533	4,841
EPCOR billing, collections and supply commitments	4,974	4,974	–	–	–
Grain production contracts	9,181	7,082	2,099	–	–
Gas and electricity supply purchase commitments	3,173,789	1,498,293	1,405,699	267,505	2,292
	$ 4,329,731	$ 1,943,348	$ 1,579,134	$ 439,192	$ 368,057

Other obligations

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

TRANSACTIONS WITH RELATED PARTIES

Just Energy does not have any material transactions with any individuals or companies that are not considered independent of Just Energy or any of its subsidiaries and/or affiliates.

CRITICAL ACCOUNTING ESTIMATES

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

The following assessment of critical accounting estimates is not meant to be exhaustive. Just Energy 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 Just Energy to the LDCs. These estimates are stated at net realizable value. Accrued gas accounts payable represents Just Energy's obligation to the LDC with respect to gas consumed by customers in excess of that delivered and valued at net realizable value. This estimate is required for the gas business unit only, since electricity is consumed at the same time as delivery. Management uses the current average customer contract price and the current average supply cost as a basis for the valuation.

Gas delivered in excess of consumption/Deferred revenues

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

Allowance for doubtful accounts

Just Energy assumes the credit risk associated with the collection of customers' accounts in Alberta, Illinois, Texas, Pennsylvania, California and Massachusetts. In addition, for large direct-billed accounts in B.C., New York and Ontario, Just Energy is responsible for the bad debt risk. NHS has also assumed credit risk for customer accounts within certain territories in Ontario. Management estimates the allowance for doubtful accounts in these markets based on the financial conditions of each jurisdiction, the aging of the receivables, customer and industry concentrations, the current business environment and historical experience.

Goodwill

In assessing the value of goodwill for potential impairment, assumptions are made regarding Just Energy's future cash flow. If the estimates change in the future, Just Energy may be required to record impairment charges related to goodwill. An impairment review of goodwill was performed as at March 31, 2011, and as a result of the review, it was determined that no impairment of goodwill existed.

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Just Energy's expansion in the U.S. has introduced foreign exchange-related risks. Just Energy enters into foreign exchange forwards in order to hedge the exposure to fluctuations in cross border cash flows.

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

JEGI COMMON SHARES AND PREFERENCE SHARES OF JEC

As at May 19, 2011, there were 137,192,802 common shares of JEGI outstanding. As of January 1, 2011, Just Energy converted from an income trust to a corporation and all Class A preference shares of JEC were converted on a one-for-one basis for JEGI common shares.

TAXABILITY OF DISTRIBUTIONS

Distributions received in calendar 2010 were allocated 100% to other income. Additional information can be found on our website at www.justenergygroup.com. With the conversion to a corporation effective January 1, 2011, all future payments to shareholders will be in the form of dividends.

RECENTLY ISSUED ACCOUNTING STANDARDS

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

Business combinations

In October 2008, the CICA issued Handbook Section 1582, Business Combinations ("CICA 1582"), concurrently with CICA Handbook Section 1601, Consolidated Financial Statements ("CICA 1601"), and CICA Handbook Section 1602, Non-controlling Interest ("CICA 1602"). CICA 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces CICA Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for fiscal years beginning on or after January 1, 2011. The Company will not adopt the new standards prior to adopting IFRS as described below.

International Financial Reporting Standards

In February 2008, CICA announced that GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to GAAP, but there are significant differences in recognition, measurement and disclosures. The conversion to IFRS will impact the way we present our financial results, however, we do not expect IFRS to impact the overall revenue and underlying profitability trends of our operating performance.

Just Energy will transition to IFRS effective April 1, 2011, and intends to issue its first interim financial statements under IFRS for the three-month period ending June 30, 2011, and a complete set of financial statements under IFRS for the year ending March 31, 2012. The first financial statements prepared under IFRS will include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

Based on the initial assessment of the differences between Canadian GAAP and IFRS relevant to Just Energy, an internal project team was assembled and a conversion plan was developed in March 2009 to manage the transition to IFRS. Project status reporting is provided to senior executive management and to the Audit Committee on a regular basis.

Our project consisted of three phases: IFRS diagnostic assessment, solution development and implementation. The diagnostic phase, which was completed in 2009, involved a high-level review and the identification of major accounting differences between current Canadian GAAP and IFRS applicable to Just Energy. Phase 2, the solution development phase, which included the completion of all policy papers, was completed and discussed with the external auditors in 2010. The IFRS project team has recently completed the implementation phase, which was the final phase of the project. This phase involved approving the accounting policy choices, completing the collection of data required to prepare the financial statements, implementing changes to systems and business processes relating to financial reporting, administering key personnel training and monitoring standards currently being amended by the International Accounting Standards Board ("IASB"). Just Energy has also analyzed the IFRS financial statement presentation and disclosure requirements. These assessments will continue to be analyzed and evaluated throughout the transition to IFRS.

The areas with the highest quantitative or business system impact to Just Energy include, but are not limited to, the following:

IAS 16: Property, plant and equipment

IAS 16 reinforces the requirement under Canadian GAAP that requires each part of property, plant and equipment that has a cost which is significant in relation to the overall cost of the item, be depreciated separately. The Company will adopt this revised accounting policy with respect to the componentization of the ethanol plant on transition to IFRS. The carrying value of the ethanol plant and corresponding depreciation expense will differ upon transition to IFRS. The quantification of the impact is approximately $0.6 million.

IAS 36: Impairment of assets

IAS 36 uses a one-step approach to both testing and measuring impairment, with asset carrying values compared directly to the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). Canadian GAAP, however, uses a two-step approach to impairment testing, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. Just Energy does not expect any material impairment upon transition to IFRS.

IAS 37: Provisions, contingent liabilities and contingent assets

Provisions are measured at the discounted present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The discounting of significant litigation accruals results in an adjustment of approximately $0.7 million.

IAS 12: Income taxes

Other than recording the tax effect of the various other transitional adjustments and the reclassification of certain tax balances, the Company does not expect to record any significant tax-related adjustments on the transition to IFRS.

IAS 39: Financial instruments: Recognition and measurement

The Company enters into fixed-term contracts with customers to provide electricity and gas at fixed prices. These customer contracts expose the Company to changes in market prices of electricity and gas consumption. To reduce the exposure to movements in commodity prices arising from the acquisition of electricity and gas at floating rates, the Company routinely enters into derivative contracts. Under Canadian GAAP, all supply contracts are remeasured at fair value at each reporting date. The requirements for normal purchase and normal sale exemption (own-use exemption) are similar under Canadian GAAP and IFRS; however, several small differences exist. There is no specific guidance either in Canadian GAAP or IFRS with respect to eligibility of the own-use exemption of energy supply contracts entered into by energy retailers. The Company has concluded that the own-use exemption does not apply and the amounts will continue to be marked to market as is the current practice.

IAS 39 also requires that transaction costs incurred upon initial acquisition of a financial instrument be deferred and amortized into profit and loss over the life of the instrument. Initial application of IAS 39 will result in an opening balance sheet adjustment to reduce long-term debt on the date of transition. This adjustment of approximately $2.4 million will be offset through opening retained earnings. IAS 39 is to be replaced by IFRS 9 and Just Energy is closely monitoring the exposure draft for any possible impact.

IFRS 2: Share-based payments

Under IFRS, when stock option awards vest gradually, each tranche is to be considered as a separate award; whereas under Canadian GAAP, the gradually vested tranches are considered as a single award. This will result in expenses relating to share-based payments being recognized over the expected term of each vested tranche. IFRS also requires Just Energy to estimate forfeitures up front in the valuation of stock options; whereas, under Canadian GAAP, they can be recorded up front or recorded as they occur. Currently, the Company accounts for forfeitures as they occur. On transition the adjustment to opening retained earnings is not significant and the impact is approximately $0.5 million.

Just Energy has analyzed the optional exemptions available under IFRS 1, First-time Adoption of International Financial Reporting. IFRS generally requires an entity to apply standards on a retrospective basis; however, IFRS 1 provides both mandatory exceptions and optional exemptions from this general requirement. First-time adoption exemptions relevant to the Company are discussed below.

Business Combinations

Under this exemption, Just Energy may elect not to retrospectively apply IFRS 3 to past business combinations. The standard may be prospectively applied from the date of the opening IFRS balance sheet. Just Energy intends to use this exemption.

Share-based payment transactions

Just Energy may not elect to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002, or which are vested before the Company's date of transition to IFRS. Just Energy may also not elect to apply IFRS 2 to liabilities arising from share-based payment transactions, which settled before the date of transition to IFRS. Just Energy intends to apply these exemptions.

Cumulative translation adjustment

The exemption permits the Company to reset the cumulative translation adjustments to zero by recognizing the full amount in the retained earnings of the opening IFRS balance sheet. Just Energy is currently not expected to elect this exemption.

Borrowing costs

The exemption allows Just Energy to adopt IAS 23, which requires the capitalization of borrowing costs on all qualifying assets, prospectively from the date of the opening IFRS balance sheet. Just Energy intends to use this exemption.

Just Energy has prepared an IFRS 1 transition note and full set of annual financial statements under IFRS, which will be disclosed in fiscal 2012.

We have evaluated the impact of the conversion on our accounting systems. Based on the differences identified to date, we believe our systems can accommodate the required changes. We believe our internal and disclosure control processes will not need significant modifications as a result of our transition to IFRS. We have assessed the impacts of adoption on our debt covenants and other contractual arrangements, and have not identified any material compliance issues.

Just Energy continues to evaluate the impacts of current and prospective IFRS on all of our business activities, including those of our subsidiaries and the impact on our entity-wide information system.

RISK FACTORS

Described below are the principal risks and uncertainties that Just Energy can foresee. It is not an exhaustive list, as some future risks may be as yet unknown and other risks, currently regarded as immaterial, could turn out to be material.

CREDIT, COMMODITY AND OTHER MARKET RELATED RISKS

Availability of supply

The risk of supply default is mitigated through credit and supply diversity arrangements. The Just Energy business model is based on contracting for supply to lock in margin. There is a risk that counterparties could not deliver due to business failure, supply shortage or be otherwise unable to perform their obligations under their agreements with Just Energy, or that Just Energy could not identify alternatives to existing counterparties. Just Energy continues to investigate opportunities to identify or secure additional gas suppliers and electricity suppliers. Just Energy's commodity contracts are predominantly with Shell, BP, Bruce Power, Constellation, Société Générale, EDF Trading North America, LLC, National Bank of Canada and CP Energy Marketing (formerly and also known as EPCOR Merchant and Capital). Other suppliers represent less than 5% of commodity supply.

Volatility of commodity prices – enforcement

A key risk to Just Energy's business model is a sudden and significant drop in the market price of gas or electricity resulting in some customers renouncing their contracts. Just Energy may encounter difficulty or political resistance for enforcement of liquidated damages and/or enactment of force majeure provisions in such a situation and be exposed to spot prices with a material adverse impact to cash flow. Continual monitoring of margin and exposure allows management of Just Energy time to adjust strategies, pricing and communications to mitigate this risk.

Availability of credit

In several of the markets in which Just Energy operates, payment is provided by LDCs only when the customer has paid for the consumed commodity (rather than when the commodity is delivered). Also, in some markets, Just Energy must inject gas inventory into storage in advance of payment. These factors, along with the seasonality of customer consumption, create working capital requirements necessitating the use of Just Energy's available credit. In addition, some of Just Energy's subsidiaries and affiliates are required to provide credit assurance, by means of providing guarantees or posting collateral, in connection with commodity supply contracts, license obligations and obligations owed to certain LDCs. Cash flow could be impacted by the ability of Just Energy to fund such requirements or to provide other satisfactory credit assurance for such obligations. To mitigate credit availability risk and its potential impact to cash flows, Just Energy has security arrangements in place pursuant to which commodity suppliers and the lenders under the Credit Facility hold security over substantially all of the assets of Just Energy (other than AESLP, NEC and TGF). AESLP, in turn, has similar arrangements in place solely with EPCOR. Other commodity suppliers' security requirements are met through cash margining, guarantees and letters of credit. The most significant assets of Just Energy consist of its contracts with customers, which may not be suitable as security for some creditors and commodity suppliers. To date, the Credit Facility and related security agreements have met the collateral posting and operational requirements of the business. Just Energy continues to monitor its credit and security requirements. Just Energy's business may be adversely affected if it is unable to meet cash obligations for operational requirements or its collateral posting requirements.

Market risk

Market risk is the potential loss that may be incurred as a result of changes in the market or fair value of a particular instrument or commodity. Although Just Energy manages its estimated customer requirements, net of contracted commodity to zero, it is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements or where it has not been able to exactly purchase the estimated customer requirements. Just Energy is also exposed to interest rates associated with its credit facility and foreign currency exchange rates associated with the repatriation of U.S. dollar denominated funds for Canadian dollar denominated distributions. Just Energy's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets, and the absolute and relative levels of interest rates and foreign currency exchange rates. Just Energy enters into derivative instruments in order to manage exposures to changes in commodity prices and foreign currency rates; current exposure to interest rates does not economically warrant the use of derivative instruments. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand and thereby fix margins such that the payment of dividends to shareholders can be appropriately established. Derivative instruments are generally transacted over the counter. The inability or failure of Just Energy to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of Just Energy.

Market risk governance

Just Energy has adopted a corporate-wide Risk Management Policy governing its market risk management and any derivative trading activities. An internal Risk Committee, consisting of senior officers of Just Energy, monitors company-wide energy risk management activities as well as foreign exchange and interest rate activities. There is also a Risk Committee of the Board that oversees management. The Risk Office and the internal Risk Committee monitor the results and ensure compliance with the Risk Management Policy. The Risk Office is responsible for ensuring that Just Energy manages the market, credit and operational risks within limitations imposed by the Board of Directors in accordance with its Risk Management Policy. Market risks are monitored by the Risk Office and internal Risk Committee utilizing industry accepted mark to market techniques and analytical methodologies in addition to company-specific measures. The Risk Office operates and reports independently of the traders. The failure or inability of Just Energy to comply with and monitor its Risk Management Policy could have an adverse effect on the operations and cash flow of Just Energy.

Energy trading inherent risks

Energy trading subjects Just Energy to some inherent risks associated with future contractual commitments, including market and operational risks, counterparty credit risk, product location differences, market liquidity and volatility. There is continuous monitoring and reporting of the valuation of identified risks to the internal Risk Committee, Executive Committee and the Risk Committee of the Board of Directors. The failure or inability of Just Energy to monitor and address the energy trading inherent risks could have a material adverse effect on its operations and cash flow.

Customer credit risk

In Alberta, Pennsylvania, Massachusetts, California, Texas and Illinois, credit review processes have been implemented to manage customer default as Just Energy has credit risk in these markets. The processes are also applied to commercial customers in all of Just Energy's jurisdictions. In addition, there is a Credit Policy that has been established to govern these processes. If a significant number of residential customers or a collection of larger commercial customers for which Just Energy has the credit risk were to default on their payments, it could have a material adverse effect on the operations and cash flow of Just Energy. Management factors default from credit risk in its margin expectations for all customers in these markets and for commercial customers where Just Energy has that credit risk.

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

Counterparty credit risk

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

Electricity supply – balancing risk

It is Just Energy's policy to procure the estimated electricity requirements of its customers with offsetting electricity derivatives in advance of obtaining customers. Depending on several factors, including weather, Just Energy's customers may use more or less electricity than the volume purchased by Just Energy for delivery to them. Just Energy is able to invoice some of its existing electricity customers for balancing charges or credits when the amount of energy used is greater than or less than the amount of energy that Just Energy has estimated. For certain customers, Just Energy bears the risk of fluctuation in customer consumption. Just Energy monitors consumption and has a balancing and pricing strategy to accommodate the estimated associated costs. In certain circumstances, there can be balancing issues for which Just Energy is responsible when customer aggregation forecasts are not realized.

Natural gas supply – balancing risk

It is Just Energy's policy to procure the estimated gas requirements of its customers with offsetting gas derivatives in advance of obtaining customers. Depending on several factors including weather, Just Energy's customers may use more or less gas than the volume purchased by Just Energy for delivery to them. Just Energy does not invoice its natural gas customers for balancing and, accordingly, bears the risk of fluctuation in customer consumption. Just Energy monitors gas consumption and actively manages forecast differences in customer consumption due to weather variations as well as forecast LDC balancing requirements. To the extent that forecast balancing requirements are beyond initial estimates, Just Energy will bear financing responsibility, be exposed to market risk and, furthermore, may also be exposed to penalties by the LDCs. The inability or failure of Just Energy to manage and monitor these balancing risks could have a material adverse effect on its operations and cash flow. Just Energy has developed a policy of entering into weather-related derivative contracts which are intended to reduce margin volatility in situations of materially higher or lower than forecast consumer consumption. In addition, for certain commercial customers, Just Energy bears the risk of fluctuation in customer consumption. Just Energy monitors consumption and has a balancing and pricing strategy to accommodate for the estimated associated costs.

JustGreen – balancing risk

It is Just Energy's policy to procure the estimated carbon offsets or renewable energy requirements of its customers in advance of obtaining the customers. The balancing risk associated with this product is different in that there is no utility reconciliation of the requirements and public perception of the product is a more significant risk. The Risk Management Policy requires that there be no short positions for this product and management ensures that there is an independent review performed annually of the match of purchased supply to committed delivery.

OPERATIONAL RISKS

Information technology systems

Just Energy operates in a high volume business with an extensive array of data interchanges and market requirements. Just Energy is dependent on its management information systems to track, monitor and correct or otherwise verify a high volume of data to ensure the reported financial results are accurate. Management also relies on its management information systems to provide its independent contractors with compensation information, provide its brokers with pricing and compensation information and to electronically record each customer telephone interaction. Just Energy's information systems also help management forecast new customer enrollments and their energy requirements, which helps ensure that Just Energy is able to supply its new customers' estimated average energy requirements without exposing the Company to the spot market beyond the risk tolerances established by the Risk Management Policy. The failure of Just Energy to install and maintain these systems could have a material adverse effect on the operations and cash flow of Just Energy.

Reliance on third party service providers

In most jurisdictions in which Just Energy operates, the LDCs currently perform billing and collection services. In some areas, Just Energy is required to invoice and receive payments directly from its customers; in others, Just Energy is responsible for collection of defaulted amounts; in others, Just Energy is required to invoice and receive payments from certain commercial customers; and in others, Just Energy is responsible for collection of defaulted amounts. If the LDCs cease to perform these services, Just Energy would have to seek a third party billing provider or develop internal systems to perform these functions. There is no assurance that the LDCs will continue to provide these services in the future.

Outsourcing arrangements

Just Energy has outsource arrangements to support the call centre's requirements for business continuity plans and independence for regulatory purposes, billing and settlement arrangements for certain jurisdictions and operation support for its multi-level marketing efforts. Contract data input is also outsourced as is some business continuity and disaster recovery. As with any contractual relationship, there are inherent risks to be mitigated and these are actively managed, predominantly through quality control measures and regular reporting.

Competition

A number of companies (including Direct Energy, Reliant, Superior Energy, Constellation, NewEnergy, FirstEnergy Solutions and Sempra Energy Solutions) and incumbent utility subsidiaries compete with Just Energy in the residential, commercial and small industrial market. It is possible that new entrants may enter the market as marketers and compete directly for the customer base that Just Energy targets, slowing or reducing its market share. If the LDCs are permitted by changes in the current regulatory framework to sell natural gas at prices other than cost, their existing customer bases could provide them with a significant competitive advantage. This may limit the number of customers available for marketers including Just Energy.

Dependence on independent sales contractors and brokers

Just Energy must retain qualified independent sales contractors to conduct its door-to-door sales as well as brokers and inside salespeople to market to commercial customers despite competition for these sales professionals from Just Energy's competitors. If Just Energy is unable to attract a sufficient number of independent sales contractors or brokers, Just Energy's customer additions and renewals may decrease and the Company may not be able to execute its business strategy. The continued growth of Just Energy is reliant on distribution channels, including the services of its independent sales contractors and brokers. There can be no assurance that competitive conditions will allow these independent contractors and brokers, who are not employees of Just Energy or its affiliates, to achieve these customer additions. Lack of success in these marketing programs would limit future growth of the cash flow of Just Energy.

Just Energy has consistently taken the position that its independent sales contractors act independently pursuant to their contracts for service, which provide that Just Energy does not control how, where or when they provide their services. On occasion, an independent contractor may make a claim that they are entitled to employee benefits pursuant to legislation even though they have entered into a contract with Just Energy that provides that they are not entitled to benefits normally available to employees and Just Energy must respond to these claims. Just Energy's position has been confirmed by regulatory bodies in many instances, but some of these decisions are under appeal. Should regulatory bodies be ultimately successful, Just Energy would be required to remit unpaid tax amounts plus interest and might be assessed a penalty. It could also mean that Just Energy would have to reassess its position in respect of other regulatory matters affecting its independent sales contractors, such as income tax treatment. Such a decision could have a material adverse effect on the operations and cash flow of Just Energy.

Electricity and gas contract renewals and attrition rates

As at March 31, 2011, Just Energy held long-term electricity and gas contracts reflecting approximately 3,308,000 long-term RCEs and the renewal schedule for the contracts is noted on page 32. In fiscal 2011, Just Energy experienced contract attrition rates of approximately 10% in Canada and 23% in the U.S. for gas with rates of 10% and 17% being realized for Canada and the U.S., respectively, for electricity. Management forecasts using a combination of experienced and expected attrition per year, however there can be no assurance that these rates of annual attrition will not increase in the future or that Just Energy will be able to renew its existing electricity and gas contracts at the expiry of their terms. Changes in customer behaviour, government regulation or increased competition may affect (potentially adversely) attrition and renewal rates in the future, and these changes could adversely impact the future cash flow of Just Energy. See page 32 for further discussion on "Failed to renew". Just Energy's fiscal 2011 experience was that approximately 65% and 73% of its Canadian and U.S. gas customers, respectively, and 61% and 66% of its Canadian and U.S. electricity customers, respectively, have renewed at the expiry of the term of their contract.

Cash dividends are not guaranteed

The ability to pay dividends and the actual amount of dividends will depend upon numerous factors, including profitability, fluctuations in working capital, debt service requirements (including compliance with Credit Facility obligations), the sustainability of margins, the ability of Just Energy to procure, at favourable prices, its estimated commitment to supply natural gas and electricity to its customers, the ability of Just Energy to secure additional gas and electricity contracts and other factors beyond the control of Just Energy. Management of Just Energy cannot make any assurances that the Company's affiliates will be able to pass any additional costs arising from legislative changes (or any amendments) on to customers. Cash dividends are not guaranteed and will fluctuate with the performance of the Company's affiliates and other factors.

Earnings volatility

Just Energy's business is seasonal in nature. In addition to regular seasonal fluctuations in its earnings, there is significant volatility in its earnings associated with the requirement to mark its commodity contracts to market. The earnings volatility associated with seasonality and mark to market accounting may be misconstrued as instability, thereby impacting access to capital. Management ensures there is adequate disclosure for both the mark to market and seasonality to mitigate this risk.

Model risk

The approach to calculation of market value and customer forecasts requires data intensive modeling used in conjunction with certain assumptions when independently verifiable information is not available. Although Just Energy uses industry standard approaches and validates its internally developed models, results could change significantly should underlying assumptions prove incorrect or an embedded modeling error go undetected in the vetting process.

Commodity alternatives

To the extent that natural gas and electricity enjoy a price advantage over other forms of energy, such price advantage may be transitory and consumers may switch to the use of another form of energy. The inherent volatility of natural gas and electricity prices could result in these other sources of energy providing more significant competition to Just Energy.

Capital asset and replacement risk

The retail business does not invest in a significant capital asset program, however the water heater business and the ethanol plant are more capital-intensive businesses. The risk associated with water heater replacement is considered minimal as there are several suppliers of high efficiency tanks to source replacements and, individually, the units are not material. The risk associated with the capital assets of the ethanol plant are more significant as parts are not standard, components have a significant value associated and capital asset replacements could significantly impact operations during periods of upgrade or repair. Management monitors this risk in the ethanol business to ensure continuity of operations as demonstrated through the recent hammer mill project that replaced the roller mill technology.

Credit facilities and other debt arrangements

The credit facility maintained by Just Energy Ontario L.P. and JEUSC is in the amount of $350 million. The lenders under such credit facility together with certain of the suppliers of Just Energy and its affiliates are parties to an intercreditor agreement and related security agreements which provide for a joint security interest over all customer contracts (except for those owned by AESLP). There are various covenants pursuant to the credit facility that govern the activities of Just Energy and its subsidiaries and affiliates. The borrowers are required to submit monthly reports addressing, among other things, mark to market exposure, their borrowing base and a supply/demand projection. To date, Just Energy's subsidiaries have met the requirements of the credit facility; however, should those subsidiaries default under the credit facility, it becomes unavailable and could have a significant material adverse effect on the business of those subsidiaries and on the results of operations and financial performance of Just Energy if it is not able to obtain other financing on satisfactory terms.

TGF also has a credit facility of up to $50 million and a debenture purchase agreement providing for the issuance of up to $40 million associated with the Belle Plaine facility. Security for these facilities includes a first priority security interest on all assets and undertaking of TGF. These facilities include certain financial covenants. The debenture holders also agreed to defer certain principal payments during fiscal 2011. In addition, there was a term loan for $10 million, which was repaid at December 31, 2010, and a working capital operating line of $7 million. There is a risk that these credit facilities, including the debenture purchase agreement, may not continue to be available on the same terms or at all given the compliance issues that TGF has previously experienced and the inability of TGF and the lender and debenture holders to reach an agreement regarding the financial covenants for fiscal 2012, which could result in the Belle Plaine facility ceasing to operate and a loss of the security pledged by TGF as security for advances under such credit facilities.

NHS has also entered into a long-term financing agreement with respect to the installation of water heaters (see page 40 for more information). In the event this financing became unavailable, it could have a material adverse effect on the Company's home services business.

Disruptions to infrastructure

Customers are reliant upon the LDCs to deliver their contracted commodity. LDCs are reliant upon the continuing availability of the distribution infrastructure. Any disruptions in this infrastructure would result in counterparties and thereafter Just Energy enacting the force majeure clauses of their contracts. Under such severe circumstances there would be no revenue or associated cost of sales to report for the affected areas.

Expansion strategy and future acquisitions

The Company plans to grow its business by expansion into additional deregulated markets through organic growth and acquisitions. The expansion into additional markets is subject to a number of risks, any of which could prevent the Company from realizing its business strategy.

Acquisitions involve numerous risks, any one of which could harm the Company's business, including difficulties in integrating the operations, technologies, products, existing contracts, accounting processes and personnel of the target and realizing the anticipated synergies of the combined businesses; difficulties in supporting and transitioning customers, if any, or assets of the target company may exceed the value the Company realizes, or the value it could have realized if it had allocated the purchase price or other resources to another opportunity; risks of entering new markets or areas in which Just Energy has limited or no experience or are outside its core competencies; potential loss of key employees, customers and strategic alliances from either Just Energy's current business or the business of the target; assumption of unanticipated problems or latent liabilities, such as problems with the quality of the products of the target; and inability to generate sufficient revenue to offset acquisition costs.

Future acquisitions or expansion could result in the incurrence of additional debt and related interest expense, as well as unforeseen liabilities, all of which could have a material adverse effect on business, results of operations and financial condition. The failure to successfully evaluate and execute acquisitions or otherwise adequately address the risks associated with acquisitions could have a material adverse effect on Just Energy's business, results of operations and financial condition. Just Energy may require additional financing should an appropriate acquisition be identified and it may not have access to the funding required for the expansion of its business or such funding may not be available to Just Energy on acceptable terms. There is no assurance that Just Energy will determine to pursue any acquisition or that such an opportunity, if pursued, will be successful.

LEGAL, REGULATORY AND SECURITIES RISKS

Legislative and regulatory environment

Just Energy operates in the highly regulated natural gas and electricity retail sales industry in all of its jurisdictions. It must comply with the legislation and regulations in these jurisdictions in order to maintain its licensed status and to continue its operations. There is potential for change to this legislation and these regulatory measures that may, favourably or unfavourably, impact Just Energy's business model. As part of doing business door-to-door, Just Energy receives complaints from consumers which may involve sanctions from regulatory and legal authorities including those which issue marketing licenses. Similarly, changes to consumer protection legislation in those provinces and states where Just Energy markets to non-commercial customers may, favourably or unfavourably, impact Just Energy's business model. Just Energy has a dedicated team of in-house regulatory advisors to ensure adequate knowledge of the legislation and regulations in order that operations may be advised of regulations pursuant to which procedures are required to be implemented and monitored to maintain license status. When new markets are entered, the team assesses the market and determines if additional expertise (internal or external) is required. There is also a team that monitors and addresses complaints with a view to mitigating underlying causes of complaints.

In addition to the litigation referenced herein and occurring in the ordinary course of business, Just Energy may in the future be subject to class actions, other litigation and other actions arising in relation to its consumer contracts and marketing practices. See the "Legal proceedings" section on page 53 of this report. This litigation is, and any such additional litigation could be, time consuming and expensive and could distract our executive team from the conduct of Just Energy's daily business. The adverse resolution or reputational damage of any specific lawsuit could have a material adverse effect on our ability to favourably resolve other lawsuits and on the Company's financial condition and liquidity.

The Company may issue additional shares, diluting existing shareholders' interests

The Company may issue additional common shares and up to 50,000,000 preferred shares without the approval of shareholders.

Financial markets

Significant events or volatility in the financial markets could result in the lack of (i) sufficient capital to absorb the impact of unexpected losses and/or (ii) sufficient liquidity or financing to fund operations and strategic initiatives. Furthermore, significant volatility in exchange rates and interest rates could have an adverse impact on product pricing, gross margins and net interest expense. In addition, inappropriate hedging strategies for mitigating foreign exchange, interest rate and equity exposures could cause a significant impact on earnings.

TGF's dependence on commodity prices

TGF's results of operations, financial position and business outlook are substantially dependent on commodity prices, especially prices for wheat, natural gas, ethanol and distillers' grains. Prices for these commodities are generally subject to significant volatility and uncertainty. As a result, TGF's results may fluctuate substantially, and TGF may experience periods of declining prices for TGF's products and increasing costs for TGF's raw materials, which could result in operating losses. TGF may attempt to offset a portion of the effects of such fluctuations by entering into forward contracts to supply ethanol or to purchase wheat, natural gas or other items or by engaging in other hedging transactions, however, the amount and duration of these hedging and other risk mitigation activities may vary substantially over time. In addition, these activities involve substantial costs and substantial risks and may be ineffective to mitigate these fluctuations.

Ethanol is marketed both as a fuel additive to reduce vehicle emissions from gasoline and as an octane enhancer to improve the octane rating of gasoline with which it is blended. As a result, ethanol prices are influenced by the supply and demand for gasoline (which is itself influenced by the supply and demand for crude oil).

TGF's dependence on federal and provincial legislation and regulation

Various laws, regulations and programs of the United States federal government and certain provincial and state governments are intended to lead to increased use of ethanol in gasoline. For example, certain existing and proposed laws, regulations and programs provide (or if implemented will provide) economic incentives to ethanol producers and users, however, existing and proposed laws may be influenced by those who believe that the use of ethanol does not create the benefits suggested by proponents of increased ethanol usage. These existing and proposed laws, regulations and programs are constantly changing. In both the U.S. and Canada legislators and environmental regulators could adopt or modify existing or proposed laws, regulations or programs that could adversely affect the use of ethanol. There can be no assurance that existing laws, regulations or programs will continue in the future, or that proposed laws, regulations or programs will be adopted or implemented as currently anticipated or at all. In addition, certain jurisdictional governments may oppose the use of ethanol because those jurisdictions might have to acquire ethanol from other jurisdictions, which could increase gasoline prices in those jurisdictions.

Environmental, health and safety laws, regulations and liabilities

TGF owns the land on which it has built the Belle Plaine facility. TGF is subject to various federal, provincial and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of TGF's employees. These laws and regulations require TGF to maintain and comply with numerous environmental permits to operate its Belle Plaine facility. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts on the environment. A violation of these laws, regulations or permit conditions or contamination to the land or neighbouring lands can result in substantial fines, natural resource damages, criminal sanctions, permit revocations, litigation and/or facility shutdowns. In addition, new laws, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments could require TGF to make additional significant expenditures. Continued government and public emphasis on environmental issues may result in increased future investments for environmental controls at the Belle Plaine Facility.

The hazards and risks associated with producing and transporting TGF's products (such as fires, natural disasters, explosions, and abnormal pressures and blowouts) may also result in personal injury claims by employees, third parties or damage to property owned by TGF or by third parties. As protection against operating hazards, TGF maintains insurance coverage against some, but not all, potential losses. However, TGF could sustain losses for uninsurable or uninsured events, or in amounts in excess of existing insurance coverage.

Technological advances

TGF expects that technological advances in the processes and procedures for processing ethanol will continue to occur. It is possible that those advances could make the processes and procedures that TGF intends to utilize at the Belle Plaine facility less efficient or obsolete, or cause the ethanol TGF intends to produce to be of a lesser quality. These advances could also allow TGF's competitors to produce ethanol at a lower cost than TGF. If TGF is unable to adopt or incorporate technological advances, TGF's ethanol production methods and processes could be less efficient than those of its competitors, which could cause the Belle Plaine facility to become less competitive.

In addition, alternative fuels, additives and oxygenates are continually under development. Alternative fuel additives that can replace ethanol may be developed, which may decrease the demand for ethanol. It is also possible that technological advances in engine and exhaust system design and performance could reduce the use of oxygenates, which would lower the demand for ethanol, in which case TGF's business, results of operations and financial condition may be materially adversely affected.

Social or technological changes affecting the water heater market

Within Canada, the Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters; however, there can be no assurance that NHS's customers will continue to rent their water heaters. It is also possible that more economical or efficient water heating technology than that which is currently used by customers will be developed or that the economic conditions in which the current technology is applied will change resulting in a reduction in the number of installed water heaters.

The Canadian water heater rental market is primarily limited to the Province of Ontario. A prolonged downturn in the Ontario economy and a corresponding slowdown in new home construction could have an adverse effect on the demand for additional water heaters in Ontario.

Concentration of water heater suppliers and product faults

Although there are a number of manufacturers of water heaters, NHS relies principally on GSW Inc. ("GSW") for its supply of water heaters. Should this supplier fail to deliver in a timely manner, delays or disruptions in the supply and installation of water heaters could result.

In addition, different water heater manufacturers may, from time to time, source components from the same manufacturers for use in their water heaters. As a result, a parts defect relating to a commonly sourced component could affect water heaters produced by more than one manufacturer. Although NHS maintains what it believes to be suitable product liability insurance, there can be no assurance that NHS will be able to maintain such insurance on acceptable terms or that any such insurance will provide adequate protection against potential liabilities, including with respect to product recalls.

LEGAL PROCEEDINGS

Just Energy's subsidiaries are party to a number of legal proceedings. Just Energy believes that each proceeding constitutes a routine legal matter incidental to the business conducted by Just Energy and that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flows or financial position.

In addition to the routine legal proceedings of Just Energy, the State of California has filed a number of complaints to the Federal Energy Regulatory Commission ("FERC") against many suppliers of electricity, including Commerce with respect to events stemming from the 2001 energy crisis in California. Pursuant to the complaints, the State of California is challenging the FERC's enforcement of its market-based rate system. Although CEI did not own generation facilities, the State of California is claiming that CEI was unjustly enriched by the run-up in charges caused by the alleged market manipulation of other market participants. On March 18, 2010, the Administrative Law Judge in the matter granted a motion to strike the claim for all parties in one of the complaints, holding that California did not prove that the reporting errors masked the accumulation of market power. California has appealed the decision. CEI continues to vigorously contest this matter and it is not expected to have a material impact on the financial condition of the Company.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Except for the limitation on scope of design of disclosure controls and procedures as noted below, Just Energy maintains appropriate information systems, procedures and controls to ensure that information disclosed externally is complete, reliable and timely. Just Energy's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52–109, Certification of Disclosure in Issuer's Annual and Interim Filings) as at March 31, 2011, and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

Internal control over financial reporting

Except for the limitation on scope of the internal controls over financial reporting as noted below, Just Energy has established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. Just Energy's Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their direct supervision of, the design and operating effectiveness of its internal controls over financial reporting (as defined in National Instrument 52–109, Certification of Disclosure in Issuer's Annual and Interim Filings) as at March 31, 2011, using the Internal Control over Financial Reporting – Guidance for Smaller Public Companies published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment it was concluded that Just Energy's internal controls over financial reporting were appropriately designed and were operating effectively.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) the impact of any undetected errors; and (iii) that controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Changes in internal control over financial reporting

There have been no changes in Just Energy's policies and procedures that comprise its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended March 31, 2011.

Limitation on scope of design

Section 3.3(1) of National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, states that Just Energy may limit its design of disclosure controls and procedures and internal controls over financial reporting for a business that it acquired not more than 365 days before the end of the financial period to which the certificate relates. Under this section, Just Energy's Chief Executive Officer and Chief Financial Officer have limited the scope of the design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the Hudson subsidiaries acquired on May 1, 2010.

Summary financial information pertaining to the Hudson acquisition that was included in the consolidated financial statements of the Company for the 11 months ended March 31, 2011, is as follows:

(thousands of dollars)	
Sales[1]	$ 654,802
Net income[1]	5,670
Current assets	123,322
Non-current assets	293,967
Current liabilities	114,578
Non-current liabilities	20,544

[1] Results from May 1, 2010 to March 31, 2011.

Just Energy, as part of the acquisition of the above noted subsidiary, acquired commitments to office leases in the amount of $1.4 million which have been included in the notes to the consolidated financial statements.

Corporate governance

Just Energy is committed to transparency in our operations and our approach to governance meets all recommended standards. Full disclosure of our compliance with existing corporate governance rules is available on our website at www.justenergy.com and is included in Just Energy's May 20, 2011, management information circular. Just Energy actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

OUTLOOK

Fiscal 2011 saw the continued benefit of Just Energy's ongoing diversification beyond its core business of five-year fixed rate residential gas and electricity. Sales to this core customer group have faced very difficult market conditions during the past two years, with very stable low commodity prices limiting the attraction of a fixed price product both for new customers and renewals. As this situation became clear, Just Energy management took a number of steps intended to use new products and markets to provide growth that would not otherwise be available.

Foremost among these diversifications is the expansion of Just Energy's commercial offerings through the acquisition of Hudson and the expansion of the Company's in-house commercial sales capability. The result is a second consecutive year of record gross and net new customer additions with the majority of these coming from the commercial division. Going forward, the Company will continue to broaden its product offering with more flexible terms for both residential and commercial customers. The availability of shorter-term contracts and variable and/or fixed rate blended options added to existing JustGreen offerings will broaden the base of potential customers for Just Energy and ease renewals at contract end.

The short-term impact of these diversifications can be seen in gross customer additions, which were 999,000 (excluding those acquired with Hudson), up 98% from the previous record of 505,000 in fiscal 2010. This strong growth was combined with improvements in customer attrition leading to net additions through marketing of 361,000, up 395% from 73,000 in fiscal 2010. Commercial customers are currently approximately 40% of Just Energy's base, and management expects this to increase to 50% over time. Commercial customers are typically subject to less weather volatility than residential customers. This may translate into more predictable results from the natural gas book. Also, commercial customers do not ordinarily move, reducing overall attrition, and making balancing of the supply book less complex.

New product offerings and further geographic expansion will also contribute to growth in the coming years. A major product will be the JustClean offering, which results in comparable margins per RCE to traditional residential customer contracts, can be offered in all states and provinces and is not dependent on energy deregulation. Early response to JustClean has been very positive and product rollout across North America is expected in the coming fiscal year.

Geographic expansion is expected in the coming year into Pennsylvania, Saskatchewan and two new utility territories in New York. Equally important will be an expansion of the very successful Hudson broker network. Broadening this commercial footprint to existing Just Energy markets will be a major contributor to growth in fiscal 2012. Recently developed telemarketing and Internet sales as well as the Momentis network marketing unit are further diversifications of the Company's sales platform, which should also contribute to growth.

The year also saw improved operations and growth in the Home Services and Ethanol divisions. These product line diversifications are now beginning to contribute to current EBITDA as well as future growth. The coming year will see the addition of Hudson Solar, a solar project development platform, which has begun operations in New Jersey. Just Energy continues to monitor opportunities to enhance growth by adding related products to its offering to customers.

Management has, in past years, provided guidance on growth expected for the coming fiscal year. For fiscal 2012, management expects growth of approximately 5% per share in gross margin and Adjusted EBITDA. Customer growth should exceed these levels but the shift toward lower aggregation cost/lower margin commercial customers will result in a lower relative growth of margin. Management *anticipates that accelerated deductibility of Hudson solar capital expenditures combined with tax planning for Canadian operations should* result in a cash tax expenditure for fiscal 2012 very similar to that of fiscal 2011.

Just Energy's recent growth has been, and will continue to be, predominantly in U.S. markets. The decline in the U.S. dollar versus the Canadian has had an adverse impact on the reported results of Just Energy. The 7% decline in the U.S. annual exchange rates seen year over year reduced reported gross margin by $16.3 million and distributable cash by $10.6 million. It is expected that sales, margins and distributable cash will be subject to more volatility during times of currency fluctuations. U.S. cross border cash flow is forecasted annually, and hedges for cross border cash flow are entered into. Just Energy hedges between 25% and 90% of the next 12 months' cross border cash flows depending on the level of certainty of the cash flows.

Just Energy margins were reduced by $35 million in the first and second quarters of fiscal 2011 due to balancing cost and utility financial reconciliations related to the record warm winter of 2009–10. In an attempt to reduce exposure to further weather variance, management has increased the usage of weather options as part of the overall hedge positions. The impact of this will be to increase margins toward expected levels when weather-related consumption declines and reduce margins toward expected levels when weather-related consumption is high. The existence of these options had a small adverse effect on gross margin in the fourth quarter but the longer-term result of the policy should be more stable, predictable operating results.

Just Energy has partnered on a power-purchase-agreement basis with a number of green energy projects and plans to enter into more such partnerships concentrated in jurisdictions where the Company has an established customer base. Just Energy continues to monitor the progress of the deregulated markets in various jurisdictions, which may create the opportunity for further geographic expansion.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Just Energy Group Inc. 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.

Just Energy Group Inc. 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 Company 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 Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. 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 Just Energy Group Inc.

Ken Hartwick
Chief Executive Officer and President

Beth Summers
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Just Energy Group Inc.

We have audited the accompanying consolidated financial statements of Just Energy Group Inc., which comprise the consolidated balance sheet as at March 31, 2011 and the consolidated statements of operations, shareholders' deficiency, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Just Energy Group Inc. as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

OTHER MATTERS

The consolidated financial statements of Just Energy Group Inc. for the year ended March 31, 2010 were audited by another firm of chartered accountants who expressed an unmodified opinion on those consolidated statements on May 19, 2010.

Ernst & Young LLP

Toronto, Canada,
May 19, 2011.

