

# Large Filing Separator Sheet

Case Number: 01-1123-EL-CRS

File Date: 10/24/2012

Section: 1 of 2

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Description of Document: Renewal  
Application

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October 22, 2012

**VIA OVERNIGHT DELIVERY**

Public Utilities Commission of Ohio  
Docketing Division  
180 East Broad Street,  
Columbus, Ohio 43215-3793

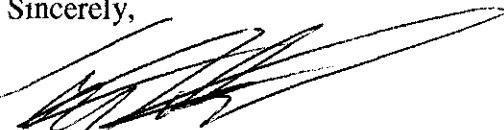
Re: 2012 Renewal Application for Commerce Energy, Inc. d/b/a Just Energy

To whom it may concern,

Please see the attached filing for the 2012 renewal of Commerce Energy, Inc. d/b/a Just Energy along with 10 (ten) copies including all the required exhibits, affidavit and other attachments.

Should you have any questions or concerns, please feel free to contact me directly.

Sincerely,



Trent Sluiter  
Regulatory Affairs Specialist  
905-670-4440 ext. 74278  
[tsluiter@justenergy.com](mailto:tsluiter@justenergy.com)

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*The Public Utilities Commission of Ohio*

Original CRS Case Number	Version
01 - 1123-EL-CRS	August 2004

## **RENEWAL APPLICATION FOR RETAIL GENERATION PROVIDERS AND POWER MARKETERS**

Please print or type all required information. Identify all attachments with an exhibit label and title (Example: Exhibit A-11 Corporate Structure). All attachments should bear the legal name of the Applicant. Applicants should file completed applications and all related correspondence with the Public Utilities Commission of Ohio, Docketing Division; 180 East Broad Street, Columbus, Ohio 43215-3793.

**This PDF form is designed so that you may input information directly onto the form.  
You may also download the form, by saving it to your local disk, for later use.**

### **A. RENEWAL INFORMATION**

#### **A-1 Applicant intends to be renewed as: (check all that apply)**

- |   |                                       |
|---|---------------------------------------|
| <input type="checkbox"/> Retail Generation Provider | <input type="checkbox"/> Power Broker |
| <input checked="" type="checkbox"/> Power Marketer  | <input type="checkbox"/> Aggregator   |

#### **A-2 Applicant's legal name, address, telephone number, PUCO certificate number, and web site address**

Legal Name Commerce Energy, Inc. d/b/a Just Energy  
Address 1 Centerpointe Drive, Suite 350, La Palma, CA 90623  
PUCO Certificate # and Date Certified 01-074 8/5/03  
Telephone # (905) 670-4440 Web site address (if any) www.justenergy.com

#### **A-3 List name, address, telephone number and web site address under which Applicant does business in Ohio**

Legal Name Just Energy  
Address Crosswood Center, 100 E. Campus Blvd. #250, Columbus, OH 43235  
Telephone # (866) 587-8674 Web site address (if any) www.justenergy.com

**A-4 List all names under which the applicant does business in North America**

Commerce Energy \_\_\_\_\_  
Just Energy \_\_\_\_\_  
\_\_\_\_\_

**A-5 Contact person for regulatory or emergency matters**

Name Gretchen Fuhr  
Title Manager, Regulatory Affairs  
Business address 6345 Dixie Rd., Suite 200, Mississauga, ON L5T 2E6, Canada  
Telephone # (413) 626-9712 Fax # (905) 564-6069  
E-mail address (if any) gfuhr@justenergy.com

**A-6 Contact person for Commission Staff use in investigating customer complaints**

Name Vanessa Anesetti  
Title Manager, Corporate and Consumer Relations  
Business address 6345 Dixie Rd., Suite 200, Mississauga, ON L5T 2E6, Canada  
Telephone # (905) 795-3574 Fax # (905) 564-6069  
E-mail address (if any) vanesetti@justenergy.com

**A-7 Applicant's address and toll-free number for customer service and complaints**

Customer Service address 100 E. Campus Blvd. #250, Columbus, OH 43235  
Toll-free Telephone # (866) 587-8674 Fax # (905) 564-6069  
E-mail address (if any) cswest@justenergy.com

**A-8 Applicant's federal employer identification number # 33-0769555**

**A-9 Applicant's form of ownership (check one)**

- |  |  |
|--|--|
| <input type="checkbox"/> Sole Proprietorship                 | <input type="checkbox"/> Partnership                     |
| <input type="checkbox"/> Limited Liability Partnership (LLP) | <input type="checkbox"/> Limited Liability Company (LLC) |
| <input checked="" type="checkbox"/> Corporation              | <input type="checkbox"/> Other _____                     |

**PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:**

**A-10 Exhibit A-10 "Principal Officers, Directors & Partners" provide the names, titles, addresses and telephone numbers of the applicant's principal officers, directors, partners, or other similar officials.**

**A-11 Exhibit A-11 "Corporate Structure," provide a description of the applicant's corporate structure, including a graphical depiction of such structure, and a list of all affiliate and subsidiary companies that supply retail or wholesale electricity or natural gas to customers in North America.**



## **B. MANAGERIAL CAPABILITY AND EXPERIENCE**

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

- B-1** Exhibit B-1 "Jurisdictions of Operation," provide a list of all jurisdictions in which the applicant or any affiliated interest of the applicant is, at the date of filing the application, certified, licensed, registered, or otherwise authorized to provide retail or wholesale electric services.
- B-2** Exhibit B-2 "Experience & Plans," provide a description of the applicant's experience and plan for contracting with customers, providing contracted services, providing billing statements, and responding to customer inquiries and complaints in accordance with Commission rules adopted pursuant to Section 4928.10 of the Revised Code.
- B-3** Exhibit B-3 "Disclosure of Liabilities and Investigations," provide a description of all existing, pending or past rulings, judgments, contingent liabilities, revocation of authority, regulatory investigations, or any other matter that could adversely impact the applicant's financial or operational status or ability to provide the services it is seeking to be certified to provide.
- B-4** Disclose whether the applicant, a predecessor of the applicant, or any principal officer of the applicant have ever been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.  
☒ No      ☐ Yes

If yes, provide a separate attachment labeled as Exhibit B-4 "Disclosure of Consumer Protection Violations" detailing such violation(s) and providing all relevant documents.

- B-5** Disclose whether the applicant or a predecessor of the applicant has had any certification, license, or application to provide retail or wholesale electric service denied, curtailed, suspended, revoked, or cancelled within the past two years.  
☒ No      ☐ Yes

If yes, provide a separate attachment labeled as Exhibit B-5 "Disclosure of Certification Denial, Curtailment, Suspension, or Revocation" detailing such action(s) and providing all relevant documents.

## **C. FINANCIAL CAPABILITY AND EXPERIENCE**

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

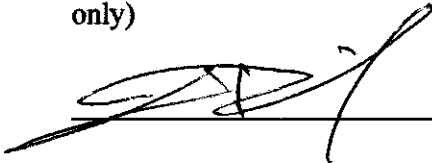
- C-1** Exhibit C-1 "Annual Reports," provide the two most recent Annual Reports to Shareholders. If applicant does not have annual reports, the applicant should provide similar information in Exhibit C-1 or indicate that Exhibit C-1 is not applicable and why.

- C-2 **Exhibit C-2 “SEC Filings,”** provide the most recent 10-K/8-K Filings with the SEC. If applicant does not have such filings, it may submit those of its parent company. If the applicant does not have such filings, then the applicant may indicate in Exhibit C-2 that the applicant is not required to file with the SEC and why.
- C-3 **Exhibit C-3 “Financial Statements,”** provide copies of the applicant’s two most recent years of audited financial statements (balance sheet, income statement, and cash flow statement). If audited financial statements are not available, provide officer certified financial statements. If the applicant has not been in business long enough to satisfy this requirement, it shall file audited or officer certified financial statements covering the life of the business.
- C-4 **Exhibit C-4 “Financial Arrangements,”** provide copies of the applicant's financial arrangements to conduct CRES as a business activity (e.g., guarantees, bank commitments, contractual arrangements, credit agreements, etc.).
- C-5 **Exhibit C-5 “Forecasted Financial Statements,”** provide two years of forecasted financial statements (balance sheet, income statement, and cash flow statement) for the applicant’s CRES operation, along with a list of assumptions, and the name, address, e-mail address, and telephone number of the preparer.
- C-6 **Exhibit C-6 “Credit Rating,”** provide a statement disclosing the applicant’s credit rating as reported by two of the following organizations: Duff & Phelps, Dun and Bradstreet Information Services, Fitch IBCA, Moody’s Investors Service, Standard & Poors, or a similar organization. In instances where an applicant does not have its own credit ratings, it may substitute the credit ratings of a parent or affiliate organization, provided the applicant submits a statement signed by a principal officer of the applicant’s parent or affiliate organization that guarantees the obligations of the applicant.
- C-7 **Exhibit C-7 “Credit Report,”** provide a copy of the applicant’s credit report from Experion, Dun and Bradstreet or a similar organization.
- C-8 **Exhibit C-8 “Bankruptcy Information,”** provide a list and description of any reorganizations, protection from creditors or any other form of bankruptcy filings made by the applicant, a parent or affiliate organization that guarantees the obligations of the applicant or any officer of the applicant in the current year or within the two most recent years preceding the application.
- C-9 **Exhibit C-9 “Merger Information,”** provide a statement describing any dissolution or merger or acquisition of the applicant within the five most recent years preceding the application.


## **D. TECHNICAL CAPABILITY**

PROVIDE THE FOLLOWING AS SEPARATE ATTACHMENTS AND LABEL AS INDICATED:

- D-1** Exhibit D-1 "Operations" provide a written description of the operational nature of the applicant's business. Please include whether the applicant's operations include the generation of power for retail sales, the scheduling of retail power for transmission and delivery, the provision of retail ancillary services as well as other services used to arrange for the purchase and delivery of electricity to retail customers.
- D-2** Exhibit D-2 "Operations Expertise," given the operational nature of the applicant's business, provide evidence of the applicant's experience and technical expertise in performing such operations.
- D-3** Exhibit D-3 "Key Technical Personnel," provide the names, titles, e-mail addresses, telephone numbers, and the background of key personnel involved in the operational aspects of the applicant's business.
- D-4** Exhibit D-4 "FERC Power Marketer License Number," provide a statement disclosing the applicant's FERC Power Marketer License number. (Power Marketers only)



Sworn and subscribed before me this 23<sup>rd</sup> day of October, 2012  
Month Year

  
Signature of official administering oath

Eli Cranley - Notary Public  
Print Name and Title

My commission expires on n/a

# AFFIDAVIT

Province of  
State of Ontario :

Mississauga ss.  
(Town)

Region  
County of Peel :

Jonah Davis Affiant, being duly sworn/affirmed according to law, deposes and says that:

He/She is the VP and General Counsel (Office of Affiant) of Commerce Energy (Name of Applicant);

That he/she is authorized to and does make this affidavit for said Applicant, inc. d/b/a West Energy

1. The Applicant herein, attests under penalty of false statement that all statements made in the application for certification renewal are true and complete and that it will amend its application while the application is pending if any substantial changes occur regarding the information provided in the application.
2. The Applicant herein, attests it will timely file an annual report with the Public Utilities Commission of Ohio of its intrastate gross receipts, gross earnings, and sales of kilowatt-hours of electricity pursuant to Division (A) of Section 4905.10, Division (A) of Section 4911.18, and Division (F) of Section 4928.06 of the Revised Code.
3. The Applicant herein, attests that it will timely pay any assessments made pursuant to Sections 4905.10, 4911.18, or Division F of Section 4928.06 of the Revised Code.
4. The Applicant herein, attests that it will comply with all Public Utilities Commission of Ohio rules or orders as adopted pursuant to Chapter 4928 of the Revised Code.
5. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, and its Staff on any utility matter including the investigation of any consumer complaint regarding any service offered or provided by the Applicant.
6. The Applicant herein, attests that it will comply with all state and/or federal rules and regulations concerning consumer protection, the environment, and advertising/promotions.
7. The Applicant herein, attests that it will fully comply with Section 4928.09 of the Revised Code regarding consent to the jurisdiction of Ohio Courts and the service of process.
8. The Applicant herein, attests that it will use its best efforts to verify that any entity with whom it has a contractual relationship to purchase power is in compliance with all applicable licensing requirements of the Federal Energy Regulatory Commission and the Public Utilities Commission of Ohio.
9. The Applicant herein, attests that it will cooperate fully with the Public Utilities Commission of Ohio, the electric distribution companies, the regional transmission entities, and other electric suppliers in the event of an emergency condition that may jeopardize the safety and reliability of the electric service in accordance with the emergency plans and other procedures as may be determined appropriate by the Commission.
10. If applicable to the service(s) the Applicant will provide, the Applicant herein, attests that it will adhere to the reliability standards of (1) the North American Electric Reliability Council (NERC), (2) the appropriate regional reliability council(s), and (3) the Public Utilities Commission of Ohio. (Only applicable if pertains to the services the Applicant is offering)

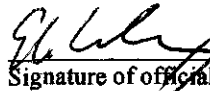
11. The Applicant herein, attests that it will inform the Commission of any material change to the information supplied in the renewal application within 30 days of such material change, including any change in contact person for regulatory purposes or contact person for Staff use in investigating customer complaints.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief and that he/she expects said Applicant to be able to prove the same at any hearing hereof.

  
Signature of Affiant & Title

Sarah Davis, VP and General Counsel

Sworn and subscribed before me this 23<sup>rd</sup> day of October, 2012  
Month Year

  
Signature of official administering oath

Eli Cranley - Notary Public  
Print Name and Title

My commission expires on n/a

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**EXHIBIT A-10  
PRINCIPAL OFFICERS AND DIRECTORS  
COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

**Directors**

Ken Hartwick	6345 Dixie Road, Suite 200 Mississauga, Ontario L5T 2E6
James Lewis	5333 Westheimer Rd, Suite 450 Houston, Texas 777056
Deborah Merrill	5333 Westheimer Rd, Suite 450 Houston, Texas 777056

**Officers**

Ken Hartwick	Chief Executive Officer	6345 Dixie Road, Suite 200 Mississauga, Ontario L5T 2E6
James Lewis	President and Chief Operating Officer	5333 Westheimer Rd, Suite 450 Houston, Texas 777056
Beth Summers	Chief Financial Officer	6345 Dixie Road, Suite 200 Mississauga, Ontario L5T 2E6
Gord Potter	Executive Vice President – Legal & Regulatory Affairs	6345 Dixie Road, Suite 200 Mississauga, Ontario L5T 2E6
Deborah Merrill	Executive Vice President – Commercial	5333 Westheimer Rd, Suite 450 Houston, Texas 777056
Blake Lasuzzo	Vice President – Supply	5333 Westheimer Rd, Suite 450 Houston, Texas 777056
Andrew Weiner	Senior Vice President and General Manager – US Midwest	100 King Street West, Suite 2630 Toronto, Ontario M5X 1E1
Robert Donaldson	Corporate Secretary	100 King Street West, Suite 2630 Toronto, Ontario M5X 1E1
Jonah Davids	Vice President and General Counsel	6345 Dixie Road, Suite 200 Mississauga, Ontario L5T 2E6

**EXHIBIT A-11 (b)**  
**CORPORATE STRUCTURE/NAME OF AFFILIATES AND LICENSES**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

<b>Company Name</b>	<b>Jurisdiction</b>	<b>Business Activity/License Type</b>	<b>License/Order/Docket registration Number</b>	<b>Date Issued mm/dd/yy</b>
Alberta Energy Savings L.P.	Alberta	Gas	314219	10/22/2010
Alberta Energy Savings L.P.	Alberta	Electricity	314218	10/22/2010
Just Energy Alberta L.P.	Alberta	Gas	325637	11/3/2010
Just Energy Alberta L.P.	Alberta	Electricity	325638	11/3/2010
Hudson Energy Canada Corp.	Alberta	Electric	331458	8/1/2012
Hudson Energy Canada Corp.	Alberta	Gas	331459	8/1/2012
Just Energy (B.C.) Limited Partnership	British Columbia	Gas	A-20-10	9/23/2010
Commerce Energy, Inc.	California	Electric	1092	8/18/1997
Commerce Energy, Inc.	California	Gas	No license requirement	8/18/1997
Commerce Energy, Inc.	Delaware	Electric	Order No. 7330	12/19/2007
Commerce Energy, Inc.	Georgia	Gas	GM-30	7/6/2005
Just Energy Illinois Corp.	Illinois	Gas	Docket 03-0720	12/17/2003
Commerce Energy, Inc.	Illinois	Electric	Docket 06-0723	1/17/2007
Commerce Energy, Inc.	Illinois	Gas	Docket 07-0501	10/29/2007
Hudson Energy Services, LLC	Illinois	Electric	Docket 07-0455	9/26/2007
Just Energy Indiana Corp.	Indiana	Gas	No license requirement	
Just Energy Manitoba L.P.	Manitoba	Gas	552	10/30/2009
Commerce Energy, Inc.	Maryland	Electric	IR-639	7/7/2004
Commerce Energy, Inc.	Maryland	Gas	IR-737	6/1/1999
Hudson Energy Services, LLC	Maryland	Electric	IR-1114	10/10/2007
Hudson Energy Services, LLC	Maryland	Gas	IR-1120	10/24/2007
Just Energy Massachusetts Corp.	Massachusetts	Electric	CS-069	6/1/2009
Hudson Energy Services, LLC	Massachusetts	Electric	CS-061	8/27/2010
Hudson Energy Services, LLC	Massachusetts	Gas	GS-034	12/10/2007
Commerce Energy, Inc.	Michigan	Electric	U-13203	10/29/2009
Just Energy Michigan Corp.	Michigan	Gas	U-15980	10/29/2009
Commerce Energy, Inc.	Nevada	Gas	G-13	11/30/2006
Commerce Energy, Inc.	New Jersey	Electric	ESL-0046	6/18/2010
Commerce Energy, Inc.	New Jersey	Gas	GSL-0116	3/12/2012

**EXHIBIT A-11 (b)**  
**CORPORATE STRUCTURE/NAME OF AFFILIATES AND LICENSES**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

Hudson Energy Services, LLC	New Jersey	Gas	GSL- 0069	1/20/2010
Hudson Energy Services, LLC	New Jersey	Electric	ESL - 0083	1/20/2010
Fulcrum Retail Energy New York, LLC	New York	Gas	Approved ESCO	1/19/2011
Fulcrum Retail Energy New York, LLC	New York	Electric	Approved ESCO	1/19/2011
Just Energy New York Corp.	New York	Electricity	Approved ESCO	10/27/2008
Just Energy New York Corp.	New York	Gas	Approved ESCO	10/27/2008
Just Energy U.S. Corp	New York	Electricity	FERC - ER10-379	3/3/2010
Commerce Energy, Inc	New York	Electricity	FERC - ER97-4253	
Commerce Energy, Inc.	New York	Electricity	Approved ESCO	3/15/2002 and 9/7/2005
Commerce Energy, Inc.	New York	Gas	Approved ESCO	5/18/1999
Hudson Energy Services, LLC	New York	Gas	Approved ESCO	9/25/2002
Hudson Energy Services, LLC	New York	Electric	Approved ESCO	12/16/2002
Commerce Energy, Inc.	Ohio	Electric	Certificate 01-074	6/10/2001
Commerce Energy, Inc.	Ohio	Gas	Certificate 02-023	11/22/2010
Hudson Energy Services, LLC	Ohio	Gas	Certificate 12-271G (1)	10/11/2012
Hudson Energy Services, LLC	Ohio	Electric	Certificate 12-538 E (1)	7/25/2012
Universal Energy Corporation	Ontario	Electricity	ER-2010-0034	6/17/2010
Universal Energy Corporation	Ontario	Gas	GM-2009-0364	4/1/2010
Just Energy Ontario L.P.	Ontario	Gas	GM-2010-0152	8/27/2010
Just Energy Ontario L.P.	Ontario	Electricity	ER-2010-0153	8/27/2010
Hudson Energy Canada Corp.	Ontario	Electricity	ER-2010-0223	9/15/2010
Hudson Energy Canada Corp.	Ontario	Gas	GM-2010-0224	9/15/2010
Commerce Energy, Inc.	Pennsylvania	Electric (PECO)	A-110117	9/15/1999
Commerce Energy, Inc.	Pennsylvania	Gas (PECO)	A-125138	5/19/2005
Just Energy Pennsylvania Corp.	Pennsylvania	Gas (Columbia)	A-2009-2098011	12/28/2009
Just Energy Pennsylvania Corp.	Pennsylvania	Electric (Duquesne)	A-2009-2097544	12/28/2009
Just Energy Quebec L.P /Juste Energie Quebec S.E.C	Quebec	Gas	No license requirement	05/4/2004
Hudson Energy Canada Corp./Energie Hudson Canada	Quebec	Gas	No license requirement	12/07/2011
Just Energy Quebec L.P /Juste Energie Quebec S.E.C	Quebec	Just Clean ( non-commodity)	PERMIS NO. 119517	7/6/2011
Just Energy Texas L.P.	Texas	Electricity	REP Certification No. 10052	7/2/2007
Hudson Energy Services, LLC	Texas	Electric	REP Certification No. 30061	9/14/2004



**EXHIBIT A-11 (b)**  
**CORPORATE STRUCTURE/NAME OF AFFILIATES AND LICENSES**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

Hudson Energy JV, LLC	Texas	Electric	REP Certification No. 36644	3/5/2009
Commerce Energy, Inc.	Virginia	Gas	G-22 (lapsed; renewal pending)	2/26/1999
Commerce Energy, Inc.	Virginia	Electric	E-14 (lapsed; renewal pending)	10/8/2004
Hudson Energy Services, LLC	Pennsylvania	Electric	A-2010-2192137	2/11/2011

## As at July 20, 2012



**EXHIBIT B-1**  
**JURISDICTIONS OF OPERATION**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

The applicant is licensed to provide retail or wholesale electricity service in California, Delaware, Illinois, Michigan, New Jersey, New York, Pennsylvania, Ohio, Maryland and Virginia. Please see further details below. The applicant is also licensed to provide retail gas service in California, Delaware, Georgia, New York, Nevada, Maryland, Ohio and Pennsylvania. Please see specifics below.

**Commerce Energy, Inc.**

California	Registered October 7, 1997. License #1092
Delaware	Registered December 12, 2007. Docket No. 07-275
Illinois	Registered 1/17/07. Electric Docket #06-0723
Maryland	Registered July 7, 2004. License #IR-639
Michigan	Registered November 20, 2001. Case No. U-13203
New Jersey	Registered November 9, 2000. License #ESL-0046
Nevada	Registered November 30, 2006. License No. G-13
New York	Registered September 9, 2004. Case No. 93-G-0932
Ohio	Registered June 10, 2001. Certificate #01-074(1)
Pennsylvania	Registered September 15, 1999. License #A-110117
Virginia	Registered October 8, 2004. License #E-14

**EXHIBIT B-2**  
**EXPERIENCE & PLANS**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

The applicant has held a CRES license in Ohio for nine years and began marketing in the territory as of March 7<sup>th</sup>, 2012. Since that time the applicant has acquired over 18,000 contracts as of October of 2012. All systems and contracting processes described in Exhibit B-2 of our original CRES application (dated May 25, 2001) have been implemented and refined during the course of our operations.

**EXHIBIT B-3**  
**DISCLOSURE OF LIABILITIES AND INVESTIGATIONS**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

The following is information regarding resolved actions taken by any and all state U.S. Government agencies or Canadian equivalents against Commerce Energy, Just Energy, U.S. Energy Savings and Commerce Energy's former parent company Universal Energy and other associated entities in the last five (5) years. At this time, there are no pending actions.

**Commerce Energy, Inc. d/b/a Just Energy**

Public Utility Commission of Ohio (PUCO) and Ohio Consumers' Counsel (OCC) – During Commerce Energy's (d/b/a Just Energy) Ohio natural gas license renewal process the PUCO issued a Staff Report expressing concerns over the Commerce Energy's possible misleading sales practices for door to door sales and requested an increase in consumer protections for the Company. The PUCO, OCC and Commerce reached agreement on a set of consumer protections and safeguards. The settlement included a forfeiture of \$111,000, the possibility of an additional \$200,000 if the number of complaints exceeds a certain threshold over the next 12 months, the implementation of an in-state quality assurance program and the requirement to provide all customers who have signed up between April and September 2010 to leave or alter their contract without fees. The settlement also required Commerce to make adjustments to its contracts and third party verification process. In addition the PUCO granted the license renewal for a two year term.

**Universal Energy Corporation (UEC)**

British Columbia Utilities Commission (BCUC) – March 2008. In Commission Order no.G-47-08 UEC was found in violation of Articles 14 & 29 of the Commission's *Code of Conduct*. The incident in question involved allegation that an independent agent representing UEC conducted himself in an aggressive manner towards a customer. UEC acknowledged the incident, and was ordered to pay a penalty of \$7,000.00, re-train and certify all agents in British Columbia within 14 days of the Order, and train all new agents in accordance with the Order.

Ontario Energy Board (OEB) – EB – 2009-0005-January 20th 2009; pursuant to section 112.7 of OEB Act, 1998 and as part of the OEB reaffirmation audit, it was determined that misleading statements were used during reaffirmations completed within the time frame of March 2007 to June 2008. The misleading statements included "the cap will be removed in May 2008" and "RPP is currently subsidized by the government". For a period of 18 months Universal committed to report on any disciplinary action taken as a results of it quality assurance audits of all positive reaffirmation calls. UEC was ordered to pay an initial penalty \$200,000 later reduced to \$127,500.

EB – 2009-0118- on April 29th 2009, Pursuant to section 112.5 of OEB Act, 1998 a penalty pertaining to two specific instances of making false and misleading statements, and one instance of a breach of section 2.3 of the Code of Conduct for Gas Marketers related to natural gas supply submission without the consumers written permission. UEC was fined \$60,000.

Michigan Public Utilities Commission (MPUC) – February 2008. Commission Order no. U-15509 directed a formal investigation into the marketing and customer service practices of Universal Gas and Electric Corporation (UGE) (which is an affiliate of UEC and was acquired

by Just Energy along with UEC in 2009). The primary catalyst for this investigation was the number of complaints received by the Commission relating to the marketing practices of UGE. The bulk of the allegations in these complaints were that independent contractors were not describing the product offering fully or in a manner that a customer could understand. The Commission and UGE reached a settlement in which UGE agreed to; i) offer to terminate without charge contracts with certain customers or, alternatively, provide a \$50 credit to those of the affected customers who chose to remain with UGE; ii) reimburse certain customers for their time; iii) reimburse the State of Michigan \$300,000; iv) submit its marketing materials to the MPUC staff for review; and v) change certain products and marketing practices. Universal also agreed to file a quarterly report, for a period of two years (ending February 2010), with the MPUC outlining the number of customer complaints, types of concerns, resolutions and any reimbursements paid, and to include in such reports proposals for improvement in its processes to address any systemic issues found to give rise to such complaints.

**Illinois Energy Savings Corp. (now – Just Energy Illinois Corp.)**

Two separate actions regarding the substantially similar allegations for a similar time period were pursued separately by the Illinois Attorney General and the Citizen's Utility Board in the Circuit Court of Cook County, Illinois and before the Illinois Commerce Commission, respectively.

Illinois Attorney General (ILAG) –The ILAG brought suit against Illinois Energy Savings Corporation (IESC) related to allegations that IESC used deceptive sales tactics and promised savings to customers, which conduct, if proven, would in ILAG's view have amounted to conduct in violation of the Illinois Consumer Fraud and Deceptive Business Practices Act. In May 2009, the ILAG and IESC entered into a settlement agreement. The ILAG and IESC agreed to a stipulated final judgment and consent decree. Although IESC denied the allegations in the suit, it agreed to: i) pay restitution to Illinois consumers; ii) provide eligible consumers with notice of the settlement within 30 days and notice regarding the submission of claim forms to access the restitution funds; iii) allow current eligible customers to cancel contracts without paying an early termination fee; iv) ensure that all marketing material had full disclosures regarding the type of product, the conditions of service and any existence of early contract termination fees; v) cap any early termination fees at \$50; and vi) investigate and terminate sales representatives who were proven to have misled consumers, to have provided false information during solicitations or to have forged contracts or agreements. No violations of the Consumer Fraud and Deceptive Business Practices Act were found in this proceeding.

Illinois Commerce Commission (ICC) - In ICC Docket No. 08-0175, the Citizen's Utility Board ("CUB") and other parties filed a complaint against IESC alleging violations of Article XIX of the Illinois Public Utilities Act, including non-compliance with Section 2 of the Illinois Consumer Fraud and Deceptive business Practices Act, the Illinois Deceptive Trade Practices Act, the common law prohibition against unreasonable liquidated damages, and the supplier Standards of Conduct contained in utility tariffs. In April 2010, the Illinois Commerce Commission issued its Final Order in Docket No. 08-0175, which found eight individual violations of subsection 19-115(c) by failing to obtain verifiable authorization of a switch, a single violation of subsection 19-115(f) for inaccurate price disclosures in marketing materials, and a single violation of the Standards of Conduct in gas utility tariffs. There was no finding of a violation of the Consumer Fraud and Deceptive Business Practices Act. Further, there was a finding that IESC had not violated the common law prohibition against unreasonable liquidated damages. IESC was ordered to pay a fine of \$90,000, undergo an audit, and implement corrective measures to ensure future adherence to Illinois laws and regulations.

*Although this issue was not part of a formal investigation or an action against Just Energy New York Corp.'s license, in the interest of full disclosure please see the below summary and enclosed Attorney General settlement agreement with a copy of an internal Just Energy memo that was circulated as a result of this issue.*

**New York Energy Savings Corporation (now - Just Energy New York Corp.)**

New York Attorney General (NYAG) – February 2008. The NYAG conducted an informal review related to consumer complaints alleging that independent contractors representing New York Energy Savings Corporation (NYESC) had made promises of savings to consumers. A voluntary settlement resulted in an Assurance of Discontinuance which was accepted in July 2008 (AOD-08-84), in which NYESC agreed to cancel customers without fees, and pay \$100,000 in penalties and an additional \$100,000 in costs to NYAG. NYESC also agreed to ; i) provide to every new customer a letter setting out the contract cancellation period and early termination fees; ii) confirm all details and qualifiers of its agreements with consumers either by recorded call or in writing; iii) obtain background and/or reference checks for all potential sales contractors; iv) review all consumer complaints and provide a response within 30 days of receipt; v) terminate any independent contractor who was proven to have misled consumers more than twice; and vi) waive termination fees for any consumer who cancelled an agreement within 60 days of the date of the AOD.

**EXHIBIT B-3 AND B-4**  
**DISCLOSURE OF LIABILITIES AND INVESTIGATIONS**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

The applicant or a predecessor of the applicant or any principal officer of the applicant or its parent company have never been convicted or held liable for fraud or for violation of any consumer protection or antitrust laws within the past five years.



**EXHIBIT C-1**  
**ANNUAL REPORTS**  
**COMMERCE ENERGY, INC. D/B/A JUST ENERGY**

Attached are Just Energy's two most recent Annual Reports filed with the Canadian Securities and Exchange Commission. Financial data is maintained on a consolidated company basis and therefore cannot be produced to reflect Commerce Energy business only.

# Growing through Innovation

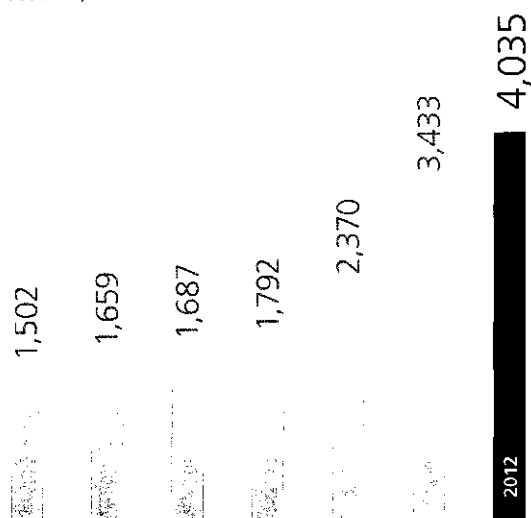
ANNUAL REPORT 2012



At Just Energy, we're fuelled by the power of innovative ideas. More than a decade ago, we came to the market with a new way for consumers to enjoy peace of mind and energy price security. Since then, we have been able to increase our customer base 17 times, successfully enter 18 new geographic markets, expand our product mix and deliver value to our shareholders. With a strong track record of innovation, we are offering better prices and service to our customers, and we are committed to providing a safe and secure energy future for all.

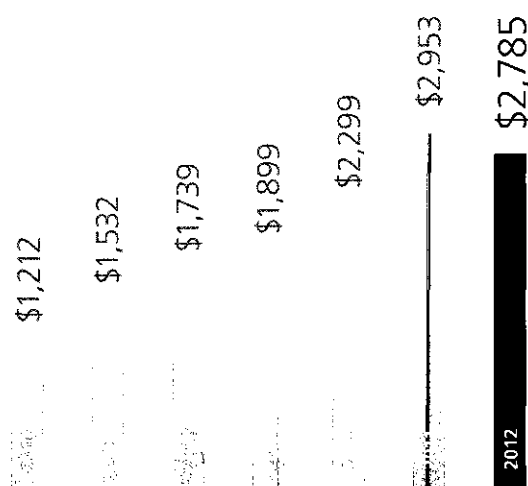
## Total Customers – includes NHS units

(thousands)



## Sales

(\$ millions)



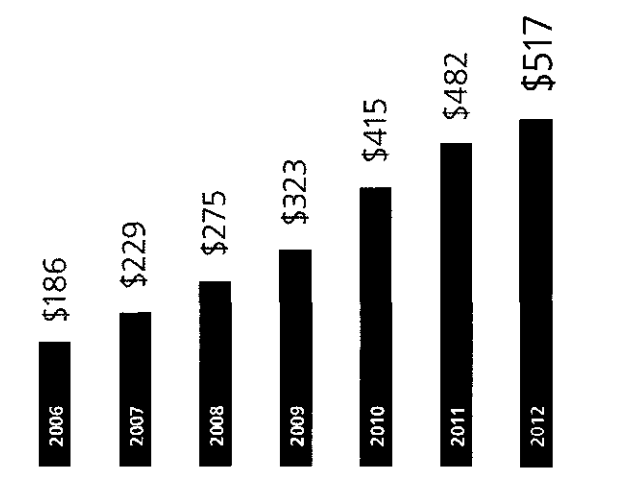
Just Energy's business primarily involves the sale of natural gas and/or electricity to residential and commercial customers under long-term, fixed-price, price-protected or variable-priced contracts and green energy products. By fixing the price of natural gas or electricity under its fixed-price or 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. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Just Energy 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. Just Energy also offers green products through its JustGreen and JustClean programs. In addition, through National Home Services ("NHS"), Just Energy rents and sells high efficiency and tankless water heaters, air conditioners and furnaces to Ontario residents. Through Hudson Energy Solar, the Company completes solar power installations for customers in New Jersey, Pennsylvania and Massachusetts. Through Terra Grain Fuels, Just Energy produces and sells wheat-based ethanol. Just Energy measures its energy customer base in Residential Customer Equivalents ("RCEs" or "customers") based on the average natural gas or electricity consumption of a normal home. A National Home Services customer or unit is an installed water heater, furnace or air conditioner in a home.