Chartered Accountants,
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

As at March 31

(thousands of Canadian dollars)

	2011	2010
ASSETS		
CURRENT		
Cash	$ 97,633	$ 60,132
Restricted cash *(Note 4)*	833	18,650
Accounts receivable	281,685	232,579
Unbilled revenue	125,122	74,045
Accrued gas receivable	26,535	20,793
Gas delivered in excess of consumption	3,481	7,410
Gas in storage	6,133	4,058
Inventory *(Note 5)*	6,906	6,323
Prepaid expenses and deposits	6,079	20,038
Current portion of future income tax assets *(Note 10)*	36,375	29,139
Corporate tax recoverable	9,135	–
Other assets – current *(Note 14a)*	3,846	2,703
	603,763	475,870
FUTURE INCOME TAX ASSETS *(Note 10)*	85,899	85,197
PROPERTY, PLANT AND EQUIPMENT *(Note 7)*	234,906	217,223
CONTRACT INITIATION COSTS	29,654	5,587
INTANGIBLE ASSETS *(Note 8)*	413,035	342,022
GOODWILL	211,434	177,887
LONG-TERM RECEIVABLE	4,569	2,014
OTHER ASSETS – LONG-TERM *(Note 14a)*	5,384	5,027
	$ 1,588,644	$ 1,310,827
LIABILITIES		
CURRENT		
Bank indebtedness	$ 2,314	$ 8,236
Accounts payable and accrued liabilities	282,805	184,682
Unit distribution payable	–	13,182
Corporate taxes payable	9,788	6,410
Current portion of future income tax liabilities *(Note 10)*	13,216	6,776
Deferred revenue	–	7,202
Accrued gas accounts payable	19,353	15,093
Current portion of long-term debt *(Note 9)*	94,117	62,829
Other liabilities – current *(Note 14a)*	485,406	685,200
	906,999	989,610
LONG-TERM DEBT *(Note 9)*	507,460	231,837
FUTURE INCOME TAX LIABILITIES *(Note 10)*	2,657	–
DEFERRED LEASE INDUCEMENTS	1,622	1,984
OTHER LIABILITIES – LONG-TERM *(Note 14a)*	355,412	590,572
	1,774,150	1,814,003
NON-CONTROLLING INTEREST	–	20,603
SHAREHOLDERS' DEFICIENCY		
Deficit	$(1,063,179)	$(1,423,698)
Accumulated other comprehensive income *(Note 11)*	123,804	221,969
	(939,375)	(1,201,729)
Unitholders' capital *(Note 12)*	–	659,118
Shareholders' capital *(Note 12)*	697,052	–
Equity component of convertible debenture *(Note 9e)*	33,914	–
Contributed surplus *(Note 13d)*	22,903	18,832
Shareholders' deficiency	(185,506)	(523,779)
	$ 1,588,644	$ 1,310,827

Guarantees (Note 18) Commitments (Note 19) Contingencies (Note 20) Subsequent events (Note 24)

See accompanying notes to the consolidated financial statements

Approved on behalf of Just Energy Group Inc.

Rebecca MacDonald, Executive Chair

Michael Kirby, Corporate Director

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31
(thousands of Canadian dollars, except per share amounts)

	2011	2010
SALES	$ 2,953,192	$ 2,299,231
COST OF SALES	2,470,989	1,883,898
GROSS MARGIN	482,203	415,333
EXPENSES		
General and administrative expenses	109,407	88,423
Marketing expenses	133,607	95,760
Bad debt expense	27,650	17,940
Amortization of intangible assets and related supply contracts	120,841	60,951
Amortization of property, plant and equipment	5,698	5,494
Share-based compensation	5,509	4,754
Capital tax expense	188	522
	402,900	273,844
INCOME BEFORE THE UNDERNOTED	79,303	141,489
INTEREST EXPENSE *(Note 9)*	50,437	16,134
CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS *(Note 14a)*	(509,401)	1,282
OTHER INCOME	(7,235)	(3,515)
INCOME BEFORE INCOME TAX	545,502	127,588
PROVISION FOR (RECOVERY OF) INCOME TAXES *(Note 10)*	32,142	(100,260)
NON-CONTROLLING INTEREST	(1,987)	(3,648)
NET INCOME	$ 515,347	$ 231,496

See accompanying notes to the consolidated financial statements

	2011	2010
Net income per share/unit *(Note 16)*		
Basic	$ 3.81	$ 1.81
Diluted	$ 3.73	$ 1.79

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIENCY

For the years ended March 31
(thousands of Canadian dollars)

	2011	2010
ACCUMULATED EARNINGS (DEFICIT)		
Accumulated deficit, beginning of year	$ (480,931)	$ (712,427)
Net income	515,347	231,496
ACCUMULATED EARNINGS (DEFICIT), END OF YEAR	34,416	(480,931)
DISTRIBUTIONS AND DIVIDENDS		
Distributions and dividends, beginning of year	(942,767)	(757,850)
Distributions and dividends	(151,782)	(179,839)
Class A preference share distributions – net of income taxes of $1,305 (2010 – $2,501)	(3,046)	(5,078)
Distributions and dividends, end of year	(1,097,595)	(942,767)
DEFICIT	(1,063,179)	(1,423,698)
ACCUMULATED OTHER COMPREHENSIVE INCOME *(Note 11)*		
Accumulated other comprehensive income, beginning of year	221,969	364,566
Other comprehensive loss	(98,165)	(142,597)
Accumulated other comprehensive income, end of year	123,804	221,969
SHAREHOLDERS'/UNITHOLDERS' CAPITAL *(Note 12)*		
Shareholders' capital, beginning of year	659,118	398,454
Shares exchanged	23,231	187,063
Shares issued on exercise/exchange of share compensation	1,559	682
Shares issued	10,328	–
Distribution reinvestment plan	26,047	20,036
Exchangeable Shares issued	–	239,946
Exchangeable Shares exchanged	(23,231)	(187,063)
Shareholders'/Unitholders' capital, end of year	697,052	659,118
EQUITY COMPONENT OF CONVERTIBLE DEBENTURE *(Note 9e)*	33,914	–
CONTRIBUTED SURPLUS *(Note 13d)*	22,903	18,832
Shareholders' deficiency, end of year	$ (185,506)	$ (523,779)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31
(thousands of Canadian dollars)

	2011	2010
NET INCOME	$ 515,347	$ 231,496
Unrealized gain on translation of self-sustaining operations	334	26,626
Amortization of deferred unrealized gain of discontinued hedges, net of income taxes of $21,384 (2010 – $34,339) *(Note 14a)*	(98,499)	(169,223)
OTHER COMPREHENSIVE LOSS	(98,165)	(142,597)
COMPREHENSIVE INCOME	$ 417,182	$ 88,899

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31
(thousands of Canadian dollars)

	2011	2010
Net inflow (outflow) of cash related to the following activities		
OPERATING		
Net income	$ 515,347	$ 231,496
Items not affecting cash		
Amortization of intangible assets and related supply contracts	120,841	60,951
Amortization of property, plant and equipment	5,698	5,494
Amortization of contract initiation costs	12,429	–
Share-based compensation	5,509	4,754
Non-controlling interest	(1,987)	(3,648)
Future income taxes	22,655	(122,014)
Financing charges, non-cash portion	6,151	902
Other	16,056	4,030
Change in fair value of derivative instruments	(509,401)	1,282
	(322,049)	(48,249)
Adjustments required to reflect net cash receipts from gas sales *(Note 21)*	(1,725)	10,549
Net change in non-cash working capital *(Note 22)*	(38,213)	(35,523)
Cash inflow from operating activities	153,360	158,273
FINANCING		
Distributions and dividends paid	(138,796)	(157,495)
Distributions to Class A preference shareholder	(4,896)	(7,580)
Tax impact on distributions to Class A preference shareholder	1,305	2,501
Increase/(decrease) in bank indebtedness	(5,922)	8,236
Issuance of long-term debt	484,844	243,797
Repayment of long-term debt	(148,292)	(207,493)
Debt issuance costs	(2,157)	–
Funding from minority interest holder of TGF	–	1,500
Restricted cash	17,793	626
Cash inflow (outflow) from financing activities	203,879	(115,908)
INVESTING		
Purchase of property, plant and equipment	(36,641)	(41,207)
Purchase of other intangible assets	(2,555)	(6,348)
Acquisitions *(Note 6)*	(262,673)	9,799
Proceeds from long-term receivable	2,232	290
Contract initiation costs	(19,210)	–
Cash outflow from investing activities	(318,847)	(37,466)
Effect of foreign currency translation on cash balances	(891)	(3,861)
NET CASH INFLOW	37,501	1,038
CASH, BEGINNING OF YEAR	60,132	59,094
CASH, END OF YEAR	$ 97,633	$ 60,132
Supplemental cash flow information		
Interest paid	$ 39,167	$ 14,621
Income taxes paid	$ 8,651	$ 27,886

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2011
(thousands of Canadian dollars except where indicated and per share amounts)

NOTE 1 ORGANIZATION

Effective January 1, 2011, Just Energy completed the conversion from an income trust (Just Energy Income Fund (the "Fund")) to a corporation (the "Conversion") pursuant to a plan of arrangement approved by unitholders on June 29, 2010, and by the Alberta Court of the Queen's Bench on June 30, 2010 and going forward, operates under the name, Just Energy Group Inc. ("JEGI", "Just Energy" or "the Company"). JEGI was a newly incorporated entity for the purpose of acquiring the outstanding units of the Fund, exchangeable shares of Just Energy Exchange Corp ("JEEC") and the Class A Preference Shares of Just Energy Corp ("JEC") on a one-for-one basis for common shares of JEGI. There was no change in the ownership of the business and therefore, there is no impact to the consolidated financial statements except for the elimination of unitholders' equity and the recording of shareholders' equity in the same amount.

Just Energy is a corporation established under the laws of Canada to hold securities and to distribute the income of its directly or indirectly owned operating subsidiaries and affiliates: Just Energy Ontario L.P., Just Energy Manitoba L.P., Just Energy Quebec L.P., Just Energy (B.C.) Limited Partnership, Just Energy Alberta L.P., Alberta Energy Savings L.P. ("AESLP"), Just Energy Illinois Corp., Just Energy New York Corp., Just Energy Indiana Corp., Just Energy Texas L.P., Just Energy Massachusetts Corp., Just Energy Michigan Corp., Just Energy Pennsylvania Corp., Universal Energy Corporation, Commerce Energy Inc. ("Commerce" or "CEI"), National Energy Corp. (which operates under the trade name of National Home Services ("NHS")), Hudson Energy Services, LLC and Hudson Energy Canada Corp. ("Hudson" or "HES"), Momentis Canada Corp. and Momentis U.S. Corp. (collectively, "Momentis"), Terra Grain Fuels, Inc. ("TGF"), and Hudson Energy Solar Corp.

NOTE 2 OPERATIONS

Just Energy's business primarily involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price, price-protected or variable-priced contracts and green energy products. By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Just Energy's customers offset their exposure to changes in the price of these essential commodities. Just Energy, which commenced business in 1997, derives its margin or gross profit from the difference between the price at which it is able to sell the commodities to its customers and the price at which it purchases the associated volumes from its suppliers. Just Energy also offers green products through its JustGreen program. The JustGreen electricity product offers the customer the option of having all or a portion of their electricity sourced from renewable green sources such as wind, run of the river hydro or biomass. The JustGreen gas product offers carbon offset credits, which will allow the customer to reduce or eliminate the carbon footprint of their home or business. Management believes that the JustGreen products will not only add to profits but also increase sales receptivity and improve renewal rates.

In addition, through NHS, Just Energy sells and rents high efficiency and tankless water heaters and other heating, ventilating and air conditioning ("HVAC") products. TGF, an ethanol producer, operates a wheat-based ethanol facility in Belle Plaine, Saskatchewan. Just Energy indirectly acquired Hudson, effective May 1, 2010, a marketer of natural gas and electricity that primarily sells to commercial customers.

NOTE 3(i) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), and include the accounts of Just Energy and its directly or indirectly 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) Accrued gas receivable/accrued gas accounts payable or gas delivered in excess of consumption/deferred revenues

Accrued gas receivables are stated at estimated realizable value and result when customers consume more gas than has been delivered by Just Energy 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, Quebec and Michigan gas markets.

(d) Gas in storage

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

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

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

(e) Inventory

Inventory consists of water heaters, furnaces and air conditioners as well as ethanol, ethanol in process and grain inventory. Water heaters, furnaces and air conditioners are stated at the lower of cost and net realizable value with cost being determined on a weighted average basis. Ethanol, ethanol in process and grain inventory are valued at the lower of cost and net realizable value with cost being determined on a weighted average basis.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Cost for water heaters, furnaces and air conditioners includes the cost of installation.

Amortization is provided over the estimated useful lives of the assets, with the half year rule applied to additions, as follows:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Water heaters, furnaces and air conditioners	Straight line	15 years
Leasehold improvements	Straight line	Term of lease
Vehicles	Straight line	5 years
Ethanol plant and equipment	Straight line	25 years
Building	Straight line	39 years

(g) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the tangible and intangible assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination of the Company's reporting subsidiaries that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized however; it is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps: in the first step, the carrying amount of the reporting unit including goodwill is compared with its fair value. When the fair value of a reporting unit including goodwill exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination.

(h) Gas contracts and customer relationships

Gas contracts represent the original fair value of existing sales and supply contracts acquired by Just Energy on the acquisition of various gas contracts and expected renewals. These contracts are amortized over their average estimated remaining life of up to five years on a straight line basis which approximates the life of the assets.

(i) Electricity contracts and customer relationships

Electricity contracts represent the original fair value of existing sales and supply contracts acquired by Just Energy on the acquisition of various electricity contracts and expected renewals. These contracts are amortized over their average estimated remaining life of up to six years on a straight line basis which approximates the life of the assets.

(j) **Water heater contracts and customer relationships**

Water heater contracts represent the fair value of rental contracts on the acquisition of various water heater contracts and expected renewals. These contracts are operating leases and are amortized over their average estimated remaining life of up to 15 years on a straight line basis which approximates the life of the assets.

(k) **Impairment of long-lived assets**

Just Energy reviews long-lived assets, which include property, plant and equipment, contract initiation costs and intangible assets with finite lives, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset, through use and eventual disposition. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(l) **Other assets (liabilities) – current/long-term, change in fair value of derivative instruments and other comprehensive income (loss)**

Just Energy's various derivative instruments have been accounted for using the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement. Effective July 1, 2008, Just Energy ceased the utilization of hedge accounting. In accordance with CICA Handbook Section 3865, Hedges, Just Energy is amortizing the accumulated gains and losses to June 30, 2008, from other comprehensive income in the same period in which the original hedged item affects the Consolidated Statements of Operations. No retrospective restatement is required for this change. The derivatives are measured at fair value and booked to the consolidated balance sheets. Effective July 1, 2008, all changes in fair value between periods are booked to change in fair value of derivative instruments on the consolidated statements of operations.

Just Energy enters into contracts with the intent of moderating its exposure to risks affecting the cost of sales for fixed-price electricity and JustGreen electricity sales. The contracts include fixed-for-floating electricity swap contracts and physical forward contracts, unforced capacity contracts, heat rate swap contracts, heat rate options, renewable energy certificates, and financial and physical forward gas contracts (to fulfill obligations under the heat rate swaps) with electricity and natural gas suppliers. These swaps and forwards are accounted for in accordance with CICA Handbook Section 3855.

Just Energy enters into hedges of its cost of sales relating to its fixed-price gas and JustGreen gas contracts by entering into a combination of physical gas forwards, financial gas forwards, physical transportation forwards, carbon offset contracts and option contracts. Physical gas forwards and transportation forwards are accounted for in accordance with CICA Handbook Section 3855. Option contracts and financial gas forwards are accounted for in accordance with CICA Handbook Section 3855.

Just Energy enters into hedges for its foreign exchange risk relating to its anticipated repatriation of U.S. dollar denominated currency by entering into foreign exchange forward contracts with its lender. Just Energy accounts for these forward contracts in accordance with CICA Handbook Section 3855 by recording them on the consolidated balance sheets as either other assets or other liabilities measured at fair value, with changes in fair value booked to change in fair value of derivative instruments.

(m) **Financial instruments**

Financial instruments are classified into a defined category, namely, held-for-trading financial assets or financial liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. Financial instruments are included on Just Energy's consolidated balance sheets and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at cost or amortized cost. Financial assets and financial liabilities have been initially remeasured as at April 1, 2009 to take into account the appropriate credit risk and counterparty credit risk (see Note 13c). Gains and losses on held-for-trading financial assets and financial liabilities are recognized in net earnings in the period in which they arise. Unrealized gains and losses, including those related to changes in foreign exchange rates on available-for-sale financial assets, are recognized in accumulated other comprehensive loss until the financial asset is derecognized or determined to be impaired, at which time any unrealized gains or losses are recorded in net earnings. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are amortized using the effective interest method. The following classifications have been applied:

- cash and restricted cash as held-for-trading, which is measured at fair value;
- accounts receivable and unbilled revenues are classified as loans and receivables, which are measured at amortized cost; and
- long-term debt, accounts payable and accrued liabilities, unit distribution payable and bank indebtedness are classified as other financial liabilities, which are measured at amortized cost.

Financial instruments measured at fair value on the consolidated balance sheets are based on a hierarchy that reflects the significance of the inputs used in the fair value measurements. The fair value hierarchy is disclosed in note 13 of the financial statements.

Electricity:

Just Energy has entered into contracts with customers to provide electricity and renewable energy 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 Just Energy to changes in market prices of electricity, renewable energy certificates and consumption. To reduce its exposure to movements in commodity prices arising from the acquisition of electricity and renewable energy certificates at floating rates, Just Energy uses electricity derivative contracts ("electricity derivative contracts"). These electricity derivative contracts are fixed-for-floating swaps, physical electricity forward contracts, unforced capacity contracts, renewable energy certificates or a combination of heat rate swaps, heat rate options and physical or financial forward gas contracts.

Just Energy 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 in the fixed-for-floating contract arrangements. Just Energy takes title to the renewable energy certificate volumes to satisfy customer contracts. Just Energy takes title to electricity and unforced capacity at a fixed price for scheduling into the power grid under the forward contracts. Just Energy agrees to pay for certain quantities of power based on the floating price of natural gas under heat rate swaps. In order to cover the floating price of gas under these arrangements, prices for gas are fixed through either physical or financial forward gas contracts with a protection against weather variation achieved through the purchase of heat rate options. These contracts are expected to be effective as economic hedges of the electricity price exposure.

The premiums and settlements for these derivative instruments are recognized in cost of sales, when incurred.

The fair value of the electricity derivative contracts is recorded in the consolidated balance sheets with changes in the fair value being recorded in change in fair value of derivative instruments on the consolidated statements of operations.

Gas:

Just Energy has entered into contracts with customers to provide gas and carbon offsets at fixed prices ("customer gas contracts"). Customer gas contracts include requirements contracts and contracts with fixed or variable volumes at fixed prices. The customer gas contracts expose Just Energy to changes in market prices of gas and consumption. To reduce its exposure to movements in commodity prices and usage, Just Energy uses carbon offset, options and gas physical and financial contracts ("gas supply contracts"). These gas supply contracts are expected to be effective as economic hedges of the gas price exposure.

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

The fair value of physical gas contracts is recorded in the consolidated balance sheets with changes in the fair value being recorded in change in fair value of derivative instruments on the consolidated statements of operations.

Foreign exchange:

To reduce its exposure to movements in foreign exchange rates, Just Energy uses foreign exchange forwards ("foreign exchange contracts"). These derivative financial instruments are recorded on the consolidated balance sheets as either other assets or other liabilities measured at fair value, with changes in fair value recognized in income as change in fair value of derivative instruments.

(n) Revenue recognition

Just Energy 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 Company assumes credit risk in Illinois, Alberta, Texas, Pennsylvania, Maryland, Massachusetts and California, and for large volume customers in British Columbia and Ontario. In these markets, the Company ensures that credit review processes are in place prior to commodity flowing to the customer.

Just Energy recognizes revenue upon delivery to customers at terminals or other locations for ethanol and dried distillers' grain.

Just Energy recognizes revenue from the monthly rental of water heaters, furnaces and air conditioners commencing from the installation date.

(o) **Marketing expenses and contract initiation costs**

Commissions and various other costs related to obtaining and renewing customer contracts are charged to income in the period incurred except as disclosed below:

Commissions related to obtaining and renewing Hudson customer contracts are paid in one of the following ways: all or partially up front or as a residual payment over the life of the contract. If the commission is paid all or partially up front, it is recorded as contract initiation costs and amortized in marketing expenses over the term for which the associated revenue is earned. If the commission is paid as a residual payment, the amount is expensed as earned.

In addition, commissions related to obtaining customer contracts signed under NHS are recorded as contract initiation costs and amortized in marketing expenses over the remaining life of the contract.

(p) **Foreign currency translation**

The operations of Just Energy's U.S-based subsidiaries are self-sustaining operations. Accordingly, the assets and liabilities of foreign subsidiaries are translated into Canadian dollars at the rate of exchange at the consolidated balance sheet dates. Revenues and expenses are translated at the average rate of exchange for the period. The resulting gains and losses are accumulated as a component of Shareholders' equity within AOCI.

(q) **Per common share amounts**

The computation of income per common share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share is computed in a similar way to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of options, restricted share grants and deferred restricted share grants, and conversion of convertible debentures, if dilutive.

(r) **Share-based compensation plans**

The Company accounts for all of its share-based compensation awards using the fair value based method.

Awards are valued at the grant date and are not subsequently adjusted for changes in the prices of the underlying shares 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, restricted share grants ("RSGs") and deferred share grants ("DSGs") are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to Shareholders' capital. The amount of cash, if any, received from participants is also credited to Shareholders' capital.

(s) **Employee future benefits**

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

For the U.S. employees, Just Energy has established a 401(k) plan to provide employees the potential for future financial security for retirement. Employees may participate in the 401(k) plan subject to all the terms and conditions of the plan. They may join the plan on the first of any month, once they have completed six months of employment. The 401(k) savings plan is an employer matching plan. Just Energy will match an amount up to 4% of their base earnings. Employees may contribute from 1% to 25% of their total salary with Just Energy on a beforehand basis with a 2011 calendar year maximum of $17.

Participation in either plan in Canada or the U.S. 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, Just Energy contributed $1,572 (2010 – $1,096) to both plans, which was paid in full during the year and recognized as an expense in the consolidated statements of operations.

(t) **Exchangeable Securities**

Just Energy followed the recommendations of the Emerging Issues Committee relating to the presentation of exchangeable securities, which includes the Class A preference shares, 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 sheets of the income fund as a part of shareholders' capital 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 exchangeable shares and Class A preference shares met these criteria and were classified as Unitholders' capital for the year ended March 31, 2010. All distributions paid to JEEC shareholders were included in Unitholders' capital. All distributions paid to the Class A preference shareholder were in Unitholders' capital, net of tax. The management incentive program, which is a bonus equal to the dividend amount received by a Shareholder, is additional compensation to senior management of JEC, a wholly owned subsidiary of Just Energy.

As a result of the Conversion to a corporation, the exchangeable shares of JEEC and Class A preference shares were converted into 3,794,154 and 5,263,738 common shares, respectively.

(u) **Use of estimates**

The preparation of the financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates and assumptions. Significant areas requiring the use of management estimates include allowance for doubtful accounts, estimate of the useful life and estimated fair value of property, plant and equipment and impairments thereon, valuation of goodwill and intangibles and the impairment thereon, valuation allowances for future tax assets, the determination of the fair values of financial instruments, as 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, and the determination of share-based compensation.

(v) **Income taxes**

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates expected to apply when the asset is realized or the liability settled. A valuation allowance is recorded against a future income tax asset if it is determined that it is more likely than not that the future tax assets will not be realized in the foreseeable future. The effect of a change in the income tax rates used in calculating future income tax liabilities and assets is recognized in income during the period that the change occurs.

(w) **Other intangible assets**

Computer software is amortized on a declining basis at a rate of 100% and the commodity billing and settlement systems are amortized on a straight line basis over five years which approximates the life of the assets.

(ii) RECENTLY ISSUED ACCOUNTING STANDARDS

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

Business Combinations

In October 2008, CICA issued Handbook Section 1582, Business Combinations ("CICA 1582"), concurrently with CICA Handbook Section 1601, Consolidated Financial Statements ("CICA 1601"), and CICA Handbook Section 1602, Non-controlling Interest ("CICA 1602"). CICA 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces CICA Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for fiscal years beginning on or after January 1, 2011. Just Energy will not adopt the new standards prior to adopting International Financial Reporting Standards ("IFRS") as described below.

International Financial Reporting Standards

In February 2008, CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011.

Just Energy will transition to IFRS effective April 1, 2011, and intends to issue its first interim consolidated financial statements under IFRS for the three-month period ending June 30, 2011, and a complete set of consolidated financial statements under IFRS for the year ending March 31, 2012.

Just Energy has developed a changeover plan, which includes diagnostic assessment, solution development and implementation phases. Just Energy has completed the initial assessment and solution development phases. These included certain training initiatives, researching and documenting the significant differences between Canadian GAAP and IFRS, assessing the impact on Just Energy, and a preliminary assessment of the information technology systems. The IFRS team is currently engaged in the implementation phase, which is the final phase of the project.

Significant differences exist which may impact Just Energy's financial reporting. Those areas include, but are not limited to, property, plant and equipment, impairment of assets, accounting for income taxes, financial instruments, share-based payments, business combinations, provisions and the first-time adoption of IFRS ("IFRS 1").

As part of the Conversion, Just Energy is in the process of analyzing the detailed impacts of these identified differences and developing solutions to bridge these differences. Although the full impact of the adoption of IFRS on Just Energy's financial position and results of operations is not yet reasonably determinable or estimable, Just Energy expects a significant increase in financial statement disclosure requirements resulting from the adoption of IFRS. Just Energy is currently on target with its conversion plan.

NOTE 4 RESTRICTED CASH

Restricted cash and customer rebates payable represent: (i) rebate monies received from LDCs in Ontario as provided by the Independent Electricity System Operator ("IESO") and (ii) Newten Home Comfort Inc.

i) *JE Ontario is obligated to disperse the monies to eligible end-use customers in accordance with the Ontario Power Generation* Rebate as part of Just Energy Ontario L.P.'s Retailer License conditions.

ii) As part of the acquisition of Newten Home Comfort Inc. (Note 6(c)) the Company is required to transfer cash into a trust account, in trust for the vendors, as part of the contingent consideration.

NOTE 5 INVENTORY

The amount of inventories recognized as an expense during the year was $77,376. There has not been a write down of inventory to date. Inventory is made up of the following:

	2011	2010
Raw materials	$ 2,224	$ 2,308
Work in progress	518	463
Finished goods	4,164	3,552
	$ 6,906	$ 6,323

NOTE 6 ACQUISITIONS

(a) Acquisition of Hudson Energy Services, LLC

On May 7, 2010, Just Energy completed the acquisition of all of the equity interests of Hudson Parent Holdings, LLC, and all the common shares of Hudson Energy Corp., thereby indirectly acquiring Hudson Energy Services, LLC, with an effective date of May 1, 2010. The acquisition was funded by an issuance of $330 million in convertible debentures issued on May 5, 2010 (see Note 9(e)).

The acquisition of Hudson was accounted for using the purchase method of accounting. Just Energy allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

Net assets acquired:	
Current assets (including cash of $24,003)	$ 88,696
Current liabilities	(107,817)
Electricity contracts and customer relationships	200,653
Gas contracts and customer relationships	26,225
Broker network	84,400
Brand	11,200
Information technology system development	17,954
Contract initiation costs	20,288
Other intangible assets	6,545
Goodwill	33,574
Property, plant and equipment	2,559
Unbilled revenue	15,092
Notes receivable – long-term	1,312
Security deposits – long-term	3,544
Other assets – current	124
Other assets – long-term	100
Other liabilities – current	(74,683)
Other liabilities – long-term	(40,719)
	$ 289,047

Consideration:	
Purchase price	$ 287,790
Transaction costs	1,257
	$ 289,047

All contracts and intangible assets, excluding brand, are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts and customer relationships are amortized over 30 months and 35 months, respectively. Other intangible assets, excluding brand, are amortized over periods of three to five years. The brand value is considered to be indefinite and, therefore, not subject to amortization. The purchase price allocation is considered preliminary and, as a result, it may be adjusted during the 12-month period following the acquisition.

(b) Acquisition of Universal Energy Group Ltd.

On July 1, 2009, Just Energy completed the acquisition of all of the outstanding common shares of Universal Energy Group Ltd. ("UEG" or "Universal") pursuant to a plan of arrangement (the "Arrangement"). Under the Arrangement, UEG shareholders received 0.58 of an exchangeable share ("Exchangeable Share") of JEEC, a subsidiary of Just Energy, for each UEG common share held. In aggregate, 21,271,804 Exchangeable Shares were issued pursuant to the Arrangement. Each Exchangeable Share was exchangeable for a trust unit on a one for one basis at any time at the option of the holder, and entitled the holder to a monthly dividend equal to 66 2/3% of the monthly distribution paid by Just Energy on a trust unit. JEEC also assumed all the covenants and obligations of UEG in respect of UEG's outstanding 6% convertible unsecured subordinated debentures.

The acquisition of UEG was accounted for using the purchase method of accounting. Just Energy allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition, as follows:

Net assets acquired:	
Working capital (including cash of $10,319)	$ 63,614
Electricity contracts and customer relationships	229,586
Gas contracts and customer relationships	243,346
Water heater contracts and customer relationships	22,700
Other intangible assets	2,721
Goodwill	77,494
Property, plant and equipment	171,693
Future tax liabilities	(50,475)
Other liabilities – current	(164,148)
Other liabilities – long-term	(140,857)
Long-term debt	(183,079)
Non-controlling interest	(22,697)
	$ 249,898
Consideration:	
Transaction costs	$ 9,952
Exchangeable Shares	239,946
	$ 249,898

Non-controlling interest represented a 33.3% ownership of TGF held by EllisDon Corporation. The non-controlling interest was subsequently acquired by JEGI on January 4, 2011 (Note 12).

All contracts and intangible assets are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts and customer relationships are amortized over periods ranging from 8 to 57 months. The water heater contracts and customer relationships are amortized over 174 months, and the intangible assets were amortized over six months. An adjustment in the amount of $10,700 was made to increase goodwill and decrease working capital during the three months ended June 30, 2010. The purchase price for this acquisition is final and no longer subject to change.

(c) **Newten Home Comfort Inc.**

On July 2, 2009, NHS, a wholly owned subsidiary of Just Energy, acquired Newten Home Comfort Inc., an arm's length third party that held a 20% interest in Newten Home Comfort L.P. for $3.2 million, of which $520 was paid in cash and determined to be the purchase price consideration. The purchase price consideration excludes contingent payments to the 20% interest holders that will become payable in July 2012 based on the number of completed water heater installations. Any contingent payments made will result in an increase to the balance of goodwill generated by the acquisition.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2011	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 6,090	$ 3,561	$ 2,529
Office equipment	17,976	9,520	8,456
Computer equipment	7,750	4,958	2,792
Water heaters	78,223	6,887	71,336
Furnaces and air conditioners	3,813	179	3,634
Leasehold improvements	8,567	5,077	3,490
Vehicles	215	88	127
Ethanol plant and equipment	157,842	16,222	141,620
Building	640	17	623
Land	299	–	299
	$ 281,415	$ 46,509	$ 234,906

As at March 31, 2010	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 5,581	$ 2,972	$ 2,609
Office equipment	14,810	5,930	8,880
Computer equipment	6,417	3,763	2,654
Water heaters	51,059	2,481	48,578
Furnaces and air conditioners	317	4	313
Leasehold improvements	8,409	4,116	4,293
Vehicles	197	46	151
Ethanol plant and equipment	159,500	10,054	149,446
Land	299	–	299
	$ 246,589	$ 29,366	$ 217,223

NOTE 8 INTANGIBLE ASSETS

As at March 31, 2011	Cost	Accumulated amortization	Net book value
Gas contracts and customer relationships	$ 248,828	$ 144,568	$ 104,260
Electricity contracts and customer relationships	436,339	248,673	187,666
Water heater contracts and customer relationships	23,164	2,813	20,351
Computer software	9,540	6,616	2,924
Commodity billing and settlement systems	6,743	6,450	293
Broker network	80,561	14,770	65,791
Brand	10,692	–	10,692
Information technology system development	19,691	3,478	16,213
Other intangible assets	9,061	4,216	4,845
	$ 844,619	$ 431,584	$ 413,035

As at March 31, 2010	Cost	Accumulated amortization	Net book value
Gas contracts and customer relationships	$ 228,827	$ 63,484	$ 165,343
Electricity contracts and customer relationships	245,617	92,779	152,838
Water heater contracts and customer relationships	23,081	1,218	21,863
Computer software	5,562	4,198	1,364
Commodity billing and settlement systems	6,544	6,515	29
Other intangible assets	2,982	2,397	585
	$ 512,613	$ 170,591	$ 342,022

NOTE 9 LONG-TERM DEBT AND FINANCING

	March 31, 2011	March 31, 2010
Credit facility (a)	$ 51,035	$ 57,500
TGF credit facility (b)(i)	36,680	41,313
TGF debentures (b)(ii)	37,001	37,001
TGF term/operating facilities (b)(iii)	–	10,000
NHS financing (c)	105,716	65,435
$90 million convertible debentures (d)	84,706	83,417
$330 million convertible debentures (e)	286,439	–
	601,577	294,666
Less: current portion	(94,117)	(62,829)
	$ 507,460	$ 231,837

Future annual minimum principal repayments are as follows:

	2012	2013	2014	2015	2016	2017–2021	Total
Credit Facility (a)	$ –	$ –	$ 51,035	$ –	$ –	$ –	$ 51,035
TGF Credit facility (b)(i)	36,680	–	–	–	–	–	36,680
TGF Debentures (b)(ii)	37,001	–	–	–	–	–	37,001
NHS HTC financing (c)	20,436	22,132	23,967	23,442	6,242	9,497	105,716
$90 million Convertible debentures (d)	–	–	–	90,000	–	–	90,000
$330 million Convertible debentures (e)	–	–	–	–	–	330,000	330,000
	$ 94,117	$ 22,132	$ 75,002	$ 113,442	$ 6,242	$ 339,497	$ 650,432

The following table details the interest expense. Interest is expensed at the effective interest rate.

	2011	2010
Credit facility (a)	$ 7,848	$ 5,258
TGF Credit facility (b)(i)	2,013	1,365
TGF Debentures (b)(ii)	4,269	3,049
TGF wheat production financing	–	10
TGF Operating facilities (b)(iii)	515	683
NHS financing (c)	6,464	817
$90 million Convertible debentures (d)	6,690	4,952
$330 million Convertible debentures (e)	22,638	–
	$ 50,437	$ 16,134

(a) As at March 31, 2011, Just Energy holds a $350 million credit facility to meet working capital requirements. The syndicate of lenders includes Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada, Société Générale, Bank of Nova Scotia, The Toronto-Dominion Bank and Alberta Treasury Branches. The repayment of the facility is due on December 31, 2013.

Interest is payable on outstanding loans at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate. Under the terms of the operating credit facility, Just Energy is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees that vary between 3.25% and 3.75%. Prime rate advances are at rates of interest that vary between bank prime plus 2.25% and 2.75% and letters of credit are at rates that vary between 3.25% and 3.75%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at March 31, 2011, the Canadian prime rate was 3.0% and the U.S. prime rate was 3.25%. As at March 31, 2011, Just Energy had drawn $51,035 (March 31, 2010 – $57,500) against the facility and total letters of credit outstanding amounted to $78,209 (March 31, 2010 – $49,444). As at March 31, 2011, Just Energy has $218,791 of the facility remaining for future working capital and security requirements. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a pledge of the assets and securities of Just Energy and the majority of its operating subsidiaries and affiliates. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at March 31, 2011 and 2010, all of these covenants have been met.

(b) In connection with the acquisition of UEG on July 1, 2009, Just Energy acquired the debt obligations of TGF, which currently comprise the following separate facilities:

(i) TGF credit facility

A credit facility of up to $50,000 was established with a syndicate of Canadian lenders led by Conexus Credit Union and was arranged to finance the construction of the ethanol plant in 2007. The facility was revised on March 18, 2009, and was converted to a fixed repayment term of ten years, commencing March 1, 2009, which includes interest costs at a rate of prime plus 3% with principal repayments scheduled to commence on March 1, 2010. The credit facility is secured by a demand debenture agreement, a first priority security interest on all assets and undertakings of TGF, and a general security interest on all other current and acquired assets of TGF. As a result, the facility is fully classified as a current obligation. The facility was further revised on April 5, 2010, to postpone the principal payments due for April 1 to June 1, 2010, and to amortize them over the six-month period commencing October 1, 2010, and ending March 1, 2011. The credit facility includes certain financial covenants, the most significant of which relate to current ratio, debt to equity ratio, debt service coverage and minimum shareholders' capital. The lenders deferred compliance with the financial covenants until April 1, 2011. TGF is currently in discussions with the lenders over future covenants. As at March 31, 2011, the amount owing under this facility amounted to $36,680.

(ii) TGF debentures

A debenture purchase agreement with a number of private parties providing for the issuance of up to $40,000 aggregate principal amount of debentures was entered into in 2006. The interest rate is 10.5% per annum, compounded annually. Quarterly principal payments commenced October 1, 2009, in the amount of $1,000 per quarter. On April 5, 2010, TGF entered into an agreement with the holders of the debenture to defer scheduled principal payments owing under the debenture until April 1, 2011. The agreement includes certain financial covenants, the more significant of which relate to current ratio, debt to capitalization ratio, debt service coverage, debt to EBITDA, and minimum shareholders' capital. The lender deferred compliance with the financial covenants until April 1, 2011. The current debenture agreement matures in the second quarter of fiscal 2012. TGF is in negotiations with the lender to renew the financial covenants and to extend the maturity date. As at March 31, 2011, the amount owing under this debenture agreement amounted to $37,001.

(iii) TGF term/operating facilities

TGF's term loan for $10,000 with a third party lender bearing interest at prime plus 1% was due in full on December 31, 2010. This facility was secured by liquid investments on deposit with the lender. As of December 31, 2010, the amount owing under the facility for $10,000 was repaid in full.

(iv) TGF has a working capital operating line of $7,000 bearing interest at a rate of prime plus 2%. In addition, total letters of credit issued amounted to $250.

(c) In fiscal 2010, NHS entered into a long-term financing agreement for the funding of new and existing rental water heater and HVAC contracts in the Enbridge gas distribution territory. On July 16, 2010, NHS expanded this facility to cover the Union Gas territory. Pursuant to the agreement, NHS receives financing of an amount equal to the present value of the first five, seven or ten years of monthly rental income, discounted at the agreed upon financing rate of 7.99% and, as settlement, it is required to remit an amount equivalent to the rental stream from customers on the water heater and HVAC contracts for the first five, seven or ten years. As security for performance of the obligation, NHS has pledged the water heaters, HVAC equipment and rental contracts, subject to the financed rental agreement, as collateral.

The financing agreement is subject to a holdback provision, whereby 3% in the Enbridge territory and 5% in the Union Gas territory of the outstanding balance of the funded amount is deducted and deposited into a reserve account in the event of default. Once all obligations of NHS are satisfied or expired, the remaining funds in the reserve account will immediately be released to NHS.

NHS has $105,716 owing under this agreement, including $3,978 relating to the holdback provision, included in long-term receivable, as at March 31, 2011. NHS is required to meet a number of covenants under the agreement. As at March 31, 2011, all of these covenants have been met.

(d) In conjunction with the acquisition of Universal on July 1, 2009, the Company also acquired the obligations of the convertible unsecured subordinated debentures (the "$90 million convertible debentures") issued by Universal in October 2007. The fair value of the convertible debenture was estimated by discounting the remaining contractual payments at the time of acquisition. This discount will be accreted using an effective interest rate of 8%. These instruments have a face value of $90,000 and mature on September 30, 2014, unless converted prior to that date, and bear interest at an annual rate of 6% payable semi-annually on March 31 and September 30 of each year. Each $1,000 principal amount of the $90 million convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 30.87 shares, representing a conversion price of $32.40 per common share as at March 31, 2011. Pursuant to the $90 million convertible debentures, if the Company fixes a record date for the payment of a dividend, the conversion price shall be adjusted in accordance therewith. During the year, interest expense amounted to $6,464.

On and after October 1, 2010, but prior to September 30, 2012, the $90 million convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at Just Energy's sole option on not more than 60 days' and not less than 30 days' prior notice, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the conversion price. On and after September 30, 2012, but prior to the maturity date, the $90 million convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at Just Energy's sole option on not more than 60 days' and not less than 30 days' prior notice. On January 1, 2011 as part of the Conversion, JEGI assumed all of the obligations under the $90 million convertible debentures.

(e) In order to fund the acquisition of Hudson, on May 5, 2010, Just Energy entered into an agreement with a syndicate of underwriters for $330 million of convertible extendible unsecured subordinated debentures (the "$330 million convertible debentures"). The $330 million convertible debentures bear interest at a rate of 6.0% per annum payable semi-annually in arrears on June 30 and December 31, with a maturity date of June 30, 2017. Each $1,000 principal amount of the $330 million convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 55.6 shares of the Company, representing a conversion price of $18 per share. During the year, interest expense amounted to $22,638.

The $330 million convertible debentures are not redeemable prior to June 30, 2013, except under certain conditions after a change of control has occurred. On or after June 30, 2013, but prior to June 30, 2015, the $330 million convertible debentures may be redeemed by the Company, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, provided that the current market price (as defined herein) on the date on which notice of redemption is given is not less than 125% of the conversion price. On and after June 30, 2015, and prior to maturity, the $330 million convertible debentures may be redeemed by Just Energy, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest.

The Company may, at its own option, on not more than 60 days' and not less than 40 days' prior notice, subject to applicable regulatory approval and provided that no event of default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the $330 million convertible debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradable units determined by dividing the principal amount of the $330 million convertible debentures being repaid by 95% of the current market price on the date of redemption or maturity, as applicable.

The conversion feature of the $330 million convertible debentures has been accounted for as a separate component of Shareholders' deficiency in the amount of $33,914. The remainder of the net proceeds of the $330 million convertible debentures has been recorded as long-term debt, which will be accreted up to the face value of $330,000 over the term of the $330 million convertible debentures using an effective interest rate of 8.8%. If the $330 million convertible debentures are converted into common shares, the value of the conversion will be reclassified to share capital along with the principal amount converted. On January 1, 2011, as part of the Conversion, JEGI assumed all of the obligations under the $330 million convertible debentures.

NOTE 10 INCOME TAXES

Just Energy was a mutual fund trust for income tax purposes up to December 31, 2010. Until the Conversion, Just Energy was only subject to current income taxes on any taxable income not distributed to unitholders. Subsequent to the Conversion, JEGI is subject to current income taxes on all of its taxable income. The Fund distributed all of its taxable income earned prior to the Conversion. Accordingly, Just Energy did not provide for future income taxes on its temporary differences and those of its flow-through subsidiary trust and partnerships expected to reverse prior to 2011 as it was considered tax exempt for accounting purposes.

JEGI has recognized future income taxes for the temporary differences between the carrying amount and tax values of assets and liabilities in respect of the proportion of its income taxed directly to the unitholders that are expected to reverse in or after 2011. A valuation allowance that was provided against future tax assets of certain subsidiaries in the past year has been eliminated in full this year, as JEGI determines that it is more likely than not that all of those future tax assets will be realized in the future years.

Canadian-based corporate subsidiaries are subject to tax on their taxable income at a rate of 30% (2010 – 33%). U.S.-based corporate subsidiaries are subject to tax on their taxable income at a rate of 40% (2010 – 40%).

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 Just Energy and the income tax provision in the consolidated financial statements.

	2011	2010
Income before income taxes	$ 545,502	$ 127,588
Income tax expense at the combined basic rate of 30% (2010 – 33%)	163,651	42,104
Taxes on income attributable to shareholders	(15,456)	(42,045)
Benefit of mark to market and other tax losses not previously recognized	(119,556)	(100,459)
Variance between combined basic rate and rate applicable to U.S. subsidiaries	1,910	–
Non-deductible expenses	1,593	140
Provision for (recovery of) income taxes	$ 32,142	$ (100,260)

Components of Just Energy's income tax provision (recovery) are as follows:

	2011	2010
Income tax provision	$ 8,182	$ 19,253
Amount credited to Shareholders' capital	1,305	2,501
Current income tax provision	9,487	21,754
Future tax provision (recovery)	22,655	(122,014)
Provision for (recovery of) income taxes	$ 32,142	$ (100,260)

Components of Just Energy's net future income tax asset are as follows:

	2011	2010
Partnership income deferred for tax purposes and book carrying amount of investments in partnerships in excess of tax cost	$ (14,046)	$ (483)
Excess of book basis over tax basis on customer contracts	(49,141)	(84,840)
Excess of tax basis over book basis	36,700	28,339
Mark to market losses on derivative instruments	132,888	245,237
	106,401	188,253
Less: valuation allowance	–	80,693
Future income tax assets (net)	$ 106,401	$ 107,560

NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME

2011	Foreign currency translation adjustment	Cash flow hedges	Total
Balance, beginning of year	$ 28,584	$ 193,385	$ 221,969
Unrealized foreign currency translation adjustment	334	–	334
Amortization of deferred unrealized gain on discontinued hedges after July 1, 2008, net of income taxes of $21,384	–	(98,499)	(98,499)
	$ 28,918	$ 94,886	$ 123,804

2010	Foreign currency translation adjustment	Cash flow hedges	Total
Balance, beginning of year	$ 1,958	$ 362,608	$ 364,566
Unrealized foreign currency translation adjustment	26,626	–	26,626
Amortization of deferred unrealized gain on discontinued hedges after July 1, 2008, net of income taxes of $34,339	–	(169,223)	(169,223)
	$ 28,584	$ 193,385	$ 221,969

NOTE 12 SHAREHOLDERS' CAPITAL

Common shares of the Company

Effective January 1, 2011, the issued and outstanding units of the Fund, Class A preference shares of JEC and exchangeable shares of JEEC were exchanged on a one-for-one basis for common shares of JEGI. An unlimited number of common shares and 50,000,000 preferred shares have been authorized to be issued.

Details of issued unitholders' capital and share capital are as follows:

	2011		2010	
Issued and outstanding	Units/Shares	Amount	Units/Shares	Amount
Trust units				
Balance, beginning of year	124,325,307	$ 593,075	106,138,523	$ 385,294
Unit based awards exercised/exchanged	38,989	462	49,078	682
Distribution reinvestment plan	1,324,834	17,935	1,554,074	20,036
Exchanged from Exchangeable Shares	894,018	10,085	16,583,632	187,063
Units exchanged pursuant to Conversion	(126,583,148)	(621,557)	–	–
Balance, end of year	–	–	124,325,307	593,075
Class A preference shares				
Balance, beginning of year	5,263,728	13,160	5,263,728	13,160
Class A preference shares exchanged pursuant to Conversion	(5,263,728)	(13,160)	–	–
Balance, end of year	–	–	5,263,728	13,160
Exchangeable Shares				
Balance, beginning of year	4,688,172	52,883	–	–
Exchangeable Shares issued	–	–	21,271,804	239,946
Exchanged into units	(894,018)	(10,085)	(16,583,632)	(187,063)
Exchangeable Shares exchanged pursuant to Conversion	(3,794,154)	(42,798)	–	–
Balance, end of year	–	–	4,688,172	52,883
Unitholders' capital, end of year	–	–	134,277,207	$ 659,118
Share capital				
Shares issued pursuant to the Conversion:				
Trust units	126,583,148	$ 621,557	–	–
Class A preference shares	5,263,728	13,160	–	–
Exchangeable Shares	3,794,154	42,798	–	–
Balance on Conversion, January 1, 2011	135,641,030	677,515	–	–
Dividend reinvestment plan (i)	546,382	8,112	–	–
Share-based awards exercised	86,374	1,097	–	–
Shares issued to minority shareholder in exchange for interest in TGF (ii)	689,940	10,328		
Share capital, end of year	136,963,726	$ 697,052	–	–

(i) Dividend reinvestment plan

Under Just Energy's dividend reinvestment plan ("DRIP"), shareholders holding a minimum of 100 shares can elect to receive their dividends in shares rather than cash at a 2% discount to the simple average closing price of the shares for five trading days preceding the applicable dividend payment date, providing the shares are issued from treasury and not purchased on the open market.

(ii) Shares issued

During the year ended March 31, 2011, Just Energy issued 689,940 shares to acquire the share interest held by the minority shareholder of TGF. The shares were valued at $10,328. The difference between $18,616 representing the value of the minority interest of TGF at the time of issuance and the value of the shares has been recorded as a reduction to goodwill on the original acquisition of UEC. Just Energy issued 894,018 (2010 – 16,583,632) units relating to the exchange of Exchangeable Shares of JEEC. The Exchangeable Shares were issued pursuant to Just Energy's acquisition of UEG.

NOTE 13 SHARE-BASED COMPENSATION PLANS

(a) Stock option plan

Just Energy grants awards under its 2010 share option plan (formerly the 2001 Unit Option Plan) to directors, officers, full time employees and service providers (non employees) of Just Energy and its subsidiaries and affiliates. In accordance with the share option plan, Just Energy may grant options to a maximum of 11,300,000 shares. As at March 31, 2011, there were 1,179,166 options still available for grant under the plan. Of the options issued, 135,000 options remain outstanding at year-end. The exercise price of the share options equals the closing market price of the Company's shares on the last business day preceding the grant date. The share options vest over periods ranging from three to five years from the grant date and expire after five or ten years from the grant date. No share options have been granted since June 2008.

A summary of the changes in Just Energy's option plan during the year and status at March 31, 2011, is outlined below.

	Outstanding *options*	Range of *exercise prices*	Weighted average *exercise price*[1]
Balance, beginning of year	352,500	$15.09 – $17.47	$ 15.92
Forfeited/cancelled	217,500	$15.63	15.63
Balance, end of year	135,000	$15.09 – $17.47	$ 16.38

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

2011	**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**
$15.09 – $17.47	**135,000**	**0.59**	**$ 16.38**	**98,000**	**$ 16.51**

2010	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
$15.09 – $15.63	267,500	0.49	$ 15.53	200,000	$ 15.63
$16.65 – $17.47	85,000	1.20	17.13	51,000	17.13
Balance, end of year	352,500	0.66	$ 15.92	251,000	$ 15.94

Options available for grant	**2011**	2010
Balance, beginning of year	**961,666**	758,666
Add: Cancelled/forfeited during the year	**217,500**	203,000
Balance, end of year	**1,179,166**	961,666

(b) Restricted share grants

Just Energy grants awards under the 2010 Restricted Share Grants Plan (formerly the 2004 unit appreciation rights) to senior officers, employees and service providers of its subsidiaries and affiliates in the form of fully paid RSGs. On June 29, 2010, the unitholders of Just Energy approved a 2,000,000 increase in the number of RSGs available for grant. As at March 31, 2011, there were 1,969,883 (2010 – 74,472) RSGs still available for grant under the plan. Of the RSGs issued, 2,711,494 remain outstanding at March 31, 2011 (2010 – 2,640,723). Except as otherwise provided, (i) the RSGs vest from one to five years from the grant date providing, in most cases, on the applicable vesting date the RSG grantee continues as a senior officer, employee or service provider of Just Energy or any affiliate thereof; (ii) the RSGs expire no later than ten years from the grant date; (iii) a holder of RSGs is entitled to payments at the same rate as dividends paid to JEGI shareholders; and (iv) when vested, the holder of an RSG may exchange one RSG for one common share. On January 1, 2011 as part of the Conversion, all unit appreciation rights outstanding on that date were replaced by RSGs.

RSGs available for grant	2011	2010
Balance, beginning of year	74,472	374,668
Less: Granted during the year	(234,620)	(1,307,192)
Add: Increase in RSGs available for grant	2,000,000	1,000,000
Add: Cancelled/forfeited during the year	4,668	6,996
Add: Exercised during the year	125,363	–
Balance, end of year	1,969,883	74,472

(c) Deferred share grants

Just Energy grants awards under its 2010 Directors' Compensation Plan (formerly the 2004 Directors' deferred compensation plan) to all independent directors on the basis each director is required to receive annually $15 of his compensation entitlement in deferred share grants ("DSGs") and may elect to receive all or any portion of the balance of his annual compensation in DSGs and/or common shares. The holders of DSGs and/or common shares are also granted additional DSGs/common shares on a monthly basis equal to the monthly dividends paid to the shareholders of Just Energy. The DSGs 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 at March 31, 2011, there were 84,118 (2010 – 108,248) DSGs available for grant under the plan. Of the DSGs issued, 109,655 DSGs remain outstanding at March 31, 2011. In accordance with the Conversion, all outstanding Directors' deferred unit grants were replaced with DSGs.

DSGs available for grant	2011	2010
Balance, beginning of year	108,248	31,568
Add: Increase in DSGs available for grant	–	100,000
Less: Granted during the year	(24,130)	(23,320)
Balance, end of year	84,118	108,248

(d) Contributed surplus

Amounts credited to contributed surplus include share based compensation awards, restricted share grants and deferred share grants. Amounts charged to contributed surplus are awards exercised during the year.

Contributed surplus	2011	2010
Balance, beginning of year	$ 18,832	$ 14,671
Add: Share-based compensation awards	5,509	4,754
Non-cash deferred share grant distributions	121	89
Less: Share-based awards exercised	(1,559)	(682)
Balance, end of year	$ 22,903	$ 18,832

Total amounts credited to shareholders' capital in respect of share options, restricted share grants and deferred share grants exercised or exchanged during the year ended March 31, 2011, amounted to $1,559 (2010 – $682).

NOTE 14 FINANCIAL INSTRUMENTS

(a) Fair value

Just Energy has a variety of gas and electricity supply contracts that are captured under CICA Handbook Section 3855, Financial Instruments – Measurement and Recognition. Fair value is the estimated amount that Just Energy would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the value of electricity, unforced capacity, heat rates, heat rate options, and renewable and gas swap and forward contracts using a discounted cash flow method which employs market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. These curves can be volatile thus leading to volatility in the mark to market with no impact to cash flows. Gas options have been valued using the Black option value model using the applicable market forward curves and the implied volatility from other market traded gas options.

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

The following tables illustrate (gains)/losses related to Just Energy's derivative financial instruments classified as held-for-trading recorded against other assets and other liabilities with their offsetting values recorded in change in fair value derivative instruments for the year ended March 31, 2011:

Change in fair value of derivative instruments	For the year ended March 31, 2011	For the year ended March 31, 2011 (USD)	For the year ended March 31, 2010	For the year ended March 31, 2010 (USD)
Canada				
Fixed-for-floating electricity swaps (i)	$ (232,806)	$ n/a	$ 5,041	$ n/a
Renewable energy certificates (ii)	987	n/a	(480)	n/a
Verified emission-reduction credits (iii)	952	n/a	(9)	n/a
Options (iv)	(333)	n/a	(1,593)	n/a
Physical gas forward contracts (v)	(138,623)	n/a	70,568	n/a
Transportation forward contracts (vi)	(11,365)	n/a	21,353	n/a
Fixed financial swaps (vii)	1,217	n/a	–	n/a
United States				
Fixed-for-floating electricity swaps (viii)	(45,009)	(44,913)	11,295	11,761
Physical electricity forwards (ix)	(46,472)	(46,421)	2,332	4,737
Unforced capacity forward contracts (x)	416	388	(423)	(274)
Unforced capacity physical contracts (xi)	1,955	1,908	563	544
Renewable energy certificates (xii)	1,077	1,032	1,856	1,744
Verified emission-reduction credits (xiii)	140	136	644	604
Options (xiv)	(1,160)	(1,142)	1,082	879
Physical gas forward contracts (xv)	(118,077)	(116,831)	(30,742)	(25,350)
Transportation forward contracts (xvi)	(568)	(578)	1,303	1,287
Heat rate swaps (xvii)	1,789	1,592	(4,264)	(3,965)
Fixed financial swaps (xviii)	47,792	45,967	34,201	33,370
Foreign exchange forward contracts (xix)	(1,116)	n/a	3,322	n/a
Ethanol physical forward contracts (xx)	(135)	–	–	–
Amortization of deferred unrealized gains on discontinued hedges	(119,883)	n/a	(203,562)	n/a
Amortization of derivative financial instruments related to acquisitions	149,821	n/a	88,795	n/a
Change in fair value of derivative instruments	$ (509,401)		$ 1,282	

The following table summarizes certain aspects of the financial assets and liabilities recorded in the financial statements as at March 31, 2011:

	Other assets (current)	Other assets (long-term)	Other liabilities (current)	Other liabilities (long-term)
Canada				
Fixed-for-floating electricity swaps (i)	$ –	$ –	$ 131,279	$ 93,397
Renewable energy certificates (ii)	194	196	158	417
Verified emission-reduction credits (iii)	–	–	315	628
Options (iv)	815	692	4,403	–
Physical gas forward contracts (v)	–	–	166,634	134,847
Transportation forward contracts (vi)	–	24	5,301	2,858
Fixed financial swaps (vii)	–	1,037	2,235	19
United States				
Fixed-for-floating electricity swaps (viii)	125	45	29,028	25,719
Physical electricity forwards (ix)	–	310	55,548	37,535
Unforced capacity forward contracts (x)	309	177	581	118
Unforced capacity physical contracts (xi)	100	410	1,606	1,280
Renewable energy certificates (xii)	44	49	1,037	1,610
Verified emission-reduction credits (xiii)	13	36	275	491
Options (xiv)	1	–	1,056	165
Physical gas forward contracts (xv)	40	–	32,883	19,354
Transportation forward contracts (xvi)	–	–	1,526	1,281
Heat rate swaps (xvii)	639	2,408	180	131
Fixed financial swaps (xviii)	40	–	51,361	35,562
Foreign exchange forward contracts (xix)	1,391	–	–	–
Ethanol physical forward contracts (xx)	135	–	–	–
As at March 31, 2011	$ 3,846	$ 5,384	$ 485,406	$ 355,412

The following table summarizes certain aspects of the financial assets and liabilities recorded in the financial statements as at March 31, 2010:

	Other assets (current)	Other assets (long-term)	Other liabilities (current)	Other liabilities (long-term)
Canada				
Fixed-for-floating electricity swaps (i)	$ –	$ –	$ 244,563	$ 212,920
Renewable energy certificates (ii)	350	621	30	139
Verified emission-reduction credits (iii)	2	7	–	–
Options (iv)	757	416	–	–
Physical gas forward contracts (v)	–	–	237,145	203,088
Transportation forward contracts (vi)	–	–	11,060	8,439
Fixed financial swaps (vii)	–	–	–	–
United States				
Fixed-for-floating electricity swaps (viii)	–	–	31,291	30,464
Physical electricity forwards (ix)	–	–	38,015	39,035
Unforced capacity forward contracts (x)	523	102	445	9
Unforced capacity physical contracts (xi)	33	146	731	–
Renewable energy certificates (xii)	107	130	918	945
Verified emission-reduction credits (xiii)	–	–	167	447
Options (xiv)	–	–	912	915
Physical gas forward contracts (xv)	–	–	96,938	75,142
Transportation forward contracts (xvi)	–	–	1,265	2,262
Heat rate swaps (xvii)	654	3,605	–	–
Fixed financial swaps (xviii)	–	–	21,720	16,767
Foreign exchange forward contracts (xix)	277	–	–	–
Ethanol physical forward contracts (xx)	–	–	–	–
As at March 31, 2010	$ 2,703	$ 5,027	$ 685,200	$ 590,572

The following table summarizes financial instruments classified as held for trading as at March 31, 2011 to which Just Energy has committed:

Contract type	Notional volume	Total remaining volume	Maturity date	Fixed price	Fair value favourable/ (unfavourable)	Notional value
Canada						
(i) Fixed-for-floating electricity swaps*	0.0001–85 MWh	9,688,499 MWh	April 30, 2011 – October 11, 2018	$28.75–$128.13	($224,677)	$623,260
(ii) Renewable energy certificates	10–90,000 MWh	1,106,558 MWh	December 31, 2011 – December 31, 2015	$3.00–$26.00	($184)	$7,149
(iii) Verified emission-reduction credits	6,000–55,000 tonnes	527,000 tonnes	December 31, 2011 – December 31, 2014	$6.25–$11.50	($943)	$4,964
(iv) Options	46–40,500 GJ/month	3,098,430 GJ	April 30, 2011 – February 28, 2014	$7.16–$12.39	$1,507	$5,500
(v) Physical gas forward contracts	1–28,558 GJ/day	105,394,304 GJ	April 30, 2011 – March 31, 2016	$3.39–$10.00	($301,481)	$759,167
(vi) Transportation forward contracts	74–20,000 GJ/day	43,307,681 GJ	April 30, 2011 – May 31, 2015	$0.01–$1.57	($8,134)	$33,686
(vii) Fixed financial swaps	14,500–139,500 GJ/month	9,684,500 GJ	April 30, 2011 – July 31, 2016	$4.47–$8.79	($1,217)	$46,196
United States						
(viii) Fixed-for-floating electricity swaps*	0.10–57 MWh	7,522,842 MWh	April 30, 2011 – December 31, 2015	$23.56–$132.59 (US$24.30–$136.75)	($52,917) (US($54,576))	$393,405 (US$405,739)
(ix) Physical electricity forwards	1–55 MWh	9,253,968 MWh	April 30, 2011 – May 31, 2016	$14.54–$106.90 (US$15.00–$110.25)	($89,953) (US($92,773))	$480,536 (US$495,602)
(x) Unforced capacity forward contracts	5–36 MWCap	571 MWCap	April 30, 2011 – November 30, 2012	$824–$7,757 (US$850–$8,000)	($207) (US($213))	$2,677 (US$2,761)
(xi) Unforced capacity physical contracts	1–50 MWCap	2,369 MWCap	April 30, 2011 – May 31, 2014	$630–$8,484 (US$650–$8,750)	($2,305) (US$(2,377))	$11,037 (US$11,383)
(xii) Renewable energy certificates	5,000–160,000 MWh	2,220,400 MWh	December 31, 2011 – December 31, 2015	$2.62–$24.00 (US$2.70–$24.75)	($2,476) (US($2,554))	$13,716 (US$14,146)
(xiii) Verified emission-reduction credits	10,000–50,000 tonnes	585,000 tonnes	December 31, 2011 – December 31, 2016	$4.36–$8.48 (US$4.50–$8.75)	($696) (US($718))	$4,097 (US$4,225)
(xiv) Options	5–90,000 mmBTU/month	3,287,880 mmBTU	April 30, 2011 – December 31, 2014	$7.51–$13.38 (US$7.75–$13.80)	($617) (US($636))	$4,245 (US$4,378)
(xv) Physical gas forward contracts	1–7,700 mmBTU/day	16,890,058 mmBTU	April 30, 2011 – July 31, 2014	$3.98–$11.52 (US$4.10–$11.88)	($50,609) (US($52,196))	$136,499 (US$140,779)
(xvi) Transportation forward contracts	3–15,500 mmBTU/day	39,949,590 mmBTU	April 30, 2011 – August 31, 2015	$0.0048–$1.2100 (US$0.0050–$1.2500)	($2,721) (US($2,806))	($84,548) (US$87,199)
(xvii) Heat rate swaps	1–30 MWh	3,924,952 MWh	April 30, 2011 – September 30, 2015	$18.85–$75.02 (US$19.44–$77.37)	$2,653 (US$2,736)	$165,659 (US$170,853)
(xviii) Fixed financial swaps	930–380,000 mmBTU/month	62,881,529 mmBTU	April 30, 2011 – May 31, 2017	$3.93–$9.11 (US$4.05–$9.40)	($84,243) (US($86,884))	$397,449 (US$409,910)
(xix) Foreign exchange forward contracts	($569–$4,460) (US$587–$4,000)	n/a	April 01, 2011 – January 03, 2012	$0.9750–$1.0457	$1,391	$28,413 (US$27,733)
(xx) Ethanol physical forward contracts	396,258 gallons	7,132,645 gallons	April 01, 2011 – December 01, 2011	$2.34–$2.65	$136	$17,860

* The electricity fixed-for-floating contracts related to the Province of Alberta are predominantly load-following and some contracts in Ontario are also 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 these and the rest of Just Energy's electricity markets wherein the quantity of electricity is established but varies throughout the term of the contracts.

The estimated amortization of deferred gains and losses reported in AOCI that is expected to be amortized to net income within the next 12 months is a gain of $68,946.

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

Fair value ("FV") hierarchy

Level 1

The fair value measurements are classified as Level 1 in the FV Hierarchy if the fair value is determined using quoted, unadjusted market prices. Just Energy values its cash, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt under Level 1.

Level 2

Fair value measurements which require inputs other than quoted prices in Level 1, either directly or indirectly, are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, inputs must be substantially observable in the market. Just Energy values its New York Mercantile Exchange ("NYMEX") financial gas fixed-for-floating swaps under Level 2.

Level 3

Fair value measurements which require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy. For the electricity supply contracts, Just Energy uses quoted market prices as per available market forward data and applies a price-shaping profile to calculate the monthly prices from annual strips and hourly prices from block strips for the purposes of mark to market calculations. The profile is based on historical settlements with counterparties or with the system operator and is considered an unobservable input for the purposes of establishing the level in the hierarchy. For the natural gas supply contracts, Just Energy uses three different market observable curves: 1) Commodity (predominantly NYMEX), 2) Basis and 3) Foreign Exchange. NYMEX curves extend for over five years (thereby covering the length of Just Energy's contracts); however, most basis curves only extend 12–15 months into the future. In order to calculate basis curves for remaining years, Just Energy uses extrapolation which leads to natural gas supply contracts to be classified under Level 3.

Fair value measurement input sensitivity

The main cause of changes in the fair value of derivative instruments is changes in the forward curve prices used for the fair value calculations. Just Energy provides a sensitivity analysis of these forward curves under the commodity price risk section of this note. Other inputs, including volatility and correlations, are driven off historical settlements.

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at March 31, 2011:

				March 31, 2011
	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	$ 98,466	$ –	$ –	$ 98,466
Loans and receivable	286,254	–	–	286,254
Derivative financial assets	–	1,077	8,153	9,230
Financial liabilities				
Derivative financial liabilities	–	(89,177)	(751,641)	(840,818)
Other financial liabilities	(886,696)	–	–	(886,696)
Total net derivative liabilities	$ (501,976)	$ (88,100)	$ (743,488)	$(1,333,564)

The following table illustrates the changes in net fair value of financial assets/(liabilities) classified as Level 3 in the FV hierarchy for the year ended March 31, 2011:

	March 31, 2011
Opening balance, April 1, 2010	$(1,229,555)
Total gain/(losses) – Net income	6,891
Purchases	(256,294)
Sales	3,795
Settlements	731,675
Transfer out of Level 3	–
Closing balance, March 31, 2011	$ (743,488)

(b) Classification of financial assets and liabilities

The following table represents the fair values and carrying amounts of financial assets and liabilities measured at amortized cost.

	As at March 31, 2011	
	Carrying amount	Fair value
Cash and restricted cash	$ 98,466	$ 98,466
Accounts receivable	281,685	281,685
Long-term receivable	4,569	4,569
Other assets	9,230	9,230
Bank indebtedness, accounts payable and accrued liabilities, and unit distributions payable	285,119	285,119
Long-term debt	601,577	663,407
Other liabilities	840,818	840,818

	For the years ended March 31	
	2011	2010
Interest expense on financial liabilities not held-for-trading	$ 50,437	$ 16,134

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

The carrying value of long-term debt approximates its fair value as the interest payable on outstanding amounts is at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate, with the exception of the $90 million and $330 million convertible debentures, which are fair valued, based on market value.

(c) Management of risks arising from financial instruments

The risks associated with Just Energy's financial instruments are as follows:

(i) Market risk

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

Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in U.S. operations.

A portion of Just Energy's income is generated in U.S. dollars and is subject to currency fluctuations. The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect Just Energy's income. Due to its growing operations in the U.S. and its recent acquisition of Hudson, Just Energy expects to have a greater exposure to U.S. fluctuations in the future than in prior years. Just Energy has hedged between 25% and 90% of certain forecasted cross border cash flows that are expected to occur within the next year. The level of hedging is dependent on the source of the cash flow and the time remaining until the cash repatriation occurs.

Just Energy may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect its operating results. Translation risk is not hedged.

With respect to translation exposure, as at March 31, 2011, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar, assuming that all the other variables had remained constant, net income for the year ended would have been $4,823 higher/lower and other comprehensive income would have been $3,365 lower/higher.

Interest rate risk

Just Energy is also exposed to interest rate fluctuations associated with its floating rate credit facility. Just Energy's current exposure to interest rates does not economically warrant the use of derivative instruments. Just Energy's exposure to interest rate risk is relatively immaterial and temporary in nature. Just Energy does not currently believe that this long-term debt exposes it to material financial risks but has set out parameters to actively manage this risk within its Risk Management Policy.

A 1% increase (decrease) in interest rates would have resulted in a decrease (increase) in income before income taxes for the year ended March 31, 2011, of approximately $1,023.

Commodity price risk

Just Energy is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy. This policy sets out a variety of limits, most importantly thresholds for open positions in the gas and electricity portfolios which also feed a Value at Risk limit; should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained. Just Energy's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. Just Energy enters into derivative instruments in order to manage exposures to changes in commodity prices. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand and thereby fix margins such that Shareholder dividends can be appropriately established. Derivative instruments are generally transacted over-the-counter. The inability or failure of Just Energy to manage and monitor the above market risks could have a material adverse effect on the operations and cash flow of Just Energy.

Commodity price sensitivity – All derivative financial instruments

As at March 31, 2011, if the energy prices, including natural gas, electricity, verified emission-reduction credits, and renewable energy certificates, had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the quarter ended March 31, 2011, would have increased (decreased) by $193,338 ($192,492) primarily as a result of the change in the fair value of Just Energy's derivative instruments.

Commodity price sensitivity – Level 3 derivative financial instruments

As at March 31, 2011, if the energy prices, including natural gas, electricity, verified emission-reduction credits, and renewable energy certificates, had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the quarter ended March 31, 2011, would have increased (decreased) by $169,292 ($168,613) primarily as a result of the change in the fair value of Just Energy's derivative instruments.

(ii) **Credit risk**

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

Customer credit risk

In Alberta, Texas, Illinois, Pennsylvania, California, Maryland, New York and New Jersey, Just Energy has customer credit risk and therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of Just Energy. Management factors default from credit risk in its margin expectations for all the above markets.

As at March 31, the aging of the accounts receivable from the above markets was as follows:

	2011	2010
Current	$ 61,695	$ 44,531
1–30 days	15,088	13,873
31–60 days	5,533	4,598
61–90 days	5,652	1,768
Over 91 days	10,322	3,973
	$ 98,290	$ 68,743

For the year ended March 31, 2011, changes in the allowance for doubtful accounts were as follows:

Balance, beginning of year	$ 23,110
Provision for doubtful accounts	27,627
Bad debts written off	(23,801)
Others	(1,821)
Balance, end of year	$ 25,115

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

Counterparty credit risk

Counterparty credit risk represents the loss that Just Energy would incur if a counterparty fails to perform under its contractual obligations. This risk would manifest itself in Just Energy, replacing contracted supply at prevailing market rates, thus impacting the related customer margin. Counterparty limits are established within the Risk Management Policy. Any exceptions to these limits require approval from the Board of Directors of JEGI. The Risk Department and Risk Committee monitor current and potential credit exposure to individual counterparties and also monitor overall aggregate counterparty exposure. However, the failure of a counterparty to meet its contractual obligations could have a material adverse effect on the operations and cash flows of Just Energy.

As at March 31, 2011, the maximum counterparty credit risk exposure amounted to $107,520, representing the risk relating to its derivative financial assets and accounts receivable.

(iii) Liquidity risk

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

The following are the contractual maturities, excluding interest payments, reflecting undiscounted disbursements of Just Energy's financial liabilities as at March 31, 2011.

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Accounts payable and accrued liabilities	$ 282,805	$ 282,805	$ 282,805	$ –	$ –	$ –
Bank indebtedness	2,314	2,314	2,314	–	–	–
Long-term debt*	601,577	652,397	94,117	99,099	119,684	339,497
Derivative instruments	840,818	3,173,789	1,498,293	1,405,699	267,505	2,292
	$ 1,727,514	$ 4,111,305	$ 1,877,529	$ 1,504,798	$ 387,189	$ 341,789

* Included in long-term debt is $330,000 and $90,000 relating to convertible debentures, which may be settled through the issuance of shares at the option of the holder.

In addition to the amounts noted above, at March 31, 2011, net interest payments over the life of the long-term debt and bank credit facility are as follows:

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Interest payments	$ 45,430	$ 61,282	$ 45,470	$ 21,427

(iv) Supplier risk

Just Energy purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Just Energy 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. Just Energy has discounted the fair value of its financial assets by $1,207 to accommodate for its counterparties' risk of default.

NOTE 15 CAPITAL DISCLOSURE

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

(a) enabling it to operate efficiently;

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

(c) providing returns and generating predictable cash flow for dividend payments to shareholders

Just Energy manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable, profitable growth. Just Energy's capital management objectives have remained unchanged from the prior year. Just Energy is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at March 31, 2011 and 2010, all of these covenants have been met.

NOTE 16 INCOME PER SHARE

	2011	2010
Basic income per share		
Net income available to shareholders	$ 515,347	$ 231,496
Weighted average number of shares outstanding	128,171,630	117,674,180
Weighted average number of Class A preference shares	4,009,086	5,263,728
Weighted average number of Exchangeable Shares	3,098,124	5,027,626
Basic units and shares outstanding	135,278,840	127,965,534
Basic income per share/unit	$ 3.81	$ 1.81
Diluted income per share[1]		
Net income available to Shareholders	$ 515,347	$ 231,496
Basic units and shares outstanding	135,278,840	127,965,534
Dilutive effect of:		
Restricted share grants	2,737,214	1,392,423
Deferred share grants	93,231	71,137
Shares outstanding on a diluted basis	138,109,285	129,429,094
Diluted income per share/unit	$ 3.73	$ 1.79

[1] The $90 million and $330 million convertible debentures and stock option rights are anti-dilutive for fiscal 2011 and 2010.

NOTE 17 REPORTABLE BUSINESS SEGMENTS

Just Energy operates in two reportable geographic segments, Canada and the United States. Reporting by geographic region is in line with Just Energy's performance measurement parameters. The gas and electricity business segments have operations in both Canada and the United States.

Just Energy evaluates segment performance based on geographic segments and operating segments.

The following tables present Just Energy's results by geographic segments and operating segments.

	Gas and electricity marketing		Ethanol	Home services	
2011	Canada	United States	Canada	Canada	Consolidated
Sales gas	$ 660,457	$ 526,311	$ –	$ –	$ 1,186,768
Sales electricity	619,985	1,015,347	–	–	1,635,332
Ethanol	–	–	108,526	–	108,526
Home services	–	–	–	22,566	22,566
Sales	$ 1,280,442	$ 1,541,658	$ 108,526	$ 22,566	$ 2,953,192
Gross margin	$ 188,949	$ 263,291	$ 14,266	$ 15,697	$ 482,203
Amortization of property, plant and equipment	(3,726)	(494)	(1,171)	(307)	(5,698)
Amortization of intangible assets	(47,392)	(71,832)	(22)	(1,595)	(120,841)
Other operating expenses	(68,653)	(179,524)	(11,164)	(17,020)	(276,361)
Income (loss) before the undernoted	69,178	11,441	1,909	(3,225)	79,303
Interest expense	34,720	2,387	6,862	6,468	50,437
Change in fair value of derivative instruments	(370,083)	(139,345)	27	–	(509,401)
Other income	(7,036)	(132)	(42)	(25)	(7,235)
Non-controlling interest	–	–	(1,987)	–	(1,987)
Provision (recovery) of income taxes	13,636	21,007	–	(2,501)	32,142
Net income (loss)	$ 397,941	$ 127,524	$ (2,951)	$ (7,167)	$ 515,347
Additions to property, plant and equipment	$ 3,091	$ 2,659	$ 266	$ 30,625	$ 36,641
Total goodwill	$ 153,043	$ 58,108	$ –	$ 283	$ 211,434
Total assets	$ 596,738	$ 698,502	$ 165,244	$ 128,160	$ 1,588,644

	Gas and electricity marketing		Ethanol	Home services	
2010	Canada	United States	Canada	Canada	Consolidated
Sales gas	$ 788,661	$ 425,975	$ –	$ –	$ 1,214,636
Sales electricity	637,580	381,674	–	–	1,019,254
Ethanol	–	–	56,455	–	56,455
Home services	–	–	–	8,886	8,886
Sales	$ 1,426,241	$ 807,649	$ 56,455	$ 8,886	$ 2,299,231
Gross margin	$ 231,147	$ 172,627	$ 4,510	$ 7,049	$ 415,333
Amortization of property, plant and equipment	(3,418)	(251)	(1,059)	(766)	(5,494)
Amortization of intangible assets	(37,309)	(22,413)	(20)	(1,209)	(60,951)
Other operating expenses	(68,156)	(121,394)	(9,089)	(8,760)	(207,399)
Income before the undernoted	122,264	28,569	(5,658)	(3,686)	141,489
Interest expense	9,079	1,130	5,107	818	16,134
Change in fair value of derivative instruments	37,058	(35,776)	–	–	1,282
Other income	(3,122)	(82)	(311)	–	(3,515)
Non-controlling interest	–	–	(3,593)	(55)	(3,648)
Provision (recovery) for income tax	(123,113)	24,415	–	(1,562)	(100,260)
Net income (loss)	$ 202,362	$ 38,882	$ (6,861)	$ (2,887)	$ 231,496
Additions to property, plant and equipment	$ 11,267	$ 797	$ 4,599	$ 24,544	$ 41,207
Total goodwill	$ 138,905	$ 31,053	$ –	$ 7,929	$ 177,887
Total assets	$ 727,395	$ 330,912	$ 161,028	$ 91,492	$ 1,310,827

NOTE 18 GUARANTEES

(a) *Officers and directors*

Corporate indemnities have been provided by Just Energy 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 Just Energy and its subsidiaries and/or affiliates, subject to certain restrictions. Just Energy 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 Just Energy'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, Just Energy and/or Just Energy's subsidiaries and affiliates have entered into agreements that include guarantees in favour of third parties, such as purchase and sale agreements, leasing agreements and transportation agreements. These guarantees may require Just Energy and/or its subsidiaries to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The maximum payable under these guarantees is estimated to be $88,282.

NOTE 19 COMMITMENTS

Commitments for each of the next five years and thereafter are as follows:

	Premises and equipment leasing	Grain production contracts	Master Services agreement with EPCOR	Long-term commodity contracts with various suppliers
2012	$ 8,333	$ 7,082	$ 4,974	$ 1,498,293
2013	6,222	1,703	–	915,844
2014	4,733	396	–	489,855
2015	3,855	–	–	209,069
2016	2,678	–	–	58,436
Thereafter	4,841	–	–	2,292
	$ 30,662	$ 9,181	$ 4,974	$ 3,173,789

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

NOTE 20 CONTINGENCIES

The State of California has filed a number of complaints to the Federal Energy Regulatory Commission ("FERC") against many suppliers of electricity, including Commerce, a subsidiary of Just Energy, with respect to events stemming from the 2001 energy crisis in California. Pursuant to the complaints, the State of California is challenging the FERC's enforcement of its market-based rate system. Although Commerce did not own generation, the State of California is claiming that Commerce was unjustly enriched by the run-up caused by the alleged market manipulation by other market participants. The proceedings are currently ongoing. On March 18, 2010, the Administrative Law Judge granted the motion to strike for all parties in one of the complaints holding that California did not prove that the reporting errors masked the accumulation of market power. California has appealed the decision.

At this time, the likelihood of damages or recoveries and the ultimate amounts, if any, with respect to this litigation is not determinable.

NOTE 21 ADJUSTMENTS REQUIRED TO REFLECT NET CASH RECEIPTS FROM GAS SALES

	2011	2010
Changes in:		
Accrued gas accounts payable	**$ 4,266**	$ (26,286)
Unbilled revenues	**(5,749)**	36,986
Gas delivered in excess of consumption	**3,763**	(8,508)
Deferred revenue	**(4,005)**	8,357
	$ (1,725)	$ 10,549

NOTE 22 NET CHANGE IN NON-CASH WORKING CAPITAL

	2011	2010
Accounts receivable	**$ 4,513**	$ (60,021)
Gas in storage	**(2,355)**	2,430
Inventory	**(583)**	(41)
Prepaid expenses	**15,511**	25,869
Accounts payable and accrued liabilities	**(49,637)**	5,931
Corporate taxes recoverable	**(5,662)**	(8,303)
Other	**–**	(1,388)
	$ (38,213)	$ (35,523)

NOTE 23 COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTE 24 SUBSEQUENT EVENTS

Declared dividends

On April 4, 2011, the Board of Directors of Just Energy declared a dividend in the amount of $0.10333 per common share ($1.24 annually). The dividend will be paid on April 30, 2011, to shareholders of record at the close of business on April 15, 2011.

On May 3, 2011, the Board of Directors of Just Energy declared a dividend in the amount of $0.10333 per common share ($1.24 annually). The dividend will be paid on May 31, 2011, to shareholders of record at the close of business on May 15, 2011.

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Ernst & Young LLP
Toronto, ON Canada

TRANSFER AGENT AND REGISTRAR

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SHARES LISTED

Toronto Stock Exchange
Trading symbol: JE

ANNUAL GENERAL MEETING

Wednesday, June 29, 2011
3:00 p.m.
TSX Broadcast Centre
130 King Street West
Toronto, ON

Concept and Design: THE WORKS www.worksdesign.com Executive Photography: Matthew Plexman

justenergygroup.com

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EXHIBIT C-2
SEC FILINGS
COMMERCE ENERGY, INC. D/B/A JUST ENERGY

Please refer to Exhibit C-1 for the parent company's most recent securities filing information. Also attached is Just Energy's most recent quarterly report filed with the Canadian Securities and Exchange Commission

LEADING THE WAY

FIRST QUARTER REPORT 2011

Q1

just energy

HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2010, INCLUDED:

Gross customer additions through marketing of 261,000 and net additions of 116,000 are both the highest in Just Energy history.

Acquisition effective May 1, 2010, of Hudson Energy Services, LLC, a leading marketer in the U.S. commercial sector with more than 660,000 customers.

Just Energy exited the quarter with over three million customers, up 79% from a year earlier.

Sales (seasonally adjusted) up 48% year over year, reaching $640.0 million.

Gross margin (seasonally adjusted) of $88.9 million, up 19% but down 2% per unit, primarily attributable to reduced gas consumption caused by record warm weather.

Significant investments in further expansion – preparation for entry into Massachusetts and two new utility territories in New York, the launch of Momentis network marketing in Ontario and New York, broadening commercial broker network and the rollout of National Home Services into Union Gas territory in Ontario.

Record warm weather reduced distributable cash after gross margin replacement and distributable cash by $21.0 million due to margin effects of lower gas consumption.

Distributable cash after gross margin replacement of $33.9 million, down 32% per unit.

Distributable cash after all marketing expenses of $24.4 million, down 44% per unit.

Adjusted EBITDA of $31.3 million, up from $30.2 million in fiscal 2010.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear fellow Unitholders,

Just Energy has completed the first quarter of fiscal 2011 – the year that will see the conversion of one of Canada's most successful income trusts into a corporation. The past five years have seen a concerted effort to geographically expand our business. With our entry into Illinois, we have continued to build a profitable and growing U.S. operation which now spans nine states and, for the first time, encompasses more customers than we have in our original market of Canada. Given the low penetration rates in our targeted states, it is our belief that our growth in the U.S. has just begun.

More recently, we have looked to further diversify our business through both product and marketing channels. Historically, we sold gas and electricity through a single channel – door-to-door sales – to residential and small business customers. With our entry into renewable energy sales through our very successful JustGreen offerings, we have continued to add new products. Our National Home Services ("NHS") water heater rental and sales operation has been a huge success, growing from zero to over 88,000 units installed in less than two years. Recently, we have further expanded into air conditioners and furnaces.

Our Momentis network marketing channel has been launched and the early results are promising. We are encouraged because network marketing does not overlap with our traditional sales channel and tends to generate sales to customers who would not otherwise buy from a door-to-door salesperson.

Key to our marketing success this quarter was our diversification into the large commercial customer market triggered by our acquisition of Hudson Energy Services, LLC ("Hudson"). This market segment consists of customers such as school boards, hospitals and universities. It does not include industrial volumes as credit and load-variance risks are far higher for industrials. Our analysis of Hudson demonstrated that these customers were underserved by deregulated suppliers and that, with a properly structured product, they could generate lifelong net value per residential customer equivalent ("RCE") equal to that of a residential customer.

As these customers often cannot make five-year commitments, we have developed a variety of shorter-term products, often blending fixed and variable pricing, that are tailored to the customer's needs. The product is sold through a growing network of independent brokers and a team of internal specialists. Just Energy had not previously utilized the broker channel, but based on its success to date, we are currently expanding the network with the addition of our first commercial brokers in Canada.

The annual margin per RCE on these large commercial contracts is much lower than on residential customers ($67 per year in the first quarter), but the customer aggregation cost is commensurately lower. Annual customer maintenance per RCE is also substantially less, as a single large commercial customer can total hundreds or even thousands of RCEs. Finally, attrition of these customers is very low, and renewal, while competitive, also has a relatively high success rate.

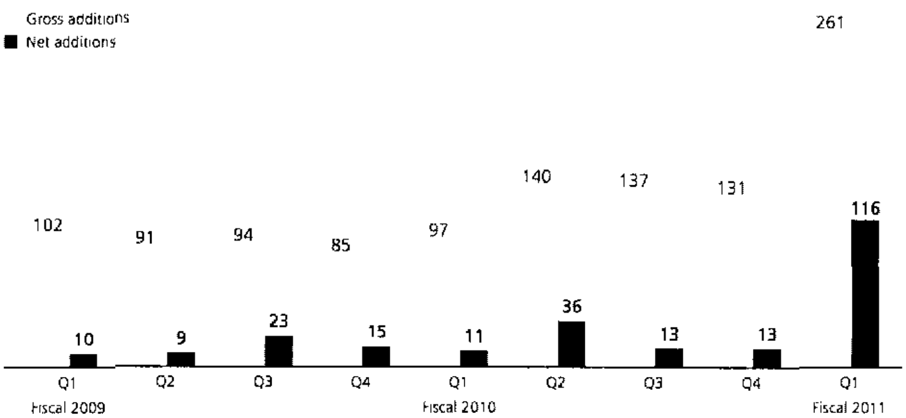
The impact from the Hudson and Universal acquisitions as well as new product diversification is highlighted by the table below:

RCEs	Beginning April 1, 2010	Additions	Acquired with Hudson	Attrition	Failed to renew	Ending June 30, 2010	Ending June 30, 2009
Natural gas							
Canada	734,000	12,000	–	(21,000)	(16,000)	709,000	727,000
United States	408,000	108,000	81,000	(32,000)	(1,000)	564,000	238,000
Total gas	1,142,000	120,000	81,000	(53,000)	(17,000)	1,273,000	965,000
Electricity							
Canada	760,000	26,000	–	(18,000)	(11,000)	757,000	574,000
United States	391,000	115,000	579,000	(33,000)	(13,000)	1,039,000	262,000
Total electricity	1,151,000	141,000	579,000	(51,000)	(24,000)	1,796,000	836,000
Combined	2,293,000	261,000	660,000	(104,000)	(41,000)	3,069,000	1,801,000

The 261,000 customers added are, by far, the most ever added by Just Energy in a quarter. More importantly, the net customer additions of 116,000 are also a record and are more than ten times the net additions of the year before. As the chart below indicates, both gross and net additions far exceed historical levels, and the reason is commercial additions.

QUARTERLY CUSTOMER ADDITIONS

(thousands)



A measure of the increase in value of the Just Energy gas and electricity customer base is the future gross margin inherent in the contracts. Continued growth of this measure, as margin is realized quarter after quarter, is evidence of the success of our marketing efforts. The profitability shown above continued the upward trend of this measure.

Management's estimate of future embedded gross margin is as follows:

(millions of dollars)

	June 30, 2010	June 30, 2009	% increase
Canada (CAD$)	$ 757.5	$ 675.8	12%
United States (US$)	698.5	284.7	145%
Total (CAD$)	$ 1,501.1	$ 1,003.2	50%

The 48% increase in sales was due to a 55% increase in the average number of customers, with normal revenue per customer in electricity but lower than expected revenue in gas due to record warm weather resulting in sharply lower gas consumption and losses on disposition of the unused gas.

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

	Fiscal 2011	Per unit[1]	Fiscal 2010	Per unit[1]
Sales[2]	$ 640.0	$	$ 432.6	$
Gross margin[2]	88.9	0.65	74.8	0.66
Distributable cash				
After gross margin replacement	33.8	0.25	42.2	0.37
After marketing expense	24.4	0.18	36.1	0.32
Adjusted EBITDA	31.3	0.23	30.2	0.27
Net income	275.3	2.01	102.6	0.91
Payout ratio	173%		97%	
Long-term customers	3,069,000		1,801,000	

[1] The per unit amounts are calculated using an adjusted fully diluted basis for fiscal 2011, removing the impact of the Just Energy Exchange Corp. ("JEEC") and Just Energy Income Fund ("JEIF") convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

[2] Seasonally adjusted (non-GAAP measure).