# 2012 Highlights

- ◆ Gross additions through marketing were a record 1,091,000 customers, up 9% from the 999,000 added in fiscal 2011 and up 116% from 505,000 added in fiscal 2010.
- ◆ Net customer additions, including customers acquired with Fulcrum, were 556,000 for the year. Excluding Fulcrum customers, net additions were 316,000. Energy customer base reached 3,870,000 RCEs, up 17% year over year.
- ◆ Annual customer attrition improved to 13% in fiscal 2012, down from 15% in fiscal 2011. Renewal rates for the year were 64%, down slightly from 65%.
- ◆ Gross margin of \$517.5 million, up 7% year over year (5% per share), equaling our published guidance.
- ◆ National Home Services water heater and HVAC installed base up 39% to 165,400. NHS revenue and gross margin were up 58% and 78%, respectively, year over year.
- ◆ Adjusted EBITDA of \$283.1 million, up 9% (7% per share), exceeding our published guidance of 5% growth per share.
- ◆ Dividends of \$1.24 per share were paid in fiscal 2012, equal to the dividends/distributions paid in fiscal 2011.

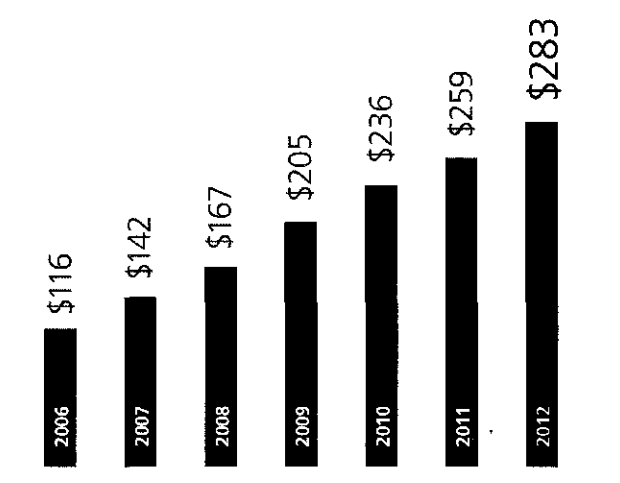
## Gross Margin

(\$ millions)



## Adjusted EBITDA

(\$ millions)



# Message from the Executive Chair



"Our growth expenditures generally pay back in less than 18 months resulting in the very high returns on invested capital for which Just Energy is known. We have access to adequate financing to fund any realistic level of accelerated growth without impacting our ability to pay dividends. Continued profitable growth and high income will be the result."

Dear Fellow Shareholders,

I am pleased to report our results for the year ended March 31, 2012. It was a year of success with our customer growth and expenditure control allowing us to outpace the challenges of yet another extremely warm winter.

In last year's annual report, we provided guidance as to our expected growth for fiscal 2012. Our expectation was 5% per share growth in both gross margin and Adjusted EBITDA. We chose these measures carefully.

Margin growth represents the annual profitability of our growing base of customers. It is important to ensure that adding more customers results in higher margin. This requires pricing discipline in a period of very low commodity prices. This is particularly true given that more than half the new customers we added were commercial customers who generate lower margins per customer. Because of this, our customer growth will exceed our margin growth. Accordingly, while our customer base grew by double digits for the year, our expectation was for 5% margin growth per share and, just as the Company has in the past, we met this target. In fact, without the extremely warm winter in our key markets and its impact on gas consumption, we would have exceeded that goal.

In addition to pricing discipline, management is charged with controlling costs. Adjusted EBITDA takes gross margin and deducts administrative expenses, bad debt costs and that portion of our selling and marketing expense that allowed us to replace all annual margin lost to attrition. We were largely successful in controlling costs. As a result, we were able to exceed our target with a 7% growth in Adjusted EBITDA per share.

Some in the capital markets look at our overall payout ratio including expenditures to grow the business and think that a rising trend threatens our dividend. Nothing could be further from the truth. Our growth expenditures generally pay back in less than 18 months resulting in the very high returns on invested capital for which Just Energy is known. We do not believe that these sales efforts should be curtailed even if small amounts need to be borrowed to finance them. We have access to adequate financing to fund any realistic level of accelerated growth without impacting our ability to pay dividends at the current rate of \$1.24. Continued profitable growth and high income will be the result.

## THE FUTURE

Just Energy is not in the business of standing still. Three years ago, we saw the growing demand for green energy from our Consumer division customers and developed our JustGreen and JustClean products. These products have been a tremendous success, with green sources making up 12% of our current Consumer electricity portfolio and 10% of our Consumer natural gas portfolio. While the take-up of green by new customers slowed slightly this year due to pricing pressures in a challenging economy, green products remain a focus of the Company.

We continue to initiate new products and options for green oriented customers. Our new Hudson Energy Solar business has committed to more than \$90 million in capital projects, placing large solar arrays on roofs of corporate and public buildings. We expect that this business will double in the coming year.

Today, we continue to look to the future and see many changes coming in how customers use energy. Time-of-use metering makes control of home consumption an important goal of homeowners and an opportunity for Just Energy to provide products which assist customers in using energy effectively. Looking further out, we see growth in the sales of electric cars and other vehicles as a major driver of North American power consumption. Again, our executive team is looking for ways to have Just Energy products at the forefront of this growth sector.

#### DIVIDEND POLICY AND PAYOUT RATIO

On January 1, 2011, our Board implemented a dividend policy in which monthly dividends have been initially set at \$0.10333 per share (\$1.24 annually), equal to our former distribution rate as an income trust. This allowed many of our shareholders to benefit from a more attractive tax treatment on dividends, as opposed to the previous distributions.

Many of our shareholders look to Just Energy as an important source of steady, predictable income. This will not change. While the past year saw the worst weather conditions for our operating results, we were able to meet our guidance and continued to pay our \$1.24 dividend. Our payout ratio on Adjusted EBITDA declined for the third straight year reaching 62%, down from 66% in fiscal 2011 and 78% in fiscal 2010.

I want to thank Ken Hartwick and his team for an excellent year. Our efforts and expenditures to broaden our sales channels and geographic footprint have resulted in renewed growth without sacrificing the stability that Just Energy is known for. Just Energy has become a North American leader in the deregulated commodity supply and green energy markets. The future has never been brighter for your Company.

Thank you for your support.

Yours truly,



**Rebecca MacDonald**  
Executive Chair

	2012	2011	2010
Canada – energy marketing (C\$)	\$ 592.1	\$ 632.6	\$ 783.1
Home Services division (C\$)	393.0	282.7	176.7
Canada – total (C\$)	\$ 985.1	\$ 915.3	\$ 959.8
U.S. – energy marketing (US\$)	994.1	835.6	414.6
Total embedded margin (C\$)	\$ 1,976.8	\$ 1,725.5	\$ 1,381.0
Year over year increase	15%	25%	

Embedded gross margin is a measure of management's estimate of the five-year rolling future contracted energy gross margin as well as the margin associated with the average remaining life of the Home Services division's supplier contracts. Just Energy's embedded margin has grown by 43% in two years.

# Message from the Chief Executive Officer



"As we have every year, management provides guidance on growth expected for the upcoming fiscal year. For fiscal 2013, based on strong customer growth, management expects growth of approximately 10% to 12% in gross margin and 8% to 10% for Adjusted EBITDA. This is substantially higher than the 5% growth rates we expected and achieved in fiscal 2012."

Dear Fellow Shareholders,

I am pleased to report our operating results for the fiscal year ended March 31, 2012. It was a year of record performance with the highest gross margin, Adjusted EBITDA and customer additions in the Company's history. The results are a culmination of our efforts over the past three years to diversify our marketing channels and to broaden our product line while maintaining a focus on the customer's energy use and price.

A number of factors have driven our success. First and foremost is customer aggregation. Customer additions through marketing were a record 1,091,000 for the year. As can be seen in the graph opposite, the past two years have seen a "sea change" in the Company's marketing capability. Including the customers added through marketing and the customers acquired with Fulcrum in October, our customer base has reached 3,870,000, up 17% from a year prior.

Each of the steps we have taken to add additional channels has been successful. Our core Consumer division residential marketing generated 429,000 new customers, up 1,000 from the previous record 428,000 added in fiscal 2011. This increase is in addition to the significant role our sales force plays in renewing customers.

Commercial additions were 662,000, up 16% from the previous record 571,000 added in fiscal 2011. Our growth in Commercial has far exceeded our expectations when we acquired Hudson Energy two years ago. The 1.2 million additions in fiscal 2011 and 2012 were on top of the 561,000 customers we acquired with Hudson, building our Commercial division into a sizable business in just two years. We understand that these customers generate, by design, lower per customer margins than our traditional residential base but their payback on aggregation cost is less than 18 months, just like a residential customer. While this results in slower margin growth than the growth in customer base, this is a very lucrative business as each customer equivalent brings lower customer aggregation costs and lower ongoing customer care expenses.

Other new marketing channels include our initial steps into Internet marketing and telemarketing. A particularly exciting vehicle is our network marketing unit, Momentis. From a standing start with 3,500 independent representatives at the beginning of the year, Momentis has grown to 47,800 independent representatives at year-end. With the rapid ramp-up, we are only now starting to see the benefit of this division in new customer contracts and sales of other products.

The year also saw the acquisition of Fulcrum which, along with 240,000 new customers, brought an expertise in affinity marketing which we hope to roll out in our other major markets in coming years.

Clearly, energy marketing is seeing exciting returns from all its channels. With our continued confidence in these sales channels, we intend to invest to grow each to its potential.

A second area of growth is National Home Services. Our water heater and HVAC rental division saw installed units increase by 39% year over year. Revenue and gross margin are up 58% and 78%, respectively. This product is a natural extension of our

focus on the customer's energy needs and tremendous value is being built daily within this division, with steps being taken to move outside of Ontario.

Other aspects of our business also showed improvement. Our level of attrition in our customer base again declined to an annual rate of 13%, down from 15% across our book. Improving economic conditions and higher numbers of more stable commercial customers cause us to believe that this trend will continue.

Renewal rates slipped slightly, falling to an average of 64% this year from 65% in fiscal 2011. Renewals are challenging in a market where customers are coming off very high cost contracts to new market pricing which is often half what they had been paying. Once these high price contracts all roll off, we expect an improvement in renewal rates.

We invested in a number of future expansions which increased administrative costs during the year. Excluding these and the back office which came with the

Fulcrum acquisition, these costs grew by far less than the growth in our customer base. Bad debt expense also saw an improvement, falling to 2.4% of relevant sales from 2.7% a year ago.

A very important measure of our operating success is embedded margin, a calculation of the cash flow that will be generated by existing contracts over their life. At the end of fiscal 2011, our embedded margin stood at \$1,726 million. During the year, \$484 million in gross margin was realized. Our successful sales and marketing efforts added new embedded margin, ending the year with \$1,977 million, up 15% from fiscal 2011.

#### EXPECTATIONS FOR FISCAL 2013

We expect continued profitable growth for Just Energy in the year to come.

As we have every year, management provides guidance on growth expected for the upcoming fiscal year. For fiscal 2013, based on strong customer growth, management expects growth of approximately 10% to 12% in gross

margin and 8% to 10% for Adjusted EBITDA. This is substantially higher than the 5% growth rates we expected and achieved for fiscal 2012.

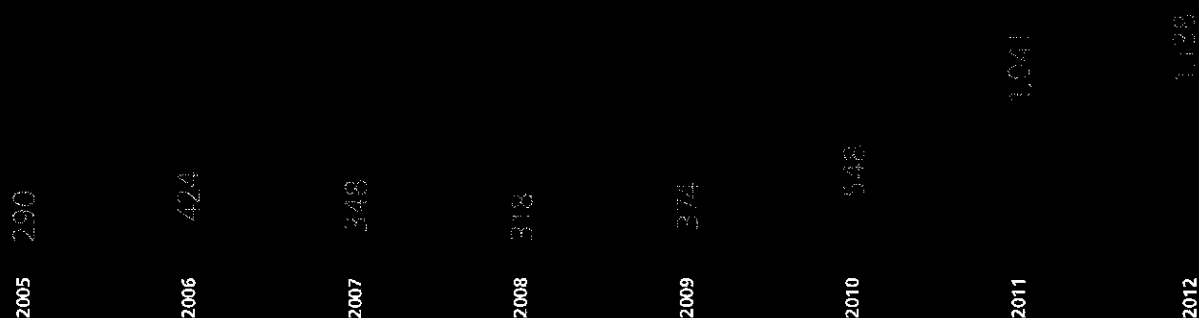
Our more diversified product offering and geographic footprint gives a solid base for continued growth in the future. You will see us begin to use technology to expand our relationship with a customer leading to a deeper customer commitment. As Rebecca has pointed out, Just Energy is poised to expand its position as a market leader in deregulated commodity supply.

I look forward to seeing as many of you as possible at our Annual General Meeting on June 28, 2012.

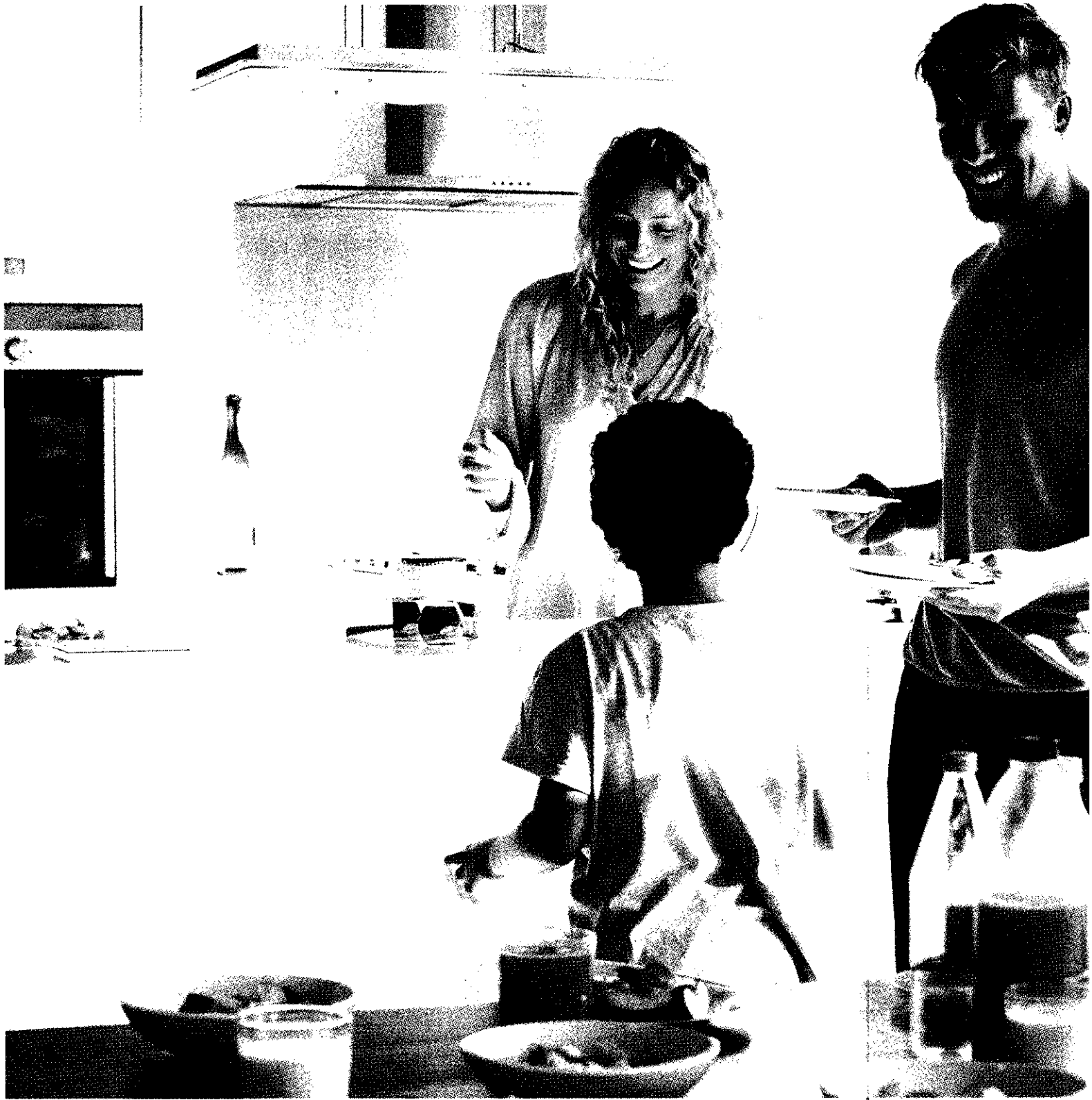
Yours truly,

*Ken Hartwick*

**Ken Hartwick**  
Chief Executive Officer and President







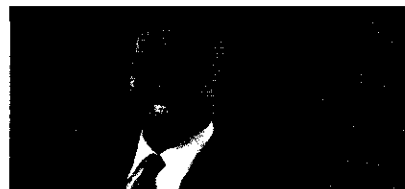
Consumer Business

When customers do business with Just Energy, they benefit from our extensive experience, competitive products and pricing, record of dependable energy supply, outstanding customer service and seamless delivery of energy from their local utility.

Just Energy's price-protected electricity and natural gas contracts give customers greater control over their energy costs. With our standard fixed-rate and price-protected products, customers can lock in energy prices for up to five years. Our variable-rate products let them enjoy lower prices while market rates are down and lock in the price at any time if market rates start to rise.

Consumer products are primarily sold by a network of approximately 1,000 independent contractors calling on homes and small businesses. In 2007, 100% of sales were generated door-to-door. New sales channels have reduced this dependence, with Momentis, telemarketing and Internet sales growing sharply. Including commercial additions, door-to-door sales accounted for only 50% of new customers in fiscal 2012.

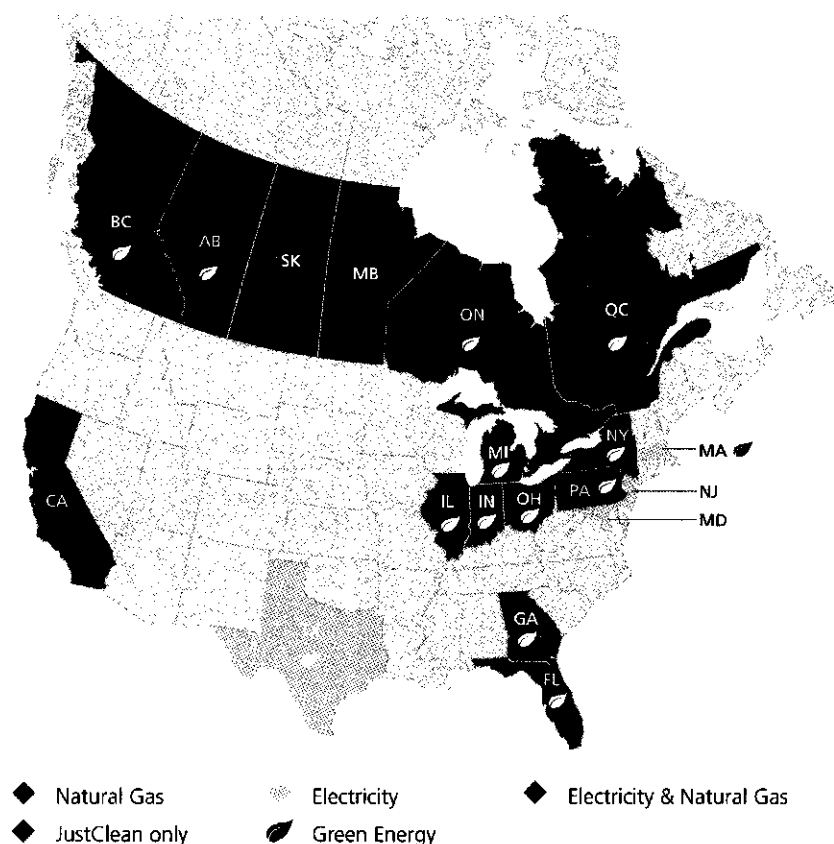
Our consumer energy customers account for approximately 51% of our total base at the end of the fiscal year. Potential growth has been limited by the current low commodity price environment but many residential and small business customers now view the low prices as an ideal opportunity to sign up with a retailer. During the year, we added a record 429,000 consumer customers, showing clear evidence of this continued demand for our products.

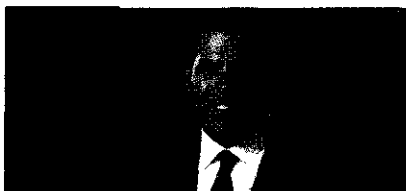


**JAMES LEWIS**  
Executive Vice President and  
Chief Operating Officer

"Each of the steps the Company has taken over the past three years to add additional sales channels have been successful. The core Consumer division marketing generated a record 429,000 new customers in fiscal 2012. This increase is in addition to the significant role the sales force plays in renewing customers."

## JUST ENERGY MARKETS





**ANDY McWILLIAMS**  
President and CEO, Momentis

"Momentis is becoming a key sales channel for Just Energy. In the coming year, we expect continued rapid growth from Momentis. And that's just the beginning. The model of families helping friends and families is one that resonates with people everywhere."

## New Sales Channels

In addition to traditional door-to-door sales, consumer products are sold through direct mail and telesales, online activations, network marketing and affinity marketing.

Momentis, our network marketing channel, was launched in 2010. Independent representatives earn an initial bonus for enrolling customers (who are typically friends and family) and a recurring monthly income for those customers who continue to use our products. By the end of fiscal 2012, the Momentis sales base had grown to over 47,800 representatives, a more than ten-fold increase from the beginning of the year. While these representatives tend to generate fewer contracts than our sales agents, the overall cost and profitability of the channel is attractive. Momentis gross margin accounted for roughly 3% of Just Energy's total gross margin in 2012 and is expected to grow in significance in the coming years.



Product innovation is critical for both attracting new customers and renewing existing ones. Just Energy has a strong track record of introducing new products and pricing options that address market realities and anticipate customer needs.

## Predict-a-Bill

Introduced in fiscal 2012, the revolutionary Predict-a-Bill plan is designed to keep natural gas supply costs exactly the same each and every month. Homeowners pay a flat monthly charge no matter what their usage, even during cold winter months when natural gas consumption normally goes up. The monthly charge is based on the consumption profile of a typical residential customer. Predict-a-Bill is ideal for customers on a fixed income or a tight budget.

## Affinity Marketing

Just Energy moved into affinity marketing with the acquisition of Fulcrum Retail Holdings Inc. in fiscal 2012. Operating in the state of Texas, Fulcrum has built a strong business selling energy products under its Tara Energy and Amigo Energy brands through online, targeted affinity marketing channels. Affinity sales are customers acquired through a customer relationship with an entity based on ethnicity, profession or buying habits. Key partners include trade associations and consumer-centric associations. We intend to expand Fulcrum's proven marketing model beyond Texas, starting with the Ontario, New York, New Jersey and Illinois markets.

## Product Innovation

Product innovation is critical for both attracting new customers and renewing existing ones. Just Energy has a strong track record of introducing new products and pricing options that address market realities and anticipate customer needs.

We were one of the first major energy retailers to offer green energy products in 2008 and continue to expand our product line. Take-up of JustClean, one of our newest green products, has been strong among customers who want green supply but choose not to lock into a term commodity contract. JustClean is a green-only program in which we

purchase renewable energy credits and/or carbon offsets on behalf of our customers, as a means of helping them reduce their household carbon footprint. The product generates contract life margins per customer that are very similar to those of our standard offerings. See pages 14–17 for more information about our green energy business.

To address the challenge of a stable, low-price commodity environment, which lessens the appeal of fixed-rate contracts, we added a Blend and Extend option that allows existing customers to blend their current contract rate with a new, lower rate and extend it out for a longer term to take advantage of current reductions in market price. We also added variable rate and shorter-term alternatives for our core electricity and natural gas contracts, which proved to be highly successful. Approximately two-thirds of total new sales in fiscal 2012 were variable rate, term contracts.

One of our latest innovations is the Predict-a-Bill product which offers a flat monthly charge for natural gas usage. We also launched the MyTime electricity program in Ontario, which is our core product involving the installation of smart meters. With time-of-use pricing, residents normally pay more for electricity during peak usage periods. With our product, subscribers' supply rate remains the same throughout the day, regardless of when they use their electricity.

## Product Innovation Preserves Margins

Realized Margins	F2008	F2009	F2010	F2011	F2012
Natural Gas	17%	19%	17%	15%	16%
Electricity	14%	14%	19%	17%	18%
Total	16%	17%	18%	16%	18%

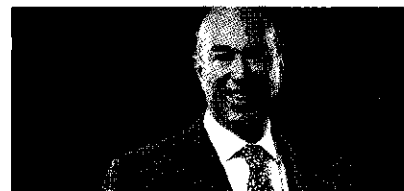
New Customer Margins	F2008	F2009	F2010	F2011	F2012
Consumer	\$ 171	\$ 187	\$ 208	\$ 195	\$ 170
Large Commercial	–	–	–	\$ 88	\$ 82

## Innovation in Technology

We continue to examine how consumers will use technology to ensure their energy usage is efficient. As Just Energy has in the past, we will adapt our offering to meet the consumers' needs through consumption control technology.

## National Home Services

Just Energy has a fast-growing National Home Services division in Ontario, which rents out high efficiency water heaters, furnaces and air conditioners for the home. Products are marketed through a strong door-to-door network of 190 independent contractors. Our installed base grew by 39% in fiscal 2012, reaching 155,600 water heaters and 9,800 furnaces and air conditioners installed, at year-end.



**MARK SILVER**

President, National Home Services

"The graphs on this page show that NHS has grown to substantial profitability. The long-term nature of NHS cash flows means that, with continued marketing success, our division will be a significant contributor to Just Energy's financial results for years to come."

### NHS INSTALLED UNITS

165,400

2012

118,600

2011

77,000

2010

### NHS EBITDA

19,106

2012

4,041

2011

2,022

2010



Commercial Business



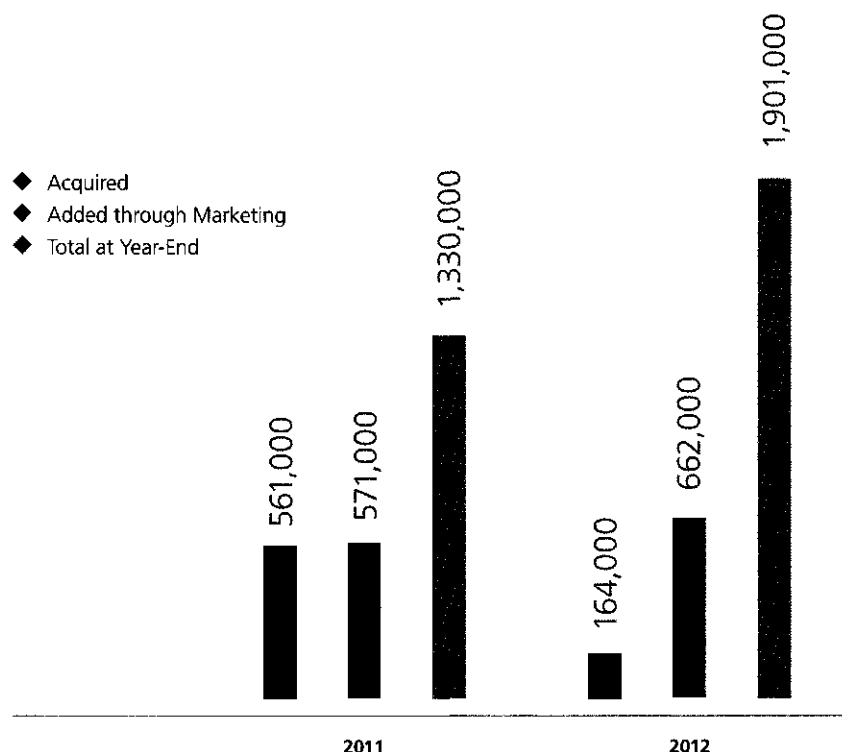
Just Energy offers commercial customers competitive pricing options, the potential for savings when market rates rise above their contracted price, and flexible terms so that they can choose the short- or long-term contract that best meets their needs. Our track record of reliable energy supply is also an important selling feature.

Our commercial customers are typically price sensitive and purchase their electricity and natural gas contracts through energy consultants, independent contractors and independent brokers. Just Energy's products for this market segment range from standard fixed offerings to "one off" offerings, which are tailored to meet customers' specific needs. They can be either fixed or floating rate, or a blend of the two, and normally have terms of less than five years.

Commercial margins per residential customer equivalent are lower than traditional consumer margins. However, aggregation and annual customer service costs are also commensurately lower because of economies of scale that can be realized, greater system automation and the fact that third-party brokers perform some of the service functions that would otherwise fall to Just Energy for commercial customers. In fact, administrative expenses to support the commercial business are approximately half that of the consumer business.

Our commercial customer base grew to 1,901,000 in fiscal 2012, a 43% increase over the previous year. Growth was strongest in the United States electricity market, led by Texas and New Jersey.

## COMMERCIAL CUSTOMERS



DEBORAH MERRILL  
President, Hudson Energy

"Just Energy is at the cutting-edge of technological innovation when it comes to our commercial sales portal. We continually invest in new technology and try to make it as easy as possible for brokers and customers to do business with us."

- ◆ 2012 average annual gross margin of \$82 per RCE
- ◆ Average aggregation costs of \$35 paid annually
- ◆ Consumption patterns are more predictable and less weather sensitive
- ◆ Commercial administrative costs are approximately half that of the consumer business

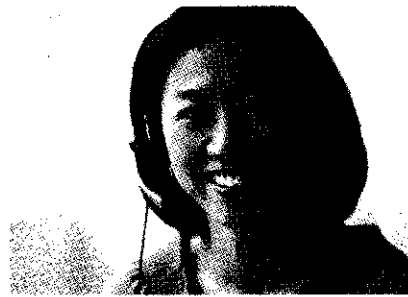
## Commercial Markets

MARKET	NATURAL GAS	ELECTRICITY
Ontario	◆	◆
Alberta	◆	◆
British Columbia	◆	
Quebec	◆	
Saskatchewan	◆	
New York	◆	◆
Illinois		◆
Michigan	◆	
Ohio	◆	
Texas		◆
California	◆	◆
Pennsylvania	◆	◆
New Jersey	◆	◆
Maryland		◆
Massachusetts		◆

## Broker-Friendly Service

Commercial sales are increasingly made through the broker channel using the platform acquired with the Hudson Energy Services acquisition in fiscal 2011. We also acquire customer sales through commercial independent contractors and inside sales.

Just Energy offers our sales partners a number of unique advantages. The Hudson portal is a state-of-the-art platform that gives sales agents the ability to do business with us in an efficient and expeditious manner, at the time of their choosing. We provide brokers with flexibility to offer multiple products at the most competitive prices. We use an automated system that is connected to the portal platform to provide exact and timely commission payments. We also go to great lengths to ensure that our brokers' customers receive top-notch service and stay through the contract term. This includes regional sales support teams and an account management team that provides post-transaction support for brokers and customers.



The Hudson portal is a state-of-the-art platform that gives sales partners the ability to do business with us in an efficient and expeditious manner, at the time of their choosing. We provide brokers with flexibility to offer multiple products at the most competitive prices.

## Long-Term Relationships

Commercial customers tend to have combined attrition and failed-to-renew rates that are lower than those of residential customers – and we work hard to keep it this way. A dedicated team of more than 30 customer retention staff are focused on keeping and recovering customers. Additionally, account managers and representatives generate loyalty with our brand and manage key relationships to ensure that customers know us as more than a name on a bill; when it comes time to renew, the customer will be more likely to stay with Just Energy.

Renewal discussions begin six to twelve months out, together with the broker and the customer as appropriate. If a renewal decision has not been made within two to four months of a contract expiring, written renewal offers are sent to the customer. We also work with the broker on pricing and attempt to gain advantage from being the incumbent supplier.

## Expanding Reach

There is tremendous opportunity for growth in the commercial business. In addition to increasing market share in existing geographic markets, we plan to expand to all deregulated markets in the U.S. over the next three years. Ohio, Connecticut, Maryland, Washington (D.C.) and California represent over 400 terawatt hours (TWh) of annual deregulated consumption and will round out our coverage of the U.S.

Potential expansion into the United Kingdom also represents a significant growth opportunity. It is a large market and could be a springboard into other European countries in future years. The Commercial division has put together a team to work toward a U.K. entry and significant progress is expected this year.

## Reliable Supply

Reliable energy supply is critical for our customers. To ensure their needs are met, we back demand with supply. For residential and small business customers, commodity supply is purchased in advance of marketing, based on forecasted customer aggregation. For our largest commercial customers, commodity supply is generally secured concurrently with the execution of a contract. Consumption patterns are carefully monitored and any variances from the contracted supply are addressed through the spot market.

To further enhance supply reliability, we spread our business across a variety of high-credit-quality commodity suppliers. We have longstanding relationships with our major suppliers, namely Shell, BP, Bruce Power, Constellation, Société Générale, National Bank Financial and The Bank of Nova Scotia. We also regularly investigate opportunities to identify and secure additional suppliers.

## COMMERCIAL CUSTOMER ADDITIONS (thousands)

662

2012

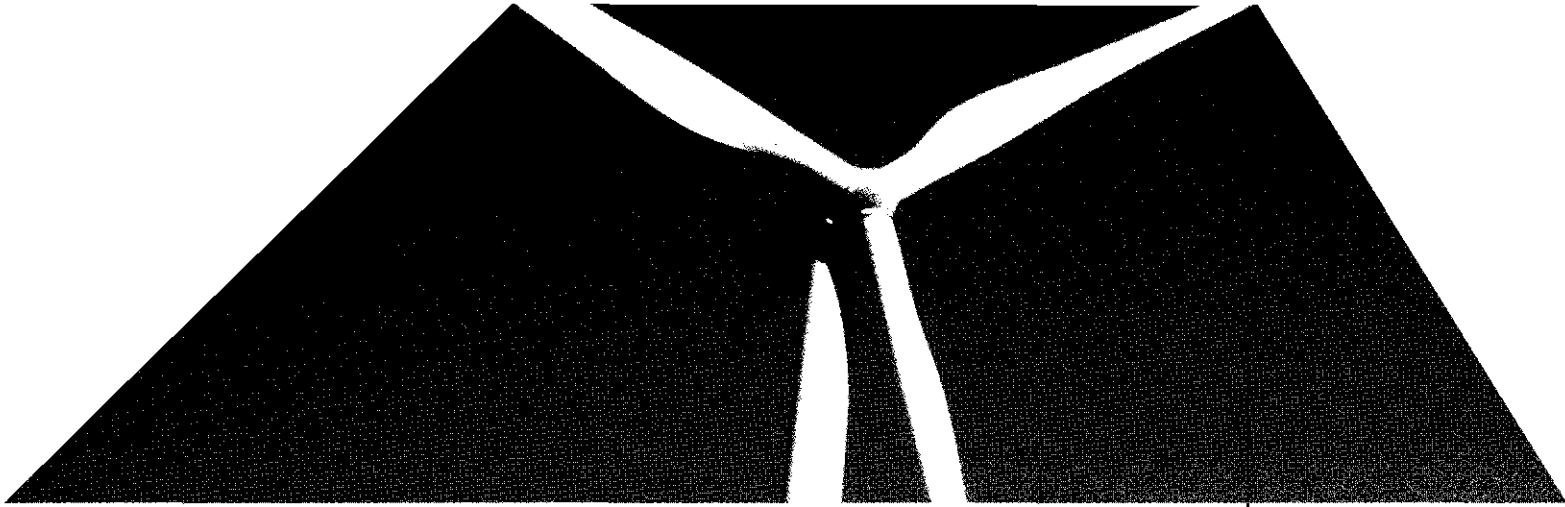
571

2011

118

2010





## Green Energy



While Just Energy's green customers are currently a relatively small proportion of our overall customer base, our JustGreen and JustClean products make up a fast-growing sector of our business.