Gross margin was up 19% but down on both a per unit and a per customer basis. The increase reflects a higher number of customers and the continued strong take-up of JustGreen offerings offset by the impact of warm weather on gas consumption and the inclusion of lower margin Hudson customers. Overall, electricity margins increased in line with the increase in the average number of customers.

	Q1 fiscal 2011	Q1 fiscal 2010	% increase (decrease)	% increase in average customers
Natural gas margins[1]	$ 25,851	$ 42,102	(39)%	24%
Electricity margins[1]	62,766	32,667	92%	90%
Total margins[1]	$ 88,617	$ 74,769	19%	55%

[1] Seasonally adjusted (non-GAAP measure).

The following table highlights the extent of the adverse impact of warm weather reflected in the lower gas consumption in the quarter. While consumption per customer was down more than 30%, the margin impact was greater because, not only was margin lost on the related expected sales, but the excess gas resulting from lower consumption created was sold at a loss due to very low spot prices. U.S. gas and electricity also saw a decrease in realized average margin as a large number of lower margin customers, who purchased from Hudson in May, were included. Because Hudson was only included for two months of the quarter, investors should look to future quarters for the true impact of Hudson on margins and results.

	Heating degree days – Q1 fiscal 2011	Heating degree days – Q1 fiscal 2010	% decrease	Heating degree days – 30-year average	% decrease
Toronto	672	971	(31)%	990	(32)%
New York	347	511	(32)%	547	(37)%
Chicago	475	701	(32)%	649	(27)%

JustGreen

Continued strong take-up of the JustGreen energy offerings offset weaker gas margins in the quarter. A total of 49% of new customers took JustGreen for an average of 89% of their consumption. The result was a continuation of improvement in new residential customer margins, which were $246 per customer per year, up 37% from $179 in the first quarter of the previous year, and up from $208 for all of fiscal 2010. Currently, JustGreen customers make up 6% of the electricity portfolio and 3% of the gas portfolio.

Home services division

NHS provides Ontario residential customers with long-term water heater rental programs, offering conventional tanks, power vented tanks and tankless water heaters in a variety of sizes, in addition to the recently added offering of furnaces and air conditioners. NHS continues to ramp up its operations and, as at June 30, 2010, had a cumulative installed base of 87,400 water heaters, 500 furnaces and 100 air conditioners in Ontario residences. NHS earns revenue from its installed base.

As NHS is a high growth, relatively capital-intensive business, Just Energy management believes that, in order to maintain stability of distributions, separate non-recourse financing of this capital is appropriate. Accordingly, NHS entered into a long-term financing agreement with Home Trust Company ("HTC") for the funding of the water heaters.

Management's strategy for NHS is to self-fund the business through its growth phase, building value within the customer base. This way, NHS will not require cash from Just Energy's core operations, nor will Just Energy rely on NHS cash flow to fund distributions. As the HTC financing is repaid, NHS will be a valuable, cash-generating asset for Just Energy.

Distributable cash

Distributable cash was lower on both a gross and per unit basis in the first quarter of fiscal 2011 versus the comparable quarter of fiscal 2010. The predominant factor in this decline was the loss of natural gas margin due to record warm weather in the quarter.

There were a number of other factors that contributed to lower distributable cash.

Distributable cash	$22.3 million	Was $36.1 million in fiscal 2010
Terra Grains Fuels ("TGF") (not in place in fiscal 2010)	(3.6) million	Operation is non-recourse and must fund its own operations and debt service
NHS (not in place in fiscal 2010)	(2.2) million	While still in start-up phase, management believes that substantial long-term value has been created within contracts
Weather impact on gas margins	(21.0) million	As described above
U.S.$ decline against CAD$	(2.3) million	Reduced reported margin net of savings on U.S.$ denominated costs
	$(29.1) million	

Adjusted EBITDA was up slightly to $31.3 million from $30.2 million a year prior. Adjusted EBITDA was up while distributable cash was down, largely because of heavy expenditures to increase future margins and the elimination of higher cash taxes year over year in the EBITDA measure.

Distributions were $0.31 per unit, equal to those of the prior year. The payout ratio was high at 173% in what is seasonally the slowest quarter due to the impact of warm weather on gas consumption. In past years, the payout ratio on normal distributions has been below 100% and it is management's expectation that it will be below 100% again during fiscal 2011.

The end of this calendar year will see the conversion of Just Energy into a high yield growth company. We believe that the investments made in this quarter will contribute to that growth and support our high-dividend yield. The Hudson acquisition is off to a great start, and we are confident that Just Energy has built an even stronger and more diverse base for our business in the future.

Thank you, fellow Unitholders, for your continued support.

Yours sincerely,

Ken Hartwick

Ken Hartwick
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") – AUGUST 11, 2010

Overview

The following discussion and analysis is a review of the financial condition and results of operations of Just Energy Income Fund ("Just Energy", the "Fund" or "JEIF") for the three months ended June 30, 2010, and has been prepared with all information available up to and including August 11, 2010. This analysis should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended June 30, 2010, as well as the audited consolidated financial statements and related MD&A for the year ended March 31, 2010, contained in the Fund's 2010 Annual Report. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts are expressed in Canadian dollars. Quarterly reports, the annual report and supplementary information can be found on our corporate website at www.justenergy.com. Additional information can be found on SEDAR at www.sedar.com.

Just Energy 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 owned operating subsidiaries and affiliates: Just Energy Ontario L.P. ("JE Ontario"), Just Energy Manitoba L.P. ("JE Manitoba"), Just Energy Quebec L.P. ("JE Quebec"), Just Energy (B.C.) Limited Partnership ("JE B.C."), Just Energy Alberta L.P. ("JE Alberta"), Alberta Energy Savings L.P. ("AESLP"), Just Energy Illinois Corp. ("JE Illinois"), Just Energy New York Corp. ("JENYC"), Just Energy Indiana Corp. ("JE Indiana"), Just Energy Texas L.P. ("JE Texas"), Just Energy Massachusetts Corp. ("JE Mass"), Just Energy Michigan Corp. ("JE Michigan"), Just Energy Exchange Corp. ("JEEC"), Universal Energy Corp. ("UEC"), Universal Gas and Electric Corporation ("UG&E"), Commerce Energy, Inc. ("Commerce" or "CEI"), National Energy Corp. ("NEC") operating under the trade name of National Home Services ("NHS"), Hudson Energy Services, LLC ("Hudson" or "HES"), Momentis Canada Corp. and Momentis U.S. Corp. (collectively, "Momentis") and Terra Grain Fuels, Inc. ("TGF"), collectively, the "Just Energy Group".

Just Energy's business primarily involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price and price-protected contracts. By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Just Energy's customers offset their exposure to changes in the price of these essential commodities. Just Energy, which commenced business in 1997, derives its margin or gross profit from the difference between the fixed price at which it is able to sell the commodities to its customers and the fixed price at which it purchases the associated volumes from its suppliers. In addition, through NHS, the Fund sells and rents high efficiency and tankless water heaters and other heating, ventilating and air conditioning ("HVAC") products. TGF, an ethanol producer, operates a wheat-based ethanol facility in Belle Plaine, Saskatchewan. Just Energy also indirectly acquired Hudson, effective May 1, 2010, a marketer of natural gas and electricity that sells primarily to commercial customers in New York, New Jersey, Illinois and Texas, and results are included for two months of its operations in this report.

The Fund also offers green products through its JustGreen program, formerly known as the Green Energy Option or "GEO". The electricity JustGreen product offers the customer the option of having all or a portion of their electricity sourced from renewable green sources such as wind, run of the river hydro or biomass. The gas JustGreen product offers carbon offset credits, which will allow customers to reduce or eliminate the carbon footprint of their home or business. Management believes that these new products will not only add to profits but also increase sales receptivity and improve renewal rates.

Forward-looking information

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

Key terms

"Attrition" means customers whose contracts were terminated early, or cancelled by Just Energy due to delinquent accounts.

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

"Failed to renew" means customers who did not renew expiring contracts at the end of their term.

"Gross margin per RCE" represents the gross margin realized on Just Energy's customer base, including both low margin customers acquired through various acquisitions and gains/losses from the sale of excess commodity supply.

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

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

"JEEC convertible debentures" means the $90 million in convertible debentures issued by Universal in October 2007. JEEC assumed the obligations of the debentures as part of the acquisition of Universal Energy Group, Inc. ("Universal") on July 1, 2009. See "Long-term debt and financing" on page 29 for further details.

"JEIF convertible debentures" means the $330 million in convertible debentures issued by the Fund to finance the purchase of Hudson effective May 1, 2010. See "Long-term debt and financing" on page 29 for further details.

Non-GAAP financial measures

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

Seasonally adjusted sales and seasonally adjusted gross margin

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

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

Cash Available for Distribution

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

"Distributable cash after gross margin replacement" represents the net Cash Available for Distribution to Unitholders as defined above. However, only the marketing expenses associated with maintaining the Fund's gross margin at a stable level, equal to that in place at the beginning of the period, are deducted. Management believes that this is more representative of the ongoing operating performance of the Fund because it includes all expenditures necessary for the retention of existing customers and the addition of new margin to replace those customers that have not been renewed. This non-GAAP measure may not be comparable to other income funds.

For reconciliation to cash from operating activities, please refer to the "Cash Available for Distribution and distributions" analysis on page 12.

EBITDA

"EBITDA" represents earnings before interest, taxes, depreciation and amortization. This is a non-GAAP measure which reflects the pre-tax profitability of the business.

Adjusted EBITDA

"Adjusted EBITDA" represents EBITDA adjusted to exclude the impact of mark to market gains (losses) arising from Canadian GAAP requirements for derivative financial instruments on future supply positions. In addition, the Adjusted EBITDA calculation deducts marketing costs sufficient to maintain existing levels of gross margin and the capital expenditures necessary to sustain existing operations. This highlights the marketing that Just Energy had carried out and the capital expenditures that it had made to add to its future productive capacity. Management believes this is a useful measure of operating performance for investors.

Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. However, under Canadian GAAP, the customer margins are not marked to market but there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing volatility. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of the Fund and has therefore excluded it from the adjusted EBITDA calculation.

Embedded gross margin

"Embedded gross margin" is a rolling five-year measure of management's estimate of future contracted gross margin. It is the difference between existing customer contract prices and the cost of supply for the remainder of the term, with appropriate assumptions for customer attrition and renewals. It is assumed that expiring contracts will be renewed at target margin and renewal rates.

Standardized Distributable Cash

"Standardized Distributable Cash" is a non-GAAP measure developed to provide a consistent and comparable measurement of distributable cash across entities. It is defined as cash flows from operating activities, as reported in accordance with GAAP, less an adjustment for total capital expenditures as reported in accordance with GAAP and restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of Standardized Distributable Cash.

For reconciliation to cash from operating activities, please refer to the "Standardized Distributable Cash and Cash Available for Distribution" analysis on page 14.

Financial highlights

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

	Fiscal 2011			Fiscal 2010	
	$	Per unit[1]	Per unit change	$	Per unit[1]
Sales	609,684	$ 4.44	26%	399,010	$ 3.53
Net income[2]	275,309	$ 2.01	121%	102,627	$ 0.91
Adjusted EBITDA[3]	31,282	$ 0.23	(15)%	30,182	$ 0.27
Gross margin (seasonally adjusted)[4]	88,933	$ 0.65	(2)%	74,769	$ 0.66
Distributable cash					
After gross margin replacement	33,783	$ 0.25	(32)%	42,219	$ 0.37
After marketing expense	24,402	$ 0.18	(44)%	36,087	$ 0.32
Distributions	42,277	$ 0.31	–	35,014	$ 0.31
General and administrative	29,272	$ 0.21	50%	15,617	$ 0.14
Distributable cash payout ratio[5]					
After gross margin replacement	125%			83%	
After marketing expense	173%			97%	

[1] The per unit amounts are calculated using an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

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

[3] Adjusted EBITDA is a more appropriate measure of the performance of the Fund since it excludes the unrealized mark to market gains and losses and deducts only marketing costs and capital spending necessary to sustain existing operations. See above for more information.

[4] See discussion of non-GAAP financial measures on page 7.

[5] Management targets an annual payout ratio after all marketing expenses, excluding any Special Distribution, of less than 100%.

Reconciliation of net income to adjusted EBITDA

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

	Fiscal 2011	Fiscal 2010
Net income	$ 275,309	$ 102,627
Add:		
Interest	9,480	480
Tax expense (recovery)	19,360	10,303
Capital tax	133	80
Amortization	33,448	1,788
EBITDA	337,730	115,278
Add:		
Change in fair value of derivative instruments	(314,376)	(87,880)
Marketing expenses to add gross margin	9,381	6,132
Less:		
Maintenance capital expenditures	(1,453)	(3,348)
Adjusted EBITDA	$ 31,282	$ 30,182

Acquisition of Hudson Energy Services, LLC

On May 7, 2010, Just Energy completed the acquisition of all of the equity interests of Hudson Parent Holdings, LLC and all of the common shares of Hudson Energy Corp., thereby indirectly acquiring Hudson Energy Services, LLC with an effective date of May 1, 2010. It is important to note that this first quarter report reflects only two months of operating results from Hudson, and that the full effect of this acquisition will not be seen until future quarters.

The acquisition of Hudson was accounted for using the purchase method of accounting. The Fund allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows (thousands of dollars):

Net assets acquired	
Current assets (including cash of $24,003)	$ 88,696
Current liabilities	(107,817)
Electricity contracts and customer relationships	200,653
Gas contracts and customer relationships	26,225
Broker network	84,400
Brand	11,200
Information technology system development	17,954
Contract initiation costs	20,288
Other intangible assets	6,545
Goodwill	30,946
Property, plant and equipment	2,559
Unbilled revenue	15,092
Notes receivable – long term	1,312
Security deposits – long term	3,544
Other assets – current	124
Other assets – long term	100
Other liabilities – current	(74,683)
Other liabilities – long term	(40,719)
	$ 286,419
Consideration	
Purchase price	$ 285,343
Transaction costs	1,076
	$ 286,419

All contracts and intangible assets, excluding brand, are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts and customer relationships are amortized over periods of 30 months and 35 months, respectively. Other intangible assets, excluding brand, are amortized over periods ranging from three to five years. The brand value is considered to be indefinite and, therefore, not subject to amortization. The purchase price allocation is considered preliminary and, as a result, may be adjusted during the 12-month period following the acquisition.

Acquisition of Universal Energy Group Ltd.

On July 1, 2009, Just Energy completed the acquisition of all of the outstanding common shares of Universal Energy Group ("Universal") pursuant to a plan of arrangement (the "Arrangement"). Under the Arrangement, the Universal shareholders received 0.58 of an exchangeable share ("Exchangeable Share") of JEEC, a subsidiary of Just Energy, for each Universal common share held. In aggregate, 21,271,804 Exchangeable Shares were issued pursuant to the Arrangement. Each Exchangeable Share is exchangeable for a unit of the Fund on a one for one basis at any time at the option of the holder, and entitles the holder to a monthly dividend equal to 66 ⅔% of the monthly distribution and/or Special Distribution paid by Just Energy on a unit of the Fund. JEEC also assumed all the covenants and obligations of Universal in respect of Universal's outstanding JEEC convertible debentures. On conversion of the JEEC convertible debentures, holders will be entitled to receive 0.58 of an Exchangeable Share in lieu of each Universal common share that the holder was previously entitled to receive on conversion.

The acquisition of Universal was accounted for using the purchase method of accounting. The Fund allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows (thousands of dollars):

Net assets acquired	
Working capital (including cash of $10,319)	$ 63,614
Electricity contracts and customer relationships	229,586
Gas contracts and customer relationships	243,346
Water heater contracts and customer relationships	22,700
Other intangible assets	2,721
Goodwill	77,494
Property, plant and equipment	171,693
Future tax liabilities	(50,475)
Other liabilities – current	(164,148)
Other liabilities – long term	(140,857)
Long-term debt	(183,079)
Non-controlling interest	(22,697)
	$ 249,898
Consideration	
Transaction costs	$ 9,952
Exchangeable Shares	239,946
	$ 249,898

All contracts, customer relationships and intangible assets are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts acquired, including customer relationships, are amortized over periods ranging from eight to 57 months. The water heater contracts and customer relationships are amortized over 174 months and the other intangible assets are amortized over six months. The non-controlling interest represents 33.3% ownership of TGF held by EllisDon Corporation. An adjustment in the amount of $10,700 was made to increase goodwill and decrease working capital during the three months ended June 30, 2010. The purchase price for this acquisition is final and no longer subject to change.

Operations

Gas

In each of the markets in which Just Energy operates, it is required to deliver gas to the LDCs for its customers throughout the year. Gas customers are charged a fixed price for the full term of their contract. Just Energy purchases gas supply in advance of marketing for residential customers and generally concurrent with the execution of a contract for larger commercial customers. The LDC provides historical customer usage to enable Just Energy to purchase an approximation of estimated supply. Furthermore, in many markets, Just Energy mitigates exposure to customer usage by purchasing options that cover potential differences in customer consumption due to weather variations. The cost of this strategy is incorporated in the price to the customer. Our ability to mitigate weather effects is limited by utilities' requirements to deliver fixed amounts of gas regardless of the weather. To the extent that balancing requirements are outside the options purchased, Just Energy bears the financial responsibility for fluctuations in customer usage. Volume variances may result in either excess or short supply. Excess supply is sold in the spot market, resulting in either a gain or loss compared to the weighted average cost of supply. In the case of greater than expected gas consumption, Just Energy must purchase the short supply at the market price, which may reduce or increase the customer gross margin typically realized. Under some commercial contract terms, this balancing may be passed on to the customer.

Ontario, Quebec, British Columbia and Michigan

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

Manitoba and Alberta

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

New York, Illinois, Indiana, Ohio and California

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

Electricity

Ontario, Alberta, New York, Texas, Illinois, Pennsylvania, New Jersey, Maryland, Michigan, California and Massachusetts

Just Energy offers a variety of price protection products to its electricity customers. The product offerings include both fixed-price and variable-price long-term and short-term electricity contracts. Customers have the ability to choose an appropriate JustGreen program to supplement their electricity contracts, providing an effective method to offset their carbon footprint. In Ontario, New York and Texas, Just Energy provides customers with price protection for the majority of their electricity requirements. The customers experience either a small balancing charge or credit on each bill due to fluctuations in prices applicable to their volume requirements not covered by a fixed price. Just Energy uses historical usage data for all enrolled customers to accurately predict future customer consumption and to help with long-term supply procurement decisions.

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

Home services division

NEC began operations in April 2008 and operates under the trade name of National Home Services ("NHS"). Newten Home Comfort L.P. ("NHCLP"), a partnership between Just Energy and Newten Home Comfort Inc. (an arm's length third party holding 20% of the partnership), commenced providing Ontario residential customers with a long-term water heater rental program in the summer of 2008, offering high efficiency conventional and power vented tanks and tankless water heaters. On July 2, 2009, NEC, a wholly owned home services subsidiary of Universal, acquired Newten Home Comfort Inc. Accordingly, NHCLP became a wholly owned subsidiary of Just Energy. On September 30, 2009, NEC acquired substantially all of the assets of NHCLP, including all of NHCLP's customer water heater rental agreements. NHCLP and Newten Home Comfort Inc. were subsequently wound up. NEC began offering the rental of air conditioners and furnaces to Ontario residents in the fourth quarter of fiscal 2010. See page 23 for additional information on NEC.

Ethanol division

Just Energy also owns a 66.7% interest in TGF, a 150-million-litre capacity wheat-based ethanol plant located in Belle Plaine, Saskatchewan. The plant produces wheat-based ethanol and high protein distillers' dried grain ("DDG"). See page 24 for additional information on TGF.

Cash Available for Distribution and distributions

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

	Fiscal 2011	Per unit	Fiscal 2010	Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 25,727		$ 37,795	
Add:				
Decrease in non-cash working capital	(3,648)		(2,246)	
Other	1,785		–	
Tax impact on distributions to Class A preference shareholders	538		538	
Cash Available for Distribution	$ 24,402		$ 36,087	
Cash Available for Distribution				
Gross margin per financial statements	$ 80,497	$ 0.59	$ 66,075	$ 0.59
Adjustments required to reflect net cash receipts from gas sales	8,436		8,694	
Seasonally adjusted gross margin	$ 88,933	$ 0.65	$ 74,769	$ 0.66
Less:				
General and administrative	(29,272)		(15,617)	
Capital tax expense	(133)		(80)	
Bad debt expense	(5,749)		(3,829)	
Income tax recovery	1,002		40	
Interest expense	(9,480)		(480)	
Other items	6,771		669	
	(36,861)		(19,297)	
Distributable cash before marketing expenses	52,072	$ 0.38	55,472	$ 0.49
Marketing expenses to maintain gross margin	(18,289)		(13,253)	
Distributable cash after gross margin replacement	33,783	$ 0.25	42,219	$ 0.37
Marketing expenses to add new gross margin	(9,381)		(6,132)	
Cash Available for Distribution	$ 24,402	$ 0.18	$ 36,087	$ 0.32
Distributions				
Unitholder distributions	$ 39,644		$ 32,935	
Class A preference share distributions	1,631		1,631	
Unit appreciation rights and deferred unit grants distributions	1,002		448	
Total distributions	$ 42,277	$ 0.31	$ 35,014	$ 0.31
Adjusted fully diluted average number of units outstanding[1]		137.2m		112.9m

[1] The per unit amounts are calculated using an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

Distributable cash

The first quarter of fiscal 2011 was a period of rapid expansion for Just Energy. This expansion took place through the acquisition of Hudson, which diversified Just Energy's product line to include specialized offerings for large commercial customers; the expansion of Hudson's proven broker network to seven new states and five new provinces; the launch of the Momentis network marketing division in Ontario and New York; as well as spending in anticipation of entry into Massachusetts and two new utility territories in New York. In addition, NHS committed expenditures to facilitate its expansion into Union Gas territory in Ontario and its rollout of furnace and air conditioner offerings.

This expansion had two impacts on the quarter. Firstly, general and administrative costs increased to absorb the costs of this expansion. Secondly, quarterly customer additions reached the highest levels seen in the history of Just Energy. The majority of these additions were large commercial customers, which is a market segment not previously pursued. As with past expansions, management believes that the acquisition of Hudson and these expenditures will build a more diversified and profitable base for Just Energy's future.

Distributable cash after gross margin replacement for the three months ended June 30, 2010, was $33.8 million ($0.24 per unit), down 20% from $42.2 million ($0.37 per unit) in fiscal 2010. While margin was up 19%, it was down on a per unit basis. Margin from the natural gas business was significantly reduced as a result of lower per customer consumption due to record warm temperatures across Just Energy's key markets.

The higher gross margins in the year were offset by increased general and administrative costs, largely due to the expansions noted above, interest charges and higher bad debt expense. Over the prior year comparable quarter, increased general and administrative costs of 87% were noted, of which $8.3 million or 61% related to incremental Universal, Hudson and Momentis costs not incurred last year. The remaining increase was to accommodate the numerous areas of expansion noted above. Interest costs relate primarily to the JEEC and JEIF convertible debentures, which relate to the Hudson and Universal acquisitions, funding for water heater purchases and debt associated with TGF. Bad debt expense increased in the first quarter of fiscal 2011 compared to 2010, due to the increased sales in those markets where the Fund bears the credit risk and the continued weak economic conditions in the U.S. markets. Overall, bad debt percentage of relevant sales was within the target range at 2.8%, equal to that of the prior quarter.

Just Energy spent $18.3 million in marketing expenses for the quarter to maintain its current level of gross margin, which represents 66% of the total marketing expense, excluding the amortization of contract initiation costs. A further $9.4 million was spent to increase future gross margin, reflecting the 116,000 net RCE additions through marketing to date for fiscal 2011. Management's estimate of the future contracted gross margin increased to $1,501.1 million from $1,204.3 million at March 31, 2010, and $1,003.2 million a year earlier.

Management's estimate of the future embedded gross margin is as follows:
(millions of dollars)

	June 30, 2010	June 30, 2009	% increase
Canada (CAD$)	$ 757.5	$ 675.8	12%
United States (US$)	698.5	284.7	145%
Total (CAD$)	**$ 1,501.1**	**$ 1,003.2**	**50%**

Distributable cash after all marketing expenses amounted to $24.4 million ($0.18 per unit) for the first quarter of fiscal 2011, a decline of 32% from $36.1 million ($0.32 per unit) in the prior year comparable quarter. The decrease is due to the higher gross margin being more than offset by the increased expenditures noted above. There were higher marketing costs associated with the significant increase in net customer additions quarter over quarter. The payout ratio after deduction of all marketing expenses for the current quarter was 173% versus 97% in fiscal 2010. Management anticipates that the payout ratio for fiscal 2011 will be less than 100% (excluding any Special Distributions for tax purposes), which is as it has been in past years.

For further information on the changes in the gross margin, please refer to "Sales and gross margin – seasonally adjusted" on page 18, and "General and administrative expenses", "Marketing expenses", "Bad debt expense" and "Interest expense" are further clarified on pages 24 to 26.

Discussion of distributions

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

	Fiscal 2011	Fiscal 2010
Cash flow from operations[1] (A)	$ 25,727	$ 37,795
Net income (B)	275,309	102,627
Total distributions (C)	42,277	35,014
Excess (shortfall) of cash flows from operating activities over distributions paid (A–C)	(16,550)	2,781
Excess of net income over distributions paid (B–C)	233,032	67,613

[1] Includes non-cash working capital balances.

Net income includes non-cash gains and losses associated with the changes in the current market value of Just Energy's derivative instruments. These instruments form part of the Fund's requirement to purchase commodity according to estimated demand and, as such, changes in value do not impact the distribution policy or the long-term financial performance of the Fund. The change in fair value associated with these derivatives, included in the net income for the first quarter of fiscal 2011, was a gain of $314.4 million versus $87.9 million for the same period last year.

The Fund has, in the past, paid out distributions that were higher than both financial statement net income and operating cash flow. In the view of management, the non-GAAP measure, distributable cash, is an appropriate measure of the Fund's ability to distribute funds, as the cost of carrying the incremental working capital necessary for the growth of the business has been deducted in the distributable cash calculation. Further, investment in the addition of new customers intended to increase cash flow is expensed in the financial statements while the original customer base was capitalized. Management believes that the current level of distributions will be sustainable in the foreseeable future.

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

Standardized Distributable Cash and Cash Available for Distribution

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

	Fiscal 2011	Fiscal 2010
Reconciliation to statements of cash flow		
Cash inflow from operations	$ 25,727	$ 37,795
Capital expenditures[1]	(9,607)	(7,406)
Standardized Distributable Cash	16,120	30,389
Adjustments to Standardized Distributable Cash		
Change in non-cash working capital[2]	(3,648)	(2,246)
Tax impact on distributions to Class A preference shareholders[3]	538	538
Other	1,785	–
Capital expenditures[1]	9,607	7,406
Cash Available for Distribution	$ 24,402	$ 36,087
Standardized Distributable Cash – per unit basic	0.12	0.27
Standardized Distributable Cash – per unit diluted	0.11	0.27
Payout ratio based on Standardized Distributable Cash	262%	115%

[1] The vast majority of capital expenditures in the first quarter of fiscal 2010 related to the purchase of water heaters for subsequent rental. These expenditures expand the productive capacity of the business. Effective January 2010, water heater capital purchases are financed through separate financing secured by the water heaters and associated contracts. All other capital expenditures were funded by the credit facility.

[2] Change in non-cash working capital is excluded from the calculation of Cash Available for Distribution as the Fund has a $250.0 million credit facility which is available for use to fund working capital requirements. This eliminates the potential impact of timing distortions relating to the respective items.

[3] This amount includes payments to the holders of Class A preference shares and is equivalent to distributions. The number of Class A preference shares outstanding is included in the denominator of any per unit calculation.

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

Financing strategy

The Fund's $250.0 million credit facility will be sufficient to meet the Fund's short-term working capital and capital expenditure requirements. Working capital requirements can vary widely due to seasonal fluctuations and planned U.S.-related growth. In the long term, the Fund may be required to access the equity or debt markets in order to fund significant acquisitions. NEC entered into an agreement with Home Trust Company to separately finance its water heaters. See page 23 for further discussion on this financing. TGF has a separate credit facility, debenture and term loan for their funding requirements, which are detailed on page 29.

Productive capacity

Just Energy's business primarily involves the sale of natural gas and/or electricity to residential and commercial customers under long-term, fixed-price and price-protected contracts. In addition, through NHS, the Fund sells and rents high efficiency and tankless water heaters and other HVAC products. TGF, an ethanol producer, operates an ethanol facility in Belle Plaine, Saskatchewan. The Fund's productive capacity is primarily determined by the gross margin earned from the contract price and the related supply cost on energy contracts. Also included is the gross margin earned on water heater rentals and ethanol sales after deducting production-related costs.

The maintenance of the productive capacity of Just Energy is achieved through the retention of existing customers and the addition of new customers to replace those that have not been renewed. The productive capacity is maintained and grows through independent contractors and Hudson broker channels, call centre renewal efforts, Internet marketing and various mail campaigns. The Fund has entered into an agreement with Momentis under which their independent representatives will market natural gas and electricity contracts on behalf of Just Energy. Momentis is a network marketing entity. Management believes that this arrangement will further expand the productive capacity of the energy business.

Effectively all of the residential marketing costs related to energy customer contracts are expensed immediately but fall into two categories. The first represents marketing expenses to maintain gross margin at pre-existing levels and, by definition, maintain productive capacity. The second category represents marketing expenditures to add new margin which, therefore, expands productive capacity. The Hudson commercial marketing expenses are primarily capitalized and amortized over the remaining life of the customer contract.

The vast majority of capital expenditures incurred by Just Energy relate to the purchase of water heaters which are subsequently rented on a long-term basis under customer contracts. These capital expenditures are funded by non-recourse borrowings which have as security the water heaters and the rental contracts. As such, these capital expenditures increase the productive capacity of the Fund.

Summary of quarterly results

(thousands of dollars, except per unit amounts)

	Q1 fiscal 2011	Q4 fiscal 2010	Q3 fiscal 2010	Q2 fiscal 2010
Sales (seasonally adjusted)	$ 639,997	$ 694,788	$ 654,686	$ 562,133
Gross margin (seasonally adjusted)	88,933	121,872	121,722	107,519
General and administrative expense	29,272	22,405	24,767	25,634
Net income (loss)	275,309	(79,211)	97,390	110,690
Net income (loss) per unit – basic	2.05	(0.59)	0.73	0.83
Net income (loss) per unit – diluted	1.85	(0.59)	0.73	0.82
Adjusted EBITDA	31,282	108,961	60,563	36,598
Amount available for distribution				
After gross margin replacement	33,783	66,023	69,455	52,303
After marketing expense	24,402	58,359	61,242	41,345
Payout ratio				
After gross margin replacement	125%	63%	98%[1]	82%
After marketing expense	173%	71%	111%[1]	104%

	Q1 Fiscal 2010	Q4 Fiscal 2009	Q3 Fiscal 2009	Q2 Fiscal 2009
Sales (seasonally adjusted)	$ 432,565	$ 589,948	$ 510,801	$ 386,158
Gross margin (seasonally adjusted)	74,769	106,143	87,554	61,793
General and administrative expense	15,617	18,150	14,753	13,236
Net income (loss)	102,627	(168,621)	(49,094)	(923,990)
Net income (loss) per unit – basic	0.92	(1.57)	(0.44)	(8.33)
Net income (loss) per unit – diluted	0.91	(1.57)	(0.44)	(8.33)
Adjusted EBITDA	30,182	104,614	60,822	17,024
Amount available for distribution				
After gross margin replacement	42,219	72,244	57,475	34,755
After marketing expense	36,087	62,515	48,162	28,394
Payout ratio				
After gross margin replacement	83%	48%	93%[1]	100%
After marketing expense	97%	56%	111%[1]	122%

[1] Includes a one-time Special Distribution of $26.7 million in the third quarter of fiscal 2010 and $18.6 million in the third quarter of fiscal 2009.

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

Analysis of the first quarter

The 48% increase in seasonally adjusted sales compared to the prior year comparable quarter is mainly attributable to the sales generated by both the Universal and Hudson customers that were acquired on July 1, 2009, and May 1, 2010, respectively. Strong net growth in customers added through marketing, primarily in the U.S., has also increased sales. The customer base has increased by 34% since the fiscal 2010 year-end and 70% from June 30, 2009. Just Energy now has over three million RCEs.

Gross margin increased by 19% in the first quarter of fiscal 2011 to $88.9 million, up from $74.8 million in the same period last year. In fiscal 2011, the customer additions also include both Universal and Hudson (two months only) which were not acquired at this time last year. The increased customer additions and higher margin per new customer were partially offset by a 12%-stronger Canadian dollar and sharply lower per customer gas consumption due to unusually warm weather. General and administrative expense was $29.3 million for the quarter, an increase of 87% over the $15.6 million reported for the same period last year, due to inclusion of costs for Universal and Hudson as well as significant expenditures targeted at further expanding Just Energy's business footprint and product offerings.

The distributable cash after customer gross margin replacement was $33.8 million, down 20% from $42.2 million in the prior year comparable quarter. The increased gross margin was offset by increased general and administrative expense, interest charges and bad debt expense versus the prior year comparable quarter.

After the deduction of all marketing expenses, distributable cash totalled $24.4 million, a decrease of 32% from $36.1 million in the first quarter of fiscal 2010. Distributions for the quarter were $42.3 million, an increase of 21% over the same period last year. The payout ratio after payment of all marketing costs for the first quarter of fiscal 2011 was 173% versus 97% for the same period last year. Management anticipates that the payout ratio for fiscal 2011 will be less than 100% (excluding any tax-driven Special Distributions), which is as it has been in past years.

Gas and electricity marketing

Sales and gross margin – per financial statements
For the three months ended June 30
(thousands of dollars)

			Fiscal 2011			Fiscal 2010
Sales	Canada	United States	Total	Canada	United States	Total
Gas	$ 129,715	$ 73,048	$ 202,763	$ 149,697	$ 50,434	$ 200,131
Electricity	160,629	224,914	385,543	123,491	75,388	198,879
	$ 290,344	$ 297,962	$ 588,306	$ 273,188	$ 125,822	$ 399,010
Increase	6%	137%	47%			

			Fiscal 2011			Fiscal 2010
Gross margin	Canada	United States	Total	Canada	United States	Total
Gas	$ 12,131	$ 5,284	$ 17,415	$ 22,714	$ 10,694	$ 33,408
Electricity	25,996	36,770	62,766	19,639	13,028	32,667
	$ 38,127	$ 42,054	$ 80,181	$ 42,353	$ 23,722	$ 66,075
Increase (Decrease)	(10)%	77%	21%			

Canada
Sales were $290.3 million for the three months ended June 30, 2010, an increase of 6% from the prior year comparable period. Gross margin was $38.1 million for the first quarter of 2011, down 10% from the first quarter of fiscal 2010.

United States
Sales and gross margin in the U.S. were $298.0 million and $42.1 million for the first quarter of 2011, an increase of 137% and 77%, respectively, from the same period last year.

Sales and gross margin – seasonally adjusted[1]

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

	Fiscal 2011			Fiscal 2010		
Sales	Canada	United States	Total	Canada	United States	Total
Gas	$ 129,715	$ 73,048	$ 202,763	$ 149,697	$ 50,434	$ 200,131
Adjustments[1]	30,704	(391)	30,313	33,555	–	33,555
	160,419	72,657	233,076	183,252	50,434	233,686
Electricity	160,629	224,914	385,543	123,491	75,388	198,879
	$ 321,048	$ 297,571	$ 618,619	$ 306,743	$ 125,822	$ 432,565
Increase	5%	137%	43%			

	Fiscal 2011			Fiscal 2010		
Gross margin	Canada	United States	Total	Canada	United States	Total
Gas	$ 12,131	$ 5,284	$ 17,415	$ 22,714	$ 10,694	$ 33,408
Adjustments[1]	8,084	352	8,436	8,694	–	8,694
	20,215	5,636	25,851	31,408	10,694	42,102
Electricity	25,996	36,770	62,766	19,639	13,028	32,667
	$ 46,211	$ 42,406	$ 88,617	$ 51,047	$ 23,722	$ 74,769
Increase (Decrease)	(9)%	79%	19%			

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

On a seasonally adjusted basis, sales increased by 43% in the first quarter of fiscal 2011 to $618.6 million, as compared to $432.6 million in fiscal 2010. Gross margins were $88.6 million for the three months ended June 30, 2010, up 19% from the prior year comparable quarter.

Canada

Seasonally adjusted sales were $321.0 million for the quarter, up 5% from $306.7 million in fiscal 2010. Seasonally adjusted gross margins were $46.2 million in the first quarter of fiscal 2011, a decrease of 9% from $51.0 million in the same period last year.

Gas

Canadian gas sales were $160.4 million, a decrease of 12% from $183.3 million in the first quarter of fiscal 2010. In the first quarter of fiscal 2011, total customer delivered volumes were down 37% from the prior year comparable quarter due to extremely warm temperatures across all key gas markets and a 2% decrease in flowing customers. Gross margin totalled $20.2 million, down 36% from the first quarter of fiscal 2010, reflecting lower consumption and losses on the sale of excess gas at much lower spot prices than had been contracted originally.

The table that follows highlights the extent of the adverse impact of warm weather on gas consumption in the quarter:

	Heating degree days – Q1 fiscal 2011	Heating degree days – Q1 fiscal 2010	% decrease	Heating degree days – 30-year average	% decrease
Toronto	672	971	(31)%	990	(32)%
New York	347	511	(32)%	547	(37)%
Chicago	475	701	(32)%	649	(27)%

After the allowance for balancing and inclusive of acquisitions, realized average gross margin per customer ("GM/RCE") for the three months ended June 30, 2010, amounted to $137/RCE, compared to $195/RCE for the prior year comparable quarter. This was due to the lower consumption and balancing losses. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

Electricity

Electricity sales were $160.6 million for the quarter, an increase of 30% from the first quarter of fiscal 2010. The sales growth is attributable to a 33% increase in total consumption largely due to the acquired Universal customers. Gross margin increased by 32% for the current quarter to $26.0 million versus $19.6 million for the prior year comparable period. Gross margin growth is consistent with the consumption increases and continued higher margin per customer due to the growth of the JustGreen program.

Average gross margin per customer after all balancing and including acquisitions for the quarter ended June 30, 2010, in Canada amounted to $142/RCE, a slight increase from $141/RCE in the prior year comparable quarter. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

United States

Sales for the first three months of fiscal 2011 were $297.6 million, an increase of 137% from $125.8 million in the prior year comparable quarter. Seasonally adjusted gross margin was $42.4 million, up 79% from $23.7 million in the same quarter last year.

Gas

For the first quarter of fiscal 2011, gas sales and gross margin in the U.S. totalled $72.7 million and $5.6 million, respectively, versus $50.4 million and $10.7 million in fiscal 2010. Despite an increased number of customers due to successful marketing and the Hudson acquisition, gross margin declined by 47% due to a sharp decline in per customer consumption based on the record warm weather noted above and third party losses on the sale of the resultant excess gas, as well as a 12% strengthening of the Canadian dollar exchange rate. Just Energy's ability to mitigate weather effects is limited by utilities' requirements to deliver fixed amounts of gas regardless of weather, particularly in Michigan. Average realized gross margin after all balancing costs for the three months ended June 30, 2010, was $82/RCE, a decrease of 70% over the prior year comparable period average of $274/RCE. This is due to sharply lower per customer consumption, losses on the sale of excess gas and the inclusion of lower margin Hudson customers for two months. The GM/RCE value includes an appropriate allowance for the bad debt expense in Illinois.

Electricity

U.S. electricity seasonally adjusted sales and gross margin for the quarter were $224.9 million and $36.8 million, respectively, versus the prior comparable quarter of fiscal 2010, in which sales and gross margin amounted to $75.4 million and $13.0 million, respectively. Sales and margins increased as a result of a 297% increase in customers year over year due to the Hudson acquisition and strong marketing growth. The two months of the Hudson purchase added $111.5 million in sales and $13.7 million of gross margin to the U.S. electricity results. Total customer demand increased by 261%, which is consistent with the growth in the customer base.

Average gross margin per customer for electricity during the current quarter decreased to $144/RCE, compared to $176/RCE in the prior year comparable period, as a direct result of unfavourable movements in exchange rates and lower margins per RCE for the Hudson commercial customers. The GM/RCE value for Texas includes an appropriate allowance for the bad debt expense.

Customer aggregation

Long-term customers

	April 1, 2010	Additions	Acquired	Attrition	Failed to renew	June 30, 2010	% increase (decrease)
Natural gas							
Canada	734,000	12,000	–	(21,000)	(16,000)	709,000	(3)%
United States	408,000	108,000	81,000	(32,000)	(1,000)	564,000	38%
Total gas	1,142,000	120,000	81,000	(53,000)	(17,000)	1,273,000	11%
Electricity							
Canada	760,000	26,000	–	(18,000)	(11,000)	757,000	–
United States	391,000	115,000	579,000	(33,000)	(13,000)	1,039,000	166%
Total electricity	1,151,000	141,000	579,000	(51,000)	(24,000)	1,796,000	56%
Combined	2,293,000	261,000	660,000	(104,000)	(41,000)	3,069,000	34%

As part of the Hudson acquisition, Just Energy acquired 660,000 customers with similar profiles to our existing book of customers. Another 48,000 RCEs acquired with Hudson are variable and short term in nature and have not been included in the long-term customer aggregation reported above.

Gross customer additions for the quarter were 921,000, comprised of 660,000 customers acquired with Hudson and 261,000 added through marketing. Of the customers added through marketing, 174,000 were large commercial customers, showing the immediate positive impact of both Hudson's broker channel and Just Energy's internal efforts to expand its share of the commercial market. Net customer additions through marketing for the quarter were 116,000 (excluding the 660,000 customers acquired with Hudson). For the same quarter last year, there were 11,000 net customer additions through marketing. Overall, there has been a 34% increase in total customers during the quarter and a 70% increase over the past 12 months.

For the three-month period ended June 30, 2010, total gas customer numbers increased by 11% from the fourth quarter of last year, reflecting solid growth in the U.S. and the Hudson acquisition.

Total electricity customers were up 56% as at June 30, 2010, from the year ended March 31, 2010. The Hudson acquisition was responsible for the vast majority of this growth but solid additions from marketing were made, particularly in Texas.

JustGreen

Sales of the JustGreen products continue to support and reaffirm the strong demand for green energy products in all markets. The JustGreen program allows customers to choose to purchase units of green energy in the form of renewable energy or carbon offsets, in an effort to reduce greenhouse gas emissions. When a customer purchases a unit of green energy, it creates a contractual obligation for Just Energy to purchase a supply of green energy at least equal to the demand created by the customer's purchase. A review was conducted by Grant Thornton LLP of Just Energy's *Renewable Energy and Carbon Offsets Sales and Purchases* report for the period from January 1, 2009, through December 31, 2009, validating the matching of the Fund's renewable energy and carbon offset purchases with customer contracts.

The Fund currently sells JustGreen gas in the eligible markets of Ontario, British Columbia, Alberta, Michigan, New York, Ohio and Illinois, and JustGreen electricity in Ontario, Alberta, New York and Texas. JustGreen sales will expand into the remaining markets over the coming quarters. Of all the customers who contracted with Just Energy in the quarter, 49% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 89% of their consumption as green supply.

As of the quarter ended June 30, 2010, green supply now makes up 3% of our overall gas portfolio, up from 1% in the first quarter of last year. JustGreen supply makes up 6% of our electricity portfolio, up from 4% from the same period last year.

Attrition

Natural gas

The trailing 12-month natural gas attrition rate in Canada was 11%, slightly above management's target of 10%. In the U.S., gas attrition for the trailing 12 months was 28%, below management's annual target of 30%. This reflects a small improvement in the U.S., and management is optimistic that further improvements will be seen as the U.S. economy strengthens and should commodity prices continue to rise.

Electricity

The trailing 12-month electricity attrition rate in Canada for the quarter was 13%, above management's target of 10%. Electricity attrition in the United States was 14% for the trailing 12 months, below management's target of 20%.

	Trailing 12-month attrition fiscal 2011	Targeted attrition fiscal 2011
Natural gas		
Canada	11%	10%
United States	28%	30%
Electricity		
Canada	13%	10%
United States	14%	20%

Failed to renew

The Just Energy renewal process is a multi-faceted program that aims to maximize the number of customers who choose to renew their contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance to allow a customer to renew for an additional four or five years.

The trailing 12-month renewal rate for all Canadian gas customers was 62%, below management's target of 70%. In the Ontario gas market, customers who do not positively elect to renew or terminate their contract receive a one-year fixed price for the ensuing year. Of the total Canadian gas customers renewed in the first quarter of fiscal 2011, 34% were renewed for a one-year term. The Canadian gas market lagged the 2011 target of 70%, largely due to the current high spread between the Just Energy five-year price and the utility spot price. Management will continue to focus on increasing renewals, and a return to rising market pricing should result in an increase in Canadian gas renewal rates to target levels.

The electricity renewal rate for Canadian customers was 70% for the trailing 12 months, which is at the targeted level. There has been solid demand for JustGreen products from renewing Canadian electricity customers.

In the U.S. markets, Just Energy currently has only Illinois, Indiana and New York gas customers up for renewal. Gas renewals for the U.S. were 69%, below our target of 75%, on a very limited number of renewals. Again, the high spread between the Just Energy five-year price and utility floating-rate prices has impacted renewals.

During the quarter, Just Energy had both Texas and New York electricity customers up for renewal. The electricity renewal rate was 83%, better than our target rate of 75%.

	Trailing 12-month renewals fiscal 2011	Targeted renewals fiscal 2011
Natural gas		
Canada	62%	70%
United States	69%	75%
Electricity		
Canada	70%	70%
United States	83%	75%

Gas and electricity contract renewals

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

	Canada – gas	Canada – electricity	U.S. – gas	U.S. – electricity
Remainder of 2011	22%	16%	12%	6%
2012	23%	23%	17%	9%
2013	21%	26%	27%	10%
2014	15%	16%	13%	25%
2015	14%	12%	22%	38%
Beyond 2015	5%	7%	9%	12%
Total	100%	100%	100%	100%

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

Gross margin earned through new marketing efforts

Annual gross margin per customer for new and renewed customers

The table below depicts the annual margins on contracts of residential customers signed in the quarter. This table reflects all margin earned on new additions and renewals, including "brown" commodity and JustGreen. Customers added through marketing were at or above the margins of customers lost through attrition or failure to renew. Renewing customers were at lower margins, largely due to lesser take-up of JustGreen on renewal. Sales of the JustGreen products remained very strong, with approximately 49% of all customers added in the past quarter taking some or all green energy supply. Those who purchased the JustGreen products elect on average to take 89% of their consumption as green supply. A 100% JustGreen electricity customer in Ontario generates annual margins of approximately $182, much higher than the "brown" margins realized. For large commercial customers, the average gross margin for new customers added was $67 per RCE. These customers equal, by definition, more than 15 RCEs. The aggregation cost of these customers is commensurately lower per RCE than a residential customer.

Annual gross margin per customer[1]

	Fiscal 2011
Residential and small commercial customers added in the quarter	
Canada – gas	$ 199
Canada – electricity	169
United States – gas	272
United States – electricity	256
Customers renewed in the quarter	
Canada – gas	131
Canada – electricity	108
United States – gas	203
United States – electricity	200
Large commercial customers added in the quarter	67
Customers lost in the quarter	
Canada – gas	195
Canada – electricity	150
United States – gas	208
United States – electricity	222

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

Home services division (NHS)

NHS was acquired on July 1, 2009, as part of the Universal acquisition. On July 2, 2009, NHS acquired Newten Home Comfort Inc. and on September 30, 2009, acquired substantially all of the assets of NHCLP (see page 11 for additional information). NHS provides Ontario residential customers with long-term water heater rental programs, offering conventional tanks, power vented tanks and tankless water heaters in a variety of sizes, in addition to the new offering of furnaces and air conditioners. NHS continues to ramp up its operations and, as at June 30, 2010, had a cumulative installed base of 87,400 water heaters, 500 furnaces and 100 air conditioners in residential homes. NHS earns revenue from its installed base.

Management's strategy for NHS is to self-fund the business through its growth phase, building value within the customer base. This way, NHS will not require cash from Just Energy's core operations nor will Just Energy rely on NHS cash flow to fund distributions. The result should be a very valuable asset, which will generate excellent cash returns upon repayment of the HTC financing.

The first quarter of 2011 saw significant geographic and product expansions for NHS. The division has begun marketing its products in Union Gas territory in Ontario, expanding its reach to the entire province. It also rolled out an offering of furnace and air conditioner rental and sales. These expansions were funded by increased general and administrative costs but are expected to substantially increase the growth and profitability of NHS in the future.

As NHS is a high growth, relatively capital-intensive business, Just Energy management believes that, in order to maintain stability of distributions, separate non-recourse financing of this capital is appropriate. On January 18, 2010, NEC announced that it had entered into a long-term financing agreement with HTC for the funding of the water heaters for NHS. Under the agreement, NHS receives funds equal to the amount of the five-year cash flow of the water heater contract discounted at an agreed upon rate. HTC is then paid an amount that is equal to the customer rental payments on the water heaters for the next five years. The initial funding received up to June 30, 2010, was $70.9 million.

Selected financial information

(thousands of dollars, except where indicated)

	Three months ended June 30, 2010
Sales per financial statements	$ 4,441
Cost of sales	1,609
Gross margin	2,832
Selling expenses	814
General and administrative expense	2,885
Interest expense	1,341
Capital expenditures	8,154
Amortization	467
Total number of water heaters installed	10,400

Results of operations

Just Energy has owned NHS since July 1, 2009, and therefore, has no comparative results for the same period last year. For the quarter ended June 30, 2010, NHS had sales of $4.4 million and gross margin of $2.8 million. The cost of sales for the quarter was $1.6 million and represents the amortization of the installed water heaters for the customer contracts signed to date. Selling expenses for the first quarter of fiscal 2011 were $0.8 million and include the amortization of commission costs paid to the independent agents, automobile fleet costs, advertising and promotion, and telecom and office supplies expenses. General and administrative costs, which relate primarily to administrative staff compensation and warehouse expenses, amounted to $2.9 million for the three months ended June 30, 2010. The high level of general and administrative costs relative to past quarters was largely due to the expansion into Union Gas territory and the rollout of furnace and air conditioner offerings.

Capital expenditures, including installation costs, amounted to $8.2 million. Amortization costs were $0.5 million for the current year and include not only the depreciation on capital assets noted above but also the amortization of the water heater contracts and customer relationships acquired in the purchases of Universal and Newten Home Comfort Inc.

The growth of NHS has been rapid and, combined with the HTC financing, is expected to be self-sustaining on a cash flow basis.

Ethanol division (TGF)

TGF continues to remain focused on improving plant production and the runtime of the Belle Plaine wheat-based ethanol facility. For the quarter ended June 30, 2010, the plant achieved an average production capacity of 62%. The Phase 1 grain-milling upgrade has allowed the plant to achieve daily milling rates exceeding nameplate capacity from time to time. However, extreme rain limited the ability of the plant to source grain supply and it was forced to reduce production levels or shut down for 19 days. Plant capacity was close to 80% on the days when the plant was in production. Ethanol prices continue to be depressed and were, on average, $0.57 per litre for the quarter but are expected to increase slightly during the fiscal year. Wheat prices are projected to increase in the near term from the average this quarter of $168 per metric tonne.

The ethanol division has separate non-recourse financing in place such that capital requirements and operating losses will not impact Just Energy's core business and its ability to pay distributions.

Ethanol division
Selected financial information
(thousands of dollars)

	Three months ended June 30, 2010
Sales per financial statements	$ 16,806
Cost of sales	19,452
Gross margin	(2,646)
General and administrative expense	2,334
Interest expense	1,707
Capital expenditures	114
Amortization	296

Results of operations

Just Energy has owned 66.7% of TGF since July 1, 2009, and therefore, has no comparable results for the same period last year. During the first quarter of fiscal 2011, TGF had sales of $16.8 million and realized gross margin of $(2.6) million. The negative gross margin was a result of high production costs due to plant inefficiency and low ethanol and DDG prices. During the quarter, the plant produced 23.2 million litres of ethanol and 23,060 metric tonnes of DDG. For the three months ended June 30, 2010, TGF incurred $2.3 million in general and administrative expenses and $1.7 million in interest charges. Capital expenditures for the quarter, including installation costs, amounted to $0.1 million.

TGF receives a federal subsidy related to an agreement signed on February 17, 2009, based on the volume of ethanol produced. From July 1, 2009 to March 31, 2010, the subsidy was ten cents per litre on ethanol produced. Through fiscal 2011, this subsidy will be nine cents per litre on ethanol produced. This amount declines over time to five cents per litre of ethanol produced in fiscal 2015, the last year of the agreement.

TGF has seen improved results since quarter end due to the grain-milling upgrade, improved ethanol and DDG prices.

Overall consolidated results

General and administrative expenses

General and administrative costs were $29.3 million for the three months ended June 30, 2010, representing an 87% increase from $15.6 million in the first quarter of fiscal 2010. The current-year expense includes Universal and two months of Hudson, both of which were acquired after the comparable quarter of last year. These acquisitions were responsible for 57% of the increase in expense. The remaining increase was to accommodate the numerous areas of expansion undertaken by the Fund during the quarter which should result in higher margin and distributable cash in future periods. Other factors include the U.S. exchange rate impact on U.S. dollar denominated costs and an increase in collection costs.

Marketing expenses

Marketing expenses, which consist of commissions paid to independent sales contractors, brokers and independent representatives for signing new customers, as well as an allocation of corporate costs, were $29.8 million, an increase of 54% from $19.4 million in the first quarter of fiscal 2010. New customers signed by our marketing sales force were 261,000 in the first quarter of fiscal 2010, up 169% compared to 97,000 customers added through our sales offices in the first quarter of fiscal 2010. The increase in the current-quarter expense reflects the growth in customer additions and the impact of the higher U.S. dollar on our U.S.-based marketing costs and lower aggregation cost per customer.

Marketing expenses to maintain gross margin are allocated based on the ratio of gross margin lost from attrition as compared to the gross margin signed from new and renewed customers during the fiscal year. Marketing expenses to maintain gross margin were $18.3 million, an increase of 38% from $13.3 million in the prior year comparable quarter.

Marketing expenses to add new gross margin are allocated based on the ratio of net new gross margin earned on the customers signed, less attrition, as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to add new gross margin in the first quarter totalled $9.4 million, an increase from $6.1 million in the prior year comparable period. This increase is the result of the increase in the net customer additions of 116,000 in fiscal 2011 versus the 11,000 net customers added through our sales offices during the first quarter of fiscal 2010.

Marketing expenses included in distributable cash exclude amortization related to the contract initiation costs for Hudson and NHS. For the three months ended June 30, 2010, the amortization amounted to $2.1 million.

The quarterly actual aggregation costs per customer, including Hudson, were as follows:

	Fiscal 2011	Fiscal 2010
Natural gas		
Canada	$ 158/RCE	$ 209/RCE
United States	75/RCE	199/RCE
Total gas	84/RCE	202/RCE
Electricity		
Canada	124/RCE	162/RCE
United States	118/RCE	161/RCE
Total electricity	119/RCE	161/RCE
All customers	95/RCE	176/RCE
Renewals	43/RCE	37/RCE

The aggregation costs above are those included within the quarterly results. Commercial contracts (174,000 out of 261,000 aggregated) pay further commission averaging $30 per year for each additional year that the customer flows. Assuming an average life of three years, this would add approximately $45 to the fiscal 2011 average of all customers above.

Aggregation costs per customer were down significantly during the quarter. The marketing success of the commercial division resulted in record gross customer additions of 261,000, up from 97,000 in the first quarter of fiscal 2010. Due to the large gross addition increase, the fixed portions of the marketing costs were spread across far more additions. Including an estimate for the lifetime commission cost for commercial customers, the average cost per customer of $148 was down 16% from the average of $178 in fiscal 2010.

Unit based compensation

Compensation in the form of units (non-cash) granted by the Fund to the directors, officers, full-time employees and service providers of its subsidiaries and affiliates pursuant to the 2001 unit option plan, the 2004 unit appreciation rights plan and the directors' deferred compensation plan amounted to $1.1 million for the first quarter of fiscal 2011, an increase from the $0.7 million paid in the first quarter of fiscal 2010. The increase relates primarily to additional fully paid unit appreciation rights awarded to the senior management of the Fund.

Bad debt expense

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

Bad debt expense for three months ended June 30, 2010, increased by 50% to $5.7 million versus $3.8 million expensed in the prior year comparable quarter. The bad debt expense increase was entirely related to the 84% increase in total revenues for the quarter in the markets where Just Energy assumes the risk for accounts receivable collections, which now also includes incremental Hudson customers. Management integrates its default rate for bad debts within its margin targets and continuously reviews and monitors the credit approval process to mitigate customer delinquency.

For the first quarter, bad debt expense represents 2.8% of $207.0 million in revenues, within the Fund's 2% to 3% target range. This was equal to the level reported in the fourth quarter of 2010 and down from the 3.4% reported a year earlier. Higher credit losses have been experienced in Texas but have been offset by improvements in Illinois and Alberta and lower default rates for acquired Hudson commercial customers. Management has taken an aggressive position with regards to returning customers to utility default services or disconnecting delinquent customers to ensure that bad debt expense is managed through the high-consumption electricity and gas periods.

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

Interest expense

Total interest expense for the three months ended June 30, 2010, amounted to $9.5 million, an increase from $0.5 million in the first quarter of fiscal 2010. The large increase in costs for the quarter primarily relates to the interest expense for the JEEC and JEIF convertible debentures associated with the Universal and Hudson acquisitions, as well as interest costs associated with the TGF debt.

Foreign exchange

Just Energy has an exposure to U.S. dollar exchange rates as a result of its U.S. operations and any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income (loss). For the quarter, a foreign exchange unrealized gain of $14.9 million was reported in other comprehensive income (loss) versus an unrealized gain of $18.2 million reported in the same period last year.

Overall, a stronger U.S. dollar increases sales and gross margin but this is partially offset by higher operating costs denominated in U.S. dollars. The Fund retains sufficient funds in the U.S. to support ongoing growth and surplus cash is repatriated to Canada. U.S. cross border cash flow is forecasted annually and hedges for cross border cash flow are entered into when it is determined that any surplus U.S. cash is not required for new acquisition opportunities.

Class A preference share distributions

The remaining holder of the Just Energy Corp. ("JEC") Class A preference shares (which are exchangeable into units on a 1:1 basis) is entitled to receive, on a quarterly basis, a payment equal to the amount paid or payable to a Unitholder on an equal number of units. The total amount paid for the three months ended June 30, 2010, including tax amounted to $1.6 million, which is unchanged from the comparable period of fiscal 2010. The distributions on the Class A preference shares are reflected in the Consolidated Statements of Unitholders' Deficiency in the Fund's consolidated financial statements, net of tax.

Provision for income tax

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

	Fiscal 2011	Fiscal 2010
Current income tax recovery	$ (1,002)	$ (40)
Amount credited to Unitholders' equity	538	538
Future tax expense	19,824	9,805
Provision for income tax	$ 19,360	$ 10,303

The Fund recorded a current income tax recovery of $1.0 million for the first quarter of fiscal 2011 versus a recovery of $0.04 million in the same period last year. The change is mainly attributable to a U.S. income tax recovery generated by operating losses incurred by the U.S. entities in this quarter.

Also included in the income tax provision is an amount relating to the tax impact of the distributions paid to the Class A preference shareholders of JEC. In accordance with EIC 151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", all Class A preference shares are included as part of Unitholders' equity and the distributions paid to the shareholders are included as distributions on the Consolidated Statements of Unitholders' Deficiency, net of tax. For the three months ended June 30, 2010, the tax impact of these distributions, based on a tax rate of 33%, amounted to $0.5 million, which is unchanged from the amount in fiscal 2010.

As noted in the Fund's 2010 Annual Report, the Fund will convert to a taxable Canadian corporation after 2010 (the "Conversion"), and a future tax recovery of $122.0 million was recorded in fiscal 2010 to recognize the significant temporary differences attributed to mark to market losses from financial derivatives which are expected to be realized subsequent to 2010. During this quarter, these mark to market losses declined as a result of a change in fair value of the derivative instruments, and as a result, a future tax expense of $19.8 million has been recorded for this period.

After the Conversion at the commencement of the first quarter of calendar 2011, the Fund will be taxed as a taxable Canadian corporation from that date onwards. Therefore, the future tax asset or liability associated with Canadian liabilities and assets recorded on the Consolidated Balance Sheets as at that date will be realized over time as the temporary differences between the carrying value of assets in the consolidated financial statements and their respective tax bases are realized. Current Canadian income taxes will be accrued at that time to the extent that there is taxable income in the Fund or its underlying operating entities.

The Fund follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases, using substantively enacted income tax rates. A valuation allowance is recorded against a future income tax asset if it is not anticipated that the asset will be realized in the foreseeable future. The effect of a change in the income tax rates used in calculating future income tax liabilities and assets is recognized in income during the period in which the change occurs.

Liquidity and capital resources

Summary of cash flows
For the three months ended June 30
(thousands of dollars)

	Fiscal 2011	Fiscal 2010
Operating activities	$ 25,727	$ 37,795
Investing activities	(263,586)	(7,406)
Financing activities, excluding distributions	303,669	(11,196)
Effect of foreign currency translation	4,547	(1,099)
Increase in cash before distributions	70,357	18,094
Distributions (cash payments)	(36,061)	(31,977)
Increase (decrease) in cash	34,296	(13,883)
Cash – beginning of period	60,132	59,094
Cash – end of period	$ 94,428	$ 45,211

Operating activities

Cash flow from operating activities for the three months ended June 30, 2010, was $25.7 million, a decrease from $37.8 million in the prior year comparable quarter. The decrease relates to strong net income growth offset by increased amortization, taxes and unrealized income related to the financial instruments recorded in the quarter.

Investing activities

The Fund purchased capital assets totalling $9.6 million during the quarter, an increase from $7.4 million in the same period last year. In fiscal 2011, Just Energy's capital spending related to the water heater business, costs related to a new call center in Texas and purchases of office equipment and IT software.

Financing activities

Financing activities, excluding distributions, relate primarily to debentures issued to fund the Hudson acquisition and a decrease in the operating line for working capital requirements. During the three months ended June 30, 2010, Just Energy entered into an agreement with a syndicate of underwriters for $330 million of convertible debentures to fund the Hudson acquisition. The Fund also repaid a total of $49.0 million against the credit facility versus $19.0 million repaid in the first quarter of fiscal 2009. On July 1, 2009, in connection with the acquisition of Universal, Just Energy increased its credit facility from $170 million to $250 million. As part of the increase in the credit facility, Société Générale and Alberta Treasury Branches joined Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada and Bank of Nova Scotia as the syndicate of lenders thereunder. As Just Energy continues to expand in the United States markets, the need to fund working capital and security requirements will increase, driven primarily by the number of customers aggregated and, to a lesser extent, by the number of new markets. Based on the markets in which Just Energy currently operates and others that management expects the Fund to enter, funding requirements will be supported through the credit facility.

The Fund's liquidity requirements are driven by the delay from the time that a customer contract is signed until cash flow is generated. For residential customers, approximately 60% of an independent sales contractor's commission payment is made following reaffirmation or verbal verification of the customer contract with most of the remaining 40% being paid after the energy commodity begins flowing to the customer. For commercial customers, commissions are either paid as the energy commodity flows throughout the contract or annually paid upfront once the customer's commodity begins to flow.

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

Distributions (cash payments)

Investors should note that due to the institution of a distribution reinvestment program ("DRIP") on December 20, 2007, a portion of distributions declared are not paid in cash. This program was suspended on December 1, 2008, with the commencement of the normal course issuer bid and was re-instituted on March 31, 2009. Under the program, Unitholders can elect to receive their distributions in units at a 2% discount to the prevailing market price rather than the cash equivalent. During the first quarter, the Fund made cash distributions to its Unitholders and the Class A preference shareholder in the amount of $36.1 million, compared to $32.0 million in fiscal 2010.

Just Energy will continue to utilize its cash resources for expansion into new markets and growth in its existing energy marketing customer base, JustGreen products and home services division, and also to make accretive acquisitions of customers as well as distributions to its Unitholders.

At the end of the quarter, the annual rate for distributions per unit was $1.24. The Fund intends to make distributions to its Unitholders, based upon cash receipts of the Fund, excluding proceeds from the issuance of additional Fund units, adjusted for costs and expenses of the Fund. The Fund's intention is for Unitholders of record on the 15th day of each month to receive distributions at the end of the month.

Consolidated Balance Sheets as at June 30, 2010, compared to March 31, 2010

Cash increased from $60.1 million as at March 31, 2010, to $94.4 million. Restricted cash, which includes cash collateral posting related to supply procurement and credit support for Universal, Commerce and TGF entities, has decreased to $14.5 million on June 30, 2010, from $18.7 million. The utilization of the credit facility decreased from $57.5 million to $36.5 million as a result of higher cash receipts due to the Universal and Hudson acquisitions and strong customer additions in the past fiscal year. Working capital requirements in the U.S. and Alberta result from the timing difference between customer consumption and cash receipts. For electricity, working capital is required to fund the lag between settlements with the suppliers and settlements with the LDCs.

The decrease in accounts receivable from $348.9 million to $325.9 million is primarily attributable to the decrease in revenue associated with the period of lower gas consumption in the first quarter of 2011 in comparison to the fourth quarter of 2010. Accounts payable and accrued liabilities have increased from $227.0 million to $308.4 million related to added consumption as a result of the Universal and Hudson customers acquired and strong net additions in fiscal 2010.

Gas in storage has increased from $4.1 million to $38.4 million for the first quarter of fiscal 2011. The increased balance reflects injections into storage for the expanding U.S. customer base, which occur from April to November.

At the end of the first quarter, customers in Ontario, Quebec and Michigan had delivered more gas to LDCs than was supplied to customers for their use. Since Just Energy is paid for this gas when delivered, yet recognizes revenue when the gas is consumed by the customer, the result on the Consolidated Balance Sheets is the deferred revenue amount of $25.2 million and gas delivered in excess of consumption of $21.3 million. For the markets in which Hudson operates, inventory balances result in unbilled revenues of $21.0 million. At March 31, 2010, Just Energy had unbilled revenues amounting to $20.8 million and accrued gas accounts payable of $15.1 million.

Contract initiation costs relate to the commissions paid by both Hudson and NHS for contracts sold and will be amortized over the life of the contract. The balance increased to $28.3 million from $5.6 million at the end of last fiscal year due mainly to the Hudson acquisition, since the March 31, 2010 balance relates to contract initiation costs for NHS only.

The other assets and other liabilities relate entirely to the fair value of the financial derivatives. The mark to market gains and losses can result in significant changes in net income and, accordingly, Unitholders' equity from quarter to quarter due to commodity price volatility. Given that the Fund has purchased this supply to cover future customer usage at fixed prices, management believes that these non-cash quarterly changes are not meaningful.

Intangible assets include the acquired customer contracts as well as other intangibles such as brand, broker network and information technology systems primarily related to the Hudson and Universal purchases. The total intangible asset and goodwill balances increased to $644.6 million and $222.8 million, respectively, from $340.6 million and $177.9 million as at March 31, 2010.

Long-term debt excluding the current portion has increased to $496.5 million in the first quarter from $231.8 million and is detailed below.

Long-term debt and financing

As at June 30
(thousands of dollars)

	Fiscal 2011	Fiscal 2010
Original credit facility	$ 36,500	$ 57,500
TGF credit facility	40,927	41,313
TGF debentures	37,001	37,001
TGF term Loan	10,000	10,000
JEEC convertible debentures	83,731	83,417
NEC HTC financing	70,949	65,435
JEIF convertible debentures	282,478	–

Original credit facility

On July 1, 2009, in connection with the acquisition of Universal, Just Energy increased its credit facility from $170 million to $250 million. As part of the increase in the credit facility, Société Générale and Alberta Treasury Branches joined Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada and Bank of Nova Scotia as the syndicate of the lenders thereunder. Under the new terms of the credit facility, effective July 1, 2009, Just Energy is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 4.0%, prime rate advances at Canadian prime and U.S. prime plus 3.0%, and letters of credit at 4.0%. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a pledge of the assets of Just Energy and the majority of its operating subsidiaries and affiliates. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at June 30, 2010 and 2009, all of these covenants have been met.

TGF credit facility

A credit facility of up to $50.0 million was established with a syndicate of Canadian lenders led by Conexus Credit Union and was arranged to finance the construction of the ethanol plant in 2007. The facility was further revised on March 18, 2009, and was converted to a fixed repayment term of ten years commencing March 1, 2009, which includes interest costs at a rate of prime plus 2%, with principal repayments commencing on March 1, 2010. The credit facility is secured by a demand debenture agreement, a first priority security interest on all assets and undertakings of TGF, and a general security interest on all other current and acquired assets of TGF. The credit facility includes certain financial covenants, the more significant of which relate to current ratio, debt to equity ratio, debt service coverage and minimum shareholders' equity. The lenders have deferred compliance with the financial covenants until April 1, 2011. The facility was further revised on March 31, 2010, postponing the principal payments due for April 1 to June 1, 2010, and to amortize them over the six-month period commencing October 1, 2010, and ending March 31, 2011.

TGF debentures

A debenture purchase agreement with a number of private parties providing for the issuance of up to $40.0 million aggregate principal amount of debentures was entered into in 2006. The interest rate is 10.5% per annum, compounded annually and payable quarterly. Interest is to be paid quarterly with quarterly principal payments commencing October 1, 2009, in the amount of $1.0 million per quarter. The agreement includes certain financial covenants, the more significant of which relate to current ratio, debt to capitalization ratio, debt service coverage, debt to EBITDA and minimum shareholders' equity. The lender has deferred compliance with the financial covenants until April 1, 2011. On March 31, 2010, TGF entered into an agreement with the holders of the debentures to defer scheduled principal payments owing under the debenture until April 1, 2011.

TGF term/operating facilities

TGF also maintains a working capital facility for $10.0 million with a third party lender bearing interest at prime plus 1% due in full on December 31, 2010. This facility is secured by liquid investments on deposit with the lender. In addition, TGF has a working capital operating line of $7.0 million bearing interest at prime plus 1%, of which $3.2 million was drawn via overdraft and is included in bank indebtedness, and $3.4 million of letters of credit have also been issued.

JEEC convertible debentures

In conjunction with the acquisition of Universal on July 1, 2009, JEEC also assumed the obligations of the convertible unsecured subordinated debentures issued by Universal in October 2007 which have a face value of $90 million. The JEEC convertible debentures mature on September 30, 2014, unless converted prior to that date, and bear interest at an annual rate of 6% payable semi-annually on March 31 and September 30 of each year. Each $1,000 principal amount of the JEEC convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 29.3 units of the Fund, representing a conversion price of $34.09 per Exchangeable Share.

The JEEC convertible debentures are not redeemable prior to October 1, 2010. On and after October 1, 2010, but prior to September 30, 2012, the JEEC convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Fund's sole option on not more than 60 days' and not less than 30 days' prior notice, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the conversion price. On and after September 30, 2012, but prior to the maturity date, the JEEC convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Fund's sole option on not more than 60 days' and not less than 30 days' prior notice.

NEC financing

On January 18, 2010, NEC announced that it had entered into a long-term financing agreement for the funding of new and existing rental water heater contracts for NHS. Pursuant to the agreement, NHS will receive financing of an amount equal to the net present value of the first five years of monthly rental income, discounted at the agreed upon financing rate of 7.99% and, as settlement, is required to remit an amount equivalent to the rental stream from customers on the water heater contracts for the first five years. The financing agreement is subject to a holdback provision, whereby 3% of the outstanding balance of the funded amount is deducted and deposited into a reserve account in the event of default. Once all of the obligations of NHS are satisfied or expired, the remaining funds in the reserve account will immediately be released to NHS. NEC is required to meet a number of covenants under the agreement and, as at June 30, 2010, all of these covenants have been met.

JEIF convertible debentures

On May 7, 2010, Just Energy completed the acquisition of all of the equity interests of Hudson Parent Holdings, LLC and Hudson Energy Corp. (collectively, "Hudson") with an effective date of May 1, 2010. Just Energy entered into an agreement with a syndicate of underwriters for $330 million of convertible extendible unsecured subordinated debentures. The debentures bear interest at a rate of 6.0% per annum payable semi-annually in arrears on June 30 and December 31 of each year, with maturity on June 30, 2017. Each $1,000 of principal amount of the debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 55.6 units of the Fund, representing a conversion price of $18 per unit.

The debentures are not redeemable prior to June 30, 2013, except under certain conditions after a change of control has occurred. On or after June 30, 2013, but prior to June 30, 2015, the debentures may be redeemed by the Fund, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the conversion price. On and after June 30, 2014, and prior to the maturity date, the debentures may be redeemed by the Fund, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest.

Contractual obligations

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

Payments due by period
(thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Accounts payable and accrued liabilities and unit distribution payable	$ 321,647	$ 321,647	$ –	$ –	$ –
Bank indebtedness	7,853	7,853	–	–	–
Long-term debt	615,377	65,109	102,235	118,033	330,000
Interest payments	194,074	29,592	63,451	50,175	50,856
Property and equipment lease agreements	31,156	6,495	12,535	6,616	5,510
EPCOR billing, collections and supply commitments	16,345	8,653	7,692	–	–
Grain production contracts	52,466	30,736	21,334	396	–
Gas and electricity supply purchase commitments	3,936,299	1,397,493	2,017,737	510,211	10,858
Total	**$ 5,175,217**	**$ 1,867,578**	**$ 2,224,984**	**$ 685,431**	**$ 397,224**

Other obligations

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

Transactions with related parties

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

Critical accounting estimates

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

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

Unbilled revenues/Accrued gas accounts payable

Unbilled revenues result when customers consume more gas than has been delivered by Just Energy to the LDCs. These estimates are stated at net realizable value. Accrued gas accounts payable represents Just Energy'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.

Allowance for doubtful accounts

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

Goodwill

In assessing the value of goodwill for potential impairment, assumptions are made regarding Just Energy's future cash flow. If the estimates change in the future, the Fund may be required to record impairment charges related to goodwill. An impairment review of goodwill was performed during fiscal 2010 and, as a result of the review, it was determined that no impairment of goodwill existed at June 30, 2010.

Fair value of derivative financial instruments and risk management

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

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

Just Energy's expansion in the U.S. has introduced foreign exchange-related risks. Just Energy will enter into foreign exchange forwards in order to hedge the exposure to fluctuations in cross border cash flows.

The financial statements are in compliance with Section 3855 of the CICA Handbook, which require a determination of fair value for all derivative financial instruments. Up to June 30, 2008, the financial statements also applied Section 3865 of the CICA Handbook, which permitted a further calculation for qualified and designated accounting hedges to determine the effective and ineffective portions of the hedge. This calculation permitted the change in fair value to be accounted for predominately in the Consolidated Statements of Comprehensive Income. As of July 1, 2008, management decided that the increasing complexity and costs of maintaining this accounting treatment outweighed the benefits. This fair value (and when it was applicable, the ineffectiveness) is determined using market information at the end of each quarter. Management believes the Fund remains economically hedged operationally across all jurisdictions.

Preference shares of JEC and trust units

As at August 11, 2010, there were 5,263,728 Class A preference shares of JEC outstanding and 125,443,218 units of the Fund outstanding.

JEEC Exchangeable Shares

A total of 21,271,804 Exchangeable Shares of JEEC were issued on July 1, 2009, for the purchase of Universal. JEEC shareholders have voting rights equivalent to the Fund's Unitholders and their shares are exchangeable on a 1:1 basis. As at August 11, 2010, 17,058,604 shares had been converted and there were 4,213,200 Exchangeable Shares outstanding.

Taxability of distributions

Cash and unit distributions received in calendar 2009 were 100% allocated to other income. Additional information can be found on our website at www.justenergy.com. Management estimates the distributions for calendar 2010 to be allocated in a similar manner to that of 2009.

Recently issued accounting standards

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

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, Business Combinations ("CICA 1582"), concurrently with CICA Handbook Section 1601, Consolidated Financial Statements ("CICA 1601"), and CICA Handbook Section 1602, Non-controlling Interest ("CICA 1602"). CICA 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces CICA Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for fiscal years beginning on or after January 1, 2011. The Fund has not yet determined the impact of these standards on its consolidated financial statements.

International Financial Reporting Standards

In February 2008, CICA announced that GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to GAAP but there are significant differences on recognition, measurement and disclosures.

Just Energy will transition to IFRS effective April 1, 2011, and intends to issue its first interim financial statements under IFRS for the three-month period ending June 30, 2011, and a complete set of financial statements under IFRS for the year ending March 31, 2012.

Based on the initial assessment of the differences between Canadian GAAP and IFRS relevant to the Fund, an internal project team was assembled and a conversion plan was developed in March 2009 to manage the transition to IFRS. Project status reporting is provided to senior executive management and to the Audit Committee on a regular basis.

Our project consists of three phases: IFRS diagnostic assessment, solution development, and implementation. The diagnostic phase, which was completed in 2009, involved a high-level review and the identification of major accounting differences between current Canadian GAAP and IFRS applicable to Just Energy. The Fund has also completed Phase 2, the solution development phase, which includes the substantial completion of all policy papers which have been discussed with the external auditors. The IFRS project team is currently engaged in the implementation phase, which is the final phase of the project. This phase involves approval of the accounting policy choices, completing the collection of data required to prepare the financial statements, implementing changes to systems and business processes relating to financial reporting, key personnel training and the monitoring of standards currently being amended by the International Accounting Standards Board ("IASB"). Just Energy has also analyzed the IFRS financial statement presentation and disclosure requirements. These assessments will continue to be analyzed and evaluated throughout the implementation phase of the Fund's project.

The initial assessment phase determined that the areas with the highest potential to impact the Fund include, but are not limited to, the following:

IAS 16: Property, Plant and Equipment

IAS 16 reinforces the requirement under Canadian GAAP that requires that each part of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item should be depreciated separately. The Fund will adopt this revised accounting policy with respect to the componentization of the ethanol plant on transition to IFRS. The carrying value of the ethanol plant and corresponding depreciation expense will differ upon transition to IFRS, but the impact is not expected to be material.

IAS 36: Impairment of Assets

IAS 36 uses a one-step approach to both testing and measuring impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). Canadian GAAP, however, uses a two-step approach to impairment testing, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values. The Fund does not expect any material impairment upon transition to IFRS.

IAS 12: Income Taxes

IAS 12 is largely similar to the Canadian standard. Any impact to the Fund will depend primarily on other adjustments made upon transition to IFRS which will likely have a corresponding effect on income tax balances.

IAS 39: Financial Instruments – Recognition and Measurement

The Fund enters into fixed-term contracts with customers to provide electricity and gas at fixed prices. These customer contracts expose the Fund to changes in market prices of electricity/gas and consumption. To reduce the exposure to movements in commodity prices arising from the acquisition of electricity and gas at floating rates, the Fund routinely enters into derivative contracts. Under Canadian GAAP, all supply contracts are re-measured to fair value at each reporting date. The requirements for normal purchase and normal sale exemption (own-use exemption) are similar under Canadian GAAP and IFRS; however, several small differences exist. There is no specific guidance in either Canadian GAAP or IFRS with respect to eligibility of the own-use exemption of energy supply contracts entered into by energy retailers. The Fund is currently in the process of determining which type of supply contracts and which specific markets of the Fund meet the requirement for the own-use exemption under IFRS. If the own-use exemption does not apply, the amounts will be marked to market.

IFRS 2: Share-Based Payments

Under IFRS, when stock option awards vest gradually, each tranche is to be considered as a separate award; whereas, under Canadian GAAP, the gradually vested tranches are considered as a single award. This change in treatment will result in expenses relating to share-based payments being recognized over the expected term of each vested tranche. IFRS also requires the Fund to estimate forfeitures up front in the valuation of stock options; whereas, under Canadian GAAP, they can be recorded up front or as they occur. Currently, the Fund accounts for forfeitures as they occur. The Fund is in the process of determining the impact of such an adjustment on the opening balance sheet as at the transition date.

The Fund has analyzed the optional exemptions available under IFRS 1: First-Time Adoption of International Financial Reporting. IFRS generally require an entity to apply standards on a retrospective basis; however, IFRS 1 provides both mandatory exceptions and optional exemptions from this general requirement. First-time adoption exemptions relevant to the Fund are discussed below.

Business combinations

Under this exemption, the Fund may elect not to retrospectively apply IFRS 3 to past business combinations. The standard may be prospectively applied from the date of the opening IFRS balance sheet. The Fund intends to use this exemption.

Share-based payment transactions

The Fund may elect to not apply IFRS 2 to equity instruments that were granted on or before November 7, 2002, or which vested before the company's date of transition to IFRS. The Fund may also elect to not apply IFRS 2 to liabilities arising from share-based payment transactions which settled before the date of transition to IFRS. The Fund intends to apply these exemptions.

Cumulative translation adjustment

The exemption permits the Fund to reset the cumulative translation adjustment to zero by recognizing the full amount in the retained earnings of the opening IFRS balance sheet. The Fund is currently assessing whether it will use this exemption.

Borrowing costs

The exemption allows the Fund to adopt IAS 23, which requires the capitalization of borrowing costs on all qualifying assets, prospectively, from the date of the opening IFRS balance sheet. The Fund intends to use this exemption.

Until the Fund has prepared a full set of annual financial statements under IFRS, we will not be able to determine or precisely quantify all of the impacts that will result from converting to IFRS.

The expected transitional adjustments, changes in accounting policies and subsequent accounting may result in other business impacts, such as impacts on the debt covenants and capital requirements disclosure. Based on the work completed to date, the transition is expected to have minimal impact on information technology and internal controls over financial reporting of the Fund. However, the Fund will continue to access these areas as the project progresses.

Legal proceedings

Just Energy's subsidiaries are party to a number of legal proceedings. Just Energy believes that each such proceeding constitutes a routine legal matter incidental to the business conducted by Just Energy, and that the ultimate disposition of the proceedings will not have a material adverse effect on its consolidated earnings, cash flows or financial position.

In addition to the routine legal proceedings of Just Energy, the State of California has filed a number of complaints to the Federal Regulatory Energy Commission ("FREC") against many suppliers of electricity, including Commerce Energy Inc. ("CEI"), with respect to events stemming from the 2001 energy crises in California. Pursuant to the complaints, the State of California is challenging the FREC's enforcement of its market-based rate system. Although CEI did not own generation, the State of California is claiming that CEI was unjustly enriched by the run-up in charges caused by the alleged market manipulation of other market participants. On March 18, 2010, the Administrative Law Judge in the matter granted a motion to strike the claim for all parties in one of the complaints, holding that California did not prove that the reporting errors masked the accumulation of market power. California has appealed the decision. CEI continues to vigorously contest this matter and it is not expected to have a material impact on the financial condition of the Fund.

Controls and procedures

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

Limitation on scope of design

Section 3.3(1) of National Instrument 52-109, "Certification of Disclosure in Issuer's Annual and Interim Filings", states that the Fund may limit its design of disclosure controls and procedures and internal controls over financial reporting for a business that it acquired not more than 365 days before the end of the financial period to which the certificate relates. Under this section, the Fund's CEO and CFO have limited the scope of the design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the Hudson subsidiaries acquired on May 1, 2010.

Summary financial information pertaining to the Hudson acquisition that was included in the consolidated financial statements of the Fund as at June 30, 2010, is as follows (thousands of dollars):

	Total
Sales[1]	$ 117,477
Net income[1]	5,092
Current assets	141,299
Non-current assets	381,738
Current liabilities	178,382
Non-current liabilities	39,271

[1] Results from May 1, 2010 to June 30, 2010.

Corporate governance

Just Energy is committed to transparency in our operations and our approach to governance meets all recommended standards. Full disclosure of our compliance with existing corporate governance rules is available on our website at www.justenergy.com and is included in the Fund's May 27, 2010 management proxy circular. Just Energy actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

Outlook

The past five years have seen a significant geographic diversification of Just Energy's customer base. For the first time, this quarter ended with more customers in the United States than in Canada. This diversification protects the Fund against overexposure to any one regulatory jurisdiction and, to a degree, weather variance. Recent quarters have seen a further diversification effort in the form of marketing channels.

The acquisition of Hudson is a major step in broadening Just Energy's access to the large commercial market. While the Fund does not want to be exposed to industrial volumes due to their inherent volatility and credit exposure, large commercial customers such as hospitals, universities and school boards are both underserved by deregulated suppliers and potentially profitable. While the margin per RCE of these customers is lower than a residential customer, so is the customer acquisition cost. The result is the same quick payback and high return on investment that Just Energy has been known for.

Hudson utilized a well-established broker network to access the commercial market. Just Energy had not previously utilized brokers. The results in the first quarter were record customer additions supported by 174,000 large commercial RCE additions. Management anticipates that this trend will continue and commercial customers will be a growing portion of Just Energy's customer base. In addition to this broker channel, Just Energy is building a commercial sales team which is seeing solid early results.

Just Energy has committed expenditures toward a number of other expansions which management believes will contribute to higher distributable cash in the future.

During the quarter, the Hudson broker network was expanded to five provinces and seven states in which they did not previously operate. In Ontario, more than 40 brokers have already been enrolled in the network. Just Energy also invested to prepare for its entry into Massachusetts and two new utility territories in New York.

Further expansion has been undertaken through NHS. During the quarter, NHS expanded into Ontario's Union Gas territory and rolled out an offering of furnaces and air conditioners. This fast-growing water heater and HVAC rental and sales operation has created substantial long-term value for the Fund and, with these expansions, management believes that its rapid growth will continue.

Similarly, the JustGreen program represents new products that broaden our prospective market. Many purchasers of JustGreen would not otherwise purchase gas or electricity from a door-to-door salesperson.

The quarter saw the first results of the launch of the Fund's Momentis network marketing operation. Momentis independent representatives will market natural gas and electricity contracts on behalf of Just Energy. This is the first time the Fund has utilized the network marketing channel.

On June 29, 2010, the Fund received approval by its Unitholders for the plan to reorganize the income trust structure into a high-dividend paying corporation, and subsequently received the approval of the Court of Queen's Bench of Alberta on June 30, 2010. Upon completion of the reorganization, the Board intends to implement a dividend policy whereby monthly dividends will be initially set at $0.1033 per share ($1.24 annually) equal to the current distributions paid to Just Energy's Unitholders.

The federal government's announcement on October 31, 2006, of the pending imposition of a tax on income trusts effective January 1, 2011, caused Just Energy to analyze options which would maximize Unitholder value for the long term. The conclusion of the analysis was that conversion to a high-dividend yield corporation was the optimal option available to the Fund. The proposed reorganization offers a number of benefits:

- The unique nature of Just Energy as a growth company with high return on invested capital allows it to pay both a substantial yield and continue to grow. This remains true regardless of whether Just Energy is an income fund or a corporation.
- The receipt of $1.24 per year in dividends will result in a substantially higher after-tax cash yield to shareholders than that of $1.24 in distributions for most taxable Canadian Unitholders.
- It is anticipated that, as a corporation, Just Energy will have greater access to capital markets to the extent that issuance of equity should be required for growth through acquisition.

- Limitations under the proposed tax on undue expansion of trusts and foreign ownership limitations on trusts will no longer apply to Just Energy.
- The high-dividend yield as a corporation combined with Just Energy's growth prospects is expected to focus market attention on the value of Just Energy shares.
- It is anticipated that the reorganized structure of the Fund as a dividend-paying corporation will attract new investors, including non-resident investors, and provide, in the aggregate, a more active and attractive market for the new Just Energy shares than currently exists for the units.
- As a corporation, Just Energy will be managed by the same experienced team of professionals.

In anticipation of need for conversion, the Fund has not increased its rate of distribution since early 2008 despite substantial growth in its business. Distributions have been maintained by Just Energy at $0.1033 per month ($1.24 annually) supplemented by annual Special Distributions ($0.20 payable January 31, 2010, being the most recent). The decision not to continue distribution increases and the continued growth of Just Energy have given the Fund the flexibility to continue to pay a dividend equal to the current monthly distributions following the reorganization. This ability makes full allowance for the payment of tax by Just Energy and does not rely on a merger with tax loss-bearing companies.