In fiscal 2012, 29% of new residential customers purchased an average of 84% of their commodity needs as green energy supply. Overall, JustGreen now makes up 10% of the Consumer gas portfolio, up from 6% a year ago. JustGreen makes up 12% of the Consumer electricity portfolio, up from 10% a year ago.

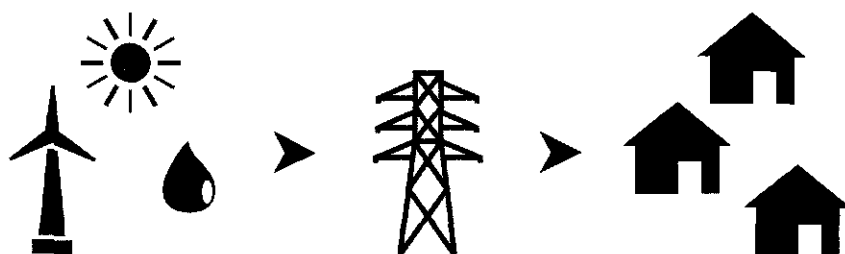
The JustGreen electricity product gives customers the option to have all or a portion of their electricity requirements derived from certified renewable sources such as wind, hydro, solar or biomass. With the JustGreen natural gas product, customers can purchase carbon offset credits from green sources such as methane capture projects. JustClean products are carbon offsets from carbon capture and reduction projects and/or renewable energy certificates (RECs) from green power generators, which customers can purchase from us as a means of reducing their carbon footprint, without buying our energy commodity products.

Just Energy purchases carbon offsets and renewable energy credits to match customer demand. Our green supply is procured from facilities that would otherwise not be financed without the sale of these instruments. These facilities are third-party certified and meet the highest environmental standards. Where possible, we ensure that supply is matched to the same jurisdiction as the corresponding customer consumption. Our green purchases are reviewed annually by an independent, third-party accounting firm to verify that they match our green sales.

Our JustGreen product line helps build strong relationships with customers who have willingly paid a premium for their commodity to benefit the environment. It also generates higher per customer margins. As well, both our JustGreen and JustClean products open doors to customers who might not otherwise be inclined to do business with us.

We believe when our customers make a decision to support green sources of energy, they expect to support renewable energy projects in their own communities. This is why our JustGreen product line is sourced from innovative local projects.

## GREEN ENERGY



Energy from renewable sources such as wind, hydro and other low pollution sources.



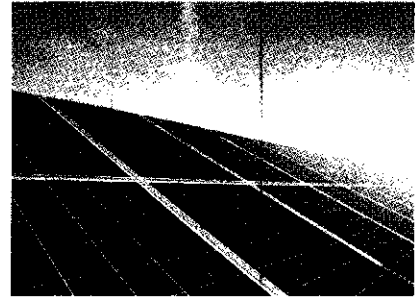
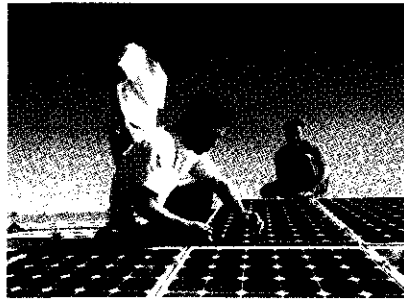
**ABE GROHMAN**  
Executive Director,  
Hudson Energy Solar

"Our solar offering gives customers a unique way to participate in green energy generation. The panels installed produce solar energy and make a powerful and visible statement about a company's commitment to the environment."



## Solar Power

Launched in fiscal 2012 by our subsidiary Hudson Energy Solar, the Solar Power Program is ideal for businesses looking to reduce their carbon footprint and support the generation of renewable power. The program gives customers the benefits of solar electricity without the upfront costs and risks. Promoted properly, it can also enhance an organization's reputation.



## Innovative Solar Offering

Hudson Energy Solar is a new addition to the Just Energy Group. The company was founded in an effort to target the U.S. goal of meeting increasing energy demands while also satisfying the world's appetite for the development of renewable energy.

Hudson Energy Solar offers customers the benefits of solar electricity without the costs and risks usually associated with solar photovoltaic (PV) installations. Solar panels are installed on the customer's property at no cost to the customer. We maintain the ownership of the panels and responsibility for all maintenance and monitoring for 15 to 20 years, after which the ownership of the system may transfer to the customer. Through a Power Purchase Agreement (PPA), the electricity produced from the program is sold to the customer at a savings compared to utility rates.

Solar panels draw on energy from the sun, a free and virtually unlimited source. Solar power creates no pollution and is odorless. It allows for remote regions that are not connected to the grid to receive electricity. It also provides long-term savings on energy costs and adds value to a property, whether it be a home or business facility.

In addition to generating profit through the sale of power and solar renewable energy certificates, we benefit from tax credits associated with investments in solar technology. At the end of fiscal 2012, we had \$90.7 million of solar projects under contract, with completed contracts of \$20.5 million.

Hudson Energy Solar currently operates in New Jersey, Pennsylvania and Massachusetts, and is looking to expand into other markets. We are uniquely positioned to capitalize on the strategic advantages provided by our existing sales and marketing force and our proven energy marketplace expertise.

As a leader in the provision of green energy, Just Energy has made a commitment to offering our customers an opportunity to directly reduce or eliminate their carbon footprint and, thereby, contribute to an improved planet. Our Hudson Energy Solar program is a natural extension of this commitment.

## Renewable Energy Projects

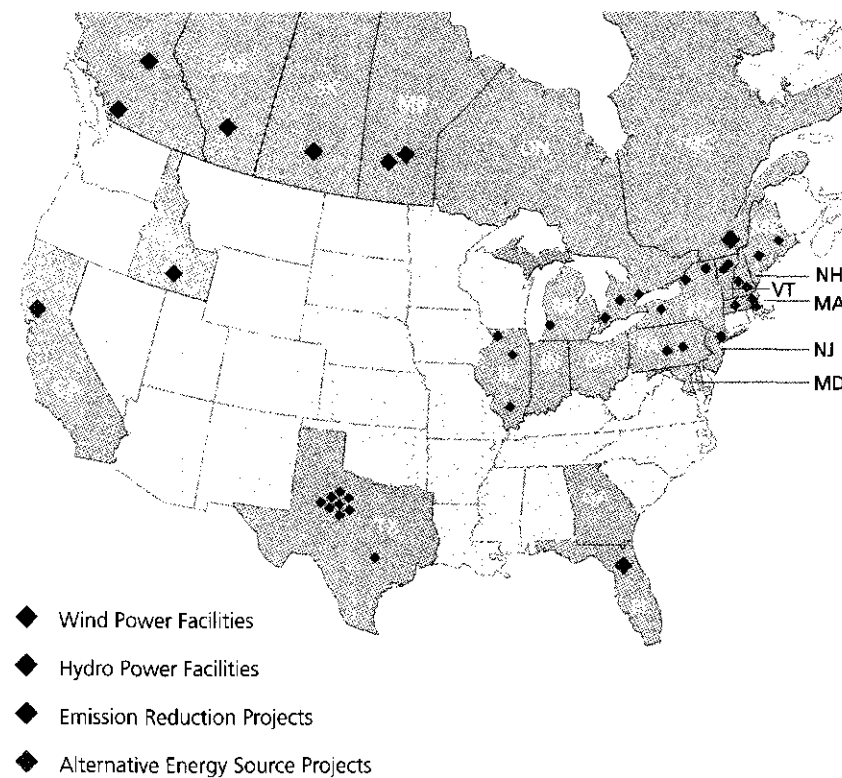
Just Energy has invested over \$50 million in more than 70 renewable energy and carbon offset projects across North America, including wind, run-of-the-river hydro, solar, geothermal and biomass projects. This investment has helped inject 2.8 million MWh of renewable power into the electricity grid (enough to power 280,000 homes for a year) and offset 667,000 metric tons of carbon emissions (equal to taking 128,000 passenger vehicles off the road for a year). We are actively pursuing new projects to meet our growing demand for green energy alternatives.

We also own the Terra Grain Fuels facility in Saskatchewan, which produces and sells ethanol, a clean-burning, renewable fuel made from wheat. Ethanol is primarily used as a gasoline fuel additive to reduce emissions of greenhouse gases. In fiscal 2012, the facility produced 119.3 million litres of ethanol.

## Green Certifications

Just Energy has been awarded the internationally recognized EcoLogo certification for our renewable products in Canada. The renewable energy and carbon offset projects in Canada and the United States that we invest in meet the highest industry standards, some of which include verification methodologies from CAR (Climate Action Reserve), VCS (Verified Carbon Standard), ISO (International Organization for Standardization) and Green-e Energy.

### GREEN PROJECTS





(from left to right): Darren Pritchett, *Executive Vice President, Consumer Sales*; Deborah Merrill, *President, Hudson Energy*; Ken Hartwick, *President and Chief Executive Officer*; Rebecca MacDonald, *Executive Chair*; James Lewis, *Executive Vice President and Chief Operating Officer*; Beth Summers, *Chief Financial Officer*; and Gord Potter, *Executive Vice President, Regulatory and Legal Affairs*.

## Officers

Rebecca MacDonald was a founder of Just Energy Group Inc. and has held the position of Executive Chair since the IPO. From Just Energy's IPO to March 2005, Ms. MacDonald also held the position of Chief Executive Officer.

**REBECCA MACDONALD, CMAA**  
*President and Chief Executive Officer*

Ken Hartwick joined the Company in April 2004 as Chief Financial Officer, was promoted to President in 2006 and assumed the additional position of Chief Executive Officer in June 2008. Prior to this, Mr. Hartwick was Chief Financial Officer of Hydro One Inc.

James Lewis became Executive Vice President and Chief Operating Officer of Just Energy Group Inc. in June 2011. Prior to this position, he held the position of Senior Vice President and General Manager, Eastern U.S. and was also Senior Vice President for North American Operations at Enron.

**BETH SUMMERS, CPA**  
*Chief Financial Officer*

Beth Summers joined Just Energy in February 2009 as Chief Financial Officer. Prior to this, Ms. Summers was Executive Vice President and Chief Financial Officer of Hydro One Inc.

**GORD POTTER**  
*Executive Vice President, Regulatory and Legal Affairs*

Gord Potter joined the Company in June 2003 and currently holds the position of Executive Vice President, Regulatory and Legal Affairs. Prior to joining Just Energy, Mr. Potter was Director, Utility Relations at Direct Marketing Limited.

Deborah Merrill became President, Hudson Energy, in April 2009. Prior to this, she held the position of Senior Vice President, Marketing during the time period of April 2002 to March 2009. Prior to joining Just Energy, Ms. Merrill was Vice President, Commodity Structuring at Enron Energy Services.

**DARREN PRITCHETT, CMAA**  
*Executive Vice President, Consumer Sales*

Darren Pritchett joined Just Energy as Executive Vice President, Consumer Sales in April of 2008. Prior to this, Mr. Pritchett ran a successful direct marketing organization, contracted by Just Energy.

Just Energy is committed to providing stability and peace of mind. To achieve these goals – and remain worthy of the confidence of our shareholders – we have established an active Board to guide our operations and make sure that they are transparent to investors. Our corporate governance meets all the recommended standards established by the Canadian Securities Administrators.

We ensure transparency by clearly communicating our targets for growing our business, describing in detail how we intend to meet these goals and then reporting on our performance against the targets with equal clarity. Similarly, we build trust by ensuring that management's interests are aligned with those of shareholders. To make sure that management acts in the best interests of shareholders, we mandate high share ownership for all senior managers and align bonuses with strict performance measurements determined by our Board.

Your Board of Directors is made up of the Executive Chair, the Chief Executive Officer and President, and seven outside directors, and is monitored by our lead independent director and Vice Chair, Hugh Segal. The Board committees are composed of external directors only. Additional details of our governance can be found in the Just Energy 2012 Management Proxy Circular.

## Outside directors

### *Executive Chair and Chief Executive Officer*

**HUGH SEGAL**  
Executive Chair and Chief Executive Officer  
Mr. Segal is a member of the Senate of Canada and is a Senior Fellow at the School of Policy Studies, Queen's University, where he also serves as an Adjunct Professor of Public Policy at the School of Business, and is Senior Research Fellow at McMillan LLP. Mr. Segal also serves as Director of the Canadian Defence and Foreign Affairs Institute in Calgary, Alberta, and is a member of the Atlantic Council. Mr. Segal has been a director of Just Energy since 2001.

### *Lead Independent Director*

**BRIAN R.D. SMITH, Q.C.**  
Federal Chief Treaty Negotiator and  
Energy Consultant

Brian Smith is the Federal Chief Treaty Negotiator and Energy Consultant, associated with the law firm of Gowling Lafleur Henderson LLP. Prior to this, Mr. Smith was the Chair of British Columbia Hydro, a position he held from 1996 to June 2001. Mr. Smith has been a director of Just Energy since 2001.

### *Chairman of the Board*

**THE HONOURABLE MICHAEL KIRBY**  
Chairman of Partners for Mental Health  
The Honourable Michael Kirby is the Chairman of Partners for Mental Health, a national mental health charity. Mr. Kirby was a member of the Senate of Canada from 1984 to 2006. Mr. Kirby has been a director of Just Energy since 2001.

### *Director*

**JOHN A. BRUSSA**  
Senior Partner, Burnet, Duckworth &  
Palmer LLP

John Brussa is a senior partner in the Calgary-based energy law firm of Burnet, Duckworth & Palmer, specializing in the area of energy and taxation law. He is also a director of a number of energy and energy-related corporations. Mr. Brussa has been a director of Just Energy since 2001.

### *Director*

**AMBASSADOR GORDON D. GIFFIN**  
Senior Partner, McKenna Long &  
Aldridge LLP

The Honourable Gordon D. Giffin is a senior partner in the Washington, D.C. and Atlanta, Georgia-based law firm, McKenna Long & Aldridge LLP. Mr. Giffin served as United States Ambassador to Canada from 1997 to 2001, and has been a director of Just Energy since 2006.

### *Director*

**THE HONOURABLE R. ROY MCMURTRY**  
Counsel, Gowling Lafleur Henderson LLP

The Honourable R. Roy McMurtry currently serves as counsel, Gowling Lafleur Henderson LLP. Prior to this, he served as the Chief Justice, Province of Ontario from 1996 to 2007. Mr. McMurtry has been a director of Just Energy since 2007.

### *Director*

**WILLIAM F. WELD**  
Attorney, McDermott, Will & Emery

William F. Weld is an attorney with the law firm of McDermott, Will & Emery, specializing in government strategies, corporate investigations and compliance, and international business matters. Mr. Weld served two terms as Governor of Massachusetts, being elected in 1990 and re-elected in 1994. Prior to his election as governor, Mr. Weld was a federal prosecutor serving as the Assistant U.S. Attorney General in charge of the Criminal Division of the Justice Department in Washington, D.C. and the U.S. Attorney for Massachusetts. Mr. Weld was appointed to the Board on April 2, 2012.

the 2011 fiscal year ended at March 31, 2012.

published guidance.

- ◆ Net customer additions, including customers acquired with Fulcrum, were 556,000 for the year, up 17% year over year.

- ◆ Adjusted EBITDA of \$283.1 million, up 9% (7% per share) versus \$259.0 million in fiscal 2011, exceeding published guidance of 5% per share.

## Customer Aggregation

	April 1, 2011	Additions	Acquired	Attrition	Failed to renew	March 31, 2012	% increase (decrease)
<b>Natural gas</b>							
Canada	656,000	63,000	—	(61,000)	(100,000)	558,000	(15)%
United States	574,000	135,000	—	(134,000)	(24,000)	551,000	(4)%
Total gas	1,230,000	198,000	—	(195,000)	(124,000)	1,109,000	(10)%
<b>Electricity</b>							
Canada	736,000	102,000	—	(62,000)	(78,000)	698,000	(5)%
United States	1,348,000	791,000	240,000	(213,000)	(103,000)	2,063,000	53%
Total electricity	2,084,000	893,000	240,000	(275,000)	(181,000)	2,761,000	32%
<b>Combined</b>	<b>3,314,000</b>	<b>1,091,000</b>	<b>240,000</b>	<b>(470,000)</b>	<b>(305,000)</b>	<b>3,870,000</b>	<b>17%</b>

Consumer customer additions amounted to 429,000 for the fiscal year, effectively unchanged from fiscal 2011. Commercial additions were 662,000 for the year, a 16% increase from the previous fiscal year.

### ADJUSTED EBITDA (thousands of dollars)

2012	283,125
2011	258,954
2010	236,604

### PAYOUT RATIO ON ADJUSTED EBITDA

2012	62%
2011	66%
2010	78%

## Attrition

For the years ended March 31

	Fiscal 2012	Fiscal 2011
<b>Natural gas</b>		
Canada	10%	10%
United States	24%	23%
<b>Electricity</b>		
Canada	9%	10%
United States	13%	17%
<b>Total attrition</b>	<b>13%</b>	<b>15%</b>

The primary contributing factor to attrition rates experienced in fiscal 2012 is that most customers signed in the past three years are on prices consistent with current market prices. The attrition from these customers and their eventual renewal will benefit from this pricing. As well, there are generally lower attrition rates among the growing base of commercial customers. The average rate of attrition improved by 2% to 13%, reflecting better economic conditions and higher numbers of more stable commercial customers.

## Renewals

	Consumer	Commercial
<b>Natural gas</b>		
Canada	52%	61%
United States	85%	62%
<b>Electricity</b>		
Canada	51%	59%
United States	87%	64%
<b>Total renewals – consumer and commercial</b>	<b>64%</b>	

Management's targeted renewal rates for consumer customers are to be in the range of 70% overall, assuming commodity price volatility remains low. Renewal rates for commercial customers are expected to be more volatile than those of consumer customers. The combined renewal rate for all customers was 64%, down slightly from 65% in fiscal 2011. It is anticipated that Canadian renewal rates and overall averages will improve towards target levels as more customers begin to renew off market priced contracts in coming periods.

## Future Embedded Gross Margin

(millions of dollars)

	As at March 31, 2012	As at March 31, 2011	March 2012 vs. March 2011 variance
Canada – energy marketing (C\$)	\$ 592.1	\$ 632.6	(6)%
Home Services division (C\$)	393.0	282.7	39%
Canada – total (C\$)	\$ 985.1	\$ 915.3	8%
U.S. – energy marketing (US\$)	994.1	835.6	19%
<b>Total (C\$)</b>	<b>\$ 1,976.8</b>	<b>\$ 1,725.5</b>	<b>15%</b>

Embedded gross margin is a rolling five-year measure of management's estimate of future contracted energy gross margin as well as the margin associated with the average remaining life of National Home Services' customer contracts. The energy marketing embedded margin 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.

Management's estimate of the future embedded gross margin amounted to \$1,976.8 million, a 15% increase from fiscal 2011. The decline in embedded Canadian energy marketing margin was entirely due to a net customer loss of 10% during the year. The increase in the Home Services' embedded margins reflected a 39% increase in installed units. U.S. future embedded gross margin grew 19% to US\$994.1 million. Excluding growth from the Fulcrum acquisition, the growth in energy marketing embedded gross margin was lower than the 10% organic growth in customer base as the commercial customers, which make up a growing percentage of new additions, by design have lower margins and shorter base contract terms than residential customers.



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# Management's discussion and analysis ("MD&A") – May 17, 2012

## Overview

The following discussion and analysis is a review of the financial condition and results of operations of Just Energy Group Inc. ("JE" or "Just Energy" or the "Company") (formerly Just Energy Income Fund (the "Fund")) for the year ended March 31, 2012, and has been prepared with all information available up to and including May 17, 2012. This analysis should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2012. The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Just Energy's date of transition to IFRS was April 1, 2010. All dollar amounts are expressed in Canadian dollars. Quarterly reports, the annual report and supplementary information can be found on Just Energy's corporate website at [www.justenergygroup.com](http://www.justenergygroup.com). Additional information can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or EDGAR at [www.sec.gov](http://www.sec.gov).

Just Energy is a corporation established under the laws of Canada and holds securities and distributes the income of its directly or indirectly owned operating subsidiaries and affiliates. Effective January 1, 2011, Just Energy completed the conversion from the Fund to Just Energy (the "Conversion"). As part of the Conversion, Just Energy Exchange Corp. ("JEEC") was amalgamated with JE and, like the unitholders of the Fund, the holders of JEEC's Exchangeable Shares received common shares of JE on a one for one basis. JE also assumed all of the obligations under the \$90m convertible debentures and \$330m convertible debentures.

On October 3, 2011, Just Energy completed the acquisition of Fulcrum Retail Holdings LLC ("Fulcrum") with an effective date of October 1, 2011. Fulcrum is a retail electricity provider operating in Texas and focuses on residential and small to mid-size commercial customers. Fulcrum markets primarily online and through targeted affinity marketing channels. Just Energy used the proceeds from the issuance of \$100 million of convertible unsecured subordinated debentures issued on September 22, 2012, which bear interest at a rate of 5.75% per annum, to fund the Fulcrum acquisition and for other general corporate purposes.

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. Just Energy markets its gas and electricity contracts in Canada and the U.S. under the following trade names: Just Energy, Hudson Energy, Commerce Energy, Amigo Energy and Tara Energy. 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. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Just Energy 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 related price at which it purchases the associated volumes from its suppliers.

Just Energy also offers green products through its JustGreen and JustClean programs. 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 that allow customers to reduce or eliminate the carbon footprint of their homes or businesses. JustClean products allow customers in certain jurisdictions to offset their carbon footprint without purchasing commodity from Just Energy. JustClean can be offered in all states and provinces and is not dependent on energy deregulation. Management believes that the JustGreen and JustClean products will not only add to profits but will also increase sales receptivity and improve renewal rates.

In addition, Just Energy sells and rents high efficiency and tankless water heaters, air conditioners and furnaces to Ontario residents, through a subsidiary under the trade name National Home Services ("NHS"). Just Energy also operates a network marketing division under the trade name Momentis. Through its subsidiary, Terra Grain Fuels, Inc. ("TGF"), Just Energy produces and sells wheat-based ethanol. Just Energy's subsidiary, Hudson Energy Solar Corp. ("HES"), also provides a solar project development platform operating in New Jersey, Pennsylvania and Massachusetts, under the trade name Hudson Energy Solar. Just Energy also holds a 50% ownership in Just Ventures LLC and Just Ventures L.P. (collectively "Just Ventures"), a jointly controlled entity, which is involved in the marketing of Just Energy's gas and electricity contracts.

## Forward-looking information

This management's discussion and analysis ("MD&A") contains certain forward-looking information pertaining to customer additions and renewals, customer consumption levels, EBITDA, Base EBITDA, Adjusted EBITDA 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 Just Energy's operations, financial results or distribution levels are included in the May 31, 2012 Annual Information Form and other reports on file with Canadian security regulatory authorities, which can be accessed on our corporate website at [www.justenergygroup.com](http://www.justenergygroup.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com) or EDGAR at [www.sec.gov](http://www.sec.gov).

## Key terms

"\$90m convertible debentures" represents the \$90 million in convertible debentures issued by Universal Energy Group Ltd. ("Universal") in October 2007. Just Energy Exchange Corp. assumed the obligations of the debentures as part of the Universal acquisition on July 1, 2009 and Just Energy assumed the obligations of the debentures as part of the Conversion. See "Long-term debt and financing" on page 46 for further details.

"\$100m convertible debentures" represents the \$100 million of convertible debentures issued by the Company to finance the purchase of Fulcrum, effective October 1, 2011. See "Long-term debt and financing" on page 45 for further details.

"\$330m convertible debentures" represents the \$330 million in convertible debentures issued by the Fund to finance the purchase of Hudson, effective May 1, 2010. Just Energy assumed the obligations of the debentures as part of the Conversion. See "Long-term debt and financing" on page 45 for further details.

"customer" does not refer to an individual customer but instead an RCE.

"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.

"Large commercial customer" means customers representing more than 15 RCEs.

"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 which is a unit of measurement equivalent to a customer using, as regards natural gas, 2,815 m<sup>3</sup> (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.

## NON-GAAP FINANCIAL MEASURES

Just Energy's consolidated financial statements are prepared in compliance with IFRS. All non-GAAP financial measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Just Energy converted from an income trust to a corporation on January 1, 2011. Under the corporate structure, management believes that Adjusted EBITDA is the best basis for analyzing the financial results of Just Energy.

### EBITDA

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

### BASE EBITDA

"Base EBITDA" represents EBITDA adjusted to exclude the impact of mark to market gains (losses) arising from IFRS requirements for derivative financial instruments on future supply positions. This measure reflects operating profitability as mark to market gains (losses) are associated with supply already sold at future fixed prices.

Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. Under IFRS, 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. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of Just Energy and have therefore excluded it from the Base EBITDA calculation.

### ADJUSTED EBITDA

"Adjusted EBITDA" represents Base EBITDA adjusted to deduct selling and 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.

## FUNDS FROM OPERATIONS

"Funds from operations" refers to the net cash available for distribution to shareholders. Base funds from operations is calculated by Just Energy as gross margin adjusted for cash items including administrative expenses, selling and marketing expenses, bad debt expenses, finance costs, corporate taxes, capital taxes and other items. The gross margin used includes a seasonal adjustment for the gas markets in Ontario, Quebec, Manitoba and Michigan in order to include cash received.

## ADJUSTED FUNDS FROM OPERATIONS

"Adjusted funds from operations" refers to the funds from operations adjusted to deduct the selling and 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 carried out and the capital expenditures made by Just Energy to add to its future productive capacity.

## EMBEDDED GROSS MARGIN

"Embedded gross margin" is a rolling five-year measure of management's estimate of future contracted energy gross margin as well as the margin associated with the average remaining life of National Home Services' customer contracts. The energy marketing embedded margin 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.

## Financial highlights

For the years ended March 31

(thousands of dollars, except where indicated and per share/unit amounts)

	Fiscal 2012			Fiscal 2011			Fiscal 2010	
	\$	Per share	Per share change	\$	Per share	Per share/unit change	\$	Per unit
Sales	2,785,269	\$ 19.70	(8)%	2,953,192	\$ 21.38	20%	2,299,231	\$ 17.77
Gross margin	517,489	3.66	5%	481,562	3.49	9%	415,333	3.21
Administrative expenses	122,397	0.87	9%	109,400	0.79	16%	88,423	0.68
Finance costs	60,935	0.43	14%	52,085 <sup>3</sup>	0.38	202%	16,134	0.12
Net income (loss) <sup>1</sup>	(126,643)	(0.90)	(135)%	352,940	2.56	43%	231,496	1.79
Dividends/distributions (including Special Distributions) <sup>4</sup>	175,382	1.24	0%	170,004	1.24	(14)%	185,205	1.43
Base EBITDA <sup>2</sup>	208,982	1.48	(12)%	231,344	1.68	(1)%	220,000	1.70
Adjusted EBITDA <sup>2</sup>	283,125	2.00	7%	258,954	1.88	3%	236,304	1.83
Payout ratio on Base EBITDA	84%			73%			84%	
Payout ratio on Adjusted EBITDA	62%			66%			78%	

<sup>1</sup> Net income (loss) includes the impact of unrealized gains (losses), which represents 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.

<sup>2</sup> See discussion of "Non-GAAP financial measures" on page 24.

<sup>3</sup> Excludes distributions paid to holders of Exchangeable Shares prior to Conversion included as finance costs under IFRS.

<sup>4</sup> No Special Distribution was paid in fiscal 2012 or 2011. Fiscal 2010 included a one-time Special Distribution of \$26.7 million.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

Just Energy has adopted IFRS as the basis for reporting its financial results commencing with the interim consolidated financial statements of fiscal 2012 and using April 1, 2010, as the transition date. The comparative figures for fiscal 2011 have been restated in accordance with the Company's IFRS accounting policies.

## Acquisition of Fulcrum Retail Holdings LLC

On October 3, 2011, Just Energy completed the acquisition of Fulcrum with an effective date of October 1, 2011. The acquisition was funded by an issuance of \$100 million in convertible debentures.

The consideration for the acquisition was US\$79.4 million paid at the time of closing and subject to customary working capital adjustments. Just Energy will also pay up to US\$11.0 million in cash and issue up to 867,025 common shares (collectively the "Earn-Out" amount) to the seller 18 months following the closing date, provided that certain EBITDA and billed volume targets are satisfied by Fulcrum during the Earn-Out period.

In addition, the Company will pay, as part of the contingent consideration, an additional 4.006% on the cash portion of the contingent consideration and \$1.86 for each of the common shares that are issued at the end of the Earn-Out period.

The acquisition of Fulcrum was accounted for using the acquisition 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:

### Fair value recognized on acquisition

Current assets (including cash of \$3,875)	\$ 43,528
Property, plant and equipment	758
Software	215
Customer contracts and relationships	39,533
Affinity relationships	42,359
Brand	13,034
Contract initiation costs	156
Non-controlling interest	540
	<hr/>
	140,123
Current liabilities	(44,856)
Other liabilities – current	(12,430)
Other liabilities – long term	(3,768)
Deferred lease inducements	(322)
Long-term debt	(586)
	<hr/>
	(61,962)
<b>Total identifiable net assets acquired</b>	<b>78,161</b>
Goodwill arising on acquisition	21,106
	<hr/>
<b>Total consideration</b>	<b>\$ 99,267</b>
Cash paid, net of estimated working capital adjustment	\$ 80,940
Contingent consideration	18,327
	<hr/>
<b>Total consideration</b>	<b>\$ 99,267</b>

The electricity customer contracts and affinity relationships are amortized over the average remaining life at the time of acquisition. The electricity contracts and customer relationships are amortized over 3.5 years. The affinity relationships are amortized over eight years.

## Acquisition of Hudson Energy Services, LLC

In May 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 Services, LLC ("Hudson"), with an effective date of May 1, 2010. The acquisition was funded by an issuance of \$330 million in convertible debentures.

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

### Fair value recognized on acquisition

Current assets (including cash of \$24,003)	\$ 88,696
Property, plant and equipment	1,648
Software	911
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
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
	<hr/> 478,692
Current liabilities	(107,817)
Other liabilities – current	(74,683)
Other liabilities – long term	(40,719)
	<hr/> (223,219)
<b>Total identifiable net assets acquired</b>	<b>255,473</b>
Goodwill arising on acquisition	32,317
	<hr/>
<b>Total consideration</b>	<b>\$ 287,790</b>
Cash outflow on acquisition:	
Cash paid	\$ 287,790
Net cash acquired with the subsidiary	(24,003)
Holdback	(9,345)
	<hr/>
<b>Net cash outflow</b>	<b>\$ 254,442</b>

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 final and, as a result, no further adjustments will be made.

## Operations

### NATURAL GAS

Just Energy offers natural gas customers a variety of products ranging from month-to-month variable-price offerings to five-year fixed-price contracts. For fixed-price contracts, Just Energy purchases gas supply through physical or financial transactions with market counterparts in advance of marketing, based on forecast customer aggregation for residential and small commercial customers. For larger commercial customers, gas supply is generally purchased concurrently with the execution of a contract.

The LDC provides historical customer usage which, when normalized to average weather, enables Just Energy to purchase the expected normal customer load. Furthermore, Just Energy mitigates exposure to weather variations through active management of the gas portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to mitigate weather effects is limited by the severity of weather from normal. To the extent that balancing requirements are outside the forecast purchase, Just Energy bears the financial responsibility for fluctuations in customer usage. Volume variances may result in either excess or short supply. In the case of under consumption by the customer, excess supply is sold in the spot market resulting in either a gain or loss compared to the weighted

average cost of supply. Further, customer margin is lowered proportionately to the decrease in consumption. In the case of greater than expected gas consumption, Just Energy must purchase the short supply in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. Consequently, customer margin increases proportionately to the increase in consumption. To the extent that supply balancing is not fully covered through active management or the options employed, Just Energy's customer gross margin may be reduced or increased depending upon market conditions at the time of balancing. Under some commercial contract terms, this balancing may be passed onto the customer.

Just Energy entered into weather index derivatives for the third and fourth quarters of fiscal 2012 with the intention of reducing gross margin fluctuations from extreme weather. The maximum payout associated with the weather derivatives for fiscal 2012 was \$15 million, with the total cost of these options being \$2 million.

#### ***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, Alberta and Saskatchewan***

In Manitoba, Alberta and Saskatchewan, 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, California, Georgia, New Jersey and Pennsylvania***

In New York, Illinois, Indiana, Ohio, California, Georgia, New Jersey and Pennsylvania, 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**

In Ontario, Alberta, New York, Texas, Illinois, Pennsylvania, New Jersey, Maryland, Michigan, California and Massachusetts, Just Energy offers a variety of solutions to its electricity customers, including fixed-price and variable-price products on both short-term and longer-term electricity contracts. Some of these products provide customers with price-protection programs for the majority of their electricity requirements. The customers may experience either a small balancing charge or credit (pass-through) 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 predict future customer consumption and to help with long-term supply procurement decisions.

Just Energy purchases power supply through physical or financial transactions with market counterparties in advance of marketing for residential and small commercial customers based on forecast customer aggregation. Power supply is generally purchased concurrently with the execution of a contract for larger commercial customers. The LDC provides historical customer usage which, when normalized to average weather, enables Just Energy to purchase to expected normal customer load. Furthermore, Just Energy mitigates exposure to weather variations through active management of the power portfolio. The expected cost of this strategy is incorporated into the price to the customer. Our ability to mitigate weather effects is limited by the severity of weather from normal. In certain markets, to the extent that balancing requirements are outside the forecast purchase, Just Energy bears the financial responsibility for excess or short supply caused by fluctuations in customer usage. In the case of under consumption by the customer, excess supply is sold in the spot market resulting in either a gain or loss in relation to the original cost of supply. Further, customer margin is lowered proportionately to the decrease in consumption. In the case of greater than expected power consumption, Just Energy must purchase the short supply in the spot market resulting in either a gain or loss in relation to the fixed cost of supply. Customer margin generally increases proportionately to the increase in consumption. To the extent that supply balancing is not fully covered through customer pass-throughs or active management or the options employed, Just Energy's customer gross margin may be impacted depending upon market conditions at the time of balancing.

### **JUSTGREEN**

Customers have the ability to choose an appropriate JustGreen program to supplement their electricity and natural gas contracts, providing an effective method to offset their carbon footprint associated with the respective commodity consumption.

JustGreen programs for electricity customers involve the purchase of power from green generators (such as wind, solar, run of the river hydro or biomass) via power purchase agreements and renewable energy certificates. JustGreen programs for gas customers involve the purchase of carbon offsets from carbon capture and reduction projects.