Sales of the JustGreen products have been very strong with approximately 49% of all customers added in the current quarter taking 89% of green energy supply. Although currently a small component of the overall customer book (3% of gas customers and 6% of electricity customers), continued sales of JustGreen products at these levels will alter the economics of Just Energy as green customers generate higher per customer margins than the past five-year fixed rate customers. As these new green customers become a higher and higher percentage of the overall Just Energy customer base, the results should be higher margins per customer and improved renewal rates.

The Fund intends to continue its geographic expansion into new markets in the United States through both organic growth and focused acquisitions. Just Energy intends to begin marketing in Pennsylvania in the third quarter of fiscal 2011. The Fund is actively reviewing a number of further possible acquisitions. Just Energy continues to monitor the progress of the deregulated markets in various jurisdictions.

CONSOLIDATED BALANCE SHEETS

(Unaudited – thousands of dollars)

	June 30, 2010	March 31, 2010
ASSETS		
CURRENT		
Cash	$ 94,428	$ 60,132
Restricted cash	14,530	18,650
Accounts receivable	325,875	348,892
Gas delivered in excess of consumption	21,325	7,410
Gas in storage	38,386	4,058
Inventory	4,636	6,323
Unbilled revenues	20,978	20,793
Prepaid expenses and deposits	24,543	20,038
Current portion of future income tax assets	14,940	29,139
Other assets – current *(Note 11a)*	1,637	2,703
	561,278	518,138
FUTURE INCOME TAX ASSETS	88,484	85,197
PROPERTY, PLANT AND EQUIPMENT	226,593	218,616
CONTRACT INITIATION COSTS	28,330	5,587
INTANGIBLE ASSETS *(Note 6)*	644,562	340,629
GOODWILL	222,765	177,887
LONG-TERM RECEIVABLE	3,898	2,014
OTHER ASSETS – LONG TERM *(Note 11a)*	4,674	5,027
	$ 1,780,584	$ 1,353,095
LIABILITIES		
CURRENT		
Bank indebtedness	$ 7,853	$ 8,236
Accounts payable and accrued liabilities	308,412	226,950
Unit distribution payable	13,235	13,182
Corporate taxes payable	2,838	6,410
Current portion of future income tax liabilities	9,513	6,776
Deferred revenue	25,202	7,202
Accrued gas accounts payable	1,414	15,093
Current portion of long-term debt *(Note 7)*	65,108	62,829
Other liabilities – current *(Note 11a)*	597,753	685,200
	1,031,328	1,031,878
LONG-TERM DEBT *(Note 7)*	496,478	231,837
DEFERRED LEASE INDUCEMENTS	1,898	1,984
OTHER LIABILITIES – LONG TERM *(Note 11a)*	496,292	590,572
	2,025,996	1,856,271
NON-CONTROLLING INTEREST	18,030	20,603
UNITHOLDERS' DEFICIENCY		
Deficit	$(1,190,128)	$(1,423,698)
Accumulated other comprehensive income *(Note 9)*	208,122	221,969
	(982,006)	(1,201,729)
Unitholders' capital	664,717	659,118
Equity component of convertible debenture *(Note 7e)*	33,914	–
Contributed surplus	19,933	18,832
Unitholders' deficiency	(263,442)	(523,779)
	$ 1,780,584	$1, 353,095

Commitments *(Note 14)* Contingencies *(Note 15)*

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended June 30

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

	2010	2009
SALES	$ 609,684	$ 399,010
COST OF SALES	529,187	332,935
GROSS MARGIN	80,497	66,075
EXPENSES		
General and administrative expenses	29,272	15,617
Marketing expenses	29,758	19,385
Bad debt expense	5,749	3,829
Amortization of intangible assets and related supply contracts	27,172	594
Amortization of property, plant and equipment	1,920	1,194
Unit based compensation	1,075	657
Capital tax expense	133	80
	95,079	41,356
INCOME (LOSS) BEFORE THE UNDERNOTED	(14,582)	24,719
INTEREST EXPENSE *(Note 7)*	9,480	480
CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS *(Note 11a)*	(314,376)	(87,880)
OTHER INCOME	(1,782)	(756)
INCOME BEFORE INCOME TAXES	292,096	112,875
PROVISION FOR INCOME TAXES *(Note 8)*	19,360	10,303
NON-CONTROLLING INTEREST	(2,573)	(55)
NET INCOME	$ 275,309	$ 102,627

See accompanying notes to consolidated financial statements

Income per unit *(Note 12)*		
Basic	$ 2.05	$ 0.92
Diluted	$ 1.85	$ 0.91

CONSOLIDATED STATEMENTS OF UNITHOLDERS' DEFICIENCY

For the three months ended June 30
(Unaudited – thousands of dollars)

	2010	2009
ACCUMULATED DEFICIT		
Accumulated deficit, beginning of period	$ (480,931)	$ (712,427)
Net income	275,309	102,627
Accumulated deficit, end of period	(205,622)	(609,800)
DISTRIBUTIONS		
Distributions, beginning of period	(942,767)	(757,850)
Distributions and dividends on Exchangeable Shares	(40,646)	(33,383)
Class A preference share distributions – net of income taxes of $538 (2009 – $538)	(1,093)	(1,093)
Distributions, end of period	(984,506)	(792,326)
DEFICIT	(1,190,128)	(1,402,126)
ACCUMULATED OTHER COMPREHENSIVE INCOME *(Note 9)*		
Accumulated other comprehensive income, beginning of period	221,969	364,566
Other comprehensive loss	(13,847)	(31,084)
Accumulated other comprehensive income, end of period	208,122	333,482
UNITHOLDERS' CAPITAL *(Note 10)*		
Unitholders' capital, beginning of period	659,118	398,454
Trust units exchanged	4,768	–
Trust units issued on exercise/exchange of unit compensation	–	197
Distribution reinvestment plan	5,599	2,464
Exchangeable Shares exchanged	(4,768)	–
Unitholders' capital, end of period	664,717	401,115
EQUITY COMPONENT OF CONVERTIBLE DEBENTURE *(Note 7e)*	33,914	–
CONTRIBUTED SURPLUS *(Note 10b)*	19,933	15,151
Unitholders' deficiency, end of period	$ (263,442)	$ (652,378)

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended June 30
(Unaudited – thousands of dollars)

	2010	2009
NET INCOME	$ 275,309	$ 102,627
Unrealized gain on translation of self-sustaining operations	14,876	18,246
Amortization of deferred unrealized gain on discontinued hedges – net of income taxes of $6,259 (2009 – $9,805) *(Note 11a)*	(28,723)	(49,330)
OTHER COMPREHENSIVE LOSS	(13,847)	(31,084)
COMPREHENSIVE INCOME	$ 261,462	$ 71,543

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended June 30
(Unaudited – thousands of dollars)

	2010	2009
Net inflow (outflow) of cash related to the following activities		
OPERATING		
Net income	$ 275,309	$ 102,627
Items not affecting cash		
Amortization of intangible assets and related supply contracts	27,172	594
Amortization of property, plant and equipment	1,920	1,194
Amortization of contract initiation costs	2,088	–
Unit based compensation	1,075	657
Non-controlling interest	(2,573)	(55)
Future income taxes	19,824	9,805
Financing charges, non-cash portion	1,024	–
Other	2,180	(87)
Change in fair value of derivative instruments	(314,376)	(87,880)
	(261,666)	(75,772)
Adjustments required to reflect net cash receipts from gas sales	8,436	8,694
Changes in non-cash working capital	3,648	2,246
Cash inflow from operations	25,727	37,795
FINANCING		
Distributions and dividends paid to Unitholders and holders of Exchangeable Shares	(34,968)	(30,884)
Distributions to Class A preference shareholders	(1,631)	(1,631)
Tax impact on distributions to Class A preference shareholders	538	538
Decrease in bank indebtedness	(383)	–
Issuance of long-term debt	349,197	7,526
Repayment of long-term debt	(49,386)	(19,000)
Restricted cash	4,241	278
	267,608	(43,173)
INVESTING		
Purchase of property, plant and equipment	(9,607)	(7,406)
Purchase of other intangible assets	(362)	–
Acquisitions *(Note 5)*	(253,071)	–
Proceeds of long-term receivable	3,128	–
Contract initiation costs	(3,674)	–
	(263,586)	(7,406)
Effect of foreign currency translation on cash balances	4,547	(1,099)
NET CASH INFLOW (OUTFLOW)	34,296	(13,883)
CASH, BEGINNING OF PERIOD	60,132	59,094
CASH, END OF PERIOD	$ 94,428	$ 45,211
Supplemental information		
Interest paid	$ 3,672	$ 439
Income taxes paid	$ 2,456	$ 977

See accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2010
(thousands of dollars, except where indicated and per unit amounts)

NOTE 1 INTERIM FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements do not conform in all respects to the requirements of Canadian Generally Accepted Accounting Principles ("GAAP") for annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements and notes thereto included in the Fund's annual report for fiscal 2010. The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian GAAP applicable to interim consolidated financial statements and follow the same accounting policies and methods in their application as the most recent annual financial statements, except as described in Note 3.

NOTE 2 ORGANIZATION

Just Energy Income Fund ("Just Energy", the "Fund" or "JEIF"), formerly known as Energy Savings Income Fund, changed its name effective June 1, 2009.

Just Energy 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 owned operating subsidiaries and affiliates: Just Energy Ontario L.P. ("JE Ontario"), Just Energy Manitoba L.P. ("JE Manitoba"), Just Energy Quebec L.P. ("JE Quebec"), Just Energy (B.C.) Limited Partnership ("JE B.C."), Just Energy Alberta L.P. ("JE Alberta"), Alberta Energy Savings L.P. ("AESLP"), Just Energy Illinois Corp. ("JE Illinois"), Just Energy New York Corp. ("JENYC"), Just Energy Indiana Corp. ("JE Indiana"), Just Energy Texas L.P. ("JE Texas"), Just Energy Exchange Corp. ("JEEC"), Universal Energy Corp. ("UEC"), Universal Gas and Electric Corporation ("UG&E"), Commerce Energy, Inc. ("Commerce" or "CEI"), National Energy Corp. ("NEC") operating under the trade name of National Home Services ("NHS"), Momentis Canada Corp. and Momentis U.S. Corp. (collectively, "Momentis"), Just Energy Massachusetts Corp. ("JE Mass"), Just Energy Michigan Corp. ("JE Michigan"), Hudson Energy Services, LLC ("Hudson" or "HES") and Terra Grain Fuels, Inc. ("TGF"), collectively, the "Just Energy Group".

NOTE 3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(a) Significant policies adopted from acquisitions

(i) Contract initiation costs

Commissions related to obtaining and renewing commercial customer contracts through brokers and independent contractors signed under Hudson are recorded as contract initiation costs and amortized in marketing expenses over the remaining life of the contract.

In addition, commissions related to obtaining customer contracts signed under NEC are recorded as contract initiation costs and amortized in marketing expenses over the remaining life of the contract.

(b) Recently issued accounting standards

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

(i) Business Combinations

In October 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, Business Combinations ("CICA 1582"), concurrently with CICA Handbook Section 1601, Consolidated Financial Statements ("CICA 1601"), and CICA Handbook Section 1602, Non-controlling Interest ("CICA 1602"). CICA 1582, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces CICA Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for fiscal years beginning on or after January 1, 2011. The Fund has not yet determined the impact of these standards on its consolidated financial statements.

(ii) International Financial Reporting Standards

In February 2008, the CICA announced that GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011.

Just Energy will transition to IFRS effective April 1, 2011, and intends to issue its first interim consolidated financial statements under IFRS for the three-month period ending June 30, 2011, and a complete set of consolidated financial statements under IFRS for the year ending March 31, 2012.

Just Energy has developed a changeover plan which includes diagnostic assessment, solution development and implementation phases. The Fund has completed the initial assessment and solution development phases. These included certain training initiatives, researching and documenting the significant differences between Canadian GAAP and IFRS, assessing the impact on the Fund, and a preliminary assessment of the information technology systems. The IFRS team is currently engaged in the implementation phase, which is the final phase of the project.

Significant differences exist which may impact the Fund's financial reporting. Those areas include, but are not limited to, property, plant and equipment, impairment of assets, accounting for income taxes, financial instruments, employee benefits and the first-time adoption of IFRS ("IFRS 1").

As part of the conversion plan, the Fund is in the process of analyzing the detailed impacts of these identified differences and developing solutions to bridge these differences. Although the impact of the adoption of IFRS on the Fund's financial position and results of operations is not yet reasonably determinable or estimable, the Fund does expect a significant increase in financial statement disclosure requirements resulting from the adoption of IFRS. Just Energy is currently on target with its conversion plan, which will be completed by April 1, 2011.

NOTE 4 SEASONALITY OF OPERATIONS

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

NOTE 5 ACQUISITIONS

(a) Acquisition of Hudson Energy Services, LLC

On May 7, 2010, Just Energy completed the acquisition of all of the equity interests of Hudson Parent Holdings, LLC and all of the common shares of Hudson Energy Corp., thereby indirectly acquiring Hudson Energy Services, LLC with an effective date of May 1, 2010. The acquisition was funded by an issuance of $330 million in convertible debentures issued on May 5, 2010 (see Note 7e).

The acquisition of Hudson was accounted for using the purchase method of accounting. The Fund allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

Net assets acquired	
Current assets (including cash of $24,003)	$ 88,696
Current liabilities	(107,817)
Electricity contracts and customer relationships	200,653
Gas contracts and customer relationships	26,225
Broker network	84,400
Brand	11,200
Information technology system development	17,954
Contract initiation costs	20,288
Other intangible assets	6,545
Goodwill	30,946
Property, plant and equipment	2,559
Unbilled revenue	15,092
Notes receivable – long term	1,312
Security deposits – long term	3,544
Other assets – current	124
Other assets – long term	100
Other liabilities – current	(74,683)
Other liabilities – long term	(40,719)
	$ 286,419
Consideration	
Purchase price	$ 285,343
Transaction costs	1,076
	$ 286,419

Goodwill associated with the Hudson acquisition is part of the U.S. gas and electricity marketing segment.

All contracts and intangible assets, excluding brand, are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts and customer relationships are amortized over periods of 30 months and 35 months, respectively. Other intangible assets, excluding brand, are amortized over periods ranging from three to five years. The brand value is considered to be indefinite and, therefore, not subject to amortization. The purchase price allocation is considered preliminary and, as a result, it may be adjusted during the 12-month period following the acquisition.

(b) Acquisition of Universal Energy Group Ltd.

On July 1, 2009, Just Energy completed the acquisition of all of the outstanding common shares of Universal Energy Group Ltd. ("Universal") pursuant to a plan of arrangement (the "Arrangement"). Under the Arrangement, Universal shareholders received 0.58 of an exchangeable share ("Exchangeable Share") of JEEC, a subsidiary of Just Energy, for each Universal common share held. In aggregate, 21,271,804 Exchangeable Shares were issued pursuant to the Arrangement. Each Exchangeable Share is exchangeable for a trust unit on a one for one basis at any time at the option of the holder, and entitles the holder to a monthly dividend equal to 66 ⅔% of the monthly distribution paid by Just Energy on a trust unit. JEEC also assumed all the covenants and obligations of Universal in respect of Universal's outstanding 6% convertible unsecured subordinated debentures.

The acquisition of Universal was accounted for using the purchase method of accounting. The Fund allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

Net assets acquired	
Working capital (including cash of $10,319)	$ 63,614
Electricity contracts and customer relationships	229,586
Gas contracts and customer relationships	243,346
Water heater contracts and customer relationships	22,700
Other intangible assets	2,721
Goodwill	77,494
Property, plant and equipment	171,693
Future tax liabilities	(50,475)
Other liabilities – current	(164,148)
Other liabilities – long term	(140,857)
Long-term debt	(183,079)
Non-controlling interest	(22,697)
	$ 249,898
Consideration	
Transaction costs	$ 9,952
Exchangeable Shares	239,946
	$ 249,898

Non-controlling interest represents 33.3% ownership of TGF held by EllisDon Corporation.

All contracts and intangible assets are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts and customer relationships are amortized over periods ranging from eight to 57 months. The water heater contracts and customer relationships are amortized over 174 months and the intangible assets are amortized over six months. An adjustment in the amount of $10,700 was made to increase goodwill and decrease working capital during the three months ended June 30, 2010. The purchase price for this acquisition is final and no longer subject to change.

(c) Newten Home Comfort Inc.

On July 2, 2009, NEC, a wholly owned subsidiary of the Fund, acquired Newten Home Comfort Inc., an arm's length third party that held a 20% interest in Newten Home Comfort L.P. for $3.2 million, of which $520 was paid in cash and determined to be the purchase price consideration. The purchase price consideration excludes contingent payments to the 20% interest holders that will become payable in July 2012 based on the number of completed water heater installations. Any contingent payments made will result in an increase to the balance of goodwill generated by the acquisition.

NOTE 6 INTANGIBLE ASSETS

As at June 30, 2010	Cost	Accumulated amortization	Net book value
Gas contracts and customer relationships	$ 261,627	$ 88,483	$ 173,144
Electricity contracts and customer relationships	456,760	129,690	327,070
Water heater contracts and customer relationships	23,081	1,626	21,455
Broker network	88,454	2,948	85,506
Brand	11,738	–	11,738
Information technology system development	19,788	698	19,090
Other intangible assets	9,429	2,870	6,559
	$ 870,877	$ 226,315	$ 644,562

As at March 31, 2010	Cost	Accumulated amortization	Net book value
Gas contracts and customer relationships	$ 228,827	$ 63,484	$ 165,343
Electricity contracts and customer relationships	245,617	92,779	152,838
Water heater contracts and customer relationships	23,081	1,218	21,863
Other intangible assets	2,982	2,397	585
	$ 500,507	$ 159,878	$ 340,629

NOTE 7 LONG-TERM DEBT AND FINANCING

	June 30, 2010	March 31, 2010
Credit facility (a)	$ 36,500	$ 57,500
TGF credit facility (b)(i)	40,927	41,313
TGF debentures (b)(ii)	37,001	37,001
TGF term/operating facilities (b)(iii)	10,000	10,000
JEEC convertible debentures (c)	83,731	83,417
NEC financing (d)	70,949	65,435
JEIF convertible debentures (e)	282,478	–
	561,586	294,666
Less: current portion	(65,108)	(62,829)
	$ 496,478	$ 231,837

The following table details the interest expense. Interest is expensed at the effective interest rate.

	June 30, 2010	June 30, 2009
Credit facility (a)	$ 967	$ 480
TGF credit facility (b)(i)	447	–
TGF debentures (b)(ii)	950	–
TGF term/operating facilities (b)(iii)	311	–
JEEC convertible debentures (c)	1,664	–
NEC financing (d)	1,341	–
JEIF convertible debentures (e)	3,800	–
	$ 9,480	$ 480

(a) Just Energy holds a $250 million credit facility to meet working capital requirements. The syndicate of lenders includes Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada, Bank of Nova Scotia, Société Générale and Alberta Treasury Branches. The repayment of the facility is due on October 29, 2011.

Interest is payable on outstanding loans at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate. Under the terms of the operating credit facility, Just Energy is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 4.0%, prime rate advances at bank prime plus 3.0%, and letters of credit at 4.0%. As at June 30, 2010, the Canadian prime rate was 2.5% and the U.S. prime rate was 3.25%. As at June 30, 2010, Just Energy had drawn $36,500 (March 31, 2010 – $57,500) against the facility and total letters of credit outstanding amounted to $68,426 (March 31, 2010 – $49,444). As of June 30, 2010, Just Energy has $145,074 of the facility remaining for future working capital and security requirements. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a pledge of the assets of Just Energy and the majority of its operating subsidiaries and affiliates. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at June 30, 2010 and 2009, all of these covenants have been met.

(b) In connection with the acquisition of Universal on July 1, 2009, the Fund acquired the debt obligations of TGF, which is currently comprised of the following separate facilities:

(i) TGF credit facility

A credit facility of up to $50,000 was established with a syndicate of Canadian lenders led by Conexus Credit Union and was arranged to finance the construction of the ethanol plant in 2007. The facility was revised on March 18, 2009, and was converted to a fixed repayment term of ten years commencing March 1, 2009, which includes interest costs at a rate of prime plus 2% with principal repayments scheduled to commence on March 1, 2010. The credit facility is secured by a demand debenture agreement, a first priority security interest on all assets and undertakings of TGF and a general security interest on all other current and acquired assets of TGF. As a result, the facility is fully classified as a current obligation. The credit facility includes certain financial covenants, the more significant of which relate to current ratio, debt to equity ratio, debt service coverage and minimum shareholders' equity. The lenders have deferred compliance with the financial covenants until April 1, 2011. The facility was further revised on April 5, 2010, to postpone the principal payments due for April 1 to June 1, 2010, and to amortize them over the six-month period commencing October 1, 2010, and ending March 1, 2011. As at June 30, 2010, the amount owing under this facility amounted to $40,927.

(ii) TGF debentures

A debenture purchase agreement with a number of private parties providing for the issuance of up to $40,000 aggregate principal amount of debentures was entered into in 2006. The interest rate is 10.5% per annum, compounded annually and payable quarterly. Quarterly principal payments commenced October 1, 2009, in the amount of $1,000 per quarter. The agreement includes certain financial covenants, the more significant of which relate to current ratio, debt to capitalization ratio, debt service coverage, debt to EBITDA, and minimum shareholders' equity. The lender has deferred compliance with the financial covenants until April 1, 2011. On April 5, 2010, TGF entered into an agreement with the holders of the debenture to defer scheduled principal payments owing under the debenture until April 1, 2011. As at June 30, 2010, the amount owing under this debenture agreement amounted to $37,001.

(iii) TGF term/operating facilities

TGF maintains a term loan for $10,000 with a third party lender bearing interest at prime plus 1% due in full on December 31, 2010. This facility is secured by liquid investments on deposit with the lender. As at June 30, 2010, the amount owing under the facility amounted to $10,000.

(iv) TGF has a working capital operating line of $7,000 bearing interest at a rate of prime plus 1% of which $3,850 was drawn via overdraft. In addition, total letters of credit issued amounted to $250.

(c) In conjunction with the acquisition of Universal on July 1, 2009, JEEC also acquired the obligations of the convertible unsecured subordinated debentures (the "JEEC convertible debentures") issued by Universal in October 2007. These instruments have a face value of $90,000 and mature on September 30, 2014, unless converted prior to that date, and bear interest at an annual rate of 6% payable semi-annually on March 31 and September 30 of each year. Each $1,000 principal amount of the JEEC convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 29.3 Exchangeable Shares of JEEC, representing a conversion price of $34.09 per Exchangeable Share. During the period, interest expense amounted to $1,664.

The JEEC convertible debentures are not redeemable prior to October 1, 2010. On and after October 1, 2010, but prior to September 30, 2012, the JEEC convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Fund's sole option on not more than 60 days' and not less than 30 days' prior notice, provided that the current market price on the date on which notice of redemption is given is not less than 125% of the conversion price. On and after September 30, 2012, but prior to the maturity date, the JEEC convertible debentures are redeemable, in whole or in part, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Fund's sole option on not more than 60 days' and not less than 30 days' prior notice.

(d) On January 18, 2010, NEC entered into a long-term financing agreement for the funding of new and existing rental water heater contracts. Pursuant to the agreement, NEC receives financing of an amount equal to the present value of the first five years of monthly rental income, discounted at the agreed upon financing rate of 7.99% and, at settlement, it is required to remit an amount equivalent to the rental stream from customers on the water heater contracts for the first five years. As security for performance of the obligation, NEC has pledged the water heaters subject to the financed rental agreement as collateral.

The financing agreement is subject to a holdback provision, whereby 3% of the outstanding balance of the funded amount is deducted and deposited into a reserve account in the event of default. Once all obligations of NEC are satisfied or expired, the remaining funds in the reserve account will immediately be released to NEC.

NEC has $70,949 owing under this agreement, including $2,266 relating to the holdback provision as at June 30, 2010. The company is required to meet a number of covenants under the agreement. As at June 30, 2010, all of these covenants have been met.

(e) In order to fund the acquisition of Hudson effective May 1, 2010, Just Energy entered into an agreement with a syndicate of underwriters for $330 million of convertible extendible unsecured subordinated debentures (the "JEIF convertible debentures"). The JEIF convertible debentures bear interest at a rate of 6.0% per annum payable semi-annually in arrears on June 30 and December 31, with a maturity date of June 30, 2017. Each $1,000 principal amount of the JEIF convertible debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 55.6 units of the Fund, representing a conversion price of $18 per unit. During the period, interest expense amounted to $3,800.

The JEIF convertible debentures are not redeemable prior to June 30, 2013, except under certain conditions after a change of control has occured. On or after June 30, 2013, but prior to June 30, 2015, the JEIF convertible debentures may be redeemed by the Fund, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest, provided that the current market price (as defined herein) on the date on which notice of redemption is given is not less than 125% of the conversion price. On and after June 30, 2015, and prior to maturity, the JEIF convertible debentures may be redeemed by the Fund, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest.

The Fund may, at its own option, on not more than 60 days' and not less than 40 days' prior notice, subject to applicable regulatory approval and provided that no event of default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the JEIF convertible debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of freely tradable units determined by dividing the principal amount of the JEIF convertible debentures being repaid by 95% of the current market price on the date of redemption or maturity, as applicable.

The conversion feature of the JEIF convertible debentures has been accounted for as a separate component of Unitholders' deficiency in the amount of $33,914. The remainder of the net proceeds of the JEIF convertible debentures of $281,770 has been recorded as long-term debt, which will be accreted up to the face value of $330,000 over the term of the JEIF convertible debentures using an effective interest rate of 8.8%. If the JEIF convertible debentures are converted into common shares, the value of the conversion will be reclassified to share capital along with the principal amount converted.

NOTE 8 INCOME TAXES

The Fund recorded a current income tax recovery of $1.0 million for the first quarter of fiscal 2011 versus a recovery of $0.04 million in the same period last year. The change is mainly attributable to a U.S. income tax recovery generated by operating losses incurred by the U.S. entities in this quarter.

	Q1 fiscal 2011	Q1 fiscal 2010
Current income tax recovery	$ (1,002)	$ (40)
Amount credited to Unitholders' equity	538	538
Future tax expense	19,824	9,805
Provision for income tax	$ 19,360	$ 10,303

NOTE 9 ACCUMULATED OTHER COMPREHENSIVE INCOME

For the three months ended June 30, 2010

	Foreign currency translation adjustment	Cash flow hedges	Total
Balance, beginning of period	$ 28,584	$ 193,385	$ 221,969
Unrealized foreign currency translation adjustment	14,876	–	14,876
Amortization of deferred unrealized gain on discontinued hedges – net of income taxes of $6,259	–	(28,723)	(28,723)
	$ 43,460	$ 164,662	$ 208,122

For the three months ended June 30, 2009

	Foreign currency translation adjustment	Cash flow hedges	Total
Balance, beginning of period	$ 1,958	$ 362,608	$ 364,566
Unrealized foreign currency translation adjustment	18,246	–	18,246
Amortization of deferred unrealized gain on discontinued hedges – net of income taxes of $9,805	–	(49,330)	(49,330)
	$ 20,204	$ 313,278	$ 333,482

NOTE 10 UNITHOLDERS' CAPITAL

(a) Trust units of the Fund

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

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

Class A preference shares of Just Energy Corp.

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

Exchangeable Shares of JEEC

On July 1, 2009, Just Energy completed the acquisition of all the outstanding common shares of Universal pursuant to the Arrangement. Under the Arrangement, Universal shareholders received 0.58 of an Exchangeable Share of JEEC for each Universal common share held. In aggregate, 21,271,804 Exchangeable Shares were issued pursuant to the Arrangement. Each Exchangeable Share is exchangeable for a trust unit on a one for one basis at any time at the option of the holder, and entitles the holder to a monthly dividend equal to 66 ⅔% of the monthly distribution paid by Just Energy on a trust unit.

JEEC owns 66 ⅔% of the issued and outstanding shares in the capital of TGF (Canada). Pursuant to the terms of a unanimous shareholders' agreement in respect of TGF, if all of the assets and the undertaking of TGF in connection with its Belle Plaine facility are not sold by November 30, 2010, the other shareholder of TGF may elect on such date to require JEEC to purchase such shareholder's TGF shares (the "Put Shares"). A portion of the purchase price for the Put Shares shall be paid by the issuance of that number of Exchangeable Shares equal to the quotient of (i) $10 million, less the cumulative amount of all dividends and other distributions paid in cash to the shareholder on the Put Shares from April 15, 2009 to January 3, 2011; and (ii) the volume weighted average trading price of the JEEC Exchangeable Shares on the TSX for the month of December 2010, delivered annually in three equal installments commencing January 2, 2011.

Issued and outstanding	Q1 fiscal 2010 Units/Shares		Q1 fiscal 2009 Units/Shares	
Trust units				
Balance, beginning of period	124,325,307	$ 593,075	106,138,523	$ 385,294
Unit based awards exercised/exchanged	–	–	14,590	197
Distribution reinvestment plan	443,218	5,599	221,775	2,464
Exchanged from Exchangeable Shares	422,673	4,768	–	–
Balance, end of period	125,191,198	603,442	106,374,888	387,955
Class A preference shares				
Balance, unchanged during period	5,263,728	13,160	5,263,728	13,160
Exchangeable Shares				
Balance, beginning of period	4,688,172	52,883	–	–
Exchanged into units	(422,673)	(4,768)	–	–
Balance, end of period	4,265,499	48,115	–	–
Unitholders' capital, end of period	134,720,425	$ 664,717	111,638,616	$ 401,115

Distribution reinvestment program

Under the Fund's distribution reinvestment program ("DRIP"), Unitholders holding a minimum of 100 units can elect to receive their distributions (both regular and special) in units rather than cash at a 2% discount to the simple average closing price of the units for five trading days preceding the applicable distribution payment date, providing the units are issued from treasury and not purchased on the open market.

Units issued

During the three months ended June 30, 2010, the Fund issued 422,673 units relating to the exchange of Exchangeable Shares of JEEC.

(b) Contributed surplus

Amounts credited to contributed surplus include unit based compensation awards, unit appreciation rights and deferred unit grants. Amounts charged to contributed surplus are awards exercised during the period.

Contributed surplus	2010	2009
Balance, beginning of period	$ 18,832	$ 14,671
Add: Unit based compensation awards	1,075	657
Non-cash deferred unit grant distributions	26	20
Less: Unit based awards exercised	–	(197)
Balance, end of period	$ 19,933	$ 15,151

Total amounts credited to Unitholders' capital in respect of unit options and deferred unit grants exercised or exchanged during the three months ended June 30, 2010, amounted to nil (2009 – $197).

NOTE 11 FINANCIAL INSTRUMENTS

(a) Fair value

The Fund has a variety of gas and electricity supply contracts that are captured under CICA Handbook Section 3855, Financial Instruments – Measurement and Recognition. Fair value is the estimated amount that Just Energy would pay or receive to dispose of these supply contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management has estimated the value of electricity, unforced capacity, heat rates, heat-rate options, renewable and gas swap and forward contracts using a discounted cash flow method, which employs market forward curves that are either directly sourced from third parties or are developed internally based on third party market data. These curves can be volatile, thus leading to volatility in the mark to market with no impact to cash flows. Gas options have been valued using the Black option value model using the applicable market forward curves and the implied volatility from other market traded gas options.

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

The following tables illustrate losses (gains) related to the Fund's derivative financial instruments classified as held-for-trading recorded against other assets and other liabilities, with their offsetting values recorded in change in fair value of derivative instruments for the three months ended June 30, 2010:

Change in fair value of derivative instruments	For the three months ended June 30, 2010	For the three months ended June 30, 2010 (US$)	For the three months ended June 30, 2009	For the three months ended June 30, 2009 (US$)
Canada				
Fixed-for-floating electricity swaps (i)	$ (138,841)	n/a	$ 31,147	n/a
Renewable energy certificates (ii)	143	n/a	(254)	n/a
Verified emission-reduction credits (iii)	–	n/a	–	n/a
Options (iv)	837	n/a	792	n/a
Physical gas forward contracts (v)	(83,628)	n/a	(9,811)	n/a
Transportation forward contracts (vi)	(13,349)	n/a	3,256	n/a
United States				
Fixed-for-floating electricity swaps (vii)	(24,244)	(23,518)	(3,601)	(3,197)
Physical electricity forwards (viii)	(22,682)	(21,962)	(22,180)	(19,689)
Unforced capacity forward contracts (ix)	160	155	(2,640)	(2,344)
Unforced capacity physical contracts (x)	643	626	–	–
Renewable energy certificates (xi)	680	661	412	366
Verified emission-reduction credits (xii)	2	2	209	186
Options (xiii)	(180)	(175)	1,303	1,156
Physical gas forward contracts (xiv)	(30,634)	(29,811)	(26,286)	(23,333)
Transportation forward contracts (xv)	(156)	(152)	(83)	(74)
Heat-rate swaps (xvi)	3,058	2,975	(1,464)	(1,299)
Fixed financial swaps (xvii)	(7,366)	(7,161)	(399)	(355)
Foreign exchange forward contracts	277	n/a	854	n/a
Other				
Amortization of deferred unrealized gains on discontinued hedges	(34,573)	n/a	(59,135)	n/a
Amortization of derivative financial instruments related to acquisitions	35,477	n/a	–	n/a
Change in fair value of derivative instruments	$ (314,376)		$ (87,880)	

The following table summarizes certain aspects of the financial assets and liabilities recorded in the financial statements as at June 30, 2010:

	Other assets (current)	Other assets (long term)	Other liabilities (current)	Other liabilities (long term)
Canada				
Fixed-for-floating electricity swaps (i)	$ 374	$ 335	$ 169,507	$ 149,844
Renewable energy certificates (ii)	300	529	31	138
Verified emission-reduction credits (iii)	2	7	–	–
Options (iv)	155	182	–	–
Physical gas forward contracts (v)	–	–	201,098	155,508
Transportation forward contracts (vi)	14	404	2,303	4,264
United States				
Fixed-for-floating electricity swaps (vii)	–	–	45,991	36,642
Physical electricity forwards (viii)	1	–	67,840	60,063
Unforced capacity forward contracts (ix)	428	149	438	126
Unforced capacity physical contracts (x)	156	102	1,034	469
Renewable energy certificates (xi)	64	98	1,280	1,291
Verified emission-reduction credits (xii)	–	–	176	470
Options (xiii)	–	–	1,095	633
Physical gas forward contracts (xiv)	–	–	83,554	65,056
Transportation forward contracts (xv)	32	–	1,377	2,189
Heat-rate swaps (xvi)	111	2,868	1,448	–
Fixed financial swaps (xvii)	–	–	20,581	19,599
As at June 30, 2010	$ 1,637	$ 4,674	$ 597,753	$ 496,292

The following table summarizes certain aspects of the financial assets and liabilities recorded in the financial statements as at March 31, 2010:

	Other assets (current)	Other assets (long term)	Other liabilities (current)	Other liabilities (long term)
Canada				
Fixed-for-floating electricity swaps (i)	$ –	$ –	$ 244,563	$ 212,920
Renewable energy certificates (ii)	350	621	30	139
Verified emission-reduction credits (iii)	2	7	–	–
Options (iv)	757	416	–	–
Physical gas forward contracts (v)	–	–	237,145	203,088
Transportation forward contracts (vi)	–	–	11,060	8,439
United States				
Fixed-for-floating electricity swaps (vii)	–	–	31,291	30,464
Physical electricity forwards (viii)	–	–	38,015	39,035
Unforced capacity forward contracts (ix)	523	102	445	9
Unforced capacity physical contracts (x)	33	146	731	–
Renewable energy certificates (xi)	107	130	918	945
Verified emission-reduction credits (xii)	–	–	167	447
Options (xiii)	–	–	912	915
Physical gas forward contracts (xiv)	–	–	96,938	75,142
Transportation forward contracts (xv)	–	–	1,265	2,262
Heat-rate swaps (xvi)	654	3,605	–	–
Fixed financial swaps (xvii)	–	–	21,720	16,767
Foreign exchange forward contracts	277	–	–	–
As at March 31, 2010	$ 2,703	$ 5,027	$ 685,200	$ 590,572

The following table summarizes financial instruments classified as held-for-trading as at June 30, 2010:

Contract type	Notional volume	Total remaining volume	Maturity date	Fixed price	Fair value favourable (unfavourable)	Notional value
Canada						
(i) Fixed-for-floating electricity swaps[1]	0.0001–115 MWh	11,815,179 MWh	July 31, 2010 – October 31, 2016	$28.75–$128.13	($318,642)	$844,770
(ii) Renewable energy certificates	10–90,000 MWh	1,265,368 MWh	December 31, 2010 – December 31, 2014	$3.00–$26.00	$660	$8,031
(iii) Verified emission-reduction credits	2,000–100,000 tonnes	605,000 tonnes	December 31, 2010 – December 31, 2014	$6.00–$11.50	$9	$5,836
(iv) Options	46–40,500 GJ/month	4,775,620 GJ	July 31, 2010 – February 28, 2014	$6.35–$12.40	$337	$9,043
(v) Physical gas forward contracts	3–15,191 GJ/day	141,353,627 GJ	July 31, 2010 – November 30, 2015	$3.51–$10.00	($356,606)	$1,074,275
(vi) Transportation forward contracts	7–465,000 GJ/day	72,413,923 GJ	July 31, 2010 – May 31, 2015	$0.01–$1.57	($6,149)	$53,206
United States						
(vii) Fixed-for-floating electricity swaps[1]	0.10–34 MWh	6,993,028 MWh	July 31, 2010 – June 30, 2015	$25.55–$145.58 (US$24.00–$136.75)	($82,633) (US($77,619))	$465,338 (US$437,101)
(viii) Physical electricity forwards	1–40 MWh	7,121,830 MWh	July 31, 2010 – January 31, 2015	$22.25–$124.56 (US$20.90–$117.00)	($127,902) (US($120,141))	$473,649 (US$444,908)
(ix) Unforced capacity forward contracts	5–35 MWCap	1,075 MWCap	July 31, 2010 – November 30, 2012	$3,194–$8,517 (US$3,000–$8,000)	$13 (US$12)	$5,988 (US$5,625)
(x) Unforced capacity physical contracts	2–150 MWCap	2,697 MWCap	July 31, 2010 – May 31, 2014	$1,490–$14,053 (US$1,400–$13,200)	($1,245) (US($1,169))	$18,138 (US$17,037)
(xi) Renewable energy certificates	2,000–160,000 MWh	2,832,265 MWh	December 31, 2010 – December 31, 2015	$1.70–$26.62 (US$1.60–$25.00)	($2,409) (US($2,263))	$17,627 (US$16,557)
(xii) Verified emission-reduction credits	10,000–50,000 tonnes	615,000 tonnes	December 31, 2010 – December 31, 2014	$6.76–$9.32 (US$6.35–$8.75)	($646) (US($607))	$4,999 (US$4,696)
(xiii) Options	5–37,500 mmBTU/day	5,378,990 mmBTU	July 31, 2010 – December 31, 2014	$8.25–$14.69 (US$7.75–$13.80)	($1,834) (US($1,723))	$8,757 (US$8,226)
(xiii) Heat-rate options	1,600 MWh	147,200 MWh	July 1, 2010 – September 30, 2010	$73.71–$75.33 (US$69.24–$70.76)	$106 (US$100)	$390 (US$366)
(xiv) Physical gas forward contracts	5–11,106 mmBTU/day	46,193,941 mmBTU	July 1, 2010 – July 31, 2014	$4.79–$12.65 (US$4.50–$11.88)	($148,610) (US($139,592))	$419,217 (US$393,779)
(xv) Transportation forward contracts	15–15,000 mmBTU/day	39,252,865 mmBTU	July 1, 2010 – March 31, 2015	$0.0027–$0.6388 (US$0.0025–$0.6000)	($3,534) (US($3,320))	($31,034) (US($29,151))
(xvi) Heat-rate swaps	1–30 MWh	3,728,117 MWh	July 31, 2010 – May 31, 2015	$28.74–$89.93 (US$27.00–$83.53)	$1,531 (US$1,438)	$184,274 (US$173,092)
(xvii) Fixed financial swaps	100–21,561 mmBTU/day	46,239,222 mmBTU	July 31, 2010 – April 30, 2015	$4.39–$9.16 (US$4.12–$8.60)	($40,180) (US($37,742))	$312,113 (US$293,174)

[1] The electricity fixed-for-floating contracts related to the Province of Alberta are predominantly load-following, and some contracts in Ontario, 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 the rest of Just Energy's electricity markets wherein the quantity of electricity is established but varies throughout the term of the contracts.

The estimated amortization of deferred gains and losses reported in accumulated other comprehensive income that is expected to be amortized to net income within the next 12 months is a gain of $106,833.

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

In Illinois, Texas, Pennsylvania, Maryland, California, New York (small portion of direct-billed customers), New Jersey and Alberta, Just Energy assumes the credit risk associated with cash collection from its customers. Credit review processes have been put in place for these markets where Just Energy has credit risk to manage the customer default rate. If a significant number of customers were to default on their payments, it could have a material adverse effect on Just Energy's operations and cash flow. Management factors default from credit risk in its margin expectations for these markets.

Fair value ("FV") hierarchy

Level 1

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices. Just Energy values its cash, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, unit distribution payable, and long-term debt under Level 1.

Level 2

Fair value measurements which require inputs other than quoted prices in Level 1, either directly or indirectly, are classified as Level 2 in the FV hierarchy. This could include the use of statistical techniques to derive the FV curve from observable market prices. However, in order to be classified under Level 2, inputs must be substantially observable in the market. Just Energy values its New York Mercantile Exchange ("NYMEX") financial gas fixed-for-floating swaps under Level 2.

Level 3

Fair value measurements which require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy. For the electricity supply contracts, Just Energy uses quoted market prices as per available market forward data and applies a price-shaping profile to calculate the monthly prices from annual strips and hourly prices from block strips for the purposes of mark to market calculations. The profile is based on historical settlements with counterparties or with the system operator and is considered an unobservable input for the purposes of establishing the level in the hierarchy. For the natural gas supply contracts, Just Energy uses three different market observable curves: (i) commodity (predominately NYMEX), (ii) basis, and (iii) foreign exchange. NYMEX curves extend for over five years (thereby covering the length of Just Energy's contracts); however, most basis curves only extend 12 to 15 months into the future. In order to calculate basis curves for remaining years, Just Energy uses extrapolation which leads to natural gas supply contracts to be classified under Level 3.

Note on fair value measurement input sensitivity

The main cause of changes in fair value of derivative instruments are changes in the forward curve prices used for the fair value calculations. Just Energy provides a sensitivity analysis of these forward curves under the commodity price risk section of this note. Other inputs, including volatility and correlations, are driven off of historical settlements.

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at June 30, 2010:

	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	$ 108,958	$ –	$ –	$ 108,958
Loans and receivables	329,773	–	–	329,773
Derivative financial assets	–	–	6,311	6,311
Financial liabilities				
Derivative financial liabilities	–	(40,180)	(1,053,865)	(1,094,045)
Other financial liabilities	(891,086)	–	–	(891,086)
Total net derivative liabilities	$ (452,355)	$ (40,180)	$(1,047,554)	$(1,540,089)

The following table illustrates the changes in net fair value of financial assets (liabilities) classified as Level 3 in the FV hierarchy for the three months ended June 30, 2010:

	June 30, 2010
Opening balance, April 1, 2010	$(1,229,555)
Total gain (loss) – net income	491,469
Purchases	(107,906)
Sales	(2,721)
Settlements	(198,841)
Transfer out of Level 3	–
Closing balance, June 30, 2010	$(1,047,554)

(b) **Classification of financial assets and liabilities**

The following table represents the fair values and carrying amounts of financial assets and liabilities measured at fair value or amortized cost:

	As at June 30, 2010	
	Carrying amount	Fair value
Cash and restricted cash	$ 108,958	$ 108,958
Accounts receivable	325,875	325,875
Long-term receivable	3,898	3,898
Other assets	6,311	6,311
Bank indebtedness, accounts payable and accrued liabilities and unit distribution payable	329,500	329,500
Long-term debt	561,586	606,302
Other liabilities	1,094,045	1,094,045

	For the three months ended June 30	
	2010	2009
Interest expense on financial liabilities not held-for-trading	$ 9,480	$ 480

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

The carrying value of long-term debt approximates its fair value as the interest payable on outstanding amounts is at rates that vary with Bankers' Acceptances, LIBOR, Canadian bank prime rate or U.S. prime rate, with the exception of the JEIF and JEEC convertible debentures which are fair valued based on market value.