## JUSTCLEAN

In addition to its traditional commodity marketing business, Just Energy allows customers to effectively manage their carbon footprint without buying energy commodity products by signing a JustClean contract. The JustClean products are essentially carbon offsets from carbon capture and reduction projects as well as green power renewable energy certificates from green generators. This product can be offered in all states and provinces and is not dependent on energy deregulation.

## BLEND AND EXTEND PROGRAM

As part of Just Energy's retention efforts, electricity and natural gas customers may be contacted for early renewal of their contracts under a Blend and Extend offer. These customers are offered a lower rate, compared to their current contracted rate, but the term of their contract is extended up to five more years. Consequently, Just Energy may experience a reduction in margins in the short term but will gain additional future margins.

## 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 energy products of this division is primarily done door-to-door through 1,000 independent contractors, the Momentis network marketing operation and Internet-based and telephone marketing efforts. Approximately 51% of Just Energy's customer base resides within the Consumer Energy division, which is currently focused on longer-term price-protected and variable rate offerings of commodity products, JustGreen and JustClean. 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 three main channels: door-to-door commercial independent contractors; inside commercial sales representatives; and sales through the broker channel using the commercial platform acquired with the Hudson purchase. Commercial customers make up about 49% of Just Energy's customer base. Products offered to commercial customers can range from standard fixed-price offerings to "one off" offerings, which are tailored to meet the customer's specific needs. These products 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 consumer margins but customer aggregation costs 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 that are lower than those of consumer customers.

## HOME SERVICES DIVISION

NHS began operations in April 2008 and provides Ontario residential customers with a long-term water heater, furnace and air conditioning rental, offering high efficiency conventional and power vented tanks and tankless water heaters and high efficiency furnaces and air conditioners. NHS markets through approximately 190 independent contractors in Ontario. See page 40 for additional information.

## ETHANOL DIVISION

Just Energy owns and operates Terra Grain Fuels, 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"). On January 4, 2011, Just Energy acquired the 33.3% interest in TGF that was previously owned by EllisDon Design Build Inc. ("EllisDon") pursuant to a put option exercised by EllisDon. See page 40 for additional information on TGF.

## NETWORK MARKETING DIVISION

Just Energy owns and operates Momentis, a network marketing company operating within Canada and the U.S. Independent representatives educate consumers about the benefits of energy deregulation and sell them products offered by Just Energy as well as a number of other products. Independent representatives are rewarded through commissions earned based on new customers added. As of March 31, 2012, there were approximately 47,800 independent representatives.

## SOLAR DIVISION

Hudson Energy Solar, a solar project development platform operating in New Jersey, Pennsylvania and Massachusetts, brings renewable energy directly to the consumer, enabling them to reduce their environmental impact and energy costs. HES installs solar systems on residential or commercial sites, maintaining ownership of the system and providing maintenance and monitoring of the system for a period of up to 20 years. HES sells the energy generated by the solar panels back to the customer. This division will contribute to operating metrics through commodity sales, renewable energy credit offset sales and tax incentives. As of March 31, 2012, the division has made commitments of approximately \$90.7 million with the status of the associated projects ranging from contracted to completed.



## Adjusted EBITDA

For the years ended March 31

(thousands of dollars, except per share/unit amounts)

	Fiscal 2012	Per share	Fiscal 2011	Per share	Fiscal 2010	Per unit
<b>Reconciliation to income statement</b>						
Profit attributable to shareholders of Just Energy	\$ (126,522)	\$ (0.89)	\$ 355,076	\$ 2.57	\$ 231,496	\$ 1.79
Add:						
Finance costs	60,935		59,883		16,134	
Provision for income tax expense	37,527		173,439		(100,260)	
Capital tax	—		188		522	
Amortization	140,697		148,805		70,826	
<b>EBITDA</b>	<b>\$ 112,637</b>	<b>\$ 0.80</b>	<b>\$ 737,391</b>	<b>\$ 5.34</b>	<b>\$ 218,718</b>	<b>\$ 1.69</b>
Add (subtract):						
Change in fair value of derivative instruments	96,345		(506,047)		1,282	
<b>Base EBITDA</b>	<b>208,982</b>	<b>\$ 1.48</b>	<b>231,344</b>	<b>\$ 1.68</b>	<b>220,000</b>	<b>\$ 1.70</b>
Add (subtract):						
Selling and marketing expenses to add gross margin	80,007		36,428		32,967	
Maintenance capital expenditures	(5,864)		(8,818)		(16,663)	
<b>Adjusted EBITDA</b>	<b>\$ 283,125</b>	<b>\$ 2.00</b>	<b>\$ 258,954</b>	<b>\$ 1.88</b>	<b>\$ 236,304</b>	<b>\$ 1.83</b>
<b>Adjusted EBITDA</b>						
Gross margin per financial statements	\$ 517,489	\$ 3.66	\$ 481,562	\$ 3.49	\$ 415,333	\$ 3.21
Add (subtract):						
Administrative expenses	(122,397)		(109,400)		(88,423)	
Selling and marketing expenses	(177,302)		(133,607)		(95,760)	
Bad debt expense	(28,514)		(27,650)		(17,940)	
Share-based compensation	(10,662)		(9,914)		(4,754)	
Amortization included in cost of sales/selling and marketing expenses	26,617		22,266		4,381	
Other income	6,702		7,235		3,515	
Transaction costs	(1,101)		(1,284)		—	
Proportionate share of loss from the joint venture	(1,971)		—		—	
Minority interest	121		2,136		3,648	
<b>Base EBITDA</b>	<b>\$ 208,982</b>	<b>\$ 1.48</b>	<b>\$ 231,344</b>	<b>\$ 1.68</b>	<b>\$ 220,000</b>	<b>\$ 1.70</b>
Selling and marketing expenses to add gross margin	80,007		36,428		32,967	
Maintenance capital expenditures	(5,864)		(8,818)		(16,663)	
<b>Adjusted EBITDA</b>	<b>\$ 283,125</b>	<b>\$ 2.00</b>	<b>\$ 258,954</b>	<b>\$ 1.88</b>	<b>\$ 236,304</b>	<b>\$ 1.83</b>
<b>Cash distributions/dividends (includes Special Distribution)</b>						
Distributions and dividends	\$ 171,381		\$ 161,585		\$ 175,517	
Class A preference share distributions	—		4,896		7,580	
Restricted share grants/unit appreciation rights and deferred share grant/unit grant distributions	4,001		3,523		2,108	
<b>Total distributions/dividends</b>	<b>\$ 175,382</b>	<b>\$ 1.24</b>	<b>\$ 170,004</b>	<b>\$ 1.24</b>	<b>\$ 185,205</b>	<b>\$ 1.43</b>
Adjusted fully diluted average number of shares/units outstanding <sup>1</sup>	141.4m		138.1m		129.4m	

<sup>1</sup> The per share/unit amounts are calculated on an adjusted fully diluted basis, removing the impact of the \$330m, \$100m and \$90m convertible debentures as all will be anti-dilutive in future periods.

Base EBITDA differs from EBITDA in that the impact of the mark to market gains (losses) from the financial instruments is removed. This measure reflects operating profitability as mark to market gains (losses) are associated with supply already sold at future fixed prices. Just Energy ensures that the value of customer contracts is protected by entering into fixed-price supply contracts. Under IFRS, the value of the customer contracts is 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 Just Energy.

For Adjusted EBITDA, selling and marketing expenses used for increasing gross margin are also removed along with maintenance capital expenditures being deducted. As a corporation, management believes that Adjusted EBITDA is the best measure of operating performance.

Adjusted EBITDA amounted to \$283.1 million (\$2.00 per share) for fiscal 2012, an increase of 9% (7% per share) from \$259.0 million (\$1.88 per share) in the prior year. The increase is attributable to the increase in gross margin, offset by higher operating expenses. Gross margin increased 7% (5% per share) overall with energy marketing gross margin increasing by 1% and margin contributions from NHS and TGF increasing 78% and 31%, respectively, versus the prior fiscal year.

Administrative expenses increased by 12% from \$109.4 million to \$122.4 million year over year. The increase over the prior comparable year was due to the inclusion of the administrative expenses relating to Fulcrum of \$5.9 million and investments in growth for solar and network marketing expansion. Excluding the Fulcrum-related expenses, administrative expenses amounted to \$116.5 million, a 6% increase over prior year in order to support the 10% organic growth in the customer base. A portion of the 6% non-Fulcrum growth is attributable to the Company's expansion into new markets where investments have been made but the customer growth is not yet reflected in the results.

Selling and marketing expenses for the year ended March 31, 2012, were \$177.3 million, a 33% increase from \$133.6 million reported in the prior comparative year. This increase is attributable to the 9% increase in customer additions as well as the increased investments related to the build-out of the independent representative network by Momentis. Excluding the \$37.3 million of costs associated with the building of Momentis, sales and marketing expenses increased by 5% to \$140.0 million.

The sales and marketing expenses representing the costs associated with maintaining gross margin, which are deducted in Adjusted EBITDA, were \$83.3 million for the year ended March 31, 2012, 2% lower than \$84.8 million in the prior fiscal year. Customers lost through attrition and failure to renew were 775,000 for the year, up from 638,000 for the year prior, reflecting a 17% higher customer base. Margin growth from NHS and the TGF contributed to the offset of lost margin at a relatively low sales and marketing cost.

Bad debt expense was \$28.5 million for the year ended March 31, 2012, a 3% increase from \$27.7 million recorded for the prior comparable year. This increase is a result of the 15% increase in revenue for markets for which Just Energy bears the bad debt risk year over year. For the year-end March 31, 2012, the bad debt expense of \$28.5 million represents approximately 2.4% of revenue in the jurisdictions where the Company bears the credit risk.

Dividends and distributions paid for the year ended March 31, 2012, were \$175.4 million, an increase of 3% from the prior comparative year as a result of a higher number of shares outstanding. The payout ratio on Base EBITDA was 84% for the year ended March 31, 2012, versus 73% in fiscal 2011. For the year ended March 31, 2012, the payout ratio on Adjusted EBITDA was 62%, versus 66% in the prior year.

For further information on the changes in the gross margin, please refer to "Gas and electricity marketing" on page 35 and "Administrative expenses", "Selling and marketing expenses", "Bad debt expense" and "Finance costs", which are further clarified on pages 41 through 43.

For the year ended March 31, 2010, gross margin was \$415.3 million for the year, reflecting lower gas consumption from the winter months being warmer than expected. Administrative, sales and marketing and bad debt expenses amounted to \$88.4 million, \$95.8 million and \$17.9 million, respectively. For fiscal 2010, Adjusted EBITDA amounted to \$236.3 million (\$1.83 per unit) and payout ratio on Adjusted EBITDA was 78% for the year, reflecting higher distributions of \$1.43 per unit due to a Special Distribution of \$0.20 per unit being paid.

#### FUTURE EMBEDDED GROSS MARGIN

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

(millions of dollars)

	As at Mar 31, 2012	As at Mar 31, 2011	Mar 2012 vs. Mar 2011 Variance	As at Mar 31, 2010	Mar 2011 vs. Mar 2010 Variance
Canada – energy marketing (CAD\$)	\$ 592.1	\$ 632.6	(6)%	\$ 783.1	(19)%
Home Services division (CAD\$)	393.0	282.7	39%	176.7	60%
Canada – total (CAD\$)	985.1	915.3	8%	959.8	(5)%
U.S. – energy marketing (US\$)	994.1	835.6	19%	414.6	102%
<b>Total (CAD\$)</b>	<b>\$ 1,976.8</b>	<b>\$ 1,725.5</b>	<b>15%</b>	<b>\$ 1,381.0</b>	<b>25%</b>

Management's estimate of the future embedded gross margin amounted to \$1,976.8 million as at March 31, 2012, from \$1,725.5 million, an increase of 15% from fiscal 2011. This is over and above the \$484.4 million in margin realized by the energy marketing and home services divisions in fiscal 2012. The future embedded gross margin for Canada was up 8%, with 39% higher embedded margin from the Home Services division more than offsetting 6% lower margins from energy marketing. The decline in Canadian energy marketing embedded margin was primarily due to a net customer loss of 10% during the year. NHS embedded margins were up 39% in the year reflecting a 39% increase in installed customers over the year. The embedded margin for NHS represents the margin associated with the remaining average life of the customer contracts.

U.S. future embedded gross margin grew 19% over the year from US\$835.6 million to US\$994.1 million. The growth in energy marketing embedded margins for the year includes US\$76 million of future margin associated with customers acquired from Fulcrum. Excluding this growth from the Fulcrum acquisition, the growth in energy marketing embedded gross margin was lower than the 10% organic growth in customer base as the commercial customers, which make up a growing percentage of new additions, by design have lower margins and shorter base contract terms than residential customers. However, the addition of commercial customers also results in lower customer aggregation costs and lower annual customer servicing costs, neither of which is captured in embedded margin.

The U.S. dollar strengthened 3% against the Canadian dollar over fiscal 2012, resulting in an increase of \$27.7 million in future embedded gross margin when stated in Canadian dollars.

## Funds from operations

For the years ended March 31

(thousands of dollars, except per share/unit amounts)

	Fiscal 2012	Per share	Fiscal 2011	Per share	Fiscal 2010	Per unit
<b>Cash inflow from operations</b>	<b>\$ 144,390</b>	<b>\$ 1.02</b>	<b>\$ 145,555</b>	<b>\$ 1.05</b>	<b>\$ 158,273</b>	<b>\$ 1.22</b>
Add:						
Increase in non-cash working capital	27,032		39,063		35,523	
Dividend/distribution classified as finance cost	–		7,798		–	
Other	121		354		–	
Tax adjustment	3,957		(161)		3,237	
<b>Funds from operations</b>	<b>\$ 175,500</b>	<b>\$ 1.24</b>	<b>\$ 192,609</b>	<b>\$ 1.39</b>	<b>\$ 197,033</b>	<b>\$ 1.52</b>
<b>Payout ratio</b>	<b>100%</b>		<b>88%</b>		<b>94%</b>	
Add: marketing expense to add						
new gross margin	80,007		36,428		32,967	
Less: maintenance capital expenditures	(5,864)		(8,818)		(16,663)	
<b>Adjusted funds from operations</b>	<b>\$ 249,643</b>	<b>\$ 1.77</b>	<b>\$ 220,219</b>	<b>\$ 1.59</b>	<b>\$ 213,337</b>	<b>\$ 1.65</b>
<b>Payout ratio</b>	<b>70%</b>		<b>77%</b>		<b>87%</b>	
Adjusted fully diluted average number of shares outstanding <sup>1</sup>	141.4m		138.1m		129.4m	

<sup>1</sup> The per share/unit amounts are calculated on an adjusted fully diluted basis, removing the impact of the \$330m, \$100m and \$90m convertible debentures as all will be anti-dilutive in future periods.

Funds from operations represents the cash available for distribution to the shareholders of Just Energy. For the year ended March 31, 2012, funds from operations were \$175.5 million (\$1.24 per share), a 9% decrease from \$192.6 million (\$1.39 per share) in the prior year. This decrease is a result of the additional spending associated with the expansion of the solar and network marketing divisions in the current fiscal year, for which the benefit will not be recognized until future periods. The payout ratio on funds from operations was 100% for the year ended March 31, 2012, versus 88% in the prior year, reflecting investments made for future growth during the year.

Adjusted funds from operations is adjusted to deduct only the sales and marketing expenses associated with maintaining gross margin as well as the maintenance capital expenditures for the year. These expenditures totalled \$85.9 million and, with the acquisition of Fulcrum, resulted in an increase in embedded future margin of \$251.3 million. For the year ended March 31, 2012, adjusted funds from operations was \$249.6 million (\$1.77 per share), an increase of 13% over \$220.2 million (\$1.59 per share) in the prior year. Payout ratios were 70% for the year ended March 31, 2012, and 77% in the prior fiscal year.

For the year ended March 31, 2010, funds from operations amounted to \$197.0 million (\$1.52 per unit), resulting in a payout ratio of 94%, including the Special Distribution. Adjusted funds from operations was \$213.3 million (\$1.65 per unit) for fiscal 2010, resulting in a distribution payout ratio of 87%.

## Selected consolidated financial data

(thousands of dollars, except where indicated and per share/unit amounts)

Just Energy has adopted IFRS as the basis for reporting financial results for fiscal 2012. The comparative figures for fiscal 2011 have been restated in accordance with the Company's IFRS accounting policies but fiscal 2010 results are prepared in accordance with Canadian GAAP. The following table provides selected financial information for the last three fiscal years.

### STATEMENTS OF OPERATIONS DATA

For the years ended March 31

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Sales	\$ 2,785,269	\$ 2,953,192	\$ 2,299,231
Gross margin	517,489	481,562	415,333
Net income (loss)	(126,643)	352,940	231,496
Net income (loss) per share/unit – basic	(0.92)	2.77	1.81
Net income (loss) per share/unit – diluted	(0.92)	2.40	1.79

### BALANCE SHEET DATA

As at March 31

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Total assets	\$ 1,543,044	\$ 1,590,026	\$ 1,353,095
Long-term liabilities	999,608	890,657	824,393

### 2012 COMPARED WITH 2011

Sales decreased by 6% from \$3.0 billion in fiscal 2011 to \$2.8 billion in fiscal 2012. The sales decline was the result of a gradual reduction in average price within the customer base as new customers signed, and customer renewals, are at lower prices than that of customers expiring or lost through attrition primarily as a result of the decrease in commodity market prices.

For the year ended March 31, 2012, gross margin increased by 7% to \$517.5 million from \$481.6 million reported in fiscal 2011. Gross margin related to energy marketing increased 1% year over year despite a 17% increase in customer base as a result of the warm winter temperatures impacting gas consumption across all markets and the increasing percentage of lower margin commercial customers within the overall book. Gross margin from TGF and NHS increased by 31% and 78%, respectively, for the year ended March 31, 2012.

Net loss for fiscal 2012 amounted to \$126.6 million, compared with net income of \$352.9 million in fiscal 2011. The change in net income (loss) is due to the change in fair value of the derivative instruments, which showed a loss of \$96.3 million in fiscal 2012, versus a gain in fiscal 2011 of \$506.0 million. Under IFRS, the customer margins are not marked to market, but there is a requirement to mark to market the future supply contracts, creating unrealized gains or losses depending on the supply pricing.

Total assets slightly decreased to \$1.5 billion in fiscal 2012 as a result of the amortization of the intangible assets acquired through the Hudson acquisition.

Total long-term liabilities as of March 31, 2012, were \$999.6 million representing a 12% increase over fiscal 2011. Just Energy funded the Fulcrum acquisition effective October 1, 2011, by issuing \$100 million in convertible debentures, which as at March 31, 2012, were valued at \$85.9 million in long-term debt. Offsetting this increase, other long-term liabilities have decreased in fiscal 2012 primarily due to the movement from long-term liabilities to short-term liabilities as at March 31, 2012.

### 2011 COMPARED WITH 2010

Just Energy adopted IFRS effective April 1, 2010. As a result, fiscal 2011 results were prepared in accordance with IFRS. For the year ended March 31, 2010, the financial results were reported using Canadian GAAP. This 2011 to 2010 comparison considers the changes between the fiscal 2011 results reported under IFRS and the fiscal 2010 results reported under Canadian GAAP.

Sales increased by 28% in fiscal 2011 due to a 45% net increase in customers as a result of 999,000 new additions and the acquisition of Hudson. Effective May 1, 2010, Just Energy completed the acquisition of 660,000 largely commercial Hudson customers and issued \$330 million of convertible debentures in order to finance the acquisition. For further information on the acquisition, see page 27. As at March 31, 2011, commercial customers made up 40% of the Just Energy customer base, and while there are lower margins associated with these customers, the associated expenses to acquire and maintain are lower on a per RCE basis. Gross margin increased to \$481.6 million or 16% over fiscal 2010.

Net income increased by 52% from \$231.5 million (\$1.79 per unit) in fiscal 2010 to \$352.9 million (\$2.56 per share) in fiscal 2011. The change in net income relates primarily to the change in fair value of the derivative instruments, which showed a gain in fiscal 2011 of \$506.0 million versus a loss of \$1.3 million in fiscal 2010, as well as strong operating results for the year. Offsetting this increase is the income tax provision of \$173.4 million for fiscal 2011, versus an income tax recovery of \$100.3 million in fiscal 2010.

Total assets increased by 21% to \$1.6 billion in fiscal 2011. The largest components of this change relate to the property, plant and equipment, intangible assets, goodwill and contract initiation costs recorded as part of the Hudson acquisition.

Total long-term liabilities of \$890.7 million represent an 8% increase over fiscal 2010. Just Energy funded the Hudson acquisition by issuing \$330 million in convertible debentures, which as at March 31, 2011, were valued at \$286.4 million and recorded in long-term debt.

Other long-term liabilities also decreased in fiscal 2011 primarily due to the change in mark to market valuation of future supply positions.

## Summary of quarterly results

(thousands of dollars, except per share/unit amounts)

	Q4 fiscal 2012	Q3 fiscal 2012	Q2 fiscal 2012	Q1 fiscal 2012
Sales	\$ 820,412	\$ 738,614	\$ 600,043	\$ 626,200
Gross margin	173,260	147,407	102,561	94,261
Administrative expenses	34,031	31,308	28,774	28,284
Finance costs	16,426	16,377	14,340	13,792
Net income (loss)	(76,895)	(97,386)	(3,494)	51,132
Net income (loss) per share – basic	(0.55)	(0.70)	(0.03)	0.37
Net income (loss) per share – diluted	(0.55)	(0.70)	(0.03)	0.35
Dividends/distributions paid	44,152	43,934	43,691	43,605
Base EBITDA	76,948	63,563	38,604	29,867
Adjusted EBITDA	109,287	88,513	47,894	37,431
Payout ratio on Base EBITDA	57%	69%	113%	146%
Payout ratio on Adjusted EBITDA	40%	50%	91%	116%

	Q4 fiscal 2011	Q3 fiscal 2011	Q2 fiscal 2011	Q1 fiscal 2011
Sales	\$ 941,334	\$ 744,296	\$ 657,878	\$ 609,684
Gross margin	172,599	132,084	96,719	80,355
Administrative expenses	28,367	26,299	25,963	28,841
Finance costs	13,646	15,679 <sup>1</sup>	12,823 <sup>1</sup>	9,937 <sup>1</sup>
Net income (loss)	37,119	178,468	(133,436)	270,789
Net income (loss) per unit – basic	0.27	1.41	(1.07)	2.19
Net income (loss) per unit – diluted	0.23	1.16	(1.07)	1.78
Distributions paid	43,208	42,450	42,276	42,070
Base EBITDA	109,282	68,823	31,441	21,798
Adjusted EBITDA	114,934	76,800	37,497	29,726
Payout ratio on Base EBITDA	40%	62%	134%	193%
Payout ratio on Adjusted EBITDA	38%	55%	113%	142%

<sup>1</sup> Excludes distributions paid to holders of Exchangeable Shares prior to Conversion included as finance costs under IFRS.

Just Energy'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 Base EBITDA and Adjusted EBITDA and lower payout ratios in the third and fourth quarters and lower Base EBITDA and Adjusted EBITDA and higher payout ratios in the first and second quarters.

### ANALYSIS OF THE FOURTH QUARTER

Sales decreased by 13% quarter over quarter to \$820.4 million from \$941.3 million. Sales from gas and electricity marketing decreased by 14% quarter over quarter primarily as a result of lower commodity prices as well as lower gas consumption due to the extremely warm winter temperatures across Just Energy's gas markets versus relatively cold weather of the prior year. This decrease was partially offset by higher sales for NHS and TGF. Gross margin was flat quarter over quarter due to the increase in gross margin contribution from NHS and TGF offsetting the 4% lower gross margin from energy marketing. The decline in energy marketing gross margin was attributable to the extremely warm winter weather in Just Energy markets and the impact on natural gas consumption. Heating degree days in Just Energy's

primary gas markets were 10% to 15% warmer than normal in January and February, with March being 38% warmer than normal. Gross margin percentage increased to 21% for fiscal 2012 versus 18% for fiscal 2011 due to improved margin per customer in energy marketing and improved results at NHS and TGF.

The change in fair value of derivative instruments resulted in a loss of \$90.2 million for the current quarter, in comparison with a gain of \$139.7 million in the fourth quarter of the prior fiscal year. Net loss for the three months ended March 31, 2012, was \$76.9 million, representing a loss per share of \$0.55. For the prior comparative quarter, net income was \$37.1 million, representing income of \$0.27 and \$0.23 on a basic and diluted per share basis, respectively. The fair value of derivative instruments represents the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers at future fixed prices, minimizing any impact of mark to market gains and losses.

Adjusted EBITDA decreased by 5% to \$109.3 million for the three months ended March 31, 2012. This decrease is attributable to the weather impact on energy marketing and higher administrative, bad debt and selling and marketing expenses to maintain gross margin. Base EBITDA (after all selling and marketing costs) decreased by 30% to \$76.9 million for the three months ended March 31, 2012, down from \$109.3 million in the prior comparable quarter primarily as a result of higher investment in the solar and network marketing divisions as well as investments to open new geographic territories for energy marketing. These expenditures will support future growth for the Company. For the three months ended March 31, 2012, the provision for income tax expense amounted to \$15.8 million versus the prior comparative period expense of \$162.0 million, which was a result of a change in the deferred tax rate due to the Conversion.

Dividends/distributions paid were \$44.2 million, a 2% increase from \$43.2 million paid in the prior comparative quarter. The increase is due to the higher number of outstanding shares as the annual dividend/distribution rate was unchanged at \$1.24 per year. Payout ratio on Adjusted EBITDA was 40% for the three months ended March 31, 2012, compared with 38% in the prior comparable quarter.

## Gas and electricity marketing

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

Sales	Fiscal 2012			Fiscal 2011		
	Gas	Electricity	Total	Gas	Electricity	Total
Canada	\$ 476,020	\$ 489,043	\$ 965,063	\$ 660,036	\$ 619,985	\$ 1,280,021
United States	407,037	1,230,810	1,637,847	525,714	1,015,347	1,541,061
	<b>\$ 883,057</b>	<b>\$ 1,719,853</b>	<b>\$ 2,602,910</b>	<b>\$ 1,185,750</b>	<b>\$ 1,635,332</b>	<b>\$ 2,821,082</b>
Increase (decrease)	(26)%	5%	(8)%			

Gross margin	Fiscal 2012			Fiscal 2011		
	Gas	Electricity	Total	Gas	Electricity	Total
Canada	\$ 85,222	\$ 93,151	\$ 178,373	\$ 94,200	\$ 94,749	\$ 188,949
United States	54,918	223,081	277,999	78,563	183,922	262,485
	<b>\$ 140,140</b>	<b>\$ 316,232</b>	<b>\$ 456,372</b>	<b>\$ 172,763</b>	<b>\$ 278,671</b>	<b>\$ 451,434</b>
Increase (decrease)	(19)%	13%	1%			

Sales for the year ended March 31, 2012, were \$2.6 billion, a decrease of 8% from \$2.8 billion in the prior year. The sales decline reflects the impact of the decrease in commodity prices within contracts signed in recent periods and the impact on gas consumption of the extremely warm temperatures during the third and fourth quarters. Because of the lower commodity prices, Just Energy has experienced a gradual reduction in average price within the customer base as new customers signed and customer renewals are at lower prices than that of customers expiring or lost through attrition.

Gross margins were \$456.4 million for the year, an increase of 1% from the \$451.4 million earned during the year ended March 31, 2011. The increase in gross margin is primarily a result of the record number of customers added through marketing and the Fulcrum acquisition, offset by the impact from the warm winter partially mitigated through weather derivative options.

**GAS**

Sales were \$883.1 million for the year ended March 31, 2012, down 26% from \$1,185.8 million in the prior year. Gross margins were \$140.1 million for fiscal 2012, a decrease of 19% from \$172.8 million in the prior year. The number of gas customers has decreased by 10% during the fiscal year.

Just Energy entered into weather index derivatives for the period from November 1, 2011, through to March 31, 2012, with the intention of reducing gross margin fluctuations from extreme weather. The maximum payout cap on the options was \$15 million. The weather during the third quarter was approximately 10% to 15% warmer than normal and accounted for approximately \$9 million of the total option payout. For the fourth quarter, weather remained approximately 10% to 15% warmer for January and February, absorbing the remainder of the payout cap, but then the weather was approximately 38% warmer than normal in the month of March. The impact from the record warm winter was lost gross margin of approximately \$28 million, offset by the \$15 million payout from the weather index derivative.

**Canada**

Canadian gas sales were \$476.0 million, a decrease of 28% from \$660.0 million recorded for the year ended March 31, 2011. Gross margin totalled \$85.2 million, down 10% from the prior comparative year. The decrease in sales is a result of the decline in commodity prices reflected in recent contract offerings, the 15% smaller customer base and lower consumption due to the extremely warm winter. Gross margin was 10% lower in fiscal 2012 than the prior year due to the smaller customer base and lower consumption of gas, offset by higher realized margin per customer.

After allowance for balancing and inclusive of acquisitions, realized average gross margin per customer ("GM/RCE") for the year ended March 31, 2012, amounted to \$178/RCE compared to \$160/RCE for the prior year. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

**United States**

For the year ended March 31, 2012, gas sales totalled \$407.0 million, a decrease of 23% from \$525.7 million in the prior year. Gross margin for the gas markets in the U.S. was \$54.9 million, a 30% decrease versus \$78.6 million reported in the prior year. Total gas customers in the U.S. decreased by 4% during fiscal 2012. The lower sales and gross margin were the result of lower consumption due to warmer than usual winter weather and the overall decrease in customer base. The lower commodity price environment and its impact on recently signed contracts also contributed to the decline in gas sales in the U.S. year over year.

Average realized gross margin after all balancing costs for the year ended March 31, 2012, was \$113/RCE, a decrease from \$141/RCE. In addition to the impact from weather, a higher proportion of commercial customers were added which have lower margins per RCE by design. The GM/RCE value includes an appropriate allowance for bad debt expense in Illinois, Georgia and California.

**ELECTRICITY**

Sales for fiscal 2012 were \$1,719.9 million, an increase of 5% from \$1,635.3 million for the year ended March 31, 2011. Gross margin was \$316.2 million, up 13% from \$278.7 million in the prior year. The number of electricity customers has increased by 32% during the past year.

**Canada**

Electricity sales were \$489.0 million for the year ended March 31, 2012, a decrease of 21% from the prior comparable year due to a 5% decline in RCEs as well as new variable rate products offered at lower sales prices. Gross margin decreased by 2% year over year to \$93.2 million versus \$94.7 million in the prior year. The substantially lower decline in margin versus customers was largely due to higher margins associated with the JustGreen product offerings as well as some attractive variable rate products.

Realized average gross margin per customer in Canada, after all balancing and including acquisitions for the year ended March 31, 2012, amounted to \$141/RCE, an increase from \$127/RCE in the prior year. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

**United States**

Electricity sales in the U.S. were \$1,230.8 million for the year ended March 31, 2012, an increase of 21% from \$1,015.3 million in the prior year. Gross margin for electricity in the U.S. was \$223.1 million, a 21% increase from \$183.9 million recorded in fiscal 2011. Driving sales growth was the 53% increase in customer base during the year, as a result of strong additions through marketing and 240,000 RCEs added through the Fulcrum acquisition, effective October 1, 2011. These Fulcrum customers had a limited impact on sales and margins as they will generate the majority of their annual revenue and margin in the first and second quarters (summer months).

Average gross margin per customer for electricity during the year decreased to \$132/RCE, compared to \$149/RCE in the prior year, as a result of a higher proportion of commercial customers added which have lower margins per RCE by design. The GM/RCE value for Texas, Pennsylvania, Massachusetts and California includes an appropriate allowance for the bad debt expense.

## Long-term customer aggregation

	April 1, 2011	Additions	Acquired	Attrition	Failed to renew	March 31, 2012	% increase (decrease)
<b>Natural gas</b>							
Canada	656,000	63,000	–	(61,000)	(100,000)	<b>558,000</b>	(15)%
United States	574,000	135,000	–	(134,000)	(24,000)	<b>551,000</b>	(4)%
<b>Total gas</b>	<b>1,230,000</b>	<b>198,000</b>	<b>–</b>	<b>(195,000)</b>	<b>(124,000)</b>	<b>1,109,000</b>	<b>(10)%</b>
<b>Electricity</b>							
Canada	736,000	102,000	–	(62,000)	(78,000)	<b>698,000</b>	(5)%
United States	1,348,000	791,000	240,000	(213,000)	(103,000)	<b>2,063,000</b>	53%
<b>Total electricity</b>	<b>2,084,000</b>	<b>893,000</b>	<b>240,000</b>	<b>(275,000)</b>	<b>(181,000)</b>	<b>2,761,000</b>	<b>32%</b>
<b>Combined</b>	<b>3,314,000</b>	<b>1,091,000</b>	<b>240,000</b>	<b>(470,000)</b>	<b>(305,000)</b>	<b>3,870,000</b>	<b>17%</b>

Gross customer additions for the year were 1,091,000, up 9% from the previous record 999,000 customers added through marketing in fiscal 2011. Net additions from marketing were 316,000 for the year versus 361,000 net customers added in fiscal 2011. The customer base increased by 17% during fiscal 2012, including the 240,000 customers acquired from Fulcrum effective October 1, 2011.

Consumer customer additions amounted to 429,000 for the fiscal year, effectively unchanged from the 428,000 customer additions recorded in fiscal 2011. Management continues to diversify its sales platform beyond door-to-door sales to include the Momentis network, telephone and online marketing channels.

Commercial additions were 662,000 for the year, a 16% increase from 571,000 additions in the previous fiscal year. The broker sales channel continues to expand across Just Energy's existing markets.

Net additions from marketing exceeded 100,000 in both the third and fourth quarters, following growth of 45,000 and 44,000, respectively, for the first and second quarter. This reflects improved performance across each of the sales channels in both the Consumer and Commercial divisions.

Total gas customers decreased by 10% during the year, reflecting a difficult price environment with a large disparity between utility spot prices and the five-year prices. The extended period of low, stable gas prices has reduced the customer appetite for the stability of higher priced long-term fixed contracts. As a result, Just Energy has moved to a variety of consumer products that provide a different value proposition in the current environment. Successful new variable and monthly flat rate contracts are being sold while spot market prices remain stable.

Total electricity customers were up 32% during the year, with a 53% growth in the U.S. market and a 5% decrease in customers in the Canadian markets. The growth in the U.S. is a result of the strong additions and the 240,000 acquired Fulcrum customers, while the Canadian electricity market, particularly in Ontario, continues to face competitive challenges due to low utility pricing.

### JUSTGREEN AND JUSTCLEAN

Sales of the JustGreen products remain strong despite premium pricing in a low-price environment. 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, 2011, through December 31, 2011, validating the match of Just Energy's renewable energy and carbon offset purchases against customer contracts. Just Energy has contracts with over 70 carbon offset and renewable energy projects across North America and is actively pursuing new projects to meet our growing demand for green energy alternatives. Just Energy purchases carbon offsets and renewable energy credits for the current and future use of our customers. Our purchases help developers finance their projects.