(c) **Management of risks arising from financial instruments**

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

(i) **Market risk**

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

Foreign currency risk

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in U.S. operations.

A portion of Just Energy's earnings is generated in U.S. dollars and is subject to currency fluctuations. The performance of the Canadian dollar relative to the U.S. dollar could positively or negatively affect Just Energy's earnings. Due to its growing operations in the U.S. and its recent acquisition of Hudson, Just Energy expects to have a greater exposure to U.S. fluctuations in the future than in prior years.

The Fund may, from time to time, experience losses resulting from fluctuations in the values of its foreign currency transactions, which could adversely affect operating results.

With respect to translation exposure, as at June 30, 2010, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar, assuming that all the other variables had remained constant, net income for the three months ended June 30, 2010, would have been $2,756 higher/lower and other comprehensive income would have been $1,974 lower/higher.

Interest rate risk

Just Energy is also exposed to interest rate fluctuations associated with its floating-rate credit facility. Just Energy's current exposure to interest rates does not economically warrant the use of derivative instruments. The Fund's exposure to interest rate risk is relatively immaterial and temporary in nature. The Fund does not currently believe that this long-term debt exposes it to material financial risks but it has set out parameters to actively manage this risk within its Risk Management Policy.

A 1% increase (decrease) in interest rates would have resulted in a decrease (increase) in income before income taxes for the three months ended June 30, 2010, of approximately $248.

Commodity price risk

Just Energy is exposed to market risks associated with commodity prices and market volatility where estimated customer requirements do not match actual customer requirements. Management actively monitors these positions on a daily basis in accordance with its Risk Management Policy. This policy sets out a variety of limits including, most importantly, thresholds for open positions in the gas and electricity portfolios; should any of the limits be exceeded, they are closed expeditiously or express approval to continue to hold is obtained. Just Energy's exposure to market risk is affected by a number of factors, including accuracy of estimation of customer commodity requirements, commodity prices, volatility and liquidity of markets. Just Energy enters into derivative instruments in order to manage exposures to changes in commodity prices. The derivative instruments that are used are designed to fix the price of supply for estimated customer commodity demand in Canadian dollars and thereby fix margins, such that Unitholder distributions can be appropriately established. Derivative instruments are generally transacted over the counter. The inability or failure of Just Energy to manage and monitor the above-market risks could have a material adverse effect on the operations and cash flow of Just Energy.

Commodity price sensitivity – all derivative financial instruments

As at June 30, 2010, if the energy prices including natural gas, electricity, green natural gas credits and green electricity certificates had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the year ended June 30, 2010, would have increased (decreased) by $239,229 ($238,327) primarily as a result of the change in the fair value of the Fund's derivative instruments.

Commodity price sensitivity – Level 3 derivative financial instruments

As at June 30, 2010, if the energy prices including natural gas, electricity, green natural gas credits and green electricity certificates had risen (fallen) by 10%, assuming that all the other variables had remained constant, income before taxes for the year ended June 30, 2010, would have increased (decreased) by $214,174 ($213,342) primarily as a result of the change in the fair value of the Fund's derivative instruments.

Changes in energy prices will not significantly impact the Fund's gross margin.

(ii) Credit risk

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

Customer credit risk

In Alberta, Texas, Illinois, Pennsylvania, California, Maryland, New York and New Jersey, Just Energy has customer credit risk and, therefore, credit review processes have been implemented to perform credit evaluations of customers and manage customer default. If a significant number of customers were to default on their payments, it could have a material adverse effect on the operations and cash flows of Just Energy. Management factors default from credit risk in its margin expectations for all the above markets.

As at June 30, 2010, accounts receivable from the above markets with a carrying value of $22,124 (March 31, 2010 – $20,239) were past due but not doubtful. As at June 30, 2010, the aging of the accounts receivable from the above markets was as follows:

Current	$ 129,516
1–30 days	12,977
31–60 days	5,654
61–90 days	3,493
Over 90 days	19,901
	$ 171,541

For the three months ended June 30, 2010, changes in the allowance for doubtful accounts were as follows:

Balance, beginning of period	$ 17,519
Provision for doubtful accounts	5,743
Bad debts written off	(4,647)
Others	(212)
Balance, end of period	$ 18,403

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

Counterparty credit risk

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

As at June 30, 2010, the maximum counterparty credit risk exposure amounted to $177,852, representing the risk relating to its derivative financial assets and accounts receivable.

(iii) **Liquidity risk**

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

The following are the contractual maturities, excluding interest payments, reflecting undiscounted disbursements of the Fund's financial liabilities as at June 30, 2010:

	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	4–5 years	After 5 years
Accounts payable and accrued liabilities and unit distribution payable	$ 321,647	$ 321,647	$ 321,647	$ –	$ –	$ –
Bank indebtedness	7,853	7,853	7,853	–	–	–
Long-term debt	561,586	615,377	65,109	102,235	118,033	330,000
Derivative instruments:						
Cash outflow	1,094,045	3,936,299	1,397,493	2,017,737	510,211	10,858
Total	**$ 1,985,131**	**$ 4,881,176**	**$ 1,792,102**	**$ 2,119,972**	**$ 628,244**	**$ 340,858**

In addition to the amounts noted above, at June 30, 2010, net interest payments over the life of the long-term debt and bank credit facility are:

	Less than 1 year	1–3 years	4–5 years	After 5 years
Interest payments	$ 29,592	$ 63,451	$ 50,175	$ 50,856

(iv) Supplier risk

Just Energy purchases the majority of the gas and electricity delivered to its customers through long-term contracts entered into with various suppliers. Just Energy 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. Just Energy has discounted the fair value of its financial assets by $2,959 to accommodate for its counterparties' risk of default.

NOTE 12 INCOME PER UNIT

	Q1 fiscal 2010	Q1 fiscal 2009
Basic income per unit		
Net income available to Unitholders	$ 275,309	$ 102,627
Weighted average number of units outstanding	124,818,132	106,198,000
Weighted average number of Class A preference shares	5,263,728	5,264,000
Weighted average number of Exchangeable Shares	4,340,387	–
Basic units and shares outstanding	134,422,247	111,462,000
Basic income per unit	$ 2.05	$ 0 .92
Diluted income per unit		
Net income available to Unitholders	$ 275,309	$ 102,627
Adjusted net income for dilutive impact of convertible debentures	3,925	–
Adjusted net income	279,234	102,627
Basic units and shares outstanding	134,422,247	111,462,000
Dilutive effect of:		
Unit appreciation rights	2,701,377	1,382,000
Deferred unit grants	84,211	63,000
Convertible debentures	13,940,519	–
Units outstanding on a diluted basis	151,148,354	112,907,000
Diluted income per unit	$ 1.85	$ 0.91

NOTE 13 REPORTABLE BUSINESS SEGMENTS

Just Energy operates in two reportable geographic segments – Canada and the United States. Reporting by geographic region is in line with Just Energy's performance measurement parameters. The gas and electricity business segments have operations in both Canada and United States.

Just Energy evaluates segment performance based on geographic segments and operating segments. In the prior year comparative period, ethanol and home services divisions are not included as both were acquired on July 1, 2009, under the Universal acquisition.

The following tables present Just Energy's results by geographic segments and operating segments:

	Gas and electricity marketing		Ethanol	Home services	
June 30, 2010	Canada	United States	Canada	Canada	Consolidated
Sales – gas	$ 129,846	$ 73,048	$ –	$ –	$ 202,894
Sales – electricity	160,629	224,914	–	–	385,543
Ethanol	–	–	16,806	–	16,806
Home services	–	–	–	4,441	4,441
Sales	$ 290,475	$ 297,962	$ 16,806	$ 4,441	$ 609,684
Gross margin	$ 38,257	$ 42,054	$ (2,646)	$ 2,832	$ 80,497
Amortization of property, plant and equipment	(1,346)	(210)	(296)	(68)	(1,920)
Amortization of intangible assets	(11,336)	(15,437)	–	(399)	(27,172)
Other operating expenses	(30,658)	(28,911)	(2,334)	(4,084)	(65,987)
Loss before the undernoted	(5,083)	(2,504)	(5,276)	(1,719)	(14,582)
Interest expense	6,316	116	1,707	1,341	9,480
Change in fair value of derivative instruments	(234,240)	(80,136)	–	–	(314,376)
Other income (loss)	(2,635)	859	(6)	–	(1,782)
Non-controlling interest	–	–	(2,573)	–	(2,573)
Provision for income tax	14,408	4,952	–	–	19,360
Net income (loss)	$ 211,068	$ 71,705	$ (4,404)	$ (3,060)	$ 275,309
Additions to property, plant and equipment	$ 451	$ 888	$ 114	$ 8,154	$ 9,607
Total goodwill	$ 160,536	$ 62,229	$ –	–	$ 222,765
Total assets	$ 677,335	$ 850,548	$ 156,790	$ 95,911	$ 1,780,584

	Gas and electricity marketing		
June 30, 2009	Canada	United States	Consolidated
Sales – gas	$ 149,697	$ 50,434	$ 200,131
Sales – electricity	123,491	75,388	198,879
Sales	$ 273,188	$ 125,822	$ 399,010
Gross margin	$ 42,353	$ 23,722	$ 66,075
Amortization of gas contracts	283	–	283
Amortization of electricity contracts	–	311	311
Amortization of property, plant and equipment	1,126	68	1,194
Other operating expenses	22,045	17,523	39,568
Income before the undernoted	18,899	5,820	24,719
Interest expense	416	64	480
Change in fair value of derivative instruments	(8,275)	(79,605)	(87,880)
Other income	(745)	(11)	(756)
Non-controlling interest	(55)	–	(55)
Provision for income taxes	287	10,016	10,303
Net income	$ 27,271	$ 75,356	$ 102,627
Additions to property, plant and equipment	$ 7,307	$ 99	$ 7,406
Total goodwill	$ 94,576	$ 20,732	$ 115,308
Total assets	$ 313,888	$ 143,823	$ 457,711

NOTE 14
COMMITMENTS

Commitments for each of the next five years and thereafter are as follows:

	Premises and equipment leasing	Grain production contracts	Master Services Agreement with EPCOR	Long-term gas and electricity contracts with various suppliers
2011	$ 6,495	$ 30,736	$ 8,653	$ 1,397,493
2012	7,046	19,631	7,692	1,259,688
2013	5,489	1,703	–	758,049
2014	3,871	396	–	382,702
2015	2,745	–	–	127,509
Thereafter	5,510	–	–	10,858
	$ 31,156	$ 52,466	$ 16,345	$ 3,936,299

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

NOTE 15 CONTINGENCIES

The State of California has filed a number of complaints to the Federal Regulatory Energy Commission ("FREC") against many suppliers of electricity, including Commerce, a subsidiary of the Fund, with respect to events stemming from the 2001 energy crises in California. Pursuant to the complaints, the State of California is challenging the FREC's enforcement of its market-based rate system. Although Commerce did not own generation, the State of California is claiming that Commerce was unjustly enriched by the run-up caused by the alleged market manipulation by other market participants. The proceedings are currently ongoing. On March 18, 2010, the Administrative Law Judge granted the motion to strike for all parties in one of the complaints, holding that California did not prove that the reporting errors masked the accumulation of market power. California has appealed the decision.

At this time, the likelihood of damages or recoveries and the ultimate amounts, if any, with respect to this litigation is not determinable; however, an estimated amount has been recorded in these consolidated financial statements as at June 30, 2010.

NOTE 16 COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

just energy

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LEADING THE WAY
SECOND QUARTER REPORT 2011

Q2

just energy

HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010, INCLUDED:

Gross customer additions of 254,000, the second highest quarterly total in the history of Just Energy, up 81% from 140,000 in the second quarter of fiscal 2010.

Net customer additions of 92,000, up from 36,000 net additions in the second quarter of fiscal 2010.

Sales (seasonally adjusted) of $748.5 million, up 33% year over year.

Gross margin (seasonally adjusted) of $115.4 million, up 7% year over year (5% per unit).

General and administrative costs flat year over year despite a 38% increase in customers and the inclusion of Hudson Energy Services.

Distributable cash after gross margin replacement of $53.4 million ($0.39 per unit), up 2% year over year (0% per unit).

Distributable cash after all marketing expenses of $45.8 million ($0.33 per unit), up 11% (8% per unit).

Adjusted EBITDA of $39.4 million, up 8% per unit from $36.6 million year over year.

Net loss of $154.5 million ($1.12 per unit), which includes the impact of the non-cash mark to market loss on future supply positions. Prior year net income was $110.7 million ($0.82 per unit) due to a favourable mark to market adjustment.

Continued strong JustGreen product sales, with 38% of new residential customers taking an average of 91% JustGreen supply.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

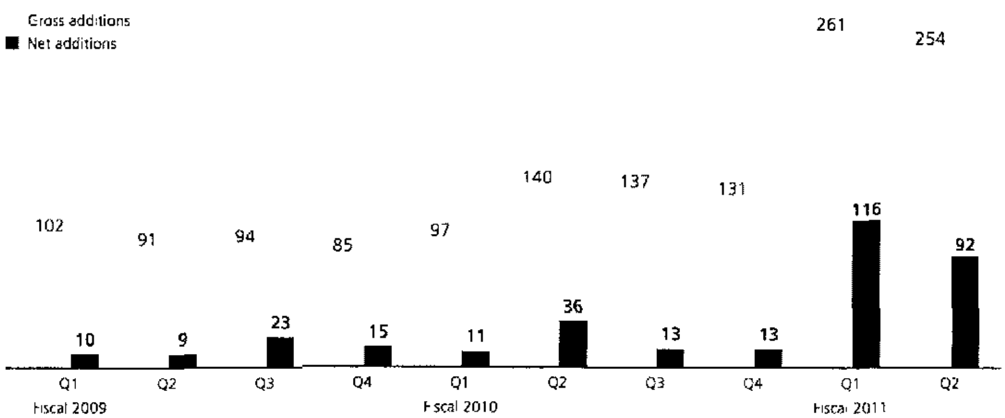
Fellow Unitholders,

I am very pleased to review the results for the second quarter, which has been a strong quarter for Just Energy (the "Fund"). The key to our success for the quarter and the key driver of our future financial results has been our ability to expand our marketing across multiple sales channels. This was evidenced in solid customer additions in the residential market and a second consecutive quarter of strong additions through our Commercial Energy division.

Just Energy has always been a marketing-driven company. During the past three years, the key to our ability to meet our growth guidance has been our ability to grow customer margins and expand the market segments in which we can provide services to our customers. Facing a relatively saturated Canadian market, our strong U.S. additions resulted in minimal net customer growth. Since the acquisition of Hudson Energy and getting access to its commercial customer broker network, the Fund has experienced record levels of gross and net customer additions.

QUARTERLY CUSTOMER ADDITIONS

(thousands)



As evidenced in the chart, there has been a significant change in our quarterly marketing results since we entered into the commercial market. Total customer additions of 254,000 in the second quarter and 261,000 in the first quarter are far higher than the previous record of 140,000 added in the second quarter of fiscal 2010. Net customer additions of 116,000 and 92,000 for the first and second quarters, respectively, also far outstrip the 36,000 net additions in the second quarter of fiscal 2010. In fact, the net additions in the first two quarters of fiscal 2011 have exceeded our total annual customer net additions in both fiscal 2009 and fiscal 2010.

The first six months of marketing in fiscal 2011 has generated net additions equal to 9% of the Fund's April 1, 2010 total customer count. With the Hudson Energy acquisition, the total growth increased to 38% since the beginning of the fiscal year. It is important to note that the majority of the new customers added only begin flowing in the third quarter of fiscal 2011.

Second quarter operating performance

Operating performance in the second quarter improved compared to the weather-impacted results in the first quarter, despite final settlements in the Ontario and Michigan markets. Gross margins and distributable cash were in line with our published expectations for the second quarter and, as noted above, this was without the benefit of new customers signed over the past six months who will not flow until the third or fourth quarter. While the second quarter results reflect the adverse effects of final reconciliation costs from the winter with record-warm temperatures on our gas book, gross margins were up 5% per unit and distributable cash after margin replacement was flat per unit and up 8% per unit after all marketing expense.

The tables below detail the operating results of the Fund for the three and six months ended September 30, 2010.

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

	Fiscal 2011	Per unit[2]	Fiscal 2010	Per unit[2]
Sales[1]	$ 748.5	$ 5.44	$ 562.1	$ 4.19
Gross margin[1]	115.4	0.84	107.5	0.80
Distributable cash				
After margin replacement	53.4	0.39	52.3	0.39
After marketing expense	45.8	0.33	41.3	0.31
Adjusted EBITDA	39.4	0.29	36.6	0.27
Net income (loss)	(154.5)	(1.12)	110.7	0.82
Distributions	42.3	0.31	42.8	0.32

[1] Seasonally adjusted.

[2] The per unit amounts are calculated on an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

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

	Fiscal 2011	Per unit[2]	Fiscal 2010	Per unit[2]
Sales[1]	$ 1,388.5	$ 10.10	$ 994.7	$ 8.04
Gross margin[1]	204.3	1.49	182.3	1.47
Distributable cash				
After margin replacement	87.2	0.63	94.5	0.76
After marketing expense	70.2	0.51	77.4	0.63
Adjusted EBITDA	70.7	0.57	66.8	0.54
Net income	120.8	0.88	213.3	1.72
Distributions	84.6	0.62	77.9	0.63

[1] Seasonally adjusted.

[2] The per unit amounts are calculated on an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

Realized margins per customer were weak in the quarter, particularly in the gas markets, which related to the final settlements for the warm winter. This resulted in a lag between customer growth and margin growth. Overall, our new customer margins remained strong, which bodes well for future results. Total embedded margin within our customer book was $1.5 billion, despite a 3% decline in the U.S. dollar.

Two additional bright spots in the quarter were bad debt and attrition. Just Energy bears the bad debt risk on 35% of its total revenue and its expense rate peaked at 3.5% in the depths of the recession last year. Since then, along with the slow recovery in the U.S. economy, losses have steadily declined and totalled 2.5% for the second quarter, which is in the middle of our 2% to 3% target range. Customer attrition, which had risen above our 30% target in our U.S. gas markets, has also steadily declined, reaching 27% for the trailing 12 months, with further reductions likely in the remaining quarters.

We worked hard to control our general and administrative costs. Despite a 38% increase in the number of customers and the integration of the Hudson management team, we held overhead costs flat at $25.5 million year over year. This was done through the final realization of synergies from the Universal acquisition completed in fiscal 2010 and tight controls on all other spending.

During the quarter, we committed to make expenditures toward a number of new geographic expansions, which we believe will contribute to higher distributable cash in the future. This will result in higher general and administrative costs in future quarters, but the ratio of these costs to total customers should continue to decline.

The growth of the Commercial Energy division had a number of impacts on operating results. First, margins per residential customer equivalents ("RCEs") are lower with these customers but a single customer can equate to hundreds of RCEs. This means lower customer care costs per RCE and lower initial aggregation costs. It is our view that the overall customer value of a commercial customer is similar to a residential customer based on the lower cost of acquisition and ongoing service. Commercial customers are currently approximately 40% of Just Energy's base, and we expect that percentage to increase over time. Second, commercial customers are subject to less weather volatility than residential customers, which may mean more predictable results from the natural gas book. Also, commercial customers do not ordinarily move, which could lead to lower overall attrition, making book balancing less complex.

JustGreen

JustGreen energy sales remained strong in the second quarter. Take-up by our new residential customers was 38%, and these customers took an average of 91% of their consumption from green supply. Ontario electricity customers who chose a 100% green supply generated annual margins of $193/RCE versus $104/RCE for customers selecting brown supply, highlighting JustGreen's importance. Currently, JustGreen customers make up 11% of the residential electricity portfolio and 3% of the residential gas portfolio.

National Home Services

National Home Services ("NHS") provides Ontario residential customers long-term water heater rental programs that offer conventional tanks, power vented tanks and tankless water heaters in a variety of sizes, which is in addition to the recently added offering of furnaces and air conditioners. NHS continues to ramp up its operations and, as at September 30, 2010, had a cumulative installed base of 99,700 water heaters in Ontario residences, up 80% from the year prior. NHS has also installed 1,000 furnaces and 300 air conditioners as at September 30, 2010.

NHS has a debt arrangement whereby it can finance 100% of the cost of all of its water heaters (fully installed). This debt is repaid by the first five years of the contractual 15-year rental payment from the customer. Once the Home Trust Company ("HTC") financing is repaid, NHS will be a valuable, cash-generating asset for Just Energy.

Distributable cash

Distributable cash after margin replacement was flat year over year largely due to the final reconciliations of the unusually warm winter in our key gas markets this year. Electricity margins and cash flow tracked our customer growth. Distributable cash after all marketing was up 8% per unit for the quarter as lower aggregation costs for commercial customers resulted in lower marketing costs for our margin growth. Much of the benefit of our net customer growth in the first two quarters of fiscal 2011 will be seen in the distributable cash growth in the third quarter and beyond.

Adjusted EBITDA

Adjusted EBITDA was up 8% per unit at $39.4 million in fiscal 2011, up from $36.6 million from the same period last year. Our view is that Adjusted EBITDA will be the best measure of our operating performance as we move forward as a corporation (as opposed to an income trust) in calendar 2011.

Distributions

Distributions were $0.31 per unit, on par with those of the prior year. The payout ratio was 92% after marketing expense and 79% after margin replacement, both lower than fiscal 2010. In past years, the annual payout ratio on normal distributions has been below 100% and management's expectation is that it will again be below 100% for fiscal 2011.

At the end of this calendar year, Just Energy will convert to a high yield growth company. We believe that the investments made in this quarter will contribute to that growth as well as supporting our high-dividend yield. The Hudson acquisition is off to an excellent start, and we are confident that Just Energy has built an even stronger and more diverse base for our business in the future.

This quarter has been among the most important in Just Energy's history. Your Fund has proven once again that it is not just a reliable source of monthly income but also an investment that grows. This unique combination makes Just Energy a solid investment in challenging markets. I want to thank our team for their efforts and thank my fellow Unitholders for their continued support.

Yours sincerely,

Ken Hartwick

Ken Hartwick
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") – NOVEMBER 8, 2010

Overview

The following discussion and analysis is a review of the financial condition and results of operations of Just Energy Income Fund ("Just Energy", the "Fund" or "JEIF") for the three and six months ended September 30, 2010, and has been prepared with all information available up to and including November 8, 2010. This analysis should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended September 30, 2010, as well as the audited consolidated financial statements and related MD&A for the year ended March 31, 2010, contained in the Fund's 2010 Annual Report. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts are expressed in Canadian dollars. Quarterly reports, the annual report and supplementary information can be found on our corporate website at www.justenergy.com. Additional information can be found on SEDAR at www.sedar.com.

Just Energy 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 owned operating subsidiaries and affiliates: Just Energy Ontario L.P. ("JE Ontario"), Just Energy Manitoba L.P. ("JE Manitoba"), Just Energy Quebec L.P. ("JE Quebec"), Just Energy (B.C.) Limited Partnership ("JE B.C."), Just Energy Alberta L.P. ("JE Alberta"), Alberta Energy Savings L.P. ("AESLP"), Just Energy Illinois Corp. ("JE Illinois"), Just Energy New York Corp. ("JENYC"), Just Energy Indiana Corp. ("JE Indiana"), Just Energy Texas L.P. ("JE Texas"), Just Energy Massachusetts Corp. ("JE Mass"), Just Energy Michigan Corp., ("JE Michigan"), Just Energy Exchange Corp. ("JEEC"), Universal Energy Corporation ("UEC"), Universal Gas and Electric Corporation ("UG&E"), Commerce Energy, Inc. ("Commerce" or "CEI"), National Energy Corp. ("NEC") which operates under the trade name of National Home Services ("NHS"), Hudson Energy Services, LLC ("Hudson" or "HES"), Momentis Canada Corp. and Momentis U.S. Corp. (collectively, "Momentis") and Terra Grain Fuels, Inc. ("TGF"), collectively, the "Just Energy Group".

Just Energy's business primarily involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price, price-protected or variable-priced contracts and green energy products. By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Just Energy's customers offset their exposure to changes in the price of these essential commodities. Just Energy, which commenced business in 1997, derives its margin or gross profit from the difference between the fixed price at which it is able to sell the commodities to its customers and the fixed price at which it purchases the associated volumes from its suppliers. The Fund also offers green products through its JustGreen program. The electricity JustGreen product offers customers the option of having all or a portion of their electricity sourced from renewable green sources such as wind, run of the river hydro or biomass. The gas JustGreen product offers carbon offset credits, which will allow customers to reduce or eliminate the carbon footprint of their home or business. Management believes that the JustGreen products will not only add to profits but also increase sales receptivity and improve renewal rates.

In addition, through NHS, the Fund sells and rents high efficiency and tankless water heaters and other heating, ventilating and air conditioning ("HVAC") products. TGF, an ethanol producer, operates a wheat-based ethanol facility in Belle Plaine, Saskatchewan. Just Energy indirectly acquired Hudson, effective May 1, 2010, a marketer of natural gas and electricity that primarily sells to commercial customers.

Forward-looking information

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

Key terms

"Attrition" means customers whose contracts were terminated early or cancelled by Just Energy due to delinquent accounts.

"Failed to renew" means customers who did not renew expiring contracts at the end of their term.

"Gross margin per RCE" represents the gross margin realized on Just Energy's customer base, including both low margin customers acquired through various acquisitions and gains/losses from the sale of excess commodity supply.

"JEEC convertible debentures" represents the $90 million in convertible debentures issued by Universal in October 2007. JEEC assumed the obligations of the debentures as part of the acquisition of Universal Energy Group Ltd. ("UEG") on July 1, 2009. See "Long-term debt and financing" on page 31 for further details.

"JEIF convertible debentures" represents the $330 million in convertible debentures issued by the Fund to finance the purchase of Hudson, effective May 1, 2010. See "Long-term debt and financing" on page 31 for further details.

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

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

"Large commercial customer" means customers representing more than 15 RCEs.

Non-GAAP financial measures

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

Seasonally adjusted sales and seasonally adjusted gross margin

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

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

Cash Available for Distribution

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

"Distributable cash after gross margin replacement" represents the net Cash Available for Distribution to Unitholders as defined above. However, only the marketing expenses associated with maintaining the Fund's gross margin at a stable level, equal to that in place at the beginning of the period, are deducted. Management believes that this is more representative of the ongoing operating performance of the Fund because it includes all expenditures necessary for the retention of existing customers and the addition of new margin to replace those customers that have not been renewed. This non-GAAP measure may not be comparable to other income funds.

For reconciliation to cash from operating activities please refer to the "Cash Available for Distribution and distributions" analysis on page 12.

EBITDA

"EBITDA" represents earnings before interest, taxes, depreciation and amortization. This is a non-GAAP measure which reflects the pre-tax profitability of the business.

Adjusted EBITDA

"Adjusted EBITDA" represents EBITDA adjusted to exclude the impact of mark to market gains (losses) arising from Canadian GAAP requirements for derivative financial instruments on future supply positions. In addition, the Adjusted EBITDA calculation deducts marketing costs sufficient to maintain existing levels of gross margin and maintenance capital expenditures necessary to sustain existing operations. This adjustment results in the exclusion of the marketing that Just Energy carried out and the capital expenditures that it had made to add to its future productive capacity. Management believes this is a useful measure of operating performance for investors.

Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. Under Canadian GAAP, the customer margins are not marked to market but there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) depending upon current supply pricing volatility. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of the Fund and has therefore excluded it from the Adjusted EBITDA calculation.

Embedded gross margin

Embedded gross margin is a rolling five-year measure of management's estimate of future contracted gross margin. It is the difference between existing customer contract prices and the cost of supply for the remainder of term, with appropriate assumptions for customer attrition and renewals. It is assumed that expiring contracts will be renewed at target margin and renewal rates.

Standardized Distributable Cash

"Standardized Distributable Cash" is a non-GAAP measure developed to provide a consistent and comparable measurement of distributable cash across entities. It is defined as cash flows from operating activities, as reported in accordance with GAAP, less an adjustment for total capital expenditures as reported in accordance with GAAP, and restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of Standardized Distributable Cash.

For reconciliation to cash from operating activities, please refer to the "Standardized Distributable Cash and Cash Available for Distribution" analysis on page 15.

Financial highlights

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

	Fiscal 2011			Fiscal 2010	
	$	Per unit[1]	Per unit change	$	Per unit[1]
Sales	657,878	$ 4.78	48%	434,659	$ 3.24
Net income (loss)[2]	(154,480)	$ (1.12)	NMF[6]	110,690	$ 0.82
Adjusted EBITDA[3]	39,375	$ 0.29	8%	36,598	$ 0.27
Gross margin (seasonally adjusted)[4]	115,356	$ 0.84	5%	107,519	$ 0.80
Distributable cash					
After gross margin replacement	53,442	$ 0.39	–	52,303	$ 0.39
After marketing expense	45,753	$ 0.33	8%	41,345	$ 0.31
Distributions	42,312	$ 0.31	(3)%	42,839	$ 0.32
General and administrative	25,511	$ 0.19	–	25,634	$ 0.19
Distributable cash payout ratio[5]					
After gross margin replacement	79%			82%	
After marketing expense	92%			104%	

[1] The per unit amounts are calculated using an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

[2] Net income (loss) includes the impact of unrealized gains (losses), which represent the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.

[3] Adjusted EBITDA is a more appropriate measure of the performance of the Fund since it excludes the unrealized mark to market gains and losses and deducts only marketing costs and capital spending to sustain existing operations. See above for more information.

[4] See discussion of non-GAAP financial measures on page 6.

[5] Management targets an annual payout ratio after all marketing expenses, excluding any Special Distribution, of less than 100%.

[6] Not a meaningful number.

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

	Fiscal 2011			Fiscal 2010	
	$	Per unit[1]	Per unit change	$	Per unit[1]
Sales	1,267,562	$ 9.22	37%	833,669	$ 6.74
Net income[2]	120,829	$ 0.88	(49)%	213,317	$ 1.72
Adjusted EBITDA[3]	70,657	$ 0.51	(6)%	66,780	$ 0.54
Gross margin (seasonally adjusted)[4]	204,289	$ 1.49	1%	182,288	$ 1.47
Distributable cash					
After gross margin replacement	87,225	$ 0.63	(17)%	94,522	$ 0.76
After marketing expense	70,155	$ 0.51	(19)%	77,432	$ 0.63
Distributions	84,589	$ 0.62	(2)%	77,853	$ 0.63
General and administrative	54,783	$ 0.40	21%	41,251	$ 0.33
Distributable cash payout ratio[5]					
After gross margin replacement	97%			82%	
After marketing expense	121%			101%	

[1] The per unit amounts are calculated using an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

[2] Net income (loss) includes the impact of unrealized gains (losses), which represent the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers at fixed prices, minimizing any realizable impact of mark to market gains and losses.

[3] Adjusted EBITDA is a more appropriate measure of the performance of the Fund since it excludes the unrealized mark to market gains and losses and deducts only marketing costs and capital spending to sustain existing operations. See above for more information.

[4] See discussion of non-GAAP financial measures on page 6.

[5] Management targets an annual payout ratio after all marketing expenses, excluding any Special Distribution, of less than 100%.

Reconciliation of net income (loss) to Adjusted EBITDA

(thousands of dollars)

	For the three months ended Sept. 30, fiscal 2011	For the three months ended Sept. 30, fiscal 2010	For the six months ended Sept. 30, fiscal 2011	For the six months ended Sept. 30, fiscal 2010
Net income (loss)	$ (154,480)	$ 110,690	$ 120,829	$ 213,317
Add:				
Interest	12,296	4,946	21,776	5,426
Tax expense (recovery)	(46,529)	25,786	(27,169)	36,089
Capital tax	26	48	159	128
Amortization	40,752	24,068	74,200	25,856
EBITDA	(147,935)	165,538	189,795	280,816
Add:				
Change in fair value of derivative instruments	181,254	(138,515)	(133,122)	(226,395)
Marketing expenses to add gross margin	7,689	10,958	17,070	17,090
Less:				
Maintenance capital expenditures	(1,633)	(1,383)	(3,086)	(4,731)
Adjusted EBITDA	$ 39,375	$ 36,598	$ 70,657	$ 66,780

Acquisition of Hudson Energy Services, LLC

On May 7, 2010, Just Energy completed the acquisition of all of the equity interests of Hudson Parent Holdings, LLC, and all of the common shares of Hudson Energy Corp., thereby indirectly acquiring Hudson Energy Services, LLC, with an effective date of May 1, 2010.

The acquisition of Hudson was accounted for using the purchase method of accounting. The Fund allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

(thousands of dollars)

Net assets acquired:	
Current assets (including cash of $24,003)	$ 88,696
Current liabilities	(107,817)
Electricity contracts and customer relationships	200,653
Gas contracts and customer relationships	26,225
Broker network	84,400
Brand	11,200
Information technology system development	17,954
Contract initiation costs	20,288
Other intangible assets	6,545
Goodwill	33,574
Property, plant and equipment	2,559
Unbilled revenue	15,092
Notes receivable – long term	1,312
Security deposits – long term	3,544
Other assets – current	124
Other assets – long term	100
Other liabilities – current	(74,683)
Other liabilities – long term	(40,719)
	$ 289,047
Consideration:	
Purchase price	$ 287,790
Transaction costs	1,257
	$ 289,047

All contracts and intangible assets, excluding brand, are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts and customer relationships are amortized over 30 months and 35 months, respectively. Other intangible assets, excluding brand, are amortized over periods of three to five years. The brand value is considered to be indefinite and, therefore, not subject to amortization. The purchase price allocation is considered preliminary and, as a result, may be adjusted during the 12-month period following the acquisition. In the three months ended September 30, 2010, goodwill increased by $2.6 million due to additional transaction costs and a change in the working capital calculation which impacted the purchase price.

Acquisition of Universal Energy Group Ltd.

On July 1, 2009, Just Energy completed the acquisition of all of the outstanding common shares of Universal Energy Group ("Universal") pursuant to a plan of arrangement (the "Arrangement"). Under the Arrangement, the Universal shareholders received 0.58 of an exchangeable share ("Exchangeable Share") of JEEC, a subsidiary of Just Energy, for each Universal common share held. In aggregate, 21,271,804 Exchangeable Shares were issued pursuant to the Arrangement. Each Exchangeable Share is exchangeable for a unit of the Fund on a one for one basis at any time at the option of the holder, and entitles the holder to a monthly dividend equal to 66⅔% of the monthly distribution and/or Special Distribution paid by Just Energy on a unit of the Fund. JEEC also assumed all the covenants and obligations of Universal in respect of Universal's outstanding JEEC convertible debentures. On conversion of the JEEC convertible debentures, holders will be entitled to receive 0.58 of an Exchangeable Share in lieu of each Universal common share that the holder was previously entitled to receive on conversion.

The acquisition of Universal was accounted for using the purchase method of accounting. The Fund allocated the purchase price to the identified assets and liabilities acquired based on their fair values at the time of acquisition as follows:

(thousands of dollars)

Net assets acquired:	
Working capital (including cash of $10,319)	$ 63,614
Electricity contracts and customer relationships	229,586
Gas contracts and customer relationships	243,346
Water heater contracts and customer relationships	22,700
Other intangible assets	2,721
Goodwill	77,494
Property, plant and equipment	171,693
Future tax liabilities	(50,475)
Other liabilities – current	(164,148)
Other liabilities – long term	(140,857)
Long-term debt	(183,079)
Non-controlling interest	(22,697)
	$ 249,898
Consideration:	
Transaction costs	$ 9,952
Exchangeable Shares	239,946
	$ 249,898

All contracts, customer relationships and intangible assets are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts, including customer relationships, acquired are amortized over periods ranging from 8 to 57 months. The water heater contracts and customer relationships are amortized over 174 months and the other intangible assets are amortized over six months. The non-controlling interest represents 33.3% ownership of TGF held by EllisDon Corporation. The purchase price for this acquisition is final and no longer subject to change.

Operations

Gas

In each of the markets that Just Energy operates, it is required to deliver gas to the LDCs for its customers throughout the year. Gas customers are charged a fixed price for the full term of their contract. Just Energy purchases gas supply in advance of marketing for residential customers and is generally concurrent with the execution of a contract for larger commercial customers. The LDC provides historical customer usage to enable Just Energy to purchase an approximation of estimated supply. Furthermore, in many markets, Just Energy mitigates exposure to customer usage by purchasing options that cover potential differences in customer consumption due to weather variations. The cost of this strategy is incorporated in the price to the customer. Our ability to mitigate weather effects is limited by utilities' requirements to deliver fixed amounts of gas regardless of the weather. To the extent that balancing requirements are outside the options purchased, Just Energy bears the financial responsibility for fluctuations in customer usage. Volume variances may result in either excess or short supply. Excess supply is sold in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. In the case of greater than expected gas consumption, Just Energy must purchase the short supply at the market price, which may reduce or increase the customer gross margin typically realized. Under some commercial contract terms, this balancing may be passed onto the customer.

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

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

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

Electricity
Ontario, Alberta, New York, Texas, Illinois, Pennsylvania, New Jersey, Maryland, Michigan, California and Massachusetts
Just Energy offers a variety of price-protection products to its electricity customers. The product offerings include both fixed-price and variable-price long-term and short-term electricity contracts. Customers have the ability to choose an appropriate JustGreen program to supplement their electricity contracts, providing an effective method to offset their carbon footprint. In Ontario, New York and Texas, Just Energy provides customers with price-protection programs for the majority of their electricity requirements. The customers experience either a small balancing charge or credit on each bill due to fluctuations in prices applicable to their volume requirements not covered by a fixed price. Just Energy uses historical usage data for all enrolled customers to accurately predict future customer consumption and to help with long-term supply procurement decisions.

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

Consumer (Residential) Energy division
The sale of gas and electricity to customers of 15 RCEs and less is undertaken by the Consumer Energy division. The marketing of this division is primarily done door-to-door through more than 1,100 independent contractors and the recently formed Momentis network marketing operation. Approximately two-thirds of Just Energy's customers and energy revenues are generated by the Consumer Energy division, which is focused on five-year fixed-price or price-protected offerings of both JustGreen and regular products. To the extent that certain markets are better served by shorter term or enhanced variable rate products, the Consumer Energy independent contractors also offer these products.

Commercial Energy division
Customers with annual consumption over 15 RCEs are served by the Commercial Energy division. These sales are made through two main channels: inside commercial sales representatives, established by Just Energy in its recent expansion into this channel, and sales through the broker channel, using the commercial platform acquired with the Hudson purchase. Commercial customers make up about one-third of Just Energy's customer base and energy sales. Products offered to commercial customers can range from standard fixed offerings to "one off" offerings, which are tailored to meet the customer's specific needs. These can be either fixed or floating rate or a blend of the two and normally have terms of less than five years. Margin per RCE for this division is lower than residential margins, but customer aggregation cost and ongoing customer care costs are lower as well on a per RCE basis. Commercial customers tend to have combined attrition and failed to renew rates, which are lower than those of residential customers.

Home Services division
NEC began operations in April 2008 and operates under the trade name of National Home Services ("NHS"). NHS commenced providing Ontario residential customers with a long-term water heater rental program in the summer of 2008, offering high efficiency conventional and power vented tanks and tankless water heaters. In the fourth quarter of fiscal 2010, NHS began offering the rental of air conditioners and furnaces to Ontario residents. See page 24 for additional information.

Ethanol division
Just Energy also owns a 66.7% interest in TGF, a 150-million-litre capacity wheat-based ethanol plant located in Belle Plaine, Saskatchewan. The plant produces wheat-based ethanol and high protein distillers dried grain ("DDG"). See page 25 for additional information on TGF.

Cash Available for Distribution and distributions

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

	Fiscal 2011	Per unit	Fiscal 2010	Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 13,821		$ 24,708	
Add:				
Increase in non-cash working capital	31,863		16,098	
Other	(372)		–	
Tax impact on distributions to Class A preference shareholders	441		539	
Cash Available for Distribution	$ 45,753		$ 41,345	
Cash Available for Distribution				
Gross margin per financial statements	$ 96,829	$ 0.70	$ 81,496	$ 0.61
Adjustments required to reflect net cash receipts from gas sales	18,527		26,023	
Seasonally adjusted gross margin	$ 115,356	$ 0.84	$ 107,519	$ 0.80
Less:				
General and administrative	(25,511)		(25,634)	
Capital tax expense	(26)		(48)	
Bad debt expense	(6,694)		(3,856)	
Income tax recovery (expense)	3,175		(6,106)	
Interest expense	(12,296)		(4,946)	
Other items	4,516		1,523	
	(36,836)		(39,067)	
Distributable cash before marketing expenses	78,520	$ 0.57	68,452	$ 0.51
Marketing expenses to maintain gross margin	(25,078)		(16,149)	
Distributable cash after gross margin replacement	53,442	$ 0.39	52,303	$ 0.39
Marketing expenses to add new gross margin	(7,689)		(10,958)	
Cash Available for Distribution	$ 45,753	$ 0.33	$ 41,345	$ 0.31
Distributions				
Unitholder distributions	$ 39,807		$ 40,760	
Class A preference share distributions	1,632		1,632	
Unit appreciation rights and deferred unit grants distributions	873		447	
Total distributions	$ 42,312	$ 0.31	$ 42,839	$ 0.32
Adjusted fully diluted average number of units outstanding[1]		137.7m		134.3m

[1] The per unit amounts are calculated on an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

Cash Available for Distribution and distributions

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

	Fiscal 2011	Per unit	Fiscal 2010	Per unit
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 39,548		$ 62,503	
Add:				
Increase in non-cash working capital	28,215		13,852	
Other	1,413		–	
Tax impact on distributions to Class A preference shareholders	979		1,077	
Cash Available for Distribution	$ 70,155		$ 77,432	
Cash Available for Distribution				
Gross margin per financial statements	$ 177,326	$ 1.29	$ 147,571	$ 1.19
Adjustments required to reflect net cash receipts from gas sales	26,963		34,717	
Seasonally adjusted gross margin	$ 204,289	$ 1.49	$ 182,288	$ 1.47
Less:				
General and administrative	(54,783)		(41,251)	
Capital tax expense	(159)		(128)	
Bad debt expense	(12,443)		(7,685)	
Income tax recovery (expense)	4,177		(6,066)	
Interest expense	(21,776)		(5,426)	
Other items	11,287		2,192	
	(73,697)		(58,364)	
Distributable cash before marketing expenses	130,592	$ 0.95	123,924	$ 1.00
Marketing expenses to maintain gross margin	(43,367)		(29,402)	
Distributable cash after gross margin replacement	87,225	$ 0.63	94,522	$ 0.76
Marketing expenses to add new gross margin	(17,070)		(17,090)	
Cash Available for Distribution	$ 70,155	$ 0.51	$ 77,432	$ 0.63
Distributions				
Unitholder distributions	$ 79,451		$ 73,695	
Class A preference share distributions	3,263		3,263	
Unit appreciation rights and deferred unit grants distributions	1,875		895	
Total distributions	$ 84,589	$ 0.62	$ 77,853	$ 0.63
Adjusted fully diluted average number of units outstanding[1]		137.5m		123.7m

[1] The per unit amounts are calculated on an adjusted fully diluted basis for fiscal 2011, removing the impact of the JEEC and JEIF convertible debentures as both will be anti-dilutive by fiscal year-end. The fiscal 2010 per unit amounts are calculated on a fully diluted basis.

Distributable cash

The second quarter of fiscal 2011 showed a continuation of the rapid expansion for Just Energy that was also seen in the first quarter. This expansion took place through the acquisition of Hudson in the first quarter, which diversified Just Energy's product line to include specialized offerings for large commercial customers and the subsequent expansion of the commercial broker network to seven states and two new provinces; the launch of the Momentis network marketing division in Ontario, New York and Illinois; new residential launches in Massachusetts (May); and two new utility territories in New York (September). In addition, NHS committed expenditures to facilitate its expansion into the Union Gas territory in Ontario and its rollout of furnace and air conditioner offerings.