The Company currently sells JustGreen gas in the eligible markets of Ontario, Quebec, British Columbia, Alberta, Michigan, New York, Ohio, Illinois and Pennsylvania. JustGreen electricity is sold in Ontario, Alberta, New York, Texas and Pennsylvania. Of all consumer customers who contracted with Just Energy in the past year, 29% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 84% of their consumption as green supply. In the previous year, 36% of the consumer customers who contracted with Just Energy chose to include JustGreen for an average of 90% of their consumption. The reduction in green take-up is primarily related to our gas consumers and the high premium on the product in a low commodity price environment. Overall, JustGreen now makes up 10% of the Consumer gas portfolio, up from 6% a year ago. JustGreen makes up 12% of the Consumer electricity portfolio, up from 10% a year ago.



In addition, JustClean products are being offered in some markets within Canada. JustClean products are carbon offsets from carbon capture and reduction projects as well as green power renewable energy certificates from green generators. The JustClean product can be offered in all states and provinces and is not dependent on energy deregulation. The Company is exploring opportunities to expand this product offering to new markets throughout the U.S. and Canada, both regulated and deregulated.

## ATTRITION

	Fiscal 2012	Fiscal 2011
<b>Natural gas</b>		
Canada	10%	10%
United States	24%	23%
<b>Electricity</b>		
Canada	9%	10%
United States	13%	17%
<b>Total attrition</b>	<b>13%</b>	<b>15%</b>

The primary contributing factor to attrition rates experienced in fiscal 2012 is that most customers signed in the past three years are on prices consistent with current market prices. The attrition from these customers and their eventual renewal will benefit from this pricing; in addition, there are generally lower attrition rates among the growing base of commercial customers. The average rate of attrition declined by 2% to 13%, continuing the trend of improvement seen since the real estate crisis of 2008.

### Natural gas

The annual natural gas attrition in Canada was 10% for the year, unchanged from the attrition rate reported in the prior year. In the U.S., annual gas attrition was 24%, a slight increase from 23% experienced a year prior.

### Electricity

The annual electricity attrition rate in Canada was 9%, slightly lower than the 10% reported in the prior year. Electricity attrition in the U.S. was 13% for fiscal 2012, a decrease from 17% reported for the prior fiscal year, due to the increasing commercial customer base which has historically experienced lower attrition rates.

## RENEWALS

	Consumer		Commercial	
	Fiscal 2012	Fiscal 2011	Fiscal 2012	Fiscal 2011
<b>Natural gas</b>				
Canada	52%	69%	61%	49%
United States	85%	73%	62%	77%
<b>Electricity</b>				
Canada	51%	63%	59%	58%
United States	87%	75%	64%	60%
<b>Total renewals – consumer and commercial divisions</b>	<b>64%</b>	<b>65%</b>		

The Just Energy renewal process is a multifaceted 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, allowing a customer to renew for an additional period. Management's targeted renewal rates for consumer customers are to be in the range of 70% overall, assuming commodity price volatility remains low. Renewal rates for commercial customers are expected to be more volatile than those of consumer customers as a commercial renewal is often a function of a competitive bid process and these customers regularly change suppliers. The combined renewal rate for all customers, both consumer and commercial, was 64% for fiscal 2012, down slightly from 65% for the prior year. It is anticipated that Canadian renewal rates and overall averages will improve towards target levels as more customers begin to renew off of market priced contracts in coming years.

**GAS AND ELECTRICITY CONTRACT RENEWALS**

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

	Canada – gas	Canada – electricity	U.S. – gas	U.S. – electricity
2013	33%	34%	24%	35%
2014	18%	15%	11%	16%
2015	18%	13%	13%	15%
2016	18%	20%	19%	15%
Beyond 2016	13%	18%	33%	19%
Total	100%	100%	100%	100%

All month-to-month customers, which represent 294,000 RCEs, are excluded in the table above.

**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 quarter. This table reflects all margin earned on new additions and renewals including both the brown commodity and JustGreen. Customers added through marketing or renewal had lower margins than the customers lost through attrition or failure to renew due to the need to price closer to the very low utility floating rate alternative and substantially lower commodity prices on new contracts versus those up for renewal or lost through attrition. For large commercial customers, the average gross margin for new customers added was \$82/RCE. The aggregation cost of these customers is commensurately lower per RCE compared to a residential customer.

**ANNUAL GROSS MARGIN PER CUSTOMER<sup>1</sup>**

	Fiscal 2012	Number of customers
Consumer customers added in the year		
Canada – gas	\$ 169	35,000
Canada – electricity	123	46,000
United States – gas	196	112,000
United States – electricity	168	236,000
Average annual margin	170	
Consumer customers renewed in the year		
Canada – gas	\$ 165	49,000
Canada – electricity	140	55,000
United States – gas	205	38,000
United States – electricity	163	41,000
Average annual margin	162	
Consumer customers lost in the year		
Canada – gas	\$ 193	117,000
Canada – electricity	150	103,000
United States – gas	211	142,000
United States – electricity	210	159,000
Average annual margin	194	
Commercial customers added in the year	\$ 82	662,000
Commercial customers lost in the year	\$ 117	254,000

<sup>1</sup> Customer sales price less cost of associated supply and allowance for bad debt.

## 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 as well as high efficiency furnaces and air conditioners. NHS continues its strong customer growth with installations for the year amounting to 40,400 water heaters and 6,400 air conditioners and furnaces, compared with 38,200 water heaters and 3,400 air conditioner and furnace units installed in the prior comparable year. Overall, installations increased by 13%, although the increase in margin from the increased base is greater as the average monthly rental revenue for HVAC products is 2.5 times that of a water heater. NHS currently markets through approximately 190 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 entered into a long-term financing agreement with Home Trust Company ("HTC") for the funding of the water heaters, furnaces and air conditioners in the Enbridge Gas (January 2010) and Union Gas (July 2010) distribution territories. Under the HTC agreement, NHS receives funds equal to the amount of the five-, seven- or ten-year cash flow (at its option) of the water heater, furnace and air conditioner contracts discounted at the contracted rate, which is currently 7.99%. HTC is then paid an amount that is equal to the customer rental payments on the water heaters for the next five, seven or ten years as applicable. The funding received from HTC up to March 31, 2012, was \$187.4 million. As at March 31, 2012, the balance outstanding was \$147.2 million, with an average term of 6.1 years.

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 will be an asset, which will generate strong cash returns following repayment of the HTC financing. The embedded margin within the NHS contracts grew 39% to \$393.0 million as at March 31, 2012, up from \$282.7 million a year prior. NHS also realized a margin of \$28.0 million during the year in addition to the growth in embedded margin.

### SELECTED FINANCIAL INFORMATION

For the years ended March 31

(thousands of dollars, except where indicated)

	Fiscal 2012	Fiscal 2011
Sales per financial statements	\$ 35,642	\$ 22,566
Cost of sales	7,663	6,869
Gross margin	27,979	15,697
Selling and marketing expenses	4,188	3,302
Administrative expenses	12,901	12,083
Finance costs	10,018	6,468
Capital expenditures	35,685	30,625
Amortization	1,799	1,902
Total number of water heaters, furnaces and air conditioners installed	165,400	118,600

### RESULTS FROM OPERATIONS

For the year ended March 31, 2012, NHS had sales of \$35.6 million for the year, up 58% from \$22.6 million reported in fiscal 2011. Gross margin amounted to \$28.0 million for the year ended March 31, 2012, an increase of 78% from \$15.7 million reported in the prior year. The increase in sales was greater than the 39% increase in the number of units installed year over year due to a full year of revenue being earned from the installations during the prior year as well as the fact that revenue associated with HVAC installations is approximately 2.5 times that of a water heater unit. The cost of sales for the year ended March 31, 2012, was \$7.7 million, of which \$6.8 million represents the non-cash amortization of the installed water heaters, furnaces and air conditioners for the customer contracts signed to date. Administrative costs, which relate primarily to administrative staff compensation and warehouse expenses, were \$12.9 million for the year ended March 31, 2012, an increase of 7% year over year due to business growth.

Finance costs amounted to \$10.0 million as a result of the financing arrangement with HTC. Capital expenditures, including installation costs, amounted to \$35.7 million for the year ended March 31, 2012.

## 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, 2012, the plant achieved an average production capacity of 80%, an increase from average production capacity of 78% in the prior year as a result of efficiencies gained.

Ethanol prices were, on average, \$0.72 per litre and wheat prices averaged \$213 per metric tonne for the year ended March 31, 2012. For the prior comparable year, average ethanol prices were \$0.57 per litre and wheat prices were \$168 per metric tonne. As at March 31, 2012, ethanol was priced at \$0.59 per litre.

**SELECTED FINANCIAL INFORMATION**

For the years ended March 31

(thousands of dollars, except where indicated)

	Fiscal 2012	Fiscal 2011
Sales per financial statements	\$ 130,491	\$ 108,526
Cost of sales	112,659	94,901
Gross margin	17,832	13,625
Administrative expenses	8,229	11,231
Finance costs	6,485	6,862
Capital expenditures	250	267
Amortization	1,337	1,193

**RESULTS OF OPERATIONS**

For the year ended March 31, 2012, TGF had sales of \$130.5 million, a 20% increase from \$108.5 million in the prior comparable year. Cost of sales amounted to \$112.7 million, an increase of 19% from \$94.9 million in the prior comparable year. During fiscal 2012, the plant produced 119.3 million litres of ethanol and 111,104 metric tonnes of DDG, resulting in a productive capacity of 80%. In the prior comparable year, TGF produced 117.7 million litres of ethanol and 111,417 metric tonnes of DDG and experienced an average production capacity of 78%. Administrative expenses declined 27% due to a reclassification of certain costs to cost of sales.

TGF receives a federal subsidy related to the ecoEnergy for Biofuels Agreement initially signed on February 17, 2009, based on the volume of ethanol produced. The subsidy is \$0.08 per litre for fiscal 2012. The subsidy amount declines through time to \$0.05 per litre of ethanol produced in fiscal 2015, the last year of the agreement.

**Overall consolidated results****ADMINISTRATIVE EXPENSES**

For the year ended March 31, 2012, administrative expenses were \$122.4 million, an increase of 12% from \$109.4 million in the prior year.

	Fiscal 2012	Fiscal 2011	% increase (decrease)
Energy marketing	\$ 97,085	\$ 83,558	16%
NHS	12,901	12,083	7%
TGF	8,229	11,231	(27)%
Other	4,182	2,528	65%
<b>Total administrative expenses</b>	<b>\$ 122,397</b>	<b>\$ 109,400</b>	<b>12%</b>

Energy marketing administrative costs were \$97.1 million for fiscal 2012, an increase of 16% from \$83.6 million for the year ended March 31, 2011. This increase is primarily attributable to the inclusion of \$5.9 million in administrative costs related to the Fulcrum acquisition. Management did not anticipate any material synergies to be gained from the Fulcrum acquisition with respect to the administrative expenses. Excluding the Fulcrum-related costs, administrative expenses amounted to \$91.2 million, a 9% increase in administrative expenses year over year as a result of the additional costs associated with supporting the growth in customer base. A portion of the 9% non-Fulcrum growth is attributed to the Company's expansion into new markets where investments have been made but the customer growth is not yet reflected in the results.

**SELLING AND MARKETING EXPENSES**

Selling and marketing expenses, which consist of commissions paid to independent sales contractors, brokers and independent representatives as well as sales-related corporate costs, were \$177.3 million, an increase of 33% from \$133.6 million in fiscal 2011. Excluding the \$37.3 million of costs associated with the expansion of Momentis, sales and marketing expenses increased by 5% to \$140.0 million. New customers signed by the sales force totalled 1,091,000 during fiscal 2012, an increase of 9% compared to 999,000 customers added through our sales channels in the prior year. The increase in sales and marketing costs was less than the increase in customers due to the large component of commercial customers added. Commissions per RCE for commercial customers are lower than those of consumer customers.

Commissions related to obtaining and renewing Hudson commercial contracts are paid all or partially upfront or as residual payments over the life of the contract. If the commission is paid all or partially upfront, the amortization is included in selling and 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 62% are commercial broker customers and approximately 63% of these commercial brokers are being paid recurring residual payments. During the year ended March 31, 2012, \$11.9 million in commission-related expenses was

capitalized to contract initiation costs. Of the capitalized commissions, \$2.8 million represents commissions paid to maintain gross margin and therefore is included in the maintenance capital deducted in the Adjusted EBITDA calculation.

Selling and 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 year. Selling and marketing expenses to maintain gross margin were \$83.3 million for the year ended March 31, 2012, a slight decrease from \$84.8 million in fiscal 2011 as a result of the lower commission associated with the commercial customer additions.

Selling and 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 total gross margin signed from new customers during the period. Selling and marketing expenses to add new gross margin in the year ended March 31, 2012, totalled \$80.0 million, of which \$37.3 million related to the building of the Network Marketing division.

In contrast to door-to-door marketing, there is an initial cost of building the Momentis channel as a result of the expansion of an independent representative base that will contribute to the number of customers on a go-forward basis. This cost is expensed immediately, with the margin for customer aggregation recognized over future periods. The customers signed by independent representatives are not customers that would normally have been signed by the traditional door-to-door marketing channel and typically experience lower attrition and better renewal rates. It is expected that this division will become a significant cash flow generator in future periods.

Selling and marketing expenses included in Base EBITDA exclude amortization related to the contract initiation costs for Hudson and NHS. For the year ended March 31, 2012, the amortization amounted to \$14.0 million, an increase of 13% from \$12.4 million reported in the prior year.

The aggregation costs per customer for the year ended March 31, 2012, 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
<b>Natural gas</b>			
Canada	\$ 223/RCE	\$ 136/RCE	\$ 66/RCE
United States	\$ 188/RCE	\$ 76/RCE	\$ 25/RCE
<b>Electricity</b>			
Canada	\$ 210/RCE	\$ 140/RCE	\$ 35/RCE
United States	\$ 161/RCE	\$ 151/RCE	\$ 35/RCE
<b>Total aggregation costs</b>	<b>\$ 181/RCE</b>	<b>\$ 135/RCE</b>	<b>\$ 35/RCE</b>

The aggregation cost per customer added for all energy marketing for the year ended March 31, 2012, was \$103/RCE. The \$35/RCE 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/RCE per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately \$64 (1.8 x \$35/RCE) to the quarter's \$35/RCE average aggregation cost for commercial broker customers reported above. For the prior comparable year, total aggregation costs per residential, commercial and commercial brokers were \$173/RCE, \$122/RCE and \$35/RCE, respectively, with a combined cost of \$104/RCE.

#### BAD DEBT EXPENSE

In Illinois, Alberta, Texas, Pennsylvania, California, Massachusetts, Michigan and Georgia, Just Energy assumes the credit risk associated with the collection of customer accounts. In addition, for commercial direct-billed accounts in British Columbia, 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 ended March 31, 2012, Just Energy was exposed to the risk of bad debt on approximately 43% of its sales.

Bad debt expense is included in the consolidated income statement under other operating expenses. Bad debt expense for the year ended March 31, 2012, was \$28.5 million, an increase of 3% from \$27.7 million expensed for the year ended March 31, 2011. The bad debt expense increase was a result of a 15% increase in total revenues for the current year for the markets where Just Energy bears the credit risk to \$1,187.2 million, including the additional revenue earned in Texas from the customers acquired from Fulcrum. 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, 2012, the bad debt expense of \$28.5 million represents 2.4% of relevant revenue, lower than the bad debt for fiscal 2011, which represented 2.7% of relevant revenue.

Management expects that bad debt expense will remain in the range of 2% to 3% of relevant revenue. 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.

## FINANCE COSTS

Total finance costs for the year ended March 31, 2012, amounted to \$60.9 million, an increase from \$59.9 million recorded in fiscal 2011. Excluding the \$7.8 million of dividend payments made to holders of Exchangeable Shares and equivalents classified as finance costs under IFRS in the prior year, finance costs increased by 17%. The increase in costs primarily relates to the interest associated with the \$330m convertible debentures (which was not in place for all of fiscal 2011), the \$100m convertible debentures (which were issued in fiscal 2012) and the increase in NHS financing. These costs were partially offset by the lower finance costs related to the credit facility.

## 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, 2012, a foreign exchange unrealized loss of \$2.4 million was reported in other comprehensive income (loss) versus \$0.4 million in the prior 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 placed. 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.

## PROVISION FOR INCOME TAX

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

	Fiscal 2012	Fiscal 2011
Current income tax provision	\$ 662	\$ 8,182
Future tax expense	36,865	165,257
Provision for income tax	\$ 37,527	\$ 173,439

Just Energy recorded a current income tax expense of \$0.7 million for the year, versus \$8.2 million of expense in fiscal 2011. The change is mainly attributable to a U.S. income tax recovery generated by higher tax losses incurred by the U.S. entities during the current year.

During this fiscal year, the mark to market losses from financial instruments decreased as a result of a change in fair value of these derivative instruments and, as a result, a deferred tax expense of \$36.9 million was recorded for the year. During the first three quarters of fiscal 2011, Just Energy was an income trust and as a result its timing differences between accounting and tax were booked at the income trust tax rate of 46.41%. At the beginning of the fourth quarter of fiscal 2011, Just Energy was converted to a taxable Canadian corporation (see further comments below) and as a result, from that point on its timing differences were booked at the corporate tax rate of approximately 25% for deferred tax purposes. As a result, there was a significant reduction of its deferred tax assets balance during the fourth quarter of fiscal 2011. In addition, after the Conversion, the deferred tax assets related to the Class A preference shares were eliminated due to the redemption of those shares as part of the Conversion process. The combined effect of these factors led to a very significant deferred tax provision of \$165.3 million recorded in fiscal 2011. No such issues arose during fiscal 2012 and as a consequence the deferred tax expense of the current year is much lower than that of the previous year.

After the Conversion on January 1, 2011, Just Energy was taxed as a taxable Canadian corporation. Therefore, the deferred 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. For fiscal 2012, taxable income of Canadian corporations under Just Energy is subject to a tax rate of approximately 27% for current tax purposes.

Under IFRS, Just Energy recognized income tax liabilities and assets based on 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 deferred tax asset will be recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The effect of a change in the income tax rates used in calculating deferred 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 2012	Fiscal 2011
Operating activities	\$ 144,390	\$ 145,555
Investing activities	(205,247)	(318,847)
Financing activities, excluding distributions/dividends	162,940	346,290
Effect of foreign currency translation	326	(908)
Increase in cash before distributions/dividends	102,409	172,090
Distributions/dividends (cash payments)	(146,822)	(134,589)
Increase (decrease) in cash	(44,413)	37,501
Cash – beginning of year	97,633	60,132
Cash – end of year	\$ 53,220	\$ 97,633

#### OPERATING ACTIVITIES

Cash flow from operating activities for the year ended March 31, 2012, was \$144.4 million, a slight decrease from \$145.6 million in the prior year. The increase in gross margin was offset by higher selling and general and administrative expenses resulting in cash flow from operations being relatively flat year over year.

#### INVESTING ACTIVITIES

Just Energy purchased capital assets totalling \$74.8 million during the year, an increase from \$33.4 million in the prior fiscal year. Just Energy's capital spending related primarily to the Home Services and Solar divisions.

#### FINANCING ACTIVITIES

Financing activities, excluding distributions/dividends, relates primarily to the issuance and repayment of long-term debt. During the year, \$464.5 million in long-term debt was issued, largely resulting from the \$100m convertible debentures issued on September 22, 2011, for funding the Fulcrum acquisition and additional funding received by NHS for financing. Long-term debt amounting to \$288.0 million was repaid during the year. In the prior year, \$484.8 million was issued in long-term debt relating to the \$330 million in debenture to finance the acquisition of Hudson, the credit facility and NHS financing with \$150.4 million being repaid.

As of March 31, 2012, Just Energy had a credit facility of \$350 million expiring on December 31, 2013. 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 upfront once the customer begins to flow.

The elapsed period between the time 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)

During the year ended March 31, 2012, Just Energy made cash distributions/dividends to its shareholders and holders of restricted share grants and deferred share grants in the amount of \$146.8 million, compared to \$134.6 million in the prior year.

Just Energy maintains its annual dividend rate at \$1.24 per share, the same rate that was previously paid for distributions. Investors should note that in the past, 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 year ended March 31, 2012, \$28.4 million of the dividends were paid in shares under the DRIP. The DRIP was suspended as of February 1, 2012, with the approval of the normal course issuer bid and remained suspended as at March 31, 2012.

Just Energy will continue to utilize its cash resources for expansion into energy markets; grow its existing energy marketing customer base, JustGreen and JustClean products and Solar and Home Services divisions; make accretive acquisitions of customers; and add dividends to its shareholders.

At the end of the quarter, the annual rate for dividends per share was \$1.24. The current dividend policy provides that shareholders of record on the 15th day of each month or the first business day thereafter receive dividends at the end of the month.

### Balance sheet as at March 31, 2012, compared to March 31, 2011

Cash decreased from \$97.6 million as at March 31, 2011, to \$53.2 million. The utilization of the credit facility increased from \$53.0 million to \$98.5 million. The decrease in cash and the increase in the utilization of the credit facility is a result of the funding requirements of the Solar and Networking Marketing divisions.

As at March 31, 2012, trade receivables and unbilled revenue amounted to \$299.9 million and \$130.8 million, respectively, compared to one year earlier when the trade receivables and unbilled revenue amounted to \$281.7 million and \$112.1 million, respectively. Trade payables have increased from \$275.5 million to \$287.1 million in the past year. The increase in accounts receivable and payable are a result of the Fulcrum acquisition.

As at March 31, 2012, Just Energy had delivered more gas to the LDCs than had been consumed by customers in Ontario, Manitoba, Quebec and Michigan, resulting in gas delivered in excess of consumption and deferred revenue of \$12.8 million and \$12.0 million, respectively. This build-up of inventory at the LDCs is a result of the consumption being lower than expected with the much warmer than normal temperatures experienced in the winter months. At March 31, 2011, Just Energy had accrued gas receivable and payable amounting to \$26.5 million and \$19.4 million, respectively, as a result of customers' gas consumption being greater than that which had been delivered to the LDCs. In addition, gas in storage increased from \$6.1 million as at March 31, 2011, to \$11.5 million as at March 31, 2012, due to lower consumption as a result of the mild winter temperatures.

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 year to year 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 goodwill, 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. As a result of the Fulcrum acquisition, the intangible assets increased by \$116.2 million during the year. The total intangible asset balance decreased to \$543.8 million, from \$640.2 million as at March 31, 2011, as a result of amortization.

Long-term debt (excluding the current portion) has increased from \$507.5 million to \$679.1 million in the year ended March 31, 2012, primarily as a result of the issuance of the \$100 million convertible debentures during the year as well as an increase in NHS financing.

### Long-term debt and financing

(thousands of dollars)

	As at March 31, 2012	As at March 31, 2011
Just Energy credit facility	\$ 98,455	\$ 53,000
TGF credit facility	32,046	36,680
TGF debentures	35,818	37,001
NHS financing	147,220	105,716
\$90m convertible debentures	86,101	84,706
\$330m convertible debentures	291,937	286,439
\$100m convertible debentures	85,879	—

#### JUST ENERGY CREDIT FACILITY

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, The Bank of Nova Scotia, Toronto Dominion Bank and Alberta Treasury Branches. 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 2.88% and 3.38%, prime rate advances at rates of interest that vary between bank prime plus 1.88% and 2.38%, and letters of credit at rates that vary between 2.88% and 3.38%. Interest rates are adjusted quarterly based on certain financial performance indicators.



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, 2012, and 2011, 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 prime rate 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, a mortgage on title to the land owned by TGF and a general security interest on all other current and acquired assets of TGF. 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 covenants were measured as of March 31, 2012, and TGF failed to meet all required covenants. The non-compliance was waived by the lenders but did result in a non-compliance fee of \$0.1 million representing 0.25% of the loan balance as of March 31, 2012. The non-compliance fee was accrued as at March 31, 2012.

#### **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. On April 1, 2011, the interest rate was increased to 12%. 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. Compliance with the new covenants has been extended to May 15, 2014, with a call right any time after April 1, 2013. On March 31, 2012, TGF agreed with the debenture holders to increase the quarterly blended payments to \$1.2 million. TGF also agreed to make an additional debt repayment after March 31, 2012, if the cash flow from operations exceeds \$0.5 million for fiscal 2013, provided that this type of payment will not create a non-compliance issue for the corporation under the TGF credit facility.

#### **NHS FINANCING**

NHS has entered into a long-term financing agreement with HTC for the funding of new and existing rental water heater, furnace and air conditioner contracts. 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 air conditioner and furnace 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, 2012, the average term of the HTC funding was 6.1 years.

The financing agreement is subject to a holdback provision, whereby 3% in the Enbridge Gas distribution territory and 5% in the Union Gas distribution 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 non-financial covenants under the agreement and, as at March 31, 2012, all of these covenants had been met.

#### **\$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, 2012, 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 34.09 Just Energy common shares, representing a conversion price of \$29.33 per share. Pursuant to the \$90m convertible debentures, if Just Energy fixes a record date for the payment 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.

### \$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 in 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 Just Energy, representing a conversion price of \$18 per share.

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 Just Energy, 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 Just Energy, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest.

### \$100M CONVERTIBLE DEBENTURES

On September 22, 2011, Just Energy issued \$100 million of convertible unsecured subordinated debentures which were used to purchase Fulcrum. The \$100 million convertible debentures bear interest at an annual rate of 5.75%, payable semi-annually on March 31 and September 30 in each year, commencing March 31, 2012, and have a maturity date of September 30, 2018. Each \$1,000 principal amount of the \$100 million convertible debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption into 56.0 common shares of Just Energy, representing a conversion price of \$17.85.

The \$100 million convertible debentures are not redeemable at the option of the Company on or before September 30, 2014. After September 30, 2014, and prior to September 30, 2016, the \$100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the common shares of Just Energy on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is at least 125% of the conversion price. On or after September 30, 2016, the \$100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount 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-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	\$ 287,145	\$ 287,145	\$ –	\$ –	\$ –
Bank indebtedness	1,060	1,060	–	–	–
Long-term debt (contractual cash flow)	833,962	97,611	252,570	26,433	457,348
Interest payments	261,069	47,800	84,304	67,215	61,750
Property and equipment lease agreements	35,184	8,296	12,231	7,570	7,087
Grain production contracts	8,236	7,876	360	–	–
Commodity supply purchase commitments	2,596,314	1,363,421	1,057,222	175,049	622
	<u>\$ 4,022,970</u>	<u>\$ 1,813,209</u>	<u>\$ 1,406,687</u>	<u>\$ 276,267</u>	<u>\$ 526,807</u>

### 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 consolidated 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 IFRS. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales, selling and marketing, 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.

### ACCRUED GAS RECEIVABLE/ACCRUED GAS PAYABLE

Accrued gas receivable results 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 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 all customers' accounts in Alberta, Illinois, Texas, Pennsylvania, California, Massachusetts, Michigan and Georgia. In addition, for large direct-billed accounts in British Columbia, 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, 2012, 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 assurance to certain customers that a specified amount of energy will be derived from green generation or carbon destruction. 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.

Just Energy'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 U.S. operations introduce foreign exchange-related risks. Just Energy enters into foreign exchange forwards in order to hedge its exposure to fluctuations in cross border cash flows.

The consolidated financial statements are in compliance with IAS 32, Financial Instruments: Presentation; IAS 39, Financial Instruments: Recognition and Measurement; and IFRS 7, Financial Instruments: Disclosure. 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 income statement. 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.

## Just Energy common shares

As at May 17, 2012, there were 139,348,926 common shares of JE outstanding.

## Normal course issuer bid

During the year, Just Energy announced that it had received approval to make a normal course issuer bid to purchase for cancellation up to 13,200,917 of its common shares, approximately 10% of the public float, during a 12-month period commencing December 16, 2011, and ending December 15, 2012. A maximum of 82,430 shares, approximately 25% of the average daily trading volume, may be purchased on any trading day. As at March 31, 2012, Just Energy purchased and cancelled 84,100 shares at an average price of \$11.36 for total cash consideration of \$1.0 million.

## Recently issued accounting standards

### NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

Fiscal 2012 is Just Energy's first fiscal year reporting under IFRS. Accounting standards effective for annual reporting periods ended on March 31, 2011, have been adopted as part of the transition to IFRS.

### RECENT PRONOUNCEMENTS ISSUED

#### *IFRS 9, Financial Instruments*

As of April 1, 2015, Just Energy will be required to adopt IFRS 9, Financial Instruments, which is the result of the first phase of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

#### *IFRS 10, Consolidated Financial Statements*

As of April 1, 2018, IFRS 10, Consolidated Financial Statements, will replace portions of IAS 27, Consolidated and Separate Financial Statements and Interpretation SIC-12, Consolidation – Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee.

As required by this standard, control is reassessed as facts and circumstances change. All facts and circumstances must be considered to make a judgment about whether or not the Company controls another entity; there are no clear lines. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments holding less than a majority of voting rights, and how to consider protective rights and principal-agency relationships (including removal rights), all of which may differ from current practice. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

#### *IFRS 11, Joint Arrangements*

On April 1, 2013, Just Energy will be required to adopt IFRS 11, Joint Arrangements, which applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called "jointly controlled entities") using proportionate consolidation will be removed and replaced by equity accounting.

Due to the adoption of this new section, the Company will transition the accounting for joint ventures from the proportionate consolidation method to the equity method by aggregating the carrying values of the proportionately consolidated assets and liabilities into a single line item. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

#### *IFRS 12, Disclosure of Interests in Other Entities*

On April 1, 2013, Just Energy will be required to adopt IFRS 12, Disclosure of Interests in Other Entities, which includes disclosure requirements about subsidiaries, joint ventures and associates as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and nature of the risks associated with interests in other entities. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

#### *IFRS 13, Fair Value Measurement*

On April 1, 2013, Just Energy will be required to adopt IFRS 13, Fair Value Measurement. The new standard will establish a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the "exit price" and concepts of "highest and best use" and "valuation premise" would be relevant only for non-financial assets and liabilities. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IAS 27, Separate Financial Statements**

On April 1, 2013, Just Energy will be required to adopt IAS 27, Separate Financial Statements. As a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10.

In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IAS 28, Investments in Associates and Joint Ventures**

On April 1, 2013, Just Energy will be required to adopt IAS 28, Investments in Associates and Joint Ventures. As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Company will apply this standard when there is joint control or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When determined that the Company has an interest in a joint venture, the Company will recognize an investment and will account for it using the equity method in accordance with IAS 28. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IAS 1, Presentation of Financial Statements**

IAS 1, Presentation of Financial Statements, was amended in 2011 to expand on the disclosures required of items within Other Comprehensive Income. The revised standard requires that an entity distinguishes between those items that are recycled to profit and loss versus those items that are not recycled. Retrospective application is required and the standard is effective for annual periods beginning on or after July 1, 2012. The Company does not expect the amendments to IAS 1 to have a significant impact on its consolidated financial statements.

**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 or 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 and National Bank of Canada. Other suppliers represent less than 3% 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 and pipelines. 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 flow, 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 NHS, TGF and HES). 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 balances its estimated customer requirements net of contracted commodity, 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 dividends. 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, Georgia, Michigan 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 Just Energy. 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 other 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. 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 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. Independent representatives in Just Energy's network marketing division rely entirely on information systems for sales and compensation as all interaction is performed online. 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 outsourcing 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 network marketing and solar installation monitoring 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, NRG, Superior Energy, Constellation and NewEnergy) 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 at cost, their existing customer bases could provide them with a significant competitive advantage. This could 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 these appeals 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, 2012, Just Energy held long-term electricity and gas contracts reflecting approximately 3,870,000 long-term RCEs. The renewal schedule for the contracts is noted on page 39. In fiscal 2012, Just Energy experienced contract attrition rates of approximately 10% in Canada and 24% in the U.S. for gas with rates of 9% and 13% 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 38 for further discussion on "Renewals". Just Energy's fiscal 2012 experience was that approximately 64% its customers have renewed at the expiry of the term of their contract, compared with 65% renewing in fiscal 2011.

### **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 impact 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 modelling 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 modelling 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 Home Services division, the ethanol plant and the Solar division are more capital-intensive businesses. The risk associated with water heater, heating and air conditioning units and solar panel replacement is considered minimal as there are several suppliers of high efficiency home services appliances as well as solar panels 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 associated value 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. Each division is adequately insured including provisions for business continuity while replacement assets are being sourced and installed.

**Credit facilities and other debt arrangements**

The credit facility maintained by Just Energy Ontario L.P. and Just Energy U.S. Corp. 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. 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 terms of the credit facility, the credit facility 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 undertakings of TGF. There is a risk that these credit facilities, including the debenture purchase agreement, may not continue to be available on the same terms.

NHS has also entered into a long-term financing agreement with respect to the installation of water heaters. In the event this financing became unavailable, Just Energy would have to otherwise fund the 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 could be no revenue or margin 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.

Although the rule-making for the recent financial reform act in the United States has not been completed, it is expected that when final, Just Energy will be required to comply with certain aspects regarding reporting of derivative activity. Furthermore, it is expected that several of Just Energy's counterparties will be impacted by this legislation in a significant manner. The costs associated with Just Energy's increased reporting requirements as well as doing business with counterparties more significantly impacted than Just Energy cannot yet be fully determined.

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 56 of this report. This litigation is, and any such additional litigation could be, time consuming and expensive and could distract the 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 the Company's 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 or unlimited number of 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 dried 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.

### *TGF's dependence on federal and provincial legislation and regulation*

Various laws, regulations and programs of the U.S. federal government and certain provincial and state governments are intended to lead to increased use of ethanol in gasoline. 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 (such as fires, natural disasters, explosions, and abnormal pressures and blowouts) associated with producing and transporting TGF's products 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.

#### ***Alternative fuels***

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 home services***

Within Canada, the Ontario marketplace is unique in that the vast majority of homeowners rent their water heaters which sets precedence for acceptance of furnace and air conditioning rentals. There can be no assurance that NHS's customers will continue to accept the home appliance rental concept. It is also possible that more economical or efficient 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, air conditioner and furnace units. 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. Management has developed alternative means of product delivery (long-term leases) and is expanding outside the Ontario territory to mitigate these risks.

#### ***Concentration of home appliance suppliers and product faults***

Although there are a number of manufacturers of home appliances, NHS relies principally on GSW Inc. for its supply of water heaters and Lennox for its furnaces and air conditioners. Should these suppliers fail to deliver in a timely manner, delays or disruptions in the supply and installation of water heaters could result.

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.

#### ***HES dependence on federal and state legislation and regulation***

Various laws, regulations and programs of the U.S. federal government and certain state governments are intended to lead to increased use of renewable resources, including solar energy. For example, certain existing and proposed laws, regulations and programs provide (or if implemented will provide) economic incentives to solar installation. However, existing and proposed laws, regulations and programs have limited time horizons and 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 economic viability of solar projects. 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.

## **Legal proceedings**

Just Energy's subsidiaries are party to a number of legal proceedings other than as set out below, 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.

The State of California has filed a number of complaints to the Federal Energy Regulatory Commission ("FERC") against many suppliers of electricity, including Commerce Energy Inc. ("CEI"), 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 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 which is not expected to have a material impact on the financial condition of the Company.

## **Controls and procedures**

At March 31, 2012, the Chief Executive Officer and Chief Financial Officer of the Company, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Just Energy is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS. During the year, 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.