The second quarter showed a continued positive impact from the commercial expansion. Customer additions were 254,000, the second highest quarterly total in the Fund's history, up 81% from the 140,000 added in the second quarter of fiscal 2010. Net additions were 92,000, up from 36,000 a year earlier. The result of this growth and the acquisition of Hudson was a 39% increase in customers, year over year. Sales increased 33% but the increase in margin was 7%, reflecting final balancing costs of the recent warm winter, a lower U.S. dollar exchange rate and relatively lower margins on commercial customers added, which were combined with the variable timing of new customers added in the last two quarters.

Distributable cash after gross margin replacement for the current quarter ended September 30, 2010, was $53.4 million ($0.39 per unit), up from $52.3 million ($0.39 per unit) in fiscal 2010. The higher gross margin and current tax recovery in the current period were offset by increased interest charges and higher bad debt expense. Interest costs relate primarily to the JEEC and JEIF convertible debentures from the Hudson and Universal acquisitions, funding for water heater purchases, and debt associated with TGF. Bad debt expense increased by 74% in the second quarter of fiscal 2011 compared to 2010, due to the 151% increase in sales in those markets where the Fund bears the credit risk and the continued weak economic conditions in the U.S. markets. Overall, bad debt percentage of relevant sales was 2.5%, within the target range of 2% to 3%, for the second quarter (down from 2.8% in the prior quarter).

Just Energy spent $25.1 million in marketing expenses for the quarter to maintain its current level of gross margin, which represents 77% of the total marketing expense, excluding the amortization of contract initiation costs. A further $7.7 million was spent to increase future gross margin resulting in 92,000 net RCE additions for the quarter. General and administrative costs were flat year over year with realization of merger synergies offsetting the higher costs associated with the larger customer base.

Management's estimate of the future embedded gross margin is as follows:

(millions of dollars)

	As at Sept. 30, 2010	As at June 30, 2010	Sept. 2010 vs. June 2010 variance	As at Sept. 30, 2009	Sept. 2010 vs. Sept. 2009 variance
Canada (CAD$)	$ 708.8	$ 757.5	(6)%	$ 816.6	(13)%
United States (US$)	778.8	698.5	11	370.5	110
Total (CAD$)	1,510.9	1,501.1	1	1,213.8	24

Management's estimate of the future contracted gross margin increased slightly to $1,510.9 million from $1,501.1 million at the end of the first quarter of fiscal 2011. There was a net increase in margins from the increased customer base, but this was offset by the 3.3% decline in U.S. exchange rates during the quarter. The margin on commercial customers signed during the quarter was lower than that on new residential customers signed and on customers lost to attrition and failure to renew. However, these customers offer the added benefit of being subject to less weather-related volatility and lower ongoing service costs due to the higher average size of the customer.

Distributable cash after all marketing expenses was $45.8 million ($0.33 per unit) for the second quarter of fiscal 2011, an increase of 11% from $41.3 million ($0.31 per unit) in the prior comparable quarter. The increase is due to the 7% increase in gross margin and lower marketing costs to add new gross margin. Although the number of net customers added was 92,000, versus 36,000 a year earlier, the blend of commercial versus consumer margins resulted in a smaller increase in embedded gross margin for the quarter. The payout ratio after deduction of all marketing expenses for the current quarter was 92% versus 104% in fiscal 2010.

Distributable cash after gross margin replacement for the six months ended September 30, 2010, was $87.2 million ($0.63 per unit), a decrease of 17% per unit from $94.5 million ($0.76 per unit) in the prior comparable period. Distributable cash after marketing expenses was $70.2 million ($0.51 per unit) for the first six months of fiscal 2011, a decrease of 9% from $77.4 million ($0.63 per unit) for the same period last year. The main factor in the lower distributable cash was the adverse impact of the record warm winter temperatures on gas consumption and lower associated profit recognized largely in the first quarter. The payout ratio after all marketing expenses for the six-month period of fiscal 2011 was 121% versus 101% for the six months ended September 30, 2009. Management anticipates that the payout ratio for fiscal 2011 will be less than 100% (excluding any Special Distributions for tax purposes), as it has been in past years.

For further information on the changes in the gross margin, please refer to "Sales and gross margin – Seasonally adjusted" on page 19 and "General and administrative expenses", "Marketing expenses", "Bad debt expense" and "Interest expense", which are further clarified on pages 26 to 28.

Discussion of distributions

(thousands of dollars)

	For the three months ended Sept. 30, fiscal 2011	For the three months ended Sept. 30, fiscal 2010	For the six months ended Sept. 30, fiscal 2011	For the six months ended Sept. 30, fiscal 2010
Cash flow from operations[1] (A)	$ 13,821	$ 24,708	$ 39,548	$ 62,503
Net income (loss) (B)	(154,480)	110,690	120,829	213,317
Total distributions (C)	42,312	42,839	84,589	77,853
Shortfall of cash flows from operating activities over distributions paid (A–C)	(28,491)	(18,131)	(45,041)	(15,350)
Excess (deficiency) of net income (loss) over distributions paid (B–C)	(196,792)	67,851	36,240	135,464

[1] Includes non-cash working capital balances.

Net income (loss) includes non-cash gains and losses associated with the changes in the current market value of Just Energy's derivative instruments. These instruments form part of the Fund's requirement to purchase commodity according to estimated demand and, as such, changes in value do not impact the distribution policy or the long-term financial performance of the Fund. The change in fair value associated with these derivatives, included in the net income (loss) for the three and six months ended September 30, 2010, was a loss of $181.3 million and a gain of $133.1 million, respectively.

The Fund has, in the past, paid out distributions that were higher than both financial statement net income and operating cash flow. In the view of management, the non-GAAP measure, distributable cash, is an appropriate measure of the Fund's ability to distribute funds, as the cost of carrying incremental working capital necessary for the growth of the business has been deducted in the distributable cash calculation. Furthermore, investment in the addition of new customers intended to increase cash flow is expensed in the financial statements while the original customer base was capitalized. Management believes that the current level of distributions is sustainable in the foreseeable future.

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

Standardized Distributable Cash and Cash Available for Distribution

(thousands of dollars, except per unit amounts)

	For the three months ended Sept. 30, fiscal 2011	For the three months ended Sept. 30, fiscal 2010	For the six months ended Sept. 30, fiscal 2011	For the six months ended Sept. 30, fiscal 2010
Reconciliation to statements of cash flow				
Cash inflow from operations	$ 13,821	$ 24,708	$ 39,548	$ 62,503
Capital expenditures[1]	(10,785)	(12,477)	(20,392)	(19,883)
Standardized Distributable Cash	3,036	12,231	19,156	42,620
Adjustments to Standardized Distributable Cash				
Change in non-cash working capital[2]	31,863	16,098	28,215	13,852
Tax impact on distributions to Class A preference shareholders[3]	441	539	979	1,077
Other	(372)	–	1,413	–
Capital expenditures[1]	10,785	12,477	20,392	19,883
Cash Available for Distribution	$ 45,753	$ 41,345	$ 70,155	$ 77,432
Standardized Distributable Cash – per unit basic	0.01	0.09	0.13	0.35
Standardized Distributable Cash – per unit diluted	0.01	0.09	0.12	0.35
Payout ratio based on Standardized Distributable Cash	NMF[4]	350%	469%	183%

[1] The vast majority of capital expenditures in the first six months of fiscal 2011 and 2010 related to the purchase of water heaters for subsequent rental. These expenditures expand the productive capacity of the business. Effective January 2010, water heater capital purchases are being funded through separate financing secured by the water heaters and associated contracts. All other capital expenditures were funded by the credit facility.

[2] Change in non-cash working capital is excluded from the calculation of Cash Available for Distribution as the Fund has a $250.0 million credit facility, which is available for use to fund working capital requirements. This eliminates the potential impact of timing distortions relating to the respective items.

[3] This amount includes payments to the holder of Class A preference shares and is equivalent to distributions. The number of Class A preference shares outstanding is included in the denominator of any per unit calculation.

[4] Not a meaningful number.

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

Financing strategy

The Fund's $250.0 million credit facility will be sufficient to meet the Fund's short-term working capital and capital expenditure requirements. Working capital requirements can vary widely due to seasonal fluctuations and planned U.S.-related growth. In the long term, the Fund may be required to increase the level of the working capital facility to support experienced growth or to access the equity or debt markets in order to fund significant acquisitions. NEC entered into an agreement in January 2010 with Home Trust Company to separately finance its water heaters. See page 24 for further discussion on this financing. TGF has a separate credit facility, debenture and a term loan for its funding requirements, which are detailed on page 31.

Productive capacity

Just Energy's primary business involves the sale of natural gas and/or electricity to residential and commercial customers under long-term, fixed-price, price-protected, variable rate and green energy contracts. In addition, through NHS, the Fund sells and rents high efficiency and tankless water heaters and HVAC products. TGF, an ethanol producer, operates an ethanol facility in Belle Plaine, Saskatchewan. The Fund's productive capacity is primarily determined by the gross margin earned from the contract price and the related supply cost on energy contracts. Also included is the gross margin earned on water heater rentals and ethanol sales after deducting production-related costs.

The maintenance of productive capacity of Just Energy is achieved through the retention of existing customers and the addition of new customers to replace those that have not been renewed. The productive capacity is maintained and grows through independent contractors and Hudson broker channels, call centre renewal efforts, Internet marketing and various mail campaigns. The Fund entered into an agreement with its wholly owned subsidiary, Momentis, a network marketing entity, under which its independent representatives will market natural gas and electricity contracts on behalf of Just Energy. Management believes that this arrangement will further expand the productive capacity of the energy business.

Effectively, all of the residential marketing costs related to energy customer contracts are expensed immediately but fall into two categories: The first represents marketing expenses to maintain gross margin at pre-existing levels and, by definition, maintain productive capacity. The second category is marketing expenditures to add new margin which, therefore, expands productive capacity. Commercial marketing expenses are paid in one of two ways: The commission is either paid throughout the contract period as residuals to the broker who signed the customer for as long as the contract flows, or alternatively, it is all paid upfront. The portion of the commercial marketing expenses which are paid upfront to brokers are capitalized and amortized over the remaining life of the customer contract.

The vast majority of capital expenditures incurred by Just Energy relate to the purchase of water heaters, which are subsequently rented on a long-term basis under customer contracts. These capital expenditures are funded by non-recourse borrowings which have as security the water heaters and the rental contracts. As such, these capital expenditures increase the productive capacity of the Fund.

Summary of quarterly results
(thousands of dollars, except per unit amounts)

	Q2 fiscal 2011	Q1 fiscal 2011	Q4 fiscal 2010	Q3 fiscal 2010
Sales (seasonally adjusted)	$ 748,480	$ 639,997	$ 694,788	$ 654,686
Gross margin (seasonally adjusted)	115,356	88,933	121,872	121,722
General and administrative expense	25,511	29,272	22,405	24,767
Net income (loss)	(154,480)	275,309	(79,211)	97,390
Net income (loss) per unit – basic	(1.15)	2.05	(0.59)	0.73
Net income (loss) per unit – diluted	(1.15)	1.85	(0.59)	0.73
Adjusted EBITDA	39,375	31,282	108,961	60,563
Amount available for distribution				
After gross margin replacement	53,442	33,783	66,023	69,455
After marketing expense	45,753	24,402	58,359	61,242
Payout ratio				
After gross margin replacement	79%	125%	63%	98%[1]
After marketing expense	92%	173%	71%	111%[1]

	Q2 fiscal 2010	Q1 fiscal 2010	Q4 fiscal 2009	Q3 fiscal 2009
Sales (seasonally adjusted)	$ 562,133	$ 432,565	$ 589,948	$ 510,801
Gross margin (seasonally adjusted)	107,519	74,769	106,143	87,554
General and administrative expense	25,634	15,617	18,150	14,753
Net income (loss)	110,690	102,627	(168,621)	(49,094)
Net income (loss) per unit – basic	0.83	0.92	(1.57)	(0.44)
Net income (loss) per unit – diluted	0.82	0.91	(1.57)	(0.44)
Adjusted EBITDA	36,598	30,182	104,614	60,822
Amount available for distribution				
After gross margin replacement	52,303	42,219	72,244	57,475
After marketing expense	41,345	36,087	62,515	48,162
Payout ratio				
After gross margin replacement	82%	83%	48%	93%[1]
After marketing expense	104%	97%	56%	111%[1]

[1] Includes a one-time Special Distribution of $26.7 million in the third quarter of fiscal 2010 and $18.6 million in the third quarter of fiscal 2009.

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

Analysis of the second quarter

The 33% increase in seasonally adjusted sales compared to the prior comparable quarter is mainly attributable to the sales generated by Hudson customers, which were acquired on May 1, 2010. Strong net growth in customers added in the fourth quarter of fiscal 2010 and first quarter of fiscal 2011 through marketing, primarily in the U.S., has also increased sales. The sales impact of the net customer additions in the second quarter will be reflected in future periods as these customers begin to flow with Just Energy. The customer base has increased by 39% from September 30, 2009.

Seasonally adjusted gross margin increased by 7% in the second quarter of fiscal 2011 to $115.4 million, up from $107.5 million in the same period last year. The margin increase was less than the increase in sales due to final reconciliations for the recent warm winter, a lower U.S. dollar exchange rate, and lower relative margins on commercial customers who make up the majority of the incremental customers year over year. General and administrative costs were $25.5 million for the quarter, unchanged from the same period last year.

The distributable cash after customer gross margin replacement was $53.4 million, up 2% from $52.3 million in the prior comparable quarter. The increased gross margin was offset by increased interest charges and bad debt expenses versus the prior year comparable quarter.

After the deduction of all marketing expenses, distributable cash totalled $45.8 million, an increase of 11% from $41.3 million in the second quarter of fiscal 2010. Distributions for the quarter were $42.3 million, reflecting the same annual rate of $1.24, unchanged from a year ago. The payout ratio after payment of all marketing costs for the second quarter of fiscal 2011 was 92% versus 104% for the same period last year. Management anticipates that the payout ratio for fiscal 2011 will be less than 100%, as it has been in past years.

Gas and electricity marketing

Sales and gross margin – Per financial statements

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

	Fiscal 2011			Fiscal 2010		
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 77,614	$ 55,927	$ 133,541	$ 91,636	$ 37,724	$ 129,360
Electricity	165,578	322,075	487,653	174,457	111,919	286,376
	$ 243,192	$ 378,002	$ 621,194	$ 266,093	$ 149,643	$ 415,736
Increase (decrease)	(9)%	153%	49%			
Gross margin						
Gas	$ 2,936	$ (461)	$ 2,475	$ 6,496	$ 8,795	$ 15,291
Electricity	27,805	57,901	85,706	31,741	30,283	62,024
	$ 30,741	$ 57,440	$ 88,181	$ 38,237	$ 39,078	$ 77,315
Increase (decrease)	(20)%	47%	14%			

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

	Fiscal 2011			Fiscal 2010		
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 207,329	$ 128,975	$ 336,304	$ 241,333	$ 88,158	$ 329,491
Electricity	326,208	546,989	873,197	297,948	187,307	485,255
	$ 533,537	$ 675,964	$ 1,209,501	$ 539,281	$ 275,465	$ 814,746
Increase (decrease)	(1)%	145%	48%			
Gross margin						
Gas	$ 15,067	$ 4,823	$ 19,890	$ 29,210	$ 19,489	$ 48,699
Electricity	53,801	94,671	148,472	51,380	43,311	94,691
	$ 68,868	$ 99,494	$ 168,362	$ 80,590	$ 62,800	$ 143,390
Increase (decrease)	(15)%	58%	17%			

Canada

Sales and gross margin for the three months ended September 30, 2010, were $243.2 million and $30.7 million, respectively, a decrease of 9% and 20%, respectively, from the prior comparable period. Total sales and gross margin for the six-month period of fiscal 2011 were $533.5 million and $68.9 million, respectively.

United States

Sales and gross margin in the U.S. were $378.0 million and $57.4 million, respectively, for the second quarter of 2011, an increase of 153% and 47%, respectively, from the same period last year. Total sales and gross margin for the six months ended September 30, 2010, were $676.0 million and $99.5 million, respectively.

Sales and gross margin – Seasonally adjusted[1]
For the three months ended September 30
(thousands of dollars)

			Fiscal 2011			Fiscal 2010
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 77,614	$ 55,927	$ 133,541	$ 91,636	$ 37,724	$ 129,360
Adjustments[1]	71,889	18,713	90,602	103,686	23,788	127,474
	149,503	74,640	224,143	195,322	61,512	256,834
Electricity	165,578	322,075	487,653	174,457	111,919	286,376
	$ 315,081	$ 396,715	$ 711,796	$ 369,779	$ 173,431	$ 543,210
Increase (decrease)	(15)%	129%	31%			
Gross margin						
Gas	$ 2,936	$ (461)	$ 2,475	$ 6,496	$ 8,795	$ 15,291
Adjustments[1]	15,456	3,071	18,527	23,760	2,263	26,023
	18,392	2,610	21,002	30,256	11,058	41,314
Electricity	27,805	57,901	85,706	31,741	30,283	62,024
	$ 46,197	$ 60,511	$ 106,708	$ 61,997	$ 41,341	$ 103,338
Increase (decrease)	(25)%	46%	3%			

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

			Fiscal 2011			Fiscal 2010
	Canada	United States	Total	Canada	United States	Total
Sales						
Gas	$ 207,329	$ 128,975	$ 336,304	$ 241,333	$ 88,158	$ 329,491
Adjustments[1]	102,593	18,322	120,915	137,241	23,788	161,029
	309,922	147,297	457,219	378,574	111,946	490,520
Electricity	326,208	546,989	873,197	297,948	187,307	485,255
	$ 636,130	$ 694,286	$ 1,330,416	$ 676,522	$ 299,253	$ 975,775
Increase (decrease)	(6)%	132%	36%			
Gross margin						
Gas	$ 15,067	$ 4,823	$ 19,890	$ 29,210	$ 19,489	$ 48,699
Adjustments[1]	23,540	3,423	26,963	32,454	2,263	34,717
	38,607	8,246	46,853	61,664	21,752	83,416
Electricity	53,801	94,671	148,472	51,380	43,311	94,691
	$ 92,408	$ 102,917	$ 195,325	$ 113,044	$ 65,063	$ 178,107
Increase (decrease)	(18)%	58%	10%			

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

On a seasonally adjusted basis, sales increased by 31% in the second quarter of fiscal 2011 to $711.8 million as compared to $543.2 million in fiscal 2010. Gross margins were $106.7 million for the three months ended September 30, 2010, up 3% from the prior comparable quarter. The lower increase in margin versus sales is a result of lower margins on commercial customers, which generated the majority of the increase in sales over the period.

Total sales and gross margin for the first six months of fiscal 2011 were $1,330.4 million and $195.3 million, respectively, versus $975.8 million and $178.1 million for the same period last year.

Canada

Seasonally adjusted sales were $315.1 million for the quarter, down 15% from $369.8 million in fiscal 2010. Seasonally adjusted gross margins were $46.2 million in the second quarter of fiscal 2011, a decrease of 25% from $62.0 million in the same period last year. For the six months ended September 30, 2010, seasonally adjusted sales and gross margin were $636.1 million and $92.4 million, respectively, down 6% and 18%, respectively, from the prior comparable period.

Gas

Canadian gas sales were $149.5 million, a decrease of 23% from $195.3 million in the second quarter of fiscal 2010. In the second quarter of fiscal 2011, total customer delivered volumes were down 20% from the prior comparable quarter due to warm temperatures across all key gas markets and a 13% decrease in flowing customers. Gross margin totalled $18.4 million, down 39% from the second quarter of fiscal 2010, reflecting lower consumption and $10.7 million in losses on the sale of excess gas resulting from milder temperatures last winter at much lower spot prices than had been originally contracted.

For the six months ended September 30, 2010, sales and gross margins were $309.9 million and $38.6 million, respectively, a decrease of 18% and 37%, respectively, over the same period last year.

After allowance for balancing and inclusive of acquisitions, realized average gross margin per customer ("GM/RCE") for the three months ended September 30, 2010, amounted to $128/RCE compared to $175/RCE for the prior comparable quarter. This was due to the lower consumption and losses on the sale of excess gas. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

Electricity

Electricity sales were $165.6 million for the quarter, a decrease of 5% from the second quarter of fiscal 2010 due to a 5% decline in flowing customers. Gross margin decreased by 12% for the current quarter to $27.8 million versus $31.7 million for the prior comparable period. This decrease is a result of the 5% decline in customers and total reduced consumption of 11% in Alberta (where customers and supply are load following) due to a much warmer air conditioning season in fiscal 2010 versus fiscal 2011.

During the quarter, there were a number of Ontario electricity customers that were contacted for early renewal of their contract under a "blend and extend" offer. These customers were offered a lower rate versus their current price, but the term of their contract was extended out to five more years. By doing so, approximately $1.8 million was lost in margin for the current quarter but approximately $9.5 million was locked in as future margins.

For the six months ended September 30, 2010, sales and gross margins were $326.2 million and $53.8 million, respectively, an increase of 9% and 5%, respectively, over the same period last year.

Realized average gross margin per customer after all balancing and including acquisitions for the quarter ended September 30, 2010, in Canada amounted to $143/RCE, a decrease from $164/RCE in the prior year comparable quarter due to the lower per customer consumption in Alberta. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

United States

Sales for the second quarter of fiscal 2011 were $396.7 million, an increase of 129% from $173.4 million in the prior comparable quarter. Seasonally adjusted gross margin was $60.5 million, up 46% from $41.3 million from the same quarter last year.

Gas

For the second quarter of fiscal 2011, gas sales and gross margin in the U.S. totalled $74.6 million and $2.6 million, respectively, versus $61.5 million and $11.1 million in fiscal 2010. The sales increase of 21% was due to a 48% increase in customers largely through successful marketing but also through the acquisition of Hudson. Sales growth was less than customer growth due to warmer weather, a lower U.S. dollar exchange rate and lower selling prices.

Gross margin declined quarter over quarter by 76% as opposed to the 21% increase in sales primarily due to final reconciliations against the prior warm winter. In Michigan, one-time reconciliations with the utility and associated sales of surplus gas (which must be completed in the summer) resulted in a loss of $7.4 million in margin.

Sales and gross margin for the six months ended September 30, 2010, totalled $147.3 million and $8.2 million, respectively.

Average realized gross margin after all balancing costs for the three months ended September 30, 2010, was $33/RCE, a decrease of 88% over the prior year comparable period of $267/RCE. This is due to sharply lower per customer consumption, utility reconciliations, losses on sale of excess gas and the inclusion of lower margin commercial customers acquired with Hudson. The GM/RCE value includes an appropriate allowance for bad debt expense in Illinois and California.

Electricity

U.S. electricity seasonally adjusted sales and gross margin for the quarter were $322.1 million and $57.9 million, respectively, versus $111.9 million and $30.3 million, respectively, in the prior comparable quarter of fiscal 2010. Sales were up 192% due to an increase in flowing customers year over year attributable to the Hudson acquisition and strong marketing growth. Sales were up more than gross margin due to higher selling prices, offsetting the decline in the U.S. dollar exchange rate. Total customer demand increased by 252%, which is consistent with the growth in the customer base. Margins were up 91% year over year. The majority of customers added over the period were commercial customers with lower per customer margins than the largely residential book in place a year prior.

For the six months ended September 30, 2010, the sales and gross margins were $547.0 million and $94.7 million, respectively.

Average gross margin per customer for electricity during the current quarter decreased to $156/RCE, compared to $282/RCE in the prior year comparable period, as a direct result of a lower U.S. dollar exchange rate and lower margins per RCE for commercial customers added. The GM/RCE value for Texas, Pennsylvania and California includes an appropriate allowance for the bad debt expense.

Customer aggregation

Long-term customers

	July 1, 2010	Additions	Attrition	Failed to renew	Sept. 30, 2010	% increase (decrease)
Natural gas						
Canada	709,000	15,000	(22,000)	(13,000)	689,000	(3)%
United States	564,000	40,000	(31,000)	(4,000)	569,000	1%
Total gas	1,273,000	55,000	(53,000)	(17,000)	1,258,000	(1)%
Electricity						
Canada	757,000	25,000	(22,000)	(15,000)	745,000	(2)%
United States	1,039,000	174,000	(49,000)	(6,000)	1,158,000	11%
Total electricity	1,796,000	199,000	(71,000)	(21,000)	1,903,000	6%
Combined	3,069,000	254,000	(124,000)	(38,000)	3,161,000	3%

Gross customer additions for the quarter were 254,000, the second largest total in Just Energy's history. This was due to very strong additions in both the Consumer Energy division and the Commercial Energy division. Of the total, 133,000 were commercial customers, showing the continued positive impact of both the newly established broker channel and Just Energy's internal efforts to expand its share of the commercial market. Net customer additions through marketing for the quarter were 92,000. For the same quarter last year, there were 36,000 net customer additions through marketing. Overall, there has been a 3% increase in total customers since the first quarter and a 39% increase over the past 12 months.

For the three-month period ended September 30, 2010, total gas customer numbers decreased by 1%, reflecting a difficult Canadian price environment with a large disparity between utility spot prices and the five-year prices. This continues to impact new customer additions and renewals.

Total electricity customers were up 6% in the three months ended September 30, 2010, with strong growth in our U.S. markets, slightly offset by a small decline in total customers in our Canadian markets.

As at September 30, 2010, there are an additional 68,000 RCEs categorized as variable and short term in nature and, accordingly, have not been included in the long-term customer aggregation reported above. The majority of these short-term customers were acquired as part of the Hudson acquisition in the previous quarter.

JustGreen

Sales of the JustGreen products remain strong but were tempered somewhat by their relatively high cost during a period of economic slowdown. The JustGreen program allows customers to choose to purchase units of green energy in the form of renewable energy or carbon offsets, in an effort to reduce greenhouse gas emissions. When a customer purchases a unit of green energy, it creates a contractual obligation for Just Energy to purchase a supply of green energy at least equal to the demand created by the customer's purchase. A review was conducted by Grant Thornton LLP of Just Energy's *Renewable Energy and Carbon Offsets Sales and Purchases* report for the period from January 1, 2009 through December 31, 2009, validating the match of the Fund's renewable energy and carbon offset purchases against customer contracts.

The Fund currently sells JustGreen gas in the eligible markets of Ontario, British Columbia, Alberta, Michigan, New York, Ohio and Illinois and JustGreen electricity in Ontario, Alberta, New York and Texas. JustGreen sales will expand into the remaining markets over the coming quarters. Of all consumer customers who contracted with Just Energy in the quarter, 38% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 91% of their consumption as green supply, which compared to 48% take-up, for an average of 89% of consumption in the first quarter.

As of the quarter ended September 30, 2010, green supply now makes up 3% of our overall gas portfolio, up from 1% in the second quarter last year. JustGreen supply makes up 11% of our electricity portfolio, up from 4% from the same period last year.

Attrition

Natural gas

The trailing 12-month natural gas attrition in Canada was 12%, above management's target of 10%. Attrition is higher than targeted levels due to weak economic conditions causing a higher than normal customer default move back to the utility. In the U.S., gas attrition for the trailing 12 months was 27%, below management's annual target of 30%. This reflects a small continued improvement in the U.S. due to new product offerings and some strengthening in the U.S. economy.

Electricity

The trailing 12-month electricity attrition rate in Canada for the quarter was 12%, above management's target of 10%. The electricity attrition has been reflecting a similar trend compared to the Canadian gas market. Electricity attrition in the U.S. was 15% for the trailing 12 months, below management's target of 20%.

	Trailing 12-month attrition fiscal 2011	Targeted attrition fiscal 2011
Natural gas		
Canada	12%	10%
United States	27%	30%
Electricity		
Canada	12%	10%
United States	15%	20%

Failed to renew

The Just Energy renewal process is a multifaceted program and aims to maximize the number of customers who choose to renew their contract prior to the end of their existing contract term. Efforts begin up to 15 months in advance, allowing a customer to renew for an additional four or five years.

The trailing 12-month renewal rate for all Canadian gas customers was 63%, below management's target of 70%. In the Ontario gas market, customers who do not positively elect to renew or terminate their contract receive a one-year fixed-price for the ensuing year. Of the total Canadian gas customers renewed in the first quarter of fiscal 2011, 32% were renewed for a one-year term. Canadian gas markets lagged the 2011 target of 70%, largely due to the current high spread between the Just Energy five-year price and the utility spot price. Management will continue to focus on increasing renewals, and a return to rising market pricing should result in an improvement in Canadian gas renewal rates to target levels.

The electricity renewal rate for Canadian customers was 65% for the trailing 12 months, which is below the targeted level. There continues to be solid demand for JustGreen products, supporting renewals in Canadian electricity customers; but, due to the disparity between the spot and five-year prices and low volatility in the spot prices, customers are reluctant to again lock into fixed-priced products. Just Energy has introduced some enhanced variable-price offerings to improve renewal rates.

In the U.S. markets, Just Energy had primarily Illinois and a small number of Indiana and New York gas customers up for renewal. Gas renewals for the U.S. were 78%, above our target of 75%.

During the quarter, Just Energy had both Texas and New York electricity customers up for renewal. The electricity renewal rate was 89%, well above the target rate of 75%.

In each of these markets, our green product is in the process of being offered to renewing customers, which should further strengthen the profitability of these customers.

	Trailing 12-month renewals fiscal 2011	Targeted renewals fiscal 2011
Natural gas		
Canada	63%	70%
United States	78%	75%
Electricity		
Canada	65%	70%
United States	89%	75%

Gas and electricity contract renewals

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

	Canada – gas	Canada – electricity	U.S. – gas	U.S. – electricity
Remainder of 2011	15%	11%	8%	14%
2012	24%	22%	20%	23%
2013	22%	26%	26%	17%
2014	15%	17%	12%	21%
2015	14%	12%	18%	16%
Beyond 2015	10%	12%	16%	9%
Total	100%	100%	100%	100%

Just Energy continuously monitors its customer renewal rates and continues to modify its offering to existing customers in order to maximize the number of customers who renew their contracts. To the extent there is continued customer take-up on "blend and extend" offers, some renewals scheduled for 2012 and 2013 will move back to 2015 and beyond.

Gross margin earned through new marketing efforts

Annual gross margin per customer for new and renewed customers

The following table depicts the annual margins on contracts of residential customers signed in the quarter. This table reflects all margin earned on new additions and renewals including brown commodity and JustGreen. Customers added through marketing were at or above the margins of customers lost through attrition or failure to renew. Renewing customers were at lower margins largely due to lesser take-up of JustGreen on renewal. However, the take-up rate is beginning to be aggressively marketed for renewals, with the expectation that rates similar to those for new customers are being achieved. Sales of the JustGreen products remained very strong with approximately 38% of all residential customers added in the past quarter taking some or all green energy supply. Customers that purchased the JustGreen product elected, on average, to take 91% of their consumption in green supply. A 100% JustGreen electricity customer in Ontario generates annual margins of approximately $193/RCE, much higher than the "brown" margins realized. For large commercial customers, the average gross margin for new customers added was $100/RCE, an increase from $67/RCE reported in the first quarter of fiscal 2011. The aggregation cost of these customers is commensurately lower per RCE than a consumer customer.

Annual gross margin per customer[1]

	Q2 fiscal 2011	Number of customers
Residential and small commercial customers added in the quarter		
Canada – gas	$ 198	8,000
Canada – electricity	133	17,000
United States – gas	220	32,000
United States – electricity	172	64,000
Average annual margin	181	
Customers renewed in the quarter		
Canada – gas	168	28,000
Canada – electricity	106	27,000
United States – gas	199	8,000
United States – electricity	150	10,000
Average annual margin	146	
Large commercial customers added in the quarter	100	133,000
Customers lost in the quarter		
Canada – gas	195	35,000
Canada – electricity	150	37,000
United States – gas	180	29,000
United States – electricity	178	28,000
Average annual margin	176	

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

Home Services division (NHS)

NHS provides Ontario residential customers with long-term water heater rental programs that offer conventional tanks, power vented tanks and tankless water heaters in a variety of sizes, in addition to now offering furnaces and air conditioners. NHS continues to ramp up its operations and, as at September 30, 2010, had a cumulative installed base of 99,700 water heaters, 1,000 furnaces, and 300 air conditioners in residential homes. The water heater installed base has increased by 80% in the past year. Management is confident that NHS will contribute to the long-term profitability of the Fund and continue to help diversify away from weather-related volatility.

As NHS is a high growth, relatively capital-intensive business, Just Energy's management believes that, in order to maintain stability of distributions, separate non-recourse financing of this capital is appropriate. On January 18, 2010, NHS announced that it had entered into a long-term financing agreement with HTC for the funding of the water heaters for NHS in the Enbridge gas distribution territory. On July 16, 2010, NHS expanded this financing arrangement to cover the Union Gas territory. Under the agreement, NHS receives funds equal to the amount of the five-year cash flow of the water heater contract discounted at an agreed upon rate. HTC is then paid an amount which is equal to the customer rental payments on the water heaters for the next five years. The funding received from HTC up to September 30, 2010, was $80.7 million.

Management's strategy for NHS is to self-fund the business through its growth phase, building value within the customer base. This way, NHS will not require significant cash from Just Energy's core operations nor will Just Energy rely on NHS's cash flow to fund distributions. The result should be a valuable asset, which will generate excellent cash returns following repayment of the HTC financing.

The first six months of 2011 saw significant geographic and product expansions for NHS. The division has begun marketing its products in Union Gas territory in Ontario, expanding its reach to the entire province. It also rolled out an offering of furnace and air conditioner rentals and sales. These expansions were funded by increased general and administrative costs but are expected to substantially increase the growth and profitability of NHS in the future.

Home Services division

Selected financial information

(thousands of dollars, except where indicated)

	Three months ended Sept. 30, 2010	Three months ended Sept. 30, 2009
Sales per financial statements	$ 5,172	$ 2,474
Cost of sales	1,386	159
Gross margin	3,786	2,315
Marketing expenses	850	1,112
General and administrative expense	2,996	2,154
Interest expense	1,490	–
Capital expenditures	9,152	11,094
Amortization	468	1,025
Ending total number of water heaters installed	99,700	55,500

Results of operations

For the quarter ended September 30, 2010, NHS had sales of $5.2 million and gross margin of $3.8 million, an increase of 110% and 64%, respectively, from the prior comparable quarter. The cost of sales for the quarter was $1.4 million and represents the non-cash amortization of the installed water heaters for the customer contracts signed to date. Marketing expenses for the second quarter of fiscal 2011 were $0.9 million and include the amortization of commission costs paid to the independent agents, automobile fleet costs, advertising and promotion, and telecom and office supplies expenses. General and administrative costs, which relate primarily to administrative staff compensation and warehouse expenses, amounted to $3.0 million for the three months ended September 30, 2010. The high level of general and administrative costs relative to past quarters was largely due to the expansion into Union Gas territory and the rollout of furnace and air conditioner offerings.

Capital expenditures, including installation costs, amounted to $9.2 million for the three months ended September 30, 2010. Amortization costs were $0.5 million for the current quarter and include not only the depreciation on non-tank-related capital assets noted above but also the amortization of the purchased water heater contracts.

For the six months ended September 30, 2010, sales and gross margin for NHS were $9.6 million and $6.6 million, respectively. Marketing and general and administrative costs were $1.7 million and $5.9 million, respectively, for the first half of fiscal 2011. Interest expense amounted to $2.8 million as a result of the financing arrangement with HTC. To date in fiscal 2011, capital expenditures by NHS amounted to $17.3 million. Comparative figures include results for only three months as NHS was acquired as part of the Universal acquisition effective July 1, 2009.

The growth of NHS has been rapid and, combined with the HTC financing, is expected to be self-sustaining on a cash flow basis.

Ethanol division (TGF)

TGF continues to remain focused on improving plant production and runtime of the Belle Plaine, Saskatchewan, wheat-based ethanol facility. For the quarter ended September 30, 2010, the plant achieved an average production capacity of 81%, which is the best quarter in its history. The phase 1 grain-milling upgrade has allowed the plant to achieve daily milling rates exceeding nameplate capacity from time to time. The plant was forced to close for eight days in the quarter as a result of the inability to have wheat delivered due to flooding in the Belle Plaine area. This was a marked improvement over the 19 days of shutdown experienced in the first quarter of fiscal 2011. Ethanol prices continue to be depressed and were, on average, $0.57 per litre for the quarter, flat with the prior quarter. Wheat prices averaged $170 per metric tonne for the quarter, up slightly from $168 in the first quarter.

The Ethanol division has separate non-recourse financing in place such that capital requirements and operating losses will not impact Just Energy's core business and its ability to pay distributions.

Ethanol division

Selected financial information

(thousands of dollars)

	Three months ended Sept. 30, 2010	Three months ended Sept. 30, 2009
Sales per financial statements	$ 31,191	$ 16,449
Cost of sales	26,618	14,583
Gross margin	4,573	1,866
General and administrative expense	3,162	3,819
Interest expense	1,902	1,843
Capital expenditures	65	100
Amortization	297	621

Results of operations

During the second quarter of fiscal 2011, TGF had sales of $31.2 million, an increase of 90% from $16.4 million in the prior comparable quarter. Gross margin amounted to $4.6 million, up 145% from $1.9 million in the second quarter of fiscal 2010. During the quarter, the plant produced 30.6 million litres of ethanol and 28,386 metric tonnes of DDG. For the three months ended September 30, 2010, TGF incurred $3.2 million in general and administrative expenses and $1.9 million in interest charges. Capital expenditures for the quarter, including installation costs, amounted to $0.1 million.

For the six months ended September 30, 2010, sales and gross margin for TGF were $48.0 million and $1.9 million, respectively. General and administrative costs and interest expenses were $5.5 million and $3.6 million, respectively, for the first half of fiscal 2011. Comparative figures include results for only three months as TGF was acquired as part of the Universal acquisition, effective July 1, 2009.

TGF receives a federal subsidy related to an agreement signed on February 17, 2009, based on the volume of ethanol produced. From July 1, 2009 to March 31, 2010, the subsidy was ten cents per litre, and throughout fiscal 2011, this subsidy will be nine cents per litre. This amount declines through time to five cents per litre of ethanol produced in fiscal 2015, the last year of the agreement.

Overall consolidated results

General and administrative expenses

General and administrative costs were $25.5 million for the three months ended September 30, 2010, consistent with that which was reported in the second quarter of fiscal 2010. The expenses for the current quarter include $2.1 million in costs related to Hudson, which was not owned by the Fund during the prior comparable quarter. These higher costs were offset by the realization of synergies from the Universal acquisition completed in fiscal 2010. The current quarter expenses also reflect a one-time reduction in expenses attributable to litigation settlements costs for the quarter being lower than what had been previously accrued. It is expected that general and administrative costs will increase in the third and fourth quarters as the costs of further geographic expansions are incurred and as the Fund converts to a corporation.

Expenditures for general and administrative costs for the six months ended September 30, 2010, were $54.8 million, an increase of 33% from $41.3 million in the prior comparable period. The increase is a result of the prior period not including the expenses relating to Hudson, increased costs to accommodate numerous areas of expansion undertaken by the Fund, which should result in higher margin and distributable cash in future periods, and only three months of expenses from Universal, which was acquired effective July 1, 2009.

Marketing expenses

Marketing expenses, which consist of commissions paid to independent sales contractors, brokers and independent representatives for signing new customers, as well as corporate costs, were $37.0 million, an increase of 37% from $27.1 million in the second quarter of fiscal 2010. New customers signed by our marketing sales force were 254,000 in the second quarter of fiscal 2011, up 81% compared to 140,000 customers added through our sales offices in the same period last year. The increase in the current quarter expense reflects the cost of strong growth in customer additions, offset by the lower aggregation cost per customer.

Marketing expenses to maintain gross margin are allocated based on the ratio of gross margin lost from attrition as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to maintain gross margin were $25.1 million for the second quarter of fiscal 2011, an increase of 56% from $16.1 million from the prior comparable quarter as a result of higher attrition from a larger customer base and an increase in the number of customers up for renewal in the current period.

Marketing expenses to add new gross margin are allocated based on the ratio of net new gross margin earned on the customers signed, less attrition, as compared to the gross margin signed from new and renewed customers during the period. Marketing expenses to add new gross margin in the second quarter totalled $7.7 million, a decrease from $11.0 million in the prior comparable period. Although there was a greater increase in the net customer additions of 92,000 for the second quarter, up from 36,000 in fiscal 2010, the blend of commercial and residential customers added resulted in a lower increase in margin than in the previous year. In addition, some of the cost of commercial customer additions was capitalized and will be expensed over the life of the contract.

Marketing expenses included in distributable cash exclude amortization related to the contract initiation costs for Hudson and NHS. For the three and six months ended September 30, 2010, the amortization amounted to $4.2 million and $6.3 million, respectively.

For the six months ended September 30, 2010, total marketing expenses were $66.7 million, an increase of 43% from the $46.5 million reported in the same period last year.

The actual aggregation costs for the six months ended September 30, 2010, per customer for residential and commercial customers signed by independent representatives and commercial customers signed by brokers were as follows:

	Residential customers	Commercial customers	Commercial broker customers
Natural gas			
Canada	$ 247/RCE	$ 174/RCE	$ 32/RCE
United States	199/RCE	120/RCE	24/RCE
Electricity			
Canada	208/RCE	141/RCE	30/RCE
United States	183/RCE	71/RCE	37/RCE
Total aggregation costs	197/RCE	92/RCE	34/RCE

The actual aggregation cost per customer added for all energy marketing for the six months ended September 30, 2010, was $110, up from $95 in the first quarter. This is due to the higher relative number of residential customers aggregated and their associated higher costs. The $34 average aggregation cost for the commercial broker customers is based on the expected average annual cost for the respective customer contracts. It should be noted that commercial broker contracts pay further commissions averaging $34 per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately $61 (1.8 x $34) to the fiscal 2011 $34 average aggregation cost for commercial broker customers reported above.

Unit based compensation

Compensation in the form of units (non-cash) granted by the Fund to the directors, officers, full-time employees and service providers of its subsidiaries and affiliates pursuant to the 2001 unit option plan, the 2004 unit appreciation rights plan and the directors' deferred compensation plan amounted to $1.5 million for the second quarter of fiscal 2011, an increase from the $1.0 million paid in first quarter of fiscal 2010. Total costs for the six months ended September 30, 2010, totalled $2.6 million, versus $1.6 million for the same period last year. The increase relates primarily to additional fully paid unit appreciation rights awarded to the senior management of the Fund.

Bad debt expense

In Illinois, Alberta, Texas, Pennsylvania and California, Just Energy assumes the credit risk associated with the collection of customer accounts. In addition, for commercial direct-billed accounts in B.C., New York and Ontario, the Fund is responsible for the bad debt risk. Credit review processes have been established to manage the customer default rate. Management factors default from credit risk into its margin expectations for all of the above-noted markets. During the quarter, Just Energy was exposed to bad debt on 35% of its sales.

Bad debt expense for three months ended September 30, 2010, increased by 74% to $6.7 million versus $3.9 million expensed in the prior comparable quarter. The bad debt expense increase was entirely related to the 151% increase in total revenues for the quarter to $262.6 million, in the markets where Just Energy assumes the risk for accounts receivable collections, which also now includes incremental commercial customers. Management integrates its default rate for bad debts within its margin targets and continuously reviews and monitors the credit approval process to mitigate customer delinquency.

For the six months ended September 30, 2010, the bad debt expense was $12.4 million, representing approximately 2.6% of the $469.6 million in sales in markets where it assumes credit risk (34% of total sales), within the Fund's 2% to 3% target range. This was slightly improved from the 2.8% reported for the first quarter and down from the 3.5% reported a year earlier. Credit losses in Texas as a percentage of total revenues have declined due to aggressive collection efforts and quicker disconnection for delinquent customers. Continued improvements in the Illinois collection efforts and lower default rates for acquired Hudson commercial customers have also contributed to the improvement in the bad debt rate versus the second quarter of fiscal 2010. Management expects that bad debt expense will be in the range of 2% to 3% for the remainder of the fiscal year assuming that the housing market in the U.S. continues to show signs of improvement.