The disclosure controls and procedures are evaluated annually through regular internal reviews which are carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls were effective as of March 31, 2012.

### 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 Company 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 Company'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 Fulcrum, acquired effective October 1, 2011.

Summary financial information pertaining to the Fulcrum acquisition that was included in the consolidated financial statements of the Just Energy as at March 31, 2012, is as follows:

(thousands of dollars)

	Total
Sales <sup>1</sup>	\$ 107,305
Net loss <sup>1</sup>	(9,082)
Current assets	27,151
Non-current assets	103,235
Current liabilities	42,015
Non-current liabilities	3,418

<sup>1</sup> Results from October 1, 2011, to March 31, 2012

### 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.justenergygroup.com](http://www.justenergygroup.com) and is included in Just Energy's May 18, 2012, Management Proxy Circular. Just Energy actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

### Outlook

Fiscal 2012 showed the ability of Just Energy to continue to grow profitably as it has in past years. As in the past, at the start of the fiscal year, management provided guidance as to expected customer additions, margin growth and Adjusted EBITDA growth for fiscal 2012. Margin and Adjusted EBITDA were each expected to grow by approximately 5% per share while net customer additions were expected to exceed that growth. The higher customer growth would be necessary in order to offset lower margins from commercial customers who were expected to be a substantial portion of the net additions.

Realized results met or exceeded this guidance. Customer additions through marketing were a record 1,091,000 with a further 240,000 customers added through the acquisition of Fulcrum. As a result, the total customer base was up 17% year over year. As expected, gross margin and Adjusted EBITDA were up by a lower percentage, 5% and 7% per share, respectively. Were it not for a near record warm winter, these measures would have been ahead of guidance.

A key trend in Just Energy's business, which management expects to continue, is the success of the Hudson acquisition and the growth of the Commercial division. The Commercial division added 571,000 customers in fiscal 2011 with new customer aggregation by the division far exceeding management's expectations. At the end of fiscal 2011, the Commercial division had 1,330,000 customers. At the end of fiscal 2012, the Commercial division had 1,901,000 RCEs, up 43% year over year. Management believes that opportunities for both channel and geographic expansion will cause Commercial division growth to exceed that of the Consumer division for the next several years.

The growth of commercial as a percentage of the overall book will cause margins to grow less quickly than customers. There are factors which will both add to and detract from expected growth in fiscal 2013. The warm winter just experienced will create negative reconciliations in the first and second quarters of the fiscal year, similar to those experienced after the record warm winter of 2009/2010. Offsetting this will be gross margin from Fulcrum's Texas electricity customers over the summer months because the fiscal 2012 summer did not include Fulcrum as the acquisition was effective October 1, 2011.

The Consumer division saw a decline in its customer base as Canadian renewal rates were lower than historic levels. Renewals were hurt by customers coming off very high five-year fixed-price contracts well above current prices. Overall, renewals were down slightly to 64% for fiscal 2012 from 65% in fiscal 2011. This decline was offset by improved attrition rates. Total attrition was an annual 13%, down from 15% a year earlier. Management believes that new products and any return to commodity price volatility will stem the decline in the Consumer division base and should result in improved renewal rates and continued lower attrition.

Overall embedded margin in Just Energy's contracts rose 15% to \$2.0 billion over the year. This was the result of a number of positive factors with all sales channels generating strong results. The impact of the fourth quarter net customer additions will not be seen until future periods and management is confident that the strong growth seen in the year will accelerate in the year to come.

Growth at NHS remained steady with substantial value created in the business over the year. The installation base grew by 39% to 165,400. Gross margin was up by 78% reflecting both growth and higher margin furnace and air conditioner unit installations. The best measure of the success of NHS is the growth of embedded margin within customer contracts. Over the year, embedded margin began the year at \$282.7 million. Of this, \$28.0 million was realized in the year and NHS ended at \$393.0 million, up 39% for the fiscal 2012. NHS is testing its products for geographic expansion outside Ontario. While the rate of growth is expected to slow on the more substantial customer base, the impact of new markets is expected to be positive over the coming years.

TGF had improved results for the year. Sales and gross margin were up 20% and 31%, respectively. Going forward, the results at TGF will be dependent on underlying commodity prices. Management is focused on maximizing operating ratios at the plant and controlling costs.

Overall, management's expectation for fiscal 2013 is growth of approximately 10% to 12% in gross margin and approximately 8% to 10% in Adjusted EBITDA. Customer growth should exceed these levels. Management anticipates that investment tax credits and the accelerated deductibility of HES capital expenditures should result in higher current tax expense for fiscal 2013 than fiscal 2012 but will still be below the effective corporate tax rates.

Take-up on Just Energy's green offerings declined from 34% of new consumer customers taking 90% their consumption in green supply in fiscal 2011 to 29% of new consumer customers taking 84% of supply in fiscal 2012. However, the green book continues to grow. JustGreen makes up 12% of the Consumer division electricity portfolio, up from 10% a year earlier. Ten percent of the Consumer division gas portfolio is green, up from 6% in fiscal 2011. Currently, fewer new customers are electing green supply largely because of the substantial premium on lower commodity price bills. Management believes that there is a certain percentage of the public that will always elect green and that any increase in underlying "brown" electricity or gas will result in a return to traditional take-up levels.

The Company made a substantial investment in the Momentis network marketing division. Total expenditures of \$37.1 million were made to build the network's platform and establish an initial base of independent representatives. The business has grown from having 3,500 independent representatives on March 31, 2011, to 47,800 at fiscal year-end. On average, a representative should generate four to six contracts and product sales. Given the fast growth in independent representatives in the last half of the year, total Momentis additions were less than 50,000 RCEs to date. Management believes that the expenditures on Momentis will generate high returns as new customer additions and the independent representative base continue to ramp up.

For the past quarters of fiscal 2012, Just Energy's payout ratio on Adjusted EBITDA has been down significantly from the prior year. The fourth quarter saw a small increase in the ratio to 40% from 38% in the prior comparable quarter. Net additions of 112,000 resulted in an increase of 3% in the total customer base for the quarter. For the year, the ratio payout for Adjusted EBITDA declined from 66% to 62%, a positive trend for the Company dividend. Base EBITDA had a payout ratio of 84%, up from 73% a year prior. This was due to record customer additions which resulted in a net increase of embedded margin within customer contracts of 15% for the year. Management's view is that while the Adjusted EBITDA payout ratio should decline annually, the same is not true of Base EBITDA. Given Just Energy's high return on invested capital, the more spent on adding long-term margin, the greater the Company's growth and long-term value. Given the current payout ratio and expected growth in the coming year, management sees no reason for any change to the current dividend policy and current dividend rate.

The Company continues to actively monitor possible acquisition opportunities within its current business segments.

Effective January 30, 2012, Just Energy's common shares were listed for trading on the New York Stock Exchange. Management believes this will expose the shares to a wider investment audience and that the result, over time, will be greater liquidity in the market.

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 International Financial Reporting Standards. 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 composed 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 statements of financial position as at March 31, 2012 and 2011, and April 1, 2010, and the consolidated statements of income (loss), comprehensive income (loss), shareholders' deficit and cash flows for the years ended March 31, 2012 and 2011, 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 International Financial Reporting Standards, 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 audits. We conducted our audits 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 in our audits 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, 2012 and 2011, and April 1, 2010, and the results of its financial performance and its cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Toronto, Canada,  
May 17, 2012.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

# Consolidated statements of financial position

As at

(thousands of Canadian dollars)

	Notes	March 31, 2012	March 31, 2011	April 1, 2010
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	\$ 291,061	\$ 234,002	\$ 216,676
Intangible assets	6	543,775	640,219	528,854
Contract initiation costs		44,225	29,654	5,587
Other non-current financial assets	11	15,315	5,384	5,027
Non-current receivables		6,475	4,569	2,014
Deferred tax asset	16	78,398	121,785	265,107
		<u>979,249</u>	<u>1,035,613</u>	<u>1,023,265</u>
<b>Current assets</b>				
Inventory	8	9,988	6,906	6,323
Gas delivered in excess of consumption		12,844	3,481	7,410
Gas in storage		11,453	6,133	4,058
Current trade and other receivables		299,945	281,685	232,579
Accrued gas receivables		2,875	26,535	20,793
Unbilled revenues		130,796	112,147	61,070
Prepaid expenses and deposits		9,451	6,079	20,038
Other current assets	11	12,799	3,846	2,703
Corporate tax recoverable		8,225	9,135	—
Restricted cash	7	12,199	833	18,650
Cash and cash equivalents		53,220	97,633	60,132
		<u>563,795</u>	<u>554,413</u>	<u>433,756</u>
<b>TOTAL ASSETS</b>		<b>\$ 1,543,044</b>	<b>\$ 1,590,026</b>	<b>\$ 1,457,021</b>
<b>DEFICIT AND LIABILITIES</b>				
<b>Deficit attributable to equity holders of the parent</b>				
Deficit		\$(1,652,188)	\$(1,349,928)	\$(1,556,669)
Accumulated other comprehensive income	12	70,293	123,919	221,969
Unitholders' capital		—	—	777,856
Shareholders' capital	13	993,181	963,982	—
Equity component of convertible debenture	15	25,795	18,186	—
Contributed surplus		62,147	52,723	—
<b>Shareholders' deficit</b>		<b>(500,772)</b>	<b>(191,118)</b>	<b>(556,844)</b>
<b>Non-controlling interest</b>		<b>(637)</b>	<b>—</b>	<b>20,421</b>
<b>TOTAL DEFICIT</b>		<b>(501,409)</b>	<b>(191,118)</b>	<b>(536,423)</b>
<b>Non-current liabilities</b>				
Long-term debt	15	679,072	507,460	231,837
Provisions	17	3,068	3,244	3,124
Deferred lease inducements		1,778	1,622	1,984
Other non-current financial liabilities	11	309,617	355,412	590,572
Deferred tax liability	16	6,073	22,919	6,776
Liability associated with Exchangeable Shares and equity-based compensation	29	—	—	181,128
		<u>999,608</u>	<u>890,657</u>	<u>1,015,421</u>
<b>Current liabilities</b>				
Bank indebtedness		1,060	2,314	8,236
Trade and other payables		287,145	275,503	177,368
Accrued gas payable		2,960	19,353	15,093
Deferred revenue		11,985	—	7,202
Unit distribution payable		—	—	13,182
Income taxes payable		4,814	9,788	6,410
Current portion of long-term debt	15	97,611	94,117	61,448
Provisions	17	3,226	4,006	3,884
Other current financial liabilities	11	636,044	485,406	685,200
		<u>1,044,845</u>	<u>890,487</u>	<u>978,023</u>
<b>TOTAL LIABILITIES</b>		<b>2,044,453</b>	<b>1,781,144</b>	<b>1,993,444</b>
<b>TOTAL DEFICIT AND LIABILITIES</b>		<b>\$ 1,543,044</b>	<b>\$ 1,590,026</b>	<b>\$ 1,457,021</b>

Guarantees (Note 23) Commitments (Note 26)

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 income (loss)

For the years ended March 31

(thousands of Canadian dollars, except where indicated and per share amounts)

	Notes	2012	2011
<b>SALES</b>	19	\$ 2,785,269	\$ 2,953,192
<b>COST OF SALES</b>	18(b)	2,267,780	2,471,630
<b>GROSS MARGIN</b>		517,489	481,562
<b>EXPENSES</b>			
Administrative expenses		122,397	109,400
Selling and marketing expenses		177,302	133,607
Other operating expenses	18(a)	154,357	165,575
		454,056	408,582
<b>Operating profit</b>		63,433	72,980
Finance costs	15	(60,935)	(59,883)
Change in fair value of derivative instruments	11	(96,345)	506,047
Proportionate share of loss from joint venture	10	(1,971)	–
Other income		6,702	7,235
<b>Income (loss) before income taxes</b>		(89,116)	526,379
<b>Provision for income taxes</b>	16	37,527	173,439
<b>PROFIT (LOSS) FOR THE YEAR</b>		\$ (126,643)	\$ 352,940
<b>Attributable to:</b>			
Shareholders of Just Energy		\$ (126,522)	\$ 355,076
Non-controlling interest		(121)	(2,136)
<b>PROFIT (LOSS) FOR THE YEAR</b>		\$ (126,643)	\$ 352,940
See accompanying notes to the consolidated financial statements			
<b>Profit (loss) per share</b>	21		
Basic		\$ (0.92)	\$ 2.77
Diluted		\$ (0.92)	\$ 2.40

# Consolidated statements of comprehensive income (loss)

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

	Notes	2012	2011
<b>Profit (loss) for the year</b>		<b>\$ (126,643)</b>	<b>\$ 352,940</b>
<b>Other comprehensive income (loss)</b>	12		
Unrealized gain on translation of foreign operations		2,386	449
Amortization of deferred unrealized gain of discontinued hedges, net of income taxes of \$13,150 (2011 – \$21,384)		(56,012)	(98,499)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(53,626)</b>	<b>(98,050)</b>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>\$ (180,269)</b>	<b>\$ 254,890</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Shareholders of Just Energy		\$ (180,148)	\$ 257,026
Non-controlling interest		(121)	(2,136)
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>\$ (180,269)</b>	<b>\$ 254,890</b>

See accompanying notes to the consolidated financial statements

# Consolidated statements of shareholders' deficit

For the years ended March 31

(thousands of Canadian dollars)

	Notes	2012	2011
<b>ATTRIBUTABLE TO THE SHAREHOLDERS/UNITHOLDERS</b>			
<b>Accumulated deficit</b>			
Accumulated deficit, beginning of year		\$ (315,934)	\$ (671,010)
Loss on cancellation of shares	13	(356)	–
Profit (loss) for the year, attributable to the shareholders		(126,522)	355,076
<b>Accumulated deficit, end of year</b>		<b>(442,812)</b>	<b>(315,934)</b>
<b>DISTRIBUTIONS/DIVIDENDS</b>			
Distributions and dividends, beginning of year		(1,033,994)	(885,659)
Distributions and dividends	25	(175,382)	(148,335)
<b>Distributions and dividends, end of year</b>		<b>(1,209,376)</b>	<b>(1,033,994)</b>
<b>DEFICIT</b>		<b>\$ (1,652,188)</b>	<b>\$ (1,349,928)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>			
Accumulated other comprehensive income, beginning of year	12	\$ 123,919	\$ 221,969
Other comprehensive loss		(53,626)	(98,050)
<b>Accumulated other comprehensive income, end of year</b>		<b>\$ 70,293</b>	<b>\$ 123,919</b>
<b>SHAREHOLDERS'/UNITHOLDERS' CAPITAL</b>			
Shareholders'/Unitholders' capital, beginning of year	13	\$ 963,982	\$ 777,856
Shares/units exchanged and issued		–	158,520
Shares/units issued on exercise/exchange of unit compensation		1,385	1,559
Repurchase and cancellation of shares		(599)	–
Dividend reinvestment plan		28,413	26,047
<b>Shareholders'/Unitholders' capital, end of year</b>		<b>\$ 993,181</b>	<b>\$ 963,982</b>
<b>EQUITY COMPONENT OF CONVERTIBLE DEBENTURES</b>			
Balance, beginning of year	15	\$ 18,186	\$ –
Allocations of new convertible debentures issued		10,188	33,914
Future tax impact on convertible debentures		(2,579)	(15,728)
<b>Balance, end of year</b>		<b>\$ 25,795</b>	<b>\$ 18,186</b>
<b>CONTRIBUTED SURPLUS</b>			
Balance, beginning of year		\$ 52,723	\$ –
Reclassification on conversion		–	43,147
Gain on acquisition of non-controlling interest		–	7,957
Add: Share-based compensation awards		10,662	2,683
Non-cash deferred share grant distributions		147	33
Less: Share-based awards exercised		(1,385)	(1,097)
<b>Balance, end of year</b>		<b>\$ 62,147</b>	<b>\$ 52,723</b>
<b>NON-CONTROLLING INTEREST</b>			
Balance, beginning of year		\$ –	\$ 20,421
Non-controlling interest acquired	9	(540)	–
Foreign exchange on non-controlling interest		24	–
Acquisition of non-controlling interest		–	(18,285)
Net loss attributable to non-controlling interest		(121)	(2,136)
<b>Balance, end of year</b>		<b>\$ (637)</b>	<b>\$ –</b>

See accompanying notes to the consolidated financial statements

# Consolidated statements of cash flows

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

	Notes	2012	2011
<b>Net inflow (outflow) of cash related to the following activities</b>			
<b>OPERATING</b>			
Income before income taxes		\$ (89,116)	\$ 526,379
<b>Items not affecting cash</b>			
Amortization of intangible assets and related supply contracts		108,233	120,841
Amortization of contract initiation costs		13,977	12,429
Amortization of property, plant and equipment		5,847	5,698
Amortization included in cost of sales		12,640	9,837
Share-based compensation		10,662	9,914
Financing charges, non-cash portion		8,760	7,799
Transaction costs on acquisition		1,101	1,284
Other		(150)	6,860
Change in fair value of derivative instruments		96,345	(506,047)
		<b>257,415</b>	<b>(331,385)</b>
Adjustment required to reflect net cash receipts from gas sales	27	7,740	(1,725)
Changes in non-cash working capital	28	(27,032)	(39,063)
		<b>149,007</b>	<b>154,206</b>
Income tax paid		(4,617)	(8,651)
<b>Cash inflow from operating activities</b>		<b>144,390</b>	<b>145,555</b>
<b>INVESTING</b>			
Purchase of property, plant and equipment		(74,829)	(33,412)
Purchase of intangible assets		(5,867)	(5,784)
Acquisitions, net of cash acquired	9	(93,325)	(261,389)
Proceeds (advances) of long-term receivables		(1,881)	2,232
Transaction costs on acquisition		(1,101)	(1,284)
Contract initiation costs		(28,244)	(19,210)
<b>Cash outflow from investing activities</b>		<b>(205,247)</b>	<b>(318,847)</b>
<b>FINANCING</b>			
Dividends paid		(146,822)	(134,589)
Shares purchased for cancellation		(955)	-
Decrease in bank indebtedness		(1,254)	(5,922)
Issuance of long-term debt		464,520	484,844
Repayment of long-term debt		(288,005)	(150,449)
Restricted cash		(11,366)	17,817
<b>Cash inflow from financing activities</b>		<b>16,118</b>	<b>211,701</b>
Effect of foreign currency translation on cash balances		326	(908)
<b>Net cash inflow (outflow)</b>		<b>(44,413)</b>	<b>37,501</b>
Cash and cash equivalents, beginning of year		97,633	60,132
<b>Cash and cash equivalents, end of year</b>		<b>\$ 53,220</b>	<b>\$ 97,633</b>
<b>Supplemental cash flow information:</b>			
Interest paid		\$ 52,810	\$ 39,167

See accompanying notes to the consolidated financial statements

# Notes to the consolidated financial statements

For the year ended March 31, 2012

(thousands of Canadian dollars, except where indicated and per share/unit amounts)

## NOTE 1 ORGANIZATION

Just Energy Group Inc. ("JEGI", "Just Energy" or the "Company") 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.

Effective January 1, 2011, Just Energy completed the conversion from an income trust, Just Energy Income Fund (the "Fund"), to a corporation (the "Conversion"). A plan of arrangement was 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 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"), in each case 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, the recording of shareholders' equity and the reallocation of the liability associated with the Exchangeable Shares and equity-based compensation to shareholders' equity.

The registered office of Just Energy is First Canadian Place, 100 King Street West, Toronto, Ontario, Canada. The consolidated financial statements consist of Just Energy and its subsidiaries and affiliates. The financial statements were approved by the Board of Directors on May 17, 2012.

## 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. Just Energy markets its gas and electricity contracts in Canada and the U.S. under the following trade names: Just Energy, Hudson Energy, Commerce Energy, Amigo Energy and Tara Energy. 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. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Just Energy 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 related price at which it purchases the associated volumes from its suppliers.

Just Energy also offers green products through its JustGreen and JustClean programs. 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 that allow customers to reduce or eliminate the carbon footprint of their homes or businesses. JustClean products allow customers in certain jurisdictions to offset their carbon footprint without purchasing commodity from Just Energy. JustClean can be offered in all states and provinces and is not dependent on energy deregulation. Management believes that the JustGreen and JustClean products will not only add to profits but will also increase sales receptivity and improve renewal rates.

In addition, Just Energy sells and rents high efficiency and tankless water heaters, air conditioners and furnaces to Ontario residents, through a subsidiary under the trade name National Home Services ("NHS"). Just Energy also operates a network marketing division under the trade name Momentis. Through its subsidiary, Terra Grain Fuels, Inc. ("TGF"), Just Energy produces and sells wheat-based ethanol. Just Energy's subsidiary, Hudson Energy Solar Corp. ("HES"), also provides a solar project development platform operating in New Jersey, Pennsylvania and Massachusetts under the trade name Hudson Energy Solar.

Just Energy also holds a 50% ownership in Just Ventures LLC and Just Ventures L.P. (collectively "Just Ventures"), a jointly controlled entity, which is involved in the marketing of Just Energy's gas and electricity contracts. The other 50% is owned by Red Ventures LLC, a South Carolina-based entity which specializes in Internet-based marketing.

## NOTE 3 BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2010, the Canadian Institute of Chartered Accountants ("CICA") Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these consolidated financial statements. In the consolidated financial statements, the term "CGAAP" refers to Canadian Generally Accepted Accounting Principles before the adoption of IFRS.

The consolidated financial statements have been prepared in compliance with IFRS as issued by the International Accounting Standards Board ("IASB"). Subject to certain transition elections, the Company has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet at April 1, 2010, and throughout all periods presented, as if these policies had always been in effect. Note 31 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's audited annual consolidated financial statements for the year ended March 31, 2011, prepared under CGAAP.

**(a) Basis of presentation**

The consolidated financial statements are presented in Canadian dollars, the functional currency of Just Energy, and all values are rounded to the nearest thousand. The consolidated financial statements are prepared on an historical cost basis except for the derivative financial instruments, which are stated at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position as at April 1, 2010, for the purposes of the transition.

**(b) Principles of consolidation**

The consolidated financial statements include the accounts of Just Energy and its directly or indirectly owned subsidiaries and affiliates as at March 31, 2012. Subsidiaries and affiliates are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries and affiliates are prepared for the same reporting period as Just Energy, using consistent accounting policies. All intercompany balances, income, expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

**(c) 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. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(d) Accrued gas receivables/accrued gas 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 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 operations, during the winter months, customers will have consumed more than what was delivered resulting in the recognition of unbilled revenues/accrued gas 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.

**(e) Inventory**

Inventory consists of water heaters, furnaces and air conditioners for selling purposes, gas in storage, 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.

Gas in storage represents the gas delivered to the LDCs. The balance will fluctuate as gas is injected or withdrawn from storage.

Gas in storage, 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. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(f) Property, plant and equipment**

Property, plant and equipment are stated at cost, net of any accumulated depreciation and impairment losses. Cost includes the purchase price and, where relevant, any costs directly attributable to bringing the asset to the location and condition necessary and/or the present value of all dismantling and removal costs. Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately. Just Energy recognizes, in the carrying amount, the cost of replacing part of an item when the cost is incurred and if it is probable that the future economic benefits embodied with the item can be reliably measured. All other repair and maintenance costs are recognized in the consolidated income statement as an expense when incurred. Depreciation is provided over the estimated useful lives of the assets as follows:

Asset category	Depreciation method	Rate/useful life
Furniture and fixtures	Declining balance	20%
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Buildings and ethanol plant	Straight line	15–35 years
Water heaters	Straight line	15 years
Furnaces and air conditioners	Straight line	15 years
Leasehold improvements	Straight line	Term of lease
Vehicles	Straight line	5 years
Solar equipment	Straight line	15–20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated income statement when the asset is derecognized.

The useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

**(g) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations incurred subsequent to April 1, 2010, are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values on the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over Just Energy's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any negative difference is recognized directly in the consolidated income statement. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Just Energy's operating segments that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

On first-time adoption of IFRS, Just Energy elected to not apply IFRS 3, Business Combinations, to transactions that occurred prior to the transition date. Accordingly, the goodwill associated with acquisitions carried out prior to April 1, 2010, is carried at that date, at the amount reported in the last consolidated financial statements prepared under CGAAP as at March 31, 2010.

**(h) Intangible assets**

Intangible assets acquired outside of a business combination are measured at cost on initial recognition. Intangible assets acquired in a business combination are recorded at fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and/or accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least once annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense related to intangible assets with finite lives is recognized in the consolidated income statement in the expense category associated with the function of the intangible assets.

Intangible assets consist of gas customer contracts, electricity customer contracts, water heater customer contracts, sales network, brand and goodwill, all acquired through business combinations, as well as software, commodity billing and settlement systems and information technology system development.

Internally generated intangible assets are capitalized when the product or process is technically and commercially feasible and Just Energy has sufficient resources to complete development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

The brand and goodwill are considered to have an indefinite useful life and are not amortized, but rather tested annually for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated income statement when the asset is derecognized.

Asset category	Amortization method	Rate
Customer contracts	Straight line	Term of contract
Contract initiation costs	Straight line	Term of contract
Commodity billing and settlement systems	Straight line	5 years
Sales network	Straight line	5 years
Information technology system development	Straight line	5 years
Software	Declining balance	100%
Other intangible assets	Straight line	5 years

(i) **Impairment of non-financial assets**

Just Energy assesses whether there is an indication that an asset may be impaired at each reporting date. If such an indication exists or when annual testing for an asset is required, Just Energy estimates the asset's recoverable amount. The recoverable amount of goodwill and intangible assets with an indefinite useful life, if any, as well as intangible assets not yet available for use, are estimated at least annually. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. Value-in-use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, an appropriate valuation model has to be used. The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

An impairment loss is recognized in the consolidated income statement if an asset's carrying amount or that of the cash-generating unit to which it is allocated is higher than its recoverable amount. Impairment losses of cash-generating units are first charged against the value of assets, in proportion to their carrying amount.

In the consolidated income statement, an impairment loss is recognized in the expense category associated with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, Just Energy estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the consolidated income statement.

Goodwill is tested for impairment annually as at March 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each segment to which the goodwill relates. Where the recoverable amount of the segment is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.



**(j) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

***Just Energy as a lessee***

Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

***Just Energy as a lessor***

Leases where Just Energy does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

**(k) Financial instruments*****Financial assets and liabilities***

Just Energy classifies its financial instruments as either (i) financial assets at fair value through profit or loss instruments, or (ii) loans and receivables, and its financial liabilities as either (i) financial liabilities at fair value through profit or loss or (ii) other financial liabilities. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the consolidated statement of financial position.

Financial instruments are recognized on the trade date, which is the date on which Just Energy commits to purchase or sell the asset.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). Included in this class are primarily physical delivered energy contracts, for which the own-use exemption could not be applied, financially settled energy contracts and foreign currency forward contracts.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 11. Related realized and unrealized gains and losses are included in the consolidated income statement.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include receivables. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance costs in the consolidated income statement.

***Derecognition***

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when Just Energy has transferred its rights to receive cash flows from the asset.

***Impairment of financial assets***

Just Energy assesses whether there is objective evidence that a financial asset is impaired at each reporting date. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the fund of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, Just Energy first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively, for financial assets that are not individually significant. If Just Energy determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of other income in the consolidated income statement.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating costs in the consolidated income statement.

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by Just Energy that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Included in this class are primarily physically delivered energy contracts, for which the own-use exemption could be not applied, financially settled energy contracts and foreign currency forward contracts.

Gains or losses on liabilities held-for-trading are recognized in the consolidated income statement.

#### ***Other financial liabilities***

Other financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities include long-term debt issued, which is initially measured at fair value, which is the consideration received, net of transaction costs incurred, trade and other payables and bank indebtedness. Transaction costs related to the long-term debt instruments are included in the value of the instruments and amortized using the effective interest rate method. The effective interest expense is included in finance costs in the consolidated income statement.

#### ***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

#### **(i) Derivative instruments**

Just Energy enters into fixed-term contracts with customers to provide electricity and gas at fixed prices. These customer contracts expose Just Energy to changes in consumption as well as changes in the market prices of gas and electricity. To reduce its exposure to movements in commodity prices, Just Energy enters into derivative contracts.

Just Energy analyzes all its contracts, of both a financial and non-financial nature, to identify the existence of any "embedded" derivatives. Embedded derivatives are accounted for separately from the underlying contract at inception date when their risks and characteristics are not closely related to those of the underlying contracts and the underlying contracts are not carried at fair value. An embedded derivative is a provision in a contract that modifies the cash flow of a contract by making it dependent on an underlying measurement.

All derivatives are recognized at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date. Derivatives are carried in the consolidated statements of financial position as other financial assets when the fair value is positive and as other financial liabilities when the fair value is negative. Just Energy does not utilize hedge accounting. Therefore, changes in the fair value of these derivatives are taken directly to the consolidated income statement and are included within change in fair value of derivative instruments.

#### **(m) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is currently an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### **(n) Fair value of financial instruments**

Fair value is the estimated amount that Just Energy would pay or receive to dispose of these contracts in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 11.

(o) **Revenue recognition**

Revenue is recognized when significant risks and rewards of ownership are transferred to the customer. In the case of gas and electricity, transfer of risk and rewards generally coincides with consumption. Ethanol and dried distillery grain sales are recognized when the risk and reward of ownership passes, which is typically on delivery. Revenue from sales of water heaters, furnaces and air conditioners is recognized upon installation. Just Energy recognizes revenue from water heater and HVAC leases, based on rental rates over the term commencing from the installation date.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

The Company assumes credit risk for all customers in Illinois, Texas, Pennsylvania, Maryland, Massachusetts, California and Georgia 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.

(p) **Foreign currency translation**

*Functional and presentation currency*

Items included in the consolidated financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the parent company's presentation and functional currency.

*Transactions*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in other comprehensive income (loss) as qualifying net investment hedges.

*Translation of foreign operations*

The results and consolidated financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position; and
- income and expenses for each consolidated income statement are translated at the exchange rates prevailing at the dates of the transactions.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income (loss).

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(q) **Per share/unit amounts**

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

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

Prior to the Conversion to a corporation on January 1, 2011, Just Energy's equity-based compensation plans entitled the holders to receive trust units, which were considered puttable financial instruments under IFRS, and thus the awards were classified as liability-based awards. The liability was measured at the redemption value of the instruments and re-measured at each reporting date with the gain or loss associated with the re-measurement recorded within profit. When the awards were converted into trust units, the conversions were recorded as an extinguishment of the liability and accordingly, the re-measured amount at the date of conversion was then reclassified to equity.

Subsequent to the Conversion, Just Energy accounted for its share-based compensation as equity-settled transactions as a result of the stock-based plans that were no longer convertible into a puttable financial liability. The cost of a share-based compensation is measured by reference to the fair value at the date on which it was granted. Awards are valued at the grant date and are not adjusted for changes in the prices of the underlying shares and other measurement assumptions. The cost of equity-settled transactions is recognized, together with the corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant grantee becomes fully entitled to the award. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting period reflects the extent to which the vesting period has expired and Just Energy's best estimate of the number of the shares that will ultimately vest. The expense or credit recognized for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

When options, RSGs and DSGs are exercised or exchanged, the amounts credited to contributed surplus are reversed and credited to shareholders' capital.

**(s) Employee future benefits**

Just Energy established a long-term incentive plan (the "Plan") for all permanent full-time and part-time Canadian employees (working more than 20 hours per week) of its subsidiaries. The Plan consists of two components, a Deferred Profit Sharing Plan ("DPSP") and an Employee Profit Sharing Plan ("EPSP"). For participants of the DPSP, 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 shares of Just Energy, on a matching one for one basis.

For U.S. employees, Just Energy has established a long-term incentive plan (the "Plan") for all permanent full-time and part-time employees (working more than 26 hours per week) of its subsidiaries. The Plan consists of two components, a 401(k) and an Employee Share Purchase Plan ("ESPP"). For participants of the ESPP, Just Energy contributes an amount up to a maximum of 3% per annum of an employee's base earnings towards the purchase of Just Energy shares, on a matching one for one basis. For participants in the 401(k), Just Energy contributes an amount up to a maximum of 4% per annum of an employee's base earnings, on a matching one for one basis. In the event an employee participates in both the ESPP and 401(k), the maximum Just Energy will contribute to the 401(k) is 2%.

Participation in the plans in Canada or the U.S is voluntary. The plans have a two-year vesting period beginning from the later of the plan's effective date and an employee's starting date. During the year, Just Energy contributed \$2,034 (2011 – \$1,572) to the plans, which was paid in full during the year.

Obligations for contributions to the Plan are recognized as an expense in the consolidated income statement as incurred.

**(t) Trust units of the Fund**

Prior to the Conversion which occurred on January 1, 2011, the Fund's outstanding equity instruments consisted of publicly traded trust units of the Fund, Class A preference shares of JEC and Exchangeable Shares of JEEC. Pursuant to applicable legislation, those trust units included a redemption feature which required Just Energy to assess the appropriate presentation of those units under IFRS.

Generally, IFRS requires that financial instruments, which include a redemption feature, making the instruments puttable, should be presented as a financial liability rather than an equity item. However, an exception to this requirement is available if the financial instrument meets certain criteria. Just Energy determined that its trust units met the requirements for this exception and accordingly, the trust units are presented as equity for the periods prior to the Conversion.

*Liabilities associated with the Class A preference shares of JEC and the Exchangeable Shares of JEEC (collectively the "Exchangeable Shares")*

Prior to the Conversion, the outstanding Exchangeable Shares did not meet the criteria to be recorded as equity because the Exchangeable Shares were ultimately required to be exchanged for trust units, which were considered puttable financial instruments. Accordingly, the Exchangeable Shares were recorded as a liability until exchanged for trust units. The liability was measured at the redemption value of the instruments and re-measured at each reporting date with the gain or loss associated with the re-measurement recorded within profit. When the Exchangeable Shares were converted into trust units, the conversions were recorded as an extinguishment of the liability, and accordingly, the re-measured amount at the date of conversion was then reclassified to equity.

*Transaction costs*

Transaction costs incurred by Just Energy in issuing, acquiring or selling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

(u) **Income taxes**

Just Energy follows the liability method of accounting for deferred 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.

Deferred tax assets/liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax asset/liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(v) **Provisions**

Provisions are recognized when Just Energy has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where Just Energy expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated income statement.

(w) **Selling and 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 commercial customer contracts are paid in one of the following ways: all or partially upfront or as a residual payment over the life of the contract. If the commission is paid all or partially upfront, it is recorded as contract initiation costs and amortized in selling and 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 by NHS are recorded as contract initiation costs and amortized in selling and marketing expenses over the remaining life of the contract.

(x) **Investment in joint venture**

Just Energy accounts for its interest in joint ventures using the equity method. Under this method any investments made increases the asset value, the proportionate share of income/losses, increases/decreases the asset value, with an offsetting adjustment in the consolidated statements of operations, and any dividends received decreases the asset value.

NOTE 4(i) **SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the consolidated financial statements requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis for making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Judgments made by management in the application of IFRS that have a significant impact on the consolidated financial statements relate to the following:

**Impairment of non-financial assets**

Just Energy's impairment test is based on value-in-use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and are sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

**Deferred taxes**

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax-planning strategies.

**Development costs**

Development costs are capitalized in accordance with the accounting policy in Note 3(h). Initial capitalization of costs is based on management's judgment that technical and economical feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model. As at March 31, 2012, the carrying amount of capitalized development costs was \$13,343 (2011 – \$16,275). This amount primarily includes costs for the internal development of software tools for the customer billing and analysis in the various operating jurisdictions. These software tools are developed by the internal information technology and operations department, for the specific regional market requirements.

**Useful life of key property, plant and equipment and intangible assets**

The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by Just Energy. Refer to Note 3(f) and Note 3(h) for the estimated useful lives.

**Provisions for litigation**

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. At this time, the likelihood of damages or recoveries and the ultimate amounts, if any, with respect to this litigation are not certain; however, an estimated amount has been recorded in these consolidated financial statements as at March 31, 2012. In the general course of operations, Just Energy has made additional provisions for litigation matters that have arisen. Refer to Note 17 for further details.

**Trade receivables**

Just Energy reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Just Energy makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

**Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 11 for further details about the assumptions as well as sensitivity analysis.

**Acquisition accounting**

For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at fair value on the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition.

**(ii) ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED****IFRS 9, Financial Instruments**

As of April 1, 2015, Just Energy will be required to adopt IFRS 9, Financial Instruments, which is the result of the first phase of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IFRS 10, Consolidated Financial Statements**

As of April 1, 2013, IFRS 10, Consolidated Financial Statements will replace portions of IAS 27, Consolidated and Separate Financial Statements and interpretation SIC-12, Consolidation – Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee.

As required by this standard, control is reassessed as facts and circumstances change. All facts and circumstances must be considered to make a judgment about whether the Company controls another entity; there are no clear lines. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights, and principal-agency relationships (including removal rights), all of which may differ from current practice. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IFRS 11, Joint Arrangements**

On April 1, 2013, Just Energy will be required to adopt IFRS 11, Joint Arrangements, which applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting.

The adoption of this new section will have no impact on the Company as joint ventures are currently accounted for using the equity method.

**IFRS 12, Disclosure of Interests in Other Entities**

On April 1, 2013, Just Energy will be required to adopt IFRS 12, Disclosure of Interests in Other Entities, which includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities, and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and nature of the risks associated with interests in other entities. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IFRS 13, Fair Value Measurement**

On April 1, 2013, Just Energy will be required to adopt IFRS 13, Fair Value Measurement. The new standard will establish a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the 'exit price' and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IAS 27, Separate Financial Statements**

On April 1, 2013, Just Energy will be required to adopt IAS 27, Separate Financial Statements. As a result of the issue of the new consolidation suite of standards, IAS 27 has been reissued to reflect the change as the consolidation guidance has recently been included in IFRS 10.

In addition, IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when the Company prepares separate financial statements. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IAS 28, Investments in Associates and Joint Ventures**

On April 1, 2013, Just Energy will be required to adopt IAS 28, Investments in Associates and Joint Ventures. As a consequence of the issue of IFRS 10, IFRS 11, IFRS 12 and IAS 28 have been amended and will further provide the accounting guidance for investments in associates and will set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

This standard will be applied by the Company when there is joint control or significant influence over an investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not include control or joint control of those policy decisions. When determined that the Company has an interest in a joint venture, the Company will recognize an investment and will account for it using the equity method in accordance with IAS 28. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

**IAS 1, Presentation of Financial Statements**

IAS 1, Presentation of Financial Statements, was amended in 2011 to expand on the disclosures required of items within other comprehensive income. The revised standard requires that an entity distinguishes between those items that are recycled to profit and loss versus those items that are not recycled. Retrospective application is required and the standard is effective for annual periods beginning on or after July 1, 2012. The Company does not expect the amendments to IAS 1 to have a significant impact on its consolidated financial statements.



## NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Buildings and ethanol plant	Land	Furniture and fixtures	Vehicles	Office equipment	Water heaters	Furnaces and air con- ditioners	Leasehold improve- ments	Solar equipment	Total
<b>As at March 31, 2012</b>											
<b>Cost:</b>											
Operating balance – April 1, 2011	\$ 7,750	\$ 158,482	\$ 299	\$ 6,090	\$ 215	\$ 17,976	\$ 78,223	\$ 3,813	\$ 8,567	\$ 283	\$ 281,698
Additions/(Disposals)	1,347	–	–	441	(32)	1,668	28,048	7,671	62	35,624	74,829
Acquisition of subsidiary	348	–	–	8	31	371	–	–	–	–	758
Exchange differences	8	18	–	33	(2)	13	–	–	13	(118)	(35)
<b>March 31, 2012</b>	<b>9,453</b>	<b>158,500</b>	<b>299</b>	<b>6,572</b>	<b>212</b>	<b>20,028</b>	<b>106,271</b>	<b>11,484</b>	<b>8,642</b>	<b>35,789</b>	<b>357,250</b>
<b>Accumulated Amortization:</b>											
Operating balance – April 1, 2011	(4,958)	(17,426)	–	(3,561)	(88)	(9,520)	(6,887)	(179)	(5,077)	–	(47,696)
Amortization charge to cost of sales	–	(5,871)	–	–	–	–	(5,961)	(808)	–	–	(12,640)
Amortization charge for the year	(1,205)	(1,201)	–	(569)	(41)	(1,905)	–	–	(913)	(13)	(5,847)
Disposals	12	–	–	–	21	(1)	–	–	–	–	32
Exchange differences	(9)	–	–	(11)	–	(9)	–	–	(9)	–	(38)
<b>Ending balance, March 31, 2012</b>	<b>(6,160)</b>	<b>(24,498)</b>	<b>–</b>	<b>(4,141)</b>	<b>(108)</b>	<b>(11,435)</b>	<b>(12,848)</b>	<b>(987)</b>	<b>(5,999)</b>	<b>(13)</b>	<b>(66,189)</b>
<b>Net book value, March 31, 2012</b>	<b>\$ 3,293</b>	<b>\$ 134,002</b>	<b>\$ 299</b>	<b>\$ 2,431</b>	<b>\$ 104</b>	<b>\$ 8,593</b>	<b>\$ 93,423</b>	<b>\$ 10,497</b>	<b>\$ 2,643</b>	<b>\$ 35,776</b>	<b>\$ 291,061</b>
<b>As at March 31, 2011</b>											
<b>Cost:</b>											
Operating balance – April 1, 2010	\$ 6,417	\$ 159,897	\$ 299	\$ 5,581	\$ 197	\$ 16,724	\$ 51,059	\$ 317	\$ 8,409	\$ –	\$ 248,900
Additions/(Disposals)	1,137	(2,055)	–	468	18	684	27,164	3,496	148	297	31,357
Acquisition of subsidiary	233	670	–	94	–	621	–	–	30	–	1,648
Exchange differences	(37)	(30)	–	(53)	–	(53)	–	–	(20)	(14)	(207)
<b>Ending balance, March 31, 2011</b>	<b>7,750</b>	<b>158,482</b>	<b>299</b>	<b>6,090</b>	<b>215</b>	<b>17,976</b>	<b>78,223</b>	<b>3,813</b>	<b>8,567</b>	<b>283</b>	<b>281,698</b>
<b>Accumulated Amortization:</b>											
Operating balance – April 1, 2010	(3,887)	(11,104)	–	(2,972)	(46)	(7,614)	(2,481)	(4)	(4,116)	–	(32,224)
Amortization charge to cost of sales	–	(5,256)	–	–	–	–	(4,406)	(175)	–	–	(9,837)
Amortization charge for the year	(1,086)	(1,066)	–	(606)	(42)	(1,923)	–	–	(975)	–	(5,698)
Exchange differences	15	1	–	17	–	16	–	–	14	–	63
<b>Ending balance, March 31, 2011</b>	<b>(4,958)</b>	<b>(17,425)</b>	<b>–</b>	<b>(3,561)</b>	<b>(88)</b>	<b>(9,521)</b>	<b>(6,887)</b>	<b>(179)</b>	<b>(5,077)</b>	<b>–</b>	<b>(47,696)</b>
<b>Net book value, March 31, 2011</b>	<b>\$ 2,792</b>	<b>\$ 141,057</b>	<b>\$ 299</b>	<b>\$ 2,529</b>	<b>\$ 127</b>	<b>\$ 8,455</b>	<b>\$ 71,336</b>	<b>\$ 3,634</b>	<b>\$ 3,490</b>	<b>\$ 283</b>	<b>\$ 234,002</b>
<b>Net book value, April 1, 2010</b>	<b>\$ 2,530</b>	<b>\$ 148,793</b>	<b>\$ 299</b>	<b>\$ 2,609</b>	<b>\$ 151</b>	<b>\$ 9,110</b>	<b>\$ 48,578</b>	<b>\$ 313</b>	<b>\$ 4,293</b>	<b>\$ –</b>	<b>\$ 216,676</b>

## NOTE 6 INTANGIBLE ASSETS

	Gas contracts	Electricity contracts	Water heater contracts	Goodwill	Sales network	Brand	Software	Commodity billing and settlement systems	IT system development	Other	Total
As at March 31, 2012											
Cost:											
Operating balance – April 1, 2011	\$ 248,828	\$ 436,339	\$ 23,164	\$ 227,467	\$ 80,561	\$ 10,692	\$ 9,540	\$ 6,515	\$ 19,691	\$ 9,006	\$ 1,071,803
Acquisition of a subsidiary	–	39,533	–	21,106	42,359	13,034	215	–	–	–	116,247
Write-down of fully amortized assets	(1,842)	–	–	–	–	–	–	–	–	–	(1,842)
Additions	–	–	879	–	–	–	4,084	15	773	116	5,867
Exchange differences	3,759	3,981	–	592	158	(357)	83	51	493	248	9,008
Ending balance, March 31, 2012	250,745	479,853	24,043	249,165	123,078	23,369	13,922	6,581	20,957	9,370	1,201,083
Accumulated Amortization:											
Opening balance – April 1, 2011	(144,568)	(248,673)	(2,813)	–	(14,770)	–	(6,616)	(6,453)	(3,478)	(4,213)	(431,584)
Write-down of fully amortized assets	1,842	–	–	–	–	–	–	–	–	–	1,842
Amortization charge for the year	(23,902)	(54,468)	(1,631)	–	(19,006)	–	(2,890)	(18)	(4,089)	(2,229)	(108,233)
Amortization in mark to market	(38,663)	(74,330)	–	–	–	–	–	–	–	–	(112,993)
Exchange differences	(2,856)	(2,668)	–	–	(508)	–	(22)	(51)	(106)	(129)	(6,340)
Ending balance, March 31, 2012	(208,147)	(380,139)	(4,444)	–	(34,284)	–	(9,528)	(6,522)	(7,673)	(6,571)	(657,308)
Net book value, March 31, 2012	\$ 42,598	\$ 99,714	\$ 19,599	\$ 249,165	\$ 88,794	\$ 23,369	\$ 4,394	\$ 59	\$ 13,284	\$ 2,799	\$ 543,775

	Gas contracts	Electricity contracts	Water heater contracts	Goodwill	Sales network	Brand	Software	Commodity billing and settlement systems	IT system development	Other	Total
As at March 31, 2011											
Cost:											
Operating balance – April 1, 2010	\$ 472,756	\$ 266,700	\$ 23,081	\$ 186,832	\$ –	\$ –	\$ 5,562	\$ 6,545	\$ 605	\$ 2,377	\$ 964,458
Acquisition of a subsidiary	26,225	200,653	–	32,317	84,400	11,200	911	–	17,954	6,545	380,205
Write-down of fully amortized assets	(243,929)	(21,083)	–	–	–	–	–	–	–	–	(265,012)
Adjustments to goodwill	–	–	–	9,877	–	–	–	–	–	–	9,877
Additions	–	–	83	–	–	–	3,208	54	1,949	490	5,784
Exchange differences	(6,224)	(9,931)	–	(1,559)	(3,839)	(508)	(141)	(84)	(817)	(406)	(23,509)
Ending balance, March 31, 2011	248,828	436,339	23,164	227,467	80,561	10,692	9,540	6,515	19,691	9,006	1,071,803
Accumulated Amortization:											
Opening balance – April 1, 2010	(307,413)	(113,862)	(1,218)	–	–	–	(4,198)	(6,515)	(21)	(2,377)	(435,604)
Write-down of fully amortized assets	243,929	21,083	–	–	–	–	–	–	–	–	265,012
Amortization charge for the year	(31,841)	(63,642)	(1,595)	–	(15,511)	–	(2,576)	(22)	(3,614)	(2,040)	(120,841)
Amortization in mark to market	(53,757)	(96,064)	–	–	–	–	–	–	–	–	(149,821)
Exchange differences	4,514	3,812	–	–	741	–	158	84	157	204	9,670
Ending balance, March 31, 2011	(144,568)	(248,673)	(2,813)	–	(14,770)	–	(6,616)	(6,453)	(3,478)	(4,213)	(431,584)
Net book value, March 31, 2011	\$ 104,260	\$ 187,666	\$ 20,351	\$ 227,467	\$ 65,791	\$ 10,692	\$ 2,924	\$ 62	\$ 16,213	\$ 4,793	\$ 640,219
Net book value, April 1, 2010	\$ 165,343	\$ 152,838	\$ 21,863	\$ 186,832	\$ –	\$ –	\$ 1,364	\$ 30	\$ 584	\$ –	\$ 528,854

The capitalized internally developed costs relate to the development of new customer billing and analysis software solutions for the different energy markets of Just Energy. All research costs and development costs not eligible for capitalization have been expensed and are recognized in administrative expenses.

**NOTE 7 RESTRICTED CASH**

Restricted cash consists of the following:

- i) As part of the acquisition of Newton Home Comfort Inc. in 2009, the Company was required to transfer cash into a trust account, in trust for the vendors, as part of the contingent consideration. The contingent consideration payments, which will become payable in July 2012, are based on the number of completed water heater installations. As of March 31, 2012, the amount of restricted cash is \$1,250.
- ii) As part of the acquisition of Fulcrum Retail Holdings LLC ("Fulcrum"), Note 9(a), Just Energy was required to transfer \$10,949 into a restricted cash account until such transfer time that the amount of the contingent consideration is known.

**NOTE 8 INVENTORY**

The amount of inventory recognized as an expense during the year ended March 31, 2012, was \$94,349 (2011--\$77,376). There have been no write-downs of inventory. Inventory is made up of the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Raw materials	\$ 1,220	\$ 2,224	\$ 2,308
Work in progress	775	518	463
Finished goods	7,993	4,164	3,552
	<u>\$ 9,988</u>	<u>\$ 6,906</u>	<u>\$ 6,323</u>

**NOTE 9 ACQUISITIONS****(a) Acquisition of Fulcrum Retail Holdings LLC**

On October 3, 2011, Just Energy completed the acquisition of the equity interest of Fulcrum with an effective date of October 1, 2011. The acquisition was funded by an issuance of \$100 million in convertible debentures (Note 15(f)).

The consideration for the acquisition was US\$79.4 million paid at the time of closing, subject to customary working capital adjustments. Just Energy paid US\$7.3 million in connection with the preliminary working capital adjustment still subject to finalization. Just Energy will also pay up to US\$11.0 million in cash and issue up to 867,025 common shares (collectively, the "Earn-Out" amount) to the sellers 18 months following the closing date, provided that certain EBITDA and billed volume targets are satisfied by Fulcrum. On the Earn-Out amount, Just Energy will pay 4.006% interest on the cash portion and \$1.86 per share issued at the end of the Earn-Out period. The \$11.0 million is being held in a restricted cash account until the amount is finalized. The fair value of the contingent consideration at acquisition was estimated to be \$18,327. Changes in the fair value of the contingent consideration will be recorded in the consolidated income statement as a change in fair value of derivative instruments. The contingent consideration was valued at \$21,407 as at March 31, 2012, and is included in other non-current financial liabilities.

The acquisition of Fulcrum was accounted for using the acquisition 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:

<b>Fair value recognized on acquisition</b>	
Current assets (including cash of \$3,875)	\$ 43,528
Property, plant and equipment	758
Software	215
Customer contracts and relationships	39,533
Affinity relationships	42,359
Brand	13,034
Contract initiation costs	156
Non-controlling interest	540
	<hr/> 140,123
Current liabilities	(44,856)
Other liabilities – current	(12,430)
Other liabilities – long term	(3,768)
Deferred lease inducements	(322)
Long-term debt	(586)
	<hr/> (61,962)
<b>Total identifiable net assets acquired</b>	<b>78,161</b>
Goodwill arising on acquisition	21,106
	<hr/> Total consideration
	<b>\$ 99,267</b>
<hr/>	
Cash paid, net of estimated working capital adjustment	\$ 80,940
Contingent consideration	18,327
	<hr/> Total consideration
	<b>\$ 99,267</b>

The transaction costs related to the acquisition of Fulcrum have been expensed and are included in other operating expenses in the consolidated income statement. The transaction costs related to the issuance of the convertible debentures have been capitalized and were allocated to the equity and liability component of the convertible debt in relation to the fair value of both the components. Goodwill of \$21,106 comprises the value of expected ongoing synergies from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill associated with the Fulcrum acquisition is part of the electricity marketing segment. The purchase price allocation is considered preliminary, and as a result, it may be adjusted during the 12-month period following the acquisition, in accordance with IFRS 3. Since the last quarter, the Company decreased the working capital by approximately \$4,000, decreased the working capital adjustment by \$1,500, increased other liabilities – current by approximately \$1,700 and increased customer contracts and relationships by approximately \$3,700, resulting in a net increase to goodwill of approximately \$500.

The fair value of the trade receivables amounted to \$20,600 at the date of acquisition. The gross amount of trade receivables was \$27,540.

The customer contracts and relationships and affinity relationships are amortized over the average remaining life at the time of acquisition. The electricity contracts and customer relationships are amortized over 42 months (3.5 years). The affinity relationships are amortized over eight years. The brand value is considered to be indefinite and, therefore, is not subject to amortization. Brand represents the value allocated to the market awareness of the operating names used to sell and promote the Company's products.

From the date of acquisition, Fulcrum has contributed \$107,305 of revenue and a loss of \$9,083 to the consolidated net loss before tax of Just Energy for the period ended March 31, 2012. If the combination had taken place at the beginning of the fiscal year, total consolidated revenue would have been \$2,926,157, and the consolidated net loss before tax would have been \$96,327 for the year ended March 31, 2012.

(b) **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 ("Hudson"), 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 (Note 15(e)). There is no contingent consideration involved in the business acquisition.

The acquisition of Hudson was accounted for using the acquisition 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:

**Fair value recognized on acquisition**

Current assets (including cash of \$24,003)	\$ 88,696
Property, plant and equipment	1,648
Software	911
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
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
	<hr/>
	478,692
Current liabilities	(107,817)
Other liabilities – current	(74,683)
Other liabilities – long term	(40,719)
	<hr/>
	(223,219)
Total identifiable net assets acquired	255,473
Goodwill arising on acquisition	32,317
	<hr/>
Total consideration	\$ 287,790
Cash outflow on acquisition:	
Cash paid	\$ 287,790
Net cash acquired with the subsidiary	(24,003)
Holdback	(9,345)
	<hr/>
Net cash outflow	\$ 254,442

The transaction costs related to the acquisition of Hudson have been expensed and are included in other operating expenses in the consolidated income statement. The transaction costs related to the issuance of the convertible debentures have been capitalized and were allocated to the equity and liability component of the convertible debt in relation to the fair value of both the components. Goodwill of \$32,317 comprises the value of expected synergies from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill associated with the Hudson acquisition is part of the U.S. gas and electricity marketing segments. As at March 31, 2012, all holdbacks have been paid in full.

The fair value of the trade receivables amounted to \$62,022 at the date of acquisition. The gross amount of trade receivables is \$67,526. None of the trade receivables have been impaired and it is expected that the full contractual amount can be collected.

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. Brand represents the value allocated to the market awareness of the operating names used to sell and promote the Company's products.

From the date of acquisition, Hudson has contributed \$654,802 of revenue and \$5,914 to the net profit before tax of Just Energy for the period ended March 31, 2011. If the combination had taken place at the beginning of the prior fiscal year, consolidated revenue would have been \$2,992,331 and the consolidated income would have been \$548,799 for the year ended March 31, 2011.

**NOTE 10 JOINT VENTURE**

Effective July 1, 2011, Just Energy has a 50% interest in Just Ventures LLC and Just Ventures L.P. (collectively "Just Ventures"), jointly controlled entities that are involved in the marketing of Just Energy products. The marketing efforts of Just Ventures are primarily internet- and telemarketing-based, which differs from Just Energy's traditional sales channels.

Just Ventures is currently funded by its investors and all advances are recorded as additional capital contributions.

	2012
Share of the associate's revenue and profit:	
Revenue eliminated on consolidation	\$ 335
Loss	\$ (1,971)
Carrying amount of the investment	\$ —

At any time subsequent to the second anniversary of the joint venture agreements, the other participant in the joint venture has the ability to sell part or all of its interest in Just Ventures (the "Put"). The amount is determined based on the fair value of the previous month's billed customers. As at March 31, 2012, the Put was estimated to have a nominal value and is therefore not reflected in these consolidated financial statements.

**NOTE 11 FINANCIAL INSTRUMENTS****(a) Fair value**

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, 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 income statement. 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 and recorded on the consolidated statements of financial position as other assets and other liabilities with their offsetting values recorded in change in fair value of derivative instruments for the year ended March 31, 2012:

	For the year ended March 31, 2012	For the year ended March 31, 2012 (USD)	For the year ended March 31, 2011	For the year ended March 31, 2011 (USD)
<b>Change in fair value of derivative instruments</b>				
<b>Canada</b>				
Fixed-for-floating electricity swaps (i)	\$ 44,269	n/a	\$ 232,806	n/a
Renewable energy certificates (ii)	(60)	n/a	(987)	n/a
Verified emission-reduction credits (iii)	95	n/a	(952)	n/a
Options (iv)	(1,330)	n/a	333	n/a
Physical gas forward contracts (v)	52,114	n/a	138,623	n/a
Transportation forward contracts (vi)	(39)	n/a	11,365	n/a
Fixed financial swaps (vii)	(21,134)	n/a	(1,217)	n/a
<b>United States</b>				
Fixed-for-floating electricity swaps (viii)	(77,879)	(76,155)	45,009	44,913
Physical electricity forward contracts (ix)	(41,463)	(41,192)	46,472	46,421
Unforced capacity forward contracts (x)	(3,455)	(3,535)	(416)	(388)
Unforced capacity physical contracts (xi)	(2,511)	(2,705)	(1,955)	(1,908)
Renewable energy certificates (xii)	1,494	1,563	(1,077)	(1,032)
Verified emission-reduction credits (xiii)	160	137	(140)	(136)
Options (xiv)	(1,611)	(1,580)	1,160	1,142
Physical gas forward contracts (xv)	16,525	16,618	118,077	116,831
Transportation forward contracts (xvi)	1,534	1,547	568	578
Heat rate swaps (xvii)	22,321	22,058	(1,789)	(1,592)
Fixed financial swaps (xviii)	(34,760)	(34,251)	(47,792)	(45,967)
Foreign exchange forward contracts (xix)	(1,213)	n/a	1,116	n/a
Ethanol physical forward contracts	(135)	n/a	135	n/a
Amortization of deferred unrealized gains on discontinued hedges	69,162	n/a	119,883	n/a
Amortization of derivative financial instruments related to acquisitions	(112,993)	n/a	(149,821)	n/a
Liability associated with Exchangeable Shares and equity-based compensation	—	n/a	(3,354)	n/a
Change in fair value of contingent consideration	(5,436)	n/a	n/a	n/a
<b>Change in fair value of derivative instruments</b>	<b>\$ (96,345)</b>		<b>\$ 506,047</b>	

The following table summarizes certain aspects of the financial assets and liabilities recorded in the consolidated financial statements as at March 31, 2012:

	Other assets (current)	Other assets (long term)	Other liabilities (current)	Other liabilities (long term)
<b>Canada</b>				
Fixed-for-floating electricity swaps (i)	\$ –	\$ –	\$ 105,794	\$ 74,614
Renewable energy certificates (ii)	154	49	158	292
Verified emission-reduction credits (iii)	–	–	387	462
Options (iv)	975	359	1,644	656
Physical gas forward contracts (v)	–	–	159,742	89,576
Transportation forward contracts (vi)	–	–	5,396	2,776
Fixed financial swaps (vii)	–	–	8,192	14,159
<b>United States</b>				
Fixed-for-floating electricity swaps (viii)	–	11	90,698	41,425
Physical electricity forward contracts (ix)	–	–	121,213	30,674
Unforced capacity forward contracts (x)	5	–	1,664	2,086
Unforced capacity physical contracts (xi)	724	–	4,642	1,225
Renewable energy certificates (xii)	266	305	750	889
Verified emission-reduction credits (xiii)	42	80	304	420
Options (xiv)	73	–	601	349
Physical gas forward contracts (xv)	40	–	29,442	7,720
Transportation forward contracts (xvi)	34	–	1,137	241
Heat rate swaps (xvii)	10,307	14,511	–	–
Fixed financial swaps (xviii)	–	–	81,497	42,054
Foreign exchange forward contracts (xix)	179	–	–	–
Contingent consideration – Newton	–	–	1,376	–
Contingent consideration – Fulcrum (Note 9)	–	–	21,407	–
<b>As at March 31, 2012</b>	<b>\$ 12,799</b>	<b>\$ 15,315</b>	<b>\$ 636,044</b>	<b>\$ 309,617</b>

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

	Other assets (current)	Other assets (long term)	Other liabilities (current)	Other liabilities (long term)
<b>Canada</b>				
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
<b>United States</b>				
Fixed-for-floating electricity swaps (viii)	125	45	29,028	25,719
Physical electricity forward contracts (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	135	–	–	–
<b>As at March 31, 2011</b>	<b>\$ 3,846</b>	<b>\$ 5,384</b>	<b>\$ 485,406</b>	<b>\$ 355,412</b>



The following table summarizes certain aspects of the financial assets and liabilities recorded in the consolidated financial statements as at April 1, 2010:

	Other assets (current)	Other assets (long term)	Other liabilities (current)	Other liabilities (long term)
<b>Canada</b>				
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
<b>United States</b>				
Fixed-for-floating electricity swaps (viii)	—	—	31,291	30,464
Physical electricity forward contracts (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	—	—	—
<b>As at April 1, 2010</b>	<b>\$ 2,703</b>	<b>\$ 5,027</b>	<b>\$ 685,200</b>	<b>\$ 590,572</b>

The following table summarizes financial instruments classified as held-for-trading as at March 31, 2012, to which Just Energy has committed:

Contract type	Notional volume	Total remaining volume	Maturity date	Fixed price	Fair value favourable/ (unfavourable)	Notional value
<b>Canada</b>						
(i) Fixed-for-floating electricity swaps *	0.0001–48 MWh	7,536,951 MWh	April 30, 2012 – December 31, 2019	\$22.20–\$128.13	(\$180,408)	\$438,180
(ii) Renewable energy certificates	10–90,000 MWh	780,310 MWh	December 31, 2012 – December 31, 2015	\$3.00–\$26.00	(\$247)	\$5,151
(iii) Verified emission-reduction credits	6,000–50,000 tonnes	599,000 tonnes	December 31, 2013 – December 31, 2016	\$6.25–\$11.50	(\$849)	\$5,307
(iv) Options	119–33,000 GJ/month	713,089 GJ	April 30, 2012 – February 28, 2014	\$7.16–\$12.39	(\$966)	\$1,832
(v) Physical gas forward contracts	1–8,376 GJ/day	64,316,388 GJ	April 30, 2012 – March 31, 2016	\$1.35–\$10.00	(\$249,318)	\$430,907
(vi) Transportation forward contracts	74–17,000 GJ/day	35,595,520 GJ	April 30, 2012 – August 31, 2015	\$0.0025–\$1.5600	(\$8,172)	\$18,079
(vii) Fixed financial swaps	14,000–139,500 GJ/month	19,853,500 GJ	March 31, 2013 – March 31, 2017	\$2.34–\$5.20	(\$22,351)	\$88,642
<b>United States</b>						
(viii) Fixed-for-floating electricity swaps*	0.10–80 MWh	9,577,598 MWh	April 30, 2012 – March 31, 2017	\$24.49–\$136.41 (US\$24.55–\$136.75)	(\$132,112) (US\$132,443)	\$488,254 (US\$489,478)
(ix) Physical electricity forwards	1–100 MWh	13,393,411 MWh	April 30, 2012 – May 31, 2017	\$26.77–\$109.97 (US\$26.84–\$110.25)	(\$151,887) (US\$152,268)	\$624,024 (US\$625,588)
(x) Unforced capacity forward contracts	3–150 MWCap	118,766 MWCap	June 30, 2012 – May 31, 2014	\$1,812–\$7,980 (US\$1,817–\$8,000)	(\$3,745) (US\$3,754)	\$7,739 (US\$7,758)
(xi) Unforced capacity physical contracts	1–280 MWCap	5,336 MWCap	April 30, 2012 – May 31, 2014	\$848–\$9,327 (US\$850–\$9,350)	(\$5,144) (US\$5,157)	\$27,672 (US\$27,741)
(xii) Renewable energy certificates	300–160,000 MWh	2,987,250 MWh	December 31, 2012 – December 31, 2017	\$0.55–\$42.64 (US\$0.55–\$42.75)	(\$1,068) (US\$1,071)	\$15,992 (US\$16,032)
(xiii) Verified emission-reduction credits	8,000–50,000 tonnes	658,000 tonnes	December 31, 2012 – December 31, 2016	\$3.49–\$8.73 (US\$3.50–\$8.75)	(\$602) (US\$604)	\$4,064 (US\$4,074)
(xiv) Options	60–60,000 mmBTU/month	1,233,065 mmBTU	April 30, 2012 – December 31, 2014	\$7.73–\$13.77 (US\$7.75–\$13.80)	(\$877) (US\$879)	\$166 (US\$166)
(xv) Physical gas forward contracts	5–2,500 mmBTU/month	7,139,328 mmBTU	April 2, 2012 – July 31, 2014	\$2.21–\$11.85 (US\$2.22–\$11.88)	(\$37,122) (US\$37,215)	\$58,701 (US\$58,848)
(xvi) Transportation forward contracts	15–13,205 mmBTU/day	10,739,615 mmBTU	April 02, 2012 – August 31, 2015	\$0.08–\$1.50 (US\$0.08–\$1.50)	(\$1,344) (US\$1,347)	\$22,967 (US\$23,025)
(xvii) Heat rate swaps	1–50 MWh	3,248,369 MWh	April 30, 2012 – October 31, 2016	\$14.10–\$65.06 (US\$14.14–\$65.22)	\$24,817 (US\$24,879)	\$97,111 (US\$97,354)
(xviii) Fixed financial swaps	930–600,000 mmBTU/month	44,416,997 mmBTU	April 30, 2012 – May 31, 2017	\$2.64–\$9.24 (US\$2.65–\$9.26)	(\$123,549) (US\$123,859)	\$265,023 (US\$265,687)
(xix) Foreign exchange forward contracts	(\$497–\$3,614) (US\$500–\$3,500)	n/a	April 02, 2012 – January 2, 2013	\$0.977–\$1.048	\$179	\$22,630 (US\$22,687)

\* Some of the electricity fixed-for-floating contracts related to the Province of Alberta and the Province of Ontario are 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 are 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 accumulated other comprehensive income that is expected to be amortized to net income within the next 12 months is a gain of approximately \$32.5 million.

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 and cash equivalent, accounts receivable, unbilled revenue, bank indebtedness, trade and other payables and long-term debt under Level 1.

##### Level 2

Fair value measurements that 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 that 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 FV 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 the remaining years, Just Energy uses extrapolation, which leads 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 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 market 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, 2012:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and short-term deposits	\$ 65,419	\$ —	\$ —	\$ 65,419
Loans and receivables	437,216	—	—	437,216
Derivative financial assets	—	—	28,114	28,114
<b>Financial liabilities</b>				
Derivative financial liabilities	—	(98,193)	(847,468)	(945,661)
Other financial liabilities	(1,064,888)	—	—	(1,064,888)
<b>Total net derivative liabilities</b>	<b>\$ (562,253)</b>	<b>\$ (98,193)</b>	<b>\$ (819,354)</b>	<b>\$ (1,479,800)</b>

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

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and short-term deposits	\$ 98,466	\$ —	\$ —	\$ 98,466
Loans and receivables	398,401	—	—	398,401
Derivative financial assets	—	1,077	8,153	9,230
<b>Financial liabilities</b>				
Derivative financial liabilities	—	(89,177)	(751,641)	(840,818)
Other financial liabilities	(886,696)	—	—	(886,696)
<b>Total net derivative liabilities</b>	<b>\$ (389,829)</b>	<b>\$ (88,100)</b>	<b>\$ (743,488)</b>	<b>\$ (1,221,417)</b>

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at April 1, 2010:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and short-term deposits	\$ 78,782	\$ —	\$ —	\$ 78,782
Loans and receivables	295,663	—	—	295,663
Derivative financial assets	—	—	7,730	7,730
<b>Financial liabilities</b>				
Derivative financial liabilities	—	(38,487)	(1,237,285)	(1,275,772)
Other financial liabilities	(478,889)	—	—	(478,889)
<b>Total net derivative liabilities</b>	<b>\$ (104,444)</b>	<b>\$ (38,487)</b>	<b>\$ (1,229,555)</b>	<b>\$ (1,372,486)</b>

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:

	March 31, 2012	March 31, 2011
<b>Opening balance, April 1</b>	<b>\$ (743,488)</b>	<b>\$ (1,229,555)</b>
Total gain/(losses) – Profit for the period	(376,121)	6,891
Purchases	(201,235)	(256,294)
Sales	41,547	3,795
Settlements	459,943	731,675
Transfer out of Level 3	—	—
<b>Closing balance</b>	<b>\$ (819,354)</b>	<b>\$ (743,488)</b>

(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, 2012	
	Carrying amount	Fair value
Cash and cash equivalents	\$ 53,220	\$ 53,220
Restricted cash	12,199	12,199
Current trade and other receivables	299,945	299,945
Unbilled revenues	130,796	130,796
Non-current receivables	6,475	6,475
Other financial assets	28,114	28,114
Bank indebtedness, trade and other payables	288,205	288,205
Long-term debt	776,683	826,991
Other financial liabilities	945,661	945,661

As at March 2011 and April 1, 2010, the carrying amounts of the above financial assets and liabilities was equal to their fair value, except for long-term debt which had a fair value of \$663,407 as at March 31, 2011, and \$302,689 as at April 1, 2010.

	For the years ended March 31	
	2012	2011
Interest expense on financial liabilities not held-for-trading	\$ 60,935	\$ 59,883

The carrying value of cash and cash equivalents, restricted cash, current trade and other receivables, unbilled revenues and trade and other payables approximates the 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 \$90m, \$330m and \$100m 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., 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, 2012, 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 loss for the year would have been \$10,700 higher/lower and other comprehensive loss would have been \$6,400 higher/lower.

*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, 2012, of approximately \$1,112, respectively.

*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. Just Energy mitigates the exposure for variances in customer requirements that are driven by changes in expected weather conditions, through active management of the underlying portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to mitigate weather effects is limited by the severity of weather from normal.

*Commodity price sensitivity – all derivative financial instruments*

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 year ended March 31, 2012, would have increased (decreased) by \$149,312 (\$148,598) 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*

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 year ended March 31, 2012, would have increased (decreased) by \$137,213 (\$136,512) 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, British Columbia, New York, Massachusetts, Pennsylvania, California, Michigan, and Georgia, 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.

The aging of the accounts receivable from the above markets was as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Current	\$ 69,738	\$ 61,695	\$ 44,531
1–30 days	15,530	15,088	13,873
31–60 days	5,681	5,533	4,598
61–90 days	2,905	5,652	1,768
Over 91 days	19,947	10,322	3,973
	<u>\$ 113,801</u>	<u>\$ 98,290</u>	<u>\$ 68,743</u>

Changes in the allowance for doubtful accounts were as follows:

	March 31, 2012	March 31, 2011
Balance, beginning of year	\$ 25,115	\$ 17,519
Allowance on acquired receivables	6,940	5,591
Provision for doubtful accounts	28,514	27,627
Bad debts written off	(29,215)	(23,801)
Other	3,572	(1,821)
Balance, end of year	<u>\$ 34,926</u>	<u>\$ 25,115</u>

For the remaining markets, the LDCs for a fee, provide collection services and assume the risk of any bad debts owing from Just Energy's customers. 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, 2012, the maximum counterparty credit risk exposure amounted to \$141,915, representing the risk relating to the Company's 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, 2012:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Trade and other payables	\$ 287,145	\$ 287,145	\$ 287,145	\$ –	\$ –	\$ –
Bank indebtedness	1,060	1,060	1,060	–	–	–
Long-term debt*	776,683	833,962	97,611	252,570	26,433	457,348
Derivative instruments	945,661	2,596,314	1,363,421	1,057,222	175,049	622
	<b>\$ 2,010,549</b>	<b>\$ 3,718,481</b>	<b>\$ 1,749,237</b>	<b>\$ 1,309,792</b>	<b>\$ 201,482</b>	<b>\$ 457,970</b>

\* Included in long-term debt is \$330,000, \$100,000 and \$90,000 relating to convertible debentures, which may be settled through the issuance of shares at the option of the holder or Just Energy upon maturity.

In addition to the amounts noted above, at March 31, 2012, 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
<b>Interest payments</b>	<b>\$ 47,800</b>	<b>\$ 84,304</b>	<b>\$ 67,215</b>	<b>\$ 61,750</b>

(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 \$1,756 to accommodate for its counterparties' risk of default.

**NOTE 12 ACCUMULATED OTHER COMPREHENSIVE INCOME**

	Foreign currency translation adjustment	Cash flow hedges	Total
<b>For the year ended March 31, 2012</b>			
Balance, beginning of year	\$ 29,033	\$ 94,886	\$ 123,919
Unrealized foreign currency translation adjustment	2,386	–	2,386
Amortization of deferred unrealized gain on discontinued hedges net of income taxes of \$13,150	–	(56,012)	(56,012)
<b>Balance, end of year</b>	<b>\$ 31,419</b>	<b>\$ 38,874</b>	<b>\$ 70,293</b>
<b>For the year ended March 31, 2011</b>			
Balance, beginning of year	\$ 28,584	\$ 193,385	\$ 221,969
Unrealized foreign currency translation adjustment	449	–	449
Amortization of deferred unrealized gain on discontinued hedges net of income taxes of \$21,384	–	(98,499)	(98,499)
<b>Balance, end of year</b>	<b>\$ 29,033</b>	<b>\$ 94,886</b>	<b>\$ 123,919</b>

**NOTE 13 SHAREHOLDERS' CAPITAL****Subsequent to the Conversion**

On January 1, 2011, Just Energy issued common shares in exchange for the outstanding trust units of the Fund. The exchange of the trust units of the Fund was accounted for as an exchange of equity instruments at carrying value. The exchange of Exchangeable Shares for common shares was accounted for as an extinguishment of the liability associated with Exchangeable Shares at the redemption value measured on the date of the exchange.

Details of issued shareholders' capital are as follows for the year ended March 31, 2012, with comparatives for the year ended March 31, 2011:

	Year ended March 31, 2012		Year ended March 31, 2011	
	Shares	Amount	Shares	Amount
<b>Issued and outstanding</b>				
Balance, beginning of year	136,963,726	\$ 963,982	–	\$ –
Shares issued pursuant to the Conversion				
Trust units	–	–	126,583,148	808,848
Class A preference shares (Note 29)	–	–	5,263,728	78,798
Exchangeable shares (Note 29)	–	–	3,794,154	56,799
Shares issued to minority shareholder in exchange for interest in TGF (i)	–	–	689,940	10,328
Share-based awards exercised	91,684	1,385	86,374	1,097
Dividend reinvestment plan (ii)	2,377,616	28,413	546,382	8,112
Repurchase and cancellation of shares (iii)	(84,100)	(599)	–	–
Balance, end of year	139,348,926	\$ 993,181	136,963,726	\$ 963,982

(i) Shares issued

During the year ended March 31, 2011, Just Energy issued 689,940 shares to acquire the interest held by the minority shareholder of TGF pursuant to the exercise of the minority holders put right. The shares were valued at \$10,328 and the difference between \$18,285 and \$10,328 represents the value of the minority interest of TGF at the time of issuance. The value of the shares has been recorded as an increase to contributed surplus.

(ii) Dividend reinvestment plan

Under Just Energy's dividend reinvestment plan ("DRIP"), Canadian resident shareholders holding a minimum of 100 common shares can elect to receive their dividends in common shares rather than cash at a 2% discount to the simple average closing price of the common shares for five trading days preceding the applicable dividend payment date, provided that the common shares are issued from treasury and not purchased on the open market. Effective February 1, 2012, the Company has suspended the DRIP.

(iii) Repurchase and cancellation of shares

During the year, Just Energy obtained approval from its Board of Directors and the Toronto Stock Exchange to make a normal course issuer bid to purchase up to 13,200,917 common shares for the 12-month period commencing December 16, 2011, and ending December 15, 2012. A maximum of 82,430 common shares can be purchased during any trading day.

During the year, Just Energy purchased and cancelled 84,100 common shares for a cash consideration of \$955. The average book value of \$599 was recorded as a reduction to share capital and the remaining loss of \$356 was allocated to accumulated deficit.

**Prior to the Conversion**

Effective January 1, 2011, Just Energy completed the Conversion from an income trust to a corporation. As a result of the Conversion, Just Energy's trust units, along with the issued exchangeable and Class A preference shares, were exchanged on a one for one basis into shares of JEGI.

Prior to the Conversion, the trust units were redeemable at the option of the Fund's unitholders. The redemption price was calculated as the lower of the closing price on the day the units were tendered for redemption and 90% of the market price of the units for the ten days after redemption. The Fund had no redemptions for the period for which the trust units were outstanding.

IFRS requires financial instruments which include a redemption feature, making the instruments puttable, to be presented as a financial liability rather than equity. However, an exception to that requirement is available if the financial instrument meets certain criteria. Just Energy determined that the Fund's units met the requirements for this exception and accordingly, the trust units are presented as equity for the periods prior to the Conversion.



Just Energy is authorized to issue an unlimited number of common shares and 50,000,000 preference shares both with no par value.

Details of issued unitholders' capital are as follows for the year ended March 31, 2011:

	Units	Amount
<b>Issued and outstanding</b>		
Balance, beginning of year	124,325,307	\$ 777,856
Unit-based awards exercised	38,989	462
Distribution reinvestment plan	1,324,834	17,935
Exchanged from Exchangeable Shares	894,018	12,595
Units exchanged pursuant to the Conversion	(126,583,148)	(808,848)
Balance, end of year	—	\$ —

#### NOTE 14 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 although no share options have been granted since 2008. In accordance with the share option plan, Just Energy may grant options to a maximum of 11,300,000 shares. As at March 31, 2012, there were 1,264,166 options still available for grant under the plan. Of the options issued, 50,000 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.

A summary of the changes in Just Energy's option plan during the year and status as at March 31, 2012, is outlined below.

	Outstanding options	Range of exercise prices	Weighted average exercise price <sup>1</sup>
Balance, beginning of year	135,000	\$15.09–\$17.47	\$ 16.38
Forfeited/cancelled	85,000	\$16.65–\$17.47	\$ 17.13
Balance, end of year	50,000	\$15.09	\$ 15.09

<sup>1</sup> The weighted average exercise price is calculated by dividing the exercise price of options granted by the number of options granted.

2012	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
Exercise price					
\$15.09	50,000	0.25	\$ 15.09	50,000	\$ 15.09

2011	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
Range of exercise prices					
\$15.09–\$17.47	135,000	0.59	\$ 16.38	98,000	\$ 16.51

Options available for grant	Year ended March 31, 2012	Year ended March 31, 2011
Balance, beginning of year	1,179,166	961,666
Add: Cancelled/forfeited during the year	85,000	217,500
Balance, end of year	1,264,166	1,179,166

**(b) Restricted share grants**

Just Energy grants awards under the 2010 Restricted Share Grants Plan (formerly the 2004 unit appreciation rights, "UARs") in the form of fully paid restricted share grants ("RSGs") to senior officers, employees and service providers of its subsidiaries and affiliates. 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, 2012, there were 1,657,354 RSGs (2011 – 1,969,883) still available for grant under the plan. Of the RSGs issued, 3,024,023 remain outstanding at March 31, 2012 (2011 – 2,711,494). 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.

	March 31, 2012	March 31, 2011
<b>RSGs available for grant</b>		
Balance, beginning of year	1,969,883	74,472
Less: Granted during the year	(823,536)	(234,620)
Add: Increase in RSGs available for grant	–	2,000,000
Add: Cancelled/forfeited during the year	419,323	4,668
Add: Exercised during the year	91,684	125,363
<b>Balance, end of year</b>	<b>1,657,354</b>	<b>1,969,883</b>

**(c) Deferred share grants**

Just Energy grants awards under its 2010 Directors' Compensation Plan (formerly the 2004 Directors' deferred compensation plan, "UARs") to all independent directors on the basis that each director is required to annually receive \$15 of their compensation entitlement in deferred share grants ("DSGs") and may elect to receive all or any portion of the balance of their 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, 2012, there were 54,638 DSGs (2011 – 84,118) available for grant under the plan. Of the DSGs issued, 146,855 DSGs remain outstanding at March 31, 2012. In accordance with the Conversion, all outstanding directors' deferred unit grants were replaced with DSGs.

	March 31, 2012	March 31, 2011
<b>DSGs available for grant</b>		
Balance, beginning of year	84,118	108,248
Less: Granted during the year	(29,480)	(24,130)
<b>Balance, end of year</b>	<b>54,638</b>	<b>84,118</b>

**NOTE 15 LONG-TERM DEBT AND FINANCING**

	March 31, 2012	March 31, 2011	April 1, 2010
Credit facility (a)	\$ 98,455	\$ 53,000	\$ 57,500
Less: Debt issue costs (a)	(1,196)	(1,965)	(1,381)
TGF credit facility (b)(i)	32,046	36,680	41,313
TGF debentures (b)(ii)	35,818	37,001	37,001
TGF term/operating facilities (b)(iii)	–	–	10,000
NHS financing (c)	147,220	105,716	65,435
\$90 million convertible debentures (d)	86,101	84,706	83,417
\$330 million convertible debentures (e)	291,937	286,439	–
\$100 million convertible debentures (f)	85,879	–	–
Capital leases (g)	423	–	–
	<b>776,683</b>	<b>601,577</b>	<b>293,285</b>
Less: current portion	(97,611)	(94,117)	(61,448)
	<b>\$ 679,072</b>	<b>\$ 507,460</b>	<b>\$ 231,837</b>

Future annual minimum repayments are as follows:

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
Credit facility (a)	\$ –	\$ 98,455	\$ –	\$ –	\$ 98,455
TGF credit facility (b)(i)	32,046	–	–	–	32,046
TGF debentures (b)(ii)	35,818	–	–	–	35,818
NHS financing (c)	29,472	63,967	26,433	27,348	147,220
\$90 million convertible debentures (d)	–	90,000	–	–	90,000
\$330 million convertible debentures (e)	–	–	–	330,000	330,000
\$100 million convertible debentures (f)	–	–	–	100,000	100,000
Capital leases (g)	275	148	–	–	423
	<b>\$ 97,611</b>	<b>\$ 252,570</b>	<b>\$ 26,433</b>	<b>\$ 457,348</b>	<b>\$ 833,962</b>

The following table details the finance costs for the year ended March 31. Interest is expensed at the effective interest rate.

	March 31, 2012	March 31, 2011
Credit facility (a)	\$ 8,818	\$ 9,229
TGF credit facility (b)(i)	2,056	2,013
TGF debentures (b)(ii)	4,360	4,269
TGF term/operating facilities (b)(iii)	–	515
NHS financing (c)	10,011	6,464
\$90 million convertible debentures (d)	6,795	6,690
\$330 million convertible debentures (e)	25,298	22,638
\$100 million convertible debentures (f)	3,832	–
Capital lease interest (g)	32	–
Unwinding of discount on provisions (Note 17)	(267)	267
Dividend classified as interest (Note 31)	–	7,798
	<b>\$ 60,935</b>	<b>\$ 59,883</b>

(a) As at March 31, 2012, Just Energy has 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, The Bank of Nova Scotia, The Toronto-Dominion Bank and Alberta Treasury Branches. The term of the facility expires 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 2.88% and 3.38%. Prime rate advances are at rates of interest that vary between bank prime plus 1.88% and 2.38% and letters of credit are at rates that vary between 2.88% and 3.38%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at March 31, 2012, the Canadian prime rate was 3.0% and the U.S. prime rate was 3.25%. As at March 31, 2012, Just Energy had drawn \$98,455 (March 31, 2011 – \$53,000) against the facility and total letters of credit outstanding amounted to \$121,054 (March 31, 2011 – \$78,209). As at March 31, 2012, unamortized debt issue costs relating to the facility are \$1,196 (March 31, 2011 – \$1,965). As at March 31, 2012, Just Energy has \$130,491 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 general security agreement and a pledge of the assets and securities of Just Energy and the majority of its operating subsidiaries and affiliates excluding, among others, NHS, Hudson Solar and TGF. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at March 31, 2012, all of these covenants had been met.

(b) In connection with an acquisition, 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, a mortgage on title to the land owned by TGF and a general security interest on all other current and acquired assets of TGF. 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 covenants were measured as at March 31, 2012, and TGF failed to meet all required covenants. The non-compliance was waived by the lenders but did result in a non-compliance fee of \$90, representing 0.25% of the loan balance as at March 31, 2012. The non-compliance fee was accrued as at March 31, 2012. As at March 31, 2012, the amount owing under this facility amounted to \$32,046. The lenders have no recourse to the Company or any other Just Energy entity.

(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. On April 1, 2011, the interest rate was increased to 12%. 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. Compliance with the new covenants will be measured annually beginning with the fiscal 2012 year-end. The maturity date has been extended to May 15, 2014, with a call right any time after April 1, 2013. On March 31, 2012, TGF agreed with the debenture holders to increase the quarterly blended principal and interest payments to \$1,186 and to fine tune the financial covenants for fiscal 2013 to be more in line with the expected financial results of TGF for the year. TGF also agreed to make an additional debt repayment after March 31, 2013, if the cash flow from operations exceeds \$500 for the year 2013, provided that this type of payment will not create a non-compliance issue for the Company under the TGF credit facility. The debenture holders have no recourse to the Company or any other Just Energy entity. As at March 31, 2012, the amount owing under this debenture agreement amounted to \$35,818.

(iii) TGF term/operating facilities

TGF's term loan for \$10,000 was secured by liquid investments on deposit with the lender. The amount owing under this facility was bearing interest at prime plus 1% and was repaid in full in the prior year.

(iv) TGF has a working capital operating line of \$7,000 bearing interest at a rate of prime plus 2%. In addition to the amount shown on the consolidated statements of financial position as bank indebtedness, TGF has total letters of credit issued of \$250.

- (c) NHS entered into a long-term financing agreement for the funding of new and existing rental water heater and HVAC contracts in the Enbridge and Union Gas distribution territories. 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, 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 provided security over the water heaters, HVAC equipment and rental contracts, subject to the financing 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 \$147,220 owing under this agreement, including \$6,412 relating to the holdback provision, recorded in non-current receivables, as at March 31, 2012. NHS is required to meet a number of non-financial covenants under the agreement. As at March 31, 2012, all of these covenants had been met.

- (d) In conjunction with an acquisition, the Company also acquired the obligations of the convertible unsecured subordinated debentures (the "\$90 million convertible debentures") issued in October 2007. The fair value of the \$90 million convertible debentures 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 34.09 shares, representing a conversion price of \$29.33 per common share as at March 31, 2012. 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 ended March 31, 2012, interest expense amounted to \$6,795, respectively.

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, Just Energy assumed all of the obligations under the \$90 million convertible debentures.

The Company may, at its option, on not more than 60 days' and not less than 30 days' prior notice, subject to applicable regulatory approval and provided 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 \$90 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 common shares determined by dividing the principal amount of the \$90 million convertible debentures being repaid by 95% of the current market price on the date of redemption or maturity, as applicable.

- (e) In order to fund the acquisition of Hudson, on May 5, 2010, Just Energy issued \$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 ended March 31, 2012, interest expense amounted to \$25,298. 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 (\$22.50). 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 common shares 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' deficit 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, Just Energy assumed all of the obligations under the \$330 million convertible debentures.

As a result of adopting IFRS, Just Energy has recorded a deferred tax liability of \$15,728 on its convertible debentures and reduced the value of the equity component of convertible debentures by this amount.

- (f) On September 22, 2011, Just Energy issued \$100 million of convertible unsecured subordinated debentures (the "\$100 million convertible debentures") which was used to purchase Fulcrum. The \$100 million convertible debentures bear interest at an annual rate of 5.75%, payable semi-annually on March 31 and September 30 in each year commencing March 31, 2012, and have a maturity date of September 30, 2018. Each \$1,000 principal amount of the \$100 million convertible debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption into 56.0 common shares of Just Energy, representing a conversion price of \$17.85. The \$100 million convertible debentures are not redeemable at the option of the Company on or before September 30, 2014. After September 30, 2014, and prior to September 30, 2016, the \$100 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 price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the common shares is at least 125% of the conversion price. On or after September 30, 2016, the

\$100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount plus accrued and unpaid interest.

The Company may, at its option, on not more than 60 days' and not less than 30 days' prior notice, subject to applicable regulatory approval and provided 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 \$100 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 common shares determined by dividing the principal amount of the \$100 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 \$100 million convertible debentures has been accounted for as a separate component of shareholders' deficit in the amount of \$10,188. Upon initial recognition of the convertible debenture, Just Energy recorded a deferred tax liability of \$2,579 and reduced the equity component of the convertible debenture by this amount. The remainder of the net proceeds of the \$100 million convertible debentures has been recorded as long-term debt, which will be accreted up to the face value of \$100,000 over the term of the \$100 million convertible debentures using an effective interest rate of 8.6%. If the \$100 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. During the year ended March 31, 2012, interest expense amounted to \$3,832.

(g) The Company, through its subsidiary Fulcrum, leases certain computer, office equipment and software. These financing arrangements bear interest at rates ranging from 0% to 29% and mature between April 20, 2013 and June 30, 2014.

#### NOTE 16 INCOME TAXES

Prior to January 1, 2011, Just Energy was a specified investment flow through trust ("SIFT") for income tax purposes. As a result, Just Energy was subject to current taxes at the top marginal rate applicable to individuals of approximately 46.4% on all taxable income not distributed to unitholders. Subsequent to January 1, 2011, Just Energy completed the conversion from a SIFT to a corporation.

##### (a) Tax expense

	2012	2011
Tax recognized in profit and loss	\$ 662	\$ 8,182
Current tax expense	662	8,182
Deferred tax expense		
Origination and reversal of temporary differences	\$ (48,861)	\$ 25,891
Benefit (expense) arising from a previously unrecognized tax loss or temporary difference	85,726	80,693
Reduction in tax rate resulting from reorganization	–	58,673
Deferred tax recovery	36,865	165,257
<b>Total tax expense</b>	<b>\$ 37,527</b>	<b>\$ 173,439</b>

##### (b) Reconciliation of the effective tax rate

The provision for income taxes represents an effective rate different than the Canadian corporate statutory rate of 27.75% (2011 – 30%). The differences are as follows:

	2012	2011
Income (loss) before income taxes	\$ (89,116)	\$ 526,379
Combined statutory Canadian federal and provincial income tax rate	27.75%	30.00%
Income tax expense (recovery) based on statutory rate	(24,730)	157,914
Increase (decrease) in income taxes resulting from		
Taxes on income attributable to shareholders	–	(15,456)
Benefit (cost) of mark to market loss and other temporary differences not recognized	85,726	(119,200)
Variance between combined Canadian tax rate and the tax rate applicable to U.S. earnings	(23,343)	1,910
Fair value adjustment and interest expense on preferred shares	–	86,847
Reduction in tax rate resulting from reorganization	–	58,673
Other permanent items	(126)	2,751
<b>Total income tax expense</b>	<b>\$ 37,527</b>	<b>\$ 173,439</b>

**(c) Recognized deferral tax assets and liabilities**

Recognized deferred tax assets and liabilities are attributed to the following:

	March 31, 2012	March 31, 2011
Mark to market losses on derivative instruments	\$ 113,907	\$ 132,486
Tax losses and excess of tax basis over book basis	17,697	32,012
Total deferred tax asset	131,604	164,498
Offset of deferred taxes	(57,754)	(54,154)
Net deferred tax asset	73,850	110,344
Partnership income deferred for tax purposes	(35,459)	(14,046)
Excess of book basis over tax basis on customer contracts	(12,604)	(49,141)
Mark to market gains on derivative instruments	(85)	(102)
Excess of book basis over tax basis on other assets	(2,075)	(2,343)
Convertible debentures	(9,056)	—
Total deferred tax liability	(59,279)	(65,632)
Offset of deferred taxes	57,754	54,154
Net deferred tax liability	\$ (1,525)	\$ (11,478)

**(d) Movement in deferred tax balances**

	Balance April 1, 2011	Recognized in profit and loss	Recognized in equity	Recognized in OCI	Foreign exchange impact	Balance March 31, 2012
Partnership income deferred for tax	\$ (14,046)	\$ (21,413)	\$ —	\$ —	\$ —	\$ (35,459)
Excess of book over tax – customer contracts	(49,141)	31,378	—	—	—	(17,763)
Excess of book over tax on other assets	36,875	(16,486)	—	387	—	20,776
Mark to market gains (losses) on derivative instruments	132,888	(31,577)	—	12,961	(445)	113,827
Convertible debentures	(7,710)	1,233	(2,579)	—	—	(9,056)
	\$ 98,866	\$ (36,865)	\$ (2,579)	\$ 13,348	\$ (445)	\$ 72,325

	Balance April 1, 2010	Recognized in profit and loss	Recognized in equity	Recognized in OCI	Foreign exchange impact	Balance March 31, 2011
Partnership income deferred for tax	\$ (483)	\$ (13,563)	\$ —	\$ —	\$ —	\$ (14,046)
Excess of book over tax – customer contracts	(73,058)	23,917	—	—	—	(49,141)
Excess of book over tax on other assets	19,662	25,094	(15,728)	—	137	29,165
Mark to market gains (losses) on derivative instruments	228,148	(116,644)	—	21,384	—	132,888
Convertible debentures	84,062	(84,062)	—	—	—	—
	\$ 258,331	\$ (165,258)	\$ (15,728)	\$ 21,384	\$ 137	\$ 98,866

**(e) Unrecognized deferred tax assets**

Deferred tax assets not reflected in the current period are as follows:

	2012	2011
Losses available for carryforward	18,669	18,406
Mark to market on losses on derivative instruments	124,531	—
Excess of book over tax basis	7,889	—
Excess of book over tax – customer contracts	3,210	—

Losses available for carryforward (recognized and unrecognized) are set to expire as follows:

	2012
2026	11
2027	2,366
2028	34,328
2029	18,345
After 2030	175,518
<b>Total</b>	<b>230,568</b>

Investment Tax Credit (unrecognized) are set to expire as follows:

	2012
2030	622

In addition, there are un-deducted and unrecognized Scientific Research and Experimental Development expenses of \$14,356.

#### NOTE 17 PROVISIONS

	March 31, 2012	March 31, 2011
<b>Cost</b>		
Balance, beginning of year	\$ 7,250	\$ 7,008
Provisions made during the year	663	2,853
Provisions reversed and used during the year	(1,506)	(2,808)
Unwinding of discount	(269)	462
Foreign exchange	156	(265)
<b>Balance, end of year</b>	<b>\$ 6,294</b>	<b>\$ 7,250</b>
Current	3,226	4,006
Non-current	3,068	3,244
	<b>\$ 6,294</b>	<b>\$ 7,250</b>

#### Legal issues

The provision for legal issues shown above includes the expected cash outflows from major claims and for several smaller litigation matters. 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 FERC against any 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 facilities, 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.



**NOTE 18 OTHER INCOME, EXPENSES AND ADJUSTMENTS****(a) Other operating expenses**

	2012	2011
Amortization of gas contracts	\$ 23,902	\$ 31,841
Amortization of electricity contracts	54,468	63,642
Amortization of water heaters and HVAC products	1,631	1,595
Amortization of other intangible assets	28,232	23,763
Amortization of property, plant and equipment	5,847	5,698
Bad debt expense	28,514	27,650
Transaction costs	1,101	1,284
Capital tax	—	188
Share-based compensation	10,662	9,914
	<b>\$ 154,357</b>	<b>\$ 165,575</b>

**(b) Amortization and cost of inventories included in the consolidated income statement**

	2012	2011
Included in cost of sales		
Amortization	\$ 12,640	\$ 9,837
Costs recognized as an expense	2,255,140	2,461,793
	<b>\$ 2,267,780</b>	<b>\$ 2,471,630</b>

**(c) Included in change in fair value of derivative instruments**

	2012	2011
Amortization of gas contracts	\$ 38,663	\$ 53,757
Amortization of electricity contracts	74,330	96,064

**(d) Employee benefit expense**

	2012	2011
Wages, salaries and commissions	\$ 186,122	\$ 153,463
Benefits	20,631	19,398
	<b>\$ 206,753</b>	<b>\$ 172,861</b>

**NOTE 19 REPORTABLE BUSINESS SEGMENTS**

Just Energy operates in the following reportable segments: gas marketing, electricity marketing, ethanol, home services and other. Other represents Hudson Solar and Momentis. Reporting by products and services is in line with Just Energy's performance measurement parameters.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Just Energy is not considered to have any key customers.

2012	Gas marketing	Electricity marketing	Ethanol	Home services	Other	Consolidated
Sales	\$ 883,057	\$ 1,719,853	\$ 130,491	\$ 35,642	\$ 16,226	\$ 2,785,269
Gross margin	140,140	316,232	17,832	27,979	15,306	517,489
Amortization of property, plant and equipment	1,119	3,242	1,294	168	24	5,847
Amortization of intangible assets	31,230	75,323	43	1,631	6	108,233
Administrative expenses	30,822	66,263	8,229	12,901	4,182	122,397
Selling and marketing expenses	34,546	101,236	–	4,188	37,332	177,302
Other operating expenses	7,551	31,078	–	1,432	216	40,277
Operating profit (loss) for the year	\$ 34,872	\$ 39,090	\$ 8,266	\$ 7,659	\$ (26,454)	\$ 63,433
Finance costs	(12,657)	(31,769)	(6,485)	(10,018)	(6)	(60,935)
Change in fair value of derivative instruments	31,132	(125,966)	(135)	(1,376)	–	(96,345)
Proportionate share of loss from joint venture	(565)	(1,406)	–	–	–	(1,971)
Other income (loss)	(7,038)	12,722	166	–	852	6,702
Provision for (recovery of) income tax	10,236	27,292	–	–	(1)	37,527
Profit (loss) for the year	\$ 35,508	\$ (134,621)	\$ 1,812	\$ (3,735)	\$ (25,607)	\$ (126,643)
Capital expenditures	\$ 966	\$ 1,874	\$ 250	\$ 35,685	\$ 36,054	\$ 74,829
Total goodwill	\$ 127,055	\$ 121,827	\$ –	\$ 283	\$ –	\$ 249,165
Total assets	\$ 350,915	\$ 904,504	\$ 123,604	\$ 159,696	\$ 4,325	\$ 1,543,044
Total liabilities	\$ 543,062	\$ 1,250,564	\$ 76,995	\$ 168,715	\$ 5,117	\$ 2,044,453

2011	Gas marketing	Electricity marketing	Ethanol	Home services	Other	Consolidated
Sales	\$ 1,185,750	\$ 1,635,332	\$ 108,526	\$ 22,566	\$ 1,018	\$ 2,953,192
Gross margin	172,763	278,671	13,625	15,697	806	481,562
Amortization of property, plant and equipment	1,450	2,741	1,193	307	7	5,698
Amortization of intangible assets	46,092	73,154	–	1,595	–	120,841
Administrative expenses	26,736	56,822	11,231	12,083	2,528	109,400
Selling and marketing expenses	40,930	87,360	–	3,302	2,015	133,607
Other operating expenses	7,465	29,935	–	1,636	–	39,036
Operating profit (loss) for the year	\$ 50,090	\$ 28,659	\$ 1,201	\$ (3,226)	\$ (3,744)	\$ 72,980
Finance costs	(17,160)	(29,393)	(6,862)	(6,468)	–	(59,883)
Change in fair value of derivative instruments	313,265	192,647	135	–	–	506,047
Other income (loss)	(17,338)	25,989	(875)	(575)	34	7,235
Provision for (recovery of) income tax	65,603	110,337	–	(2,501)	–	173,439
Profit (loss) for the year	\$ 263,254	\$ 107,565	\$ (6,401)	\$ (7,768)	\$ (3,710)	\$ 352,940
Capital expenditures	\$ 661	\$ 1,562	\$ 267	\$ 30,625	\$ 297	\$ 33,412
Total goodwill	\$ 126,668	\$ 100,516	\$ –	\$ 283	\$ –	\$ 227,467
Total assets	\$ 609,656	\$ 688,554	\$ 162,252	\$ 128,152	\$ 1,412	\$ 1,590,026
Total liabilities	\$ 644,692	\$ 929,511	\$ 95,642	\$ 111,189	\$ 110	\$ 1,781,144

**Geographic information****Revenues from external customers**

	For the year ended March 31, 2012	For the year ended March 31, 2011
Canada	\$ 1,133,244	\$ 1,411,534
United States	1,652,025	1,541,658
Total revenue per consolidated income statement	\$ 2,785,269	\$ 2,953,192

The revenue is based on the location of the customer.

**Non-current assets**

Non-current assets for this purpose consist of property, plant and equipment and intangible assets and are summarized as follows:

	As at March 31, 2012	As at March 31, 2011
Canada	\$ 480,452	\$ 542,489
United States	354,384	331,732
Total	\$ 834,836	\$ 874,221

**NOTE 20 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES**

Goodwill acquired through business combinations and intangibles with indefinite lives have been allocated to one of five cash generating units, which are also operating and reportable segments, for impairment testing. These units are gas marketing, electricity marketing, ethanol, home services and other.

For impairment testing, goodwill and brand have been allocated as follows:

	Gas marketing			Electricity marketing			Home services			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Goodwill	\$ 127,055	\$ 126,668	\$ 126,238	\$ 121,827	\$ 100,516	\$ 60,311	\$ 283	\$ 283	\$ 283	\$ 249,165	\$ 227,467	\$ 186,832
Brand	1,338	1,301	—	22,031	9,391	—	—	—	—	23,369	10,692	—
	\$ 128,393	\$ 127,969	\$ 126,238	\$ 143,858	\$ 109,907	\$ 60,311	\$ 283	\$ 283	\$ 283	\$ 272,534	\$ 238,159	\$ 186,832

Just Energy performed its annual impairment test as at March 31, 2012. Just Energy considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As at March 31, 2012, the market capitalization of Just Energy was above the book value of its equity, indicating that a potential impairment of goodwill and intangibles with indefinite lives does not exist.

The recoverable amount of each of the units has been determined based on a value in use calculation using cash flow projections from financial budgets covering a five-year period. The projections for the first three years have been approved by the Audit Committee; the assumptions used in the following two years have been approved by the Executive Committee. The calculation of the value in use for each unit is most sensitive to the following assumptions:

- Customer consumption assumptions used in determining gross margin
- New customer additions and attrition and renewals
- Selling costs
- Discount rates
- Growth rates used to extrapolate cash flows beyond the budget period

Customer consumption is forecasted using normalized historical correlation between weather and customer consumption and weather projections. Just Energy uses weather derivatives to mitigate the risk that weather will deviate from expectations. An average customer consumption growth rate of 9% was used in the projections. An isolated 5% decrease in the consumption assumptions would not have an impact on the results of the impairment test.

New customer additions and attrition and renewal rate estimates are based on historical results and are adjusted for new marketing initiatives that are included in the budget. A 9% average increase in the overall customer base was used in the projections.

An isolated 5% decrease annually in the overall customer base would not have an impact on the results of the impairment test.

Selling costs fluctuate with customer additions, renewals and attrition. Selling costs used in the financial forecast are based on assumptions consistent with the above new customer additions, renewals and attritions. Rates used are based on historical information and are adjusted for new marketing initiatives included in the budget. An average increase of 9% was applied to selling costs in the projections. An isolated 5% increase annually in selling costs would not have an impact on the results of the impairment test.

Discount rates represent the current market assessment of the risks specific to the Company, regarding the time value of money and individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of Just Energy and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Just Energy's investors and the cost of debt is based on the interest bearing borrowings the Company is obliged to service. Just Energy used a discount rate of 9%. An isolated 5% increase in the WACC would not have an impact on the results of the impairment test.

Financial projections used in the budget period which covers years 1, 2 and 3 have been approved by the Executive Committee. The results in years 4 and 5 are based on year 3 results adjusted for inflation. An isolated 5% decrease in the growth rates used to extrapolate cash flows beyond the budget period would not have an impact on the results of the impairment test.

#### NOTE 21 **INCOME (LOSS) PER SHARE/UNIT**

	2012	2011
<b>Basic income (loss) per share/unit</b>		
Net income (loss) available to shareholders	\$ (126,522)	\$ 355,076
Basic shares and units outstanding	138,227,174	128,171,630
Basic income (loss) per share/unit	\$ (0.92)	\$ 2.77
<b>Diluted income (loss) per share/unit<sup>1</sup></b>		
Net income (loss) available to shareholders	\$ (126,522)	\$ 355,076
Adjusted net income for dilutive impact of convertible debentures	–	14,000
Adjusted net income for financial liabilities	–	9,609
Adjusted net income (loss)	(126,522)	378,685
Basic shares and units outstanding	138,227,174	128,171,630
<b>Dilutive effect of:</b>		
Weighted average number of Class A preference shares	–	4,009,086
Weighted average number of Exchangeable Shares	–	3,098,124
Restricted share grants	–	2,737,214
Deferred share grants	–	93,231
Convertible debentures	–	19,541,261
Shares/units outstanding on a diluted basis	138,227,174	157,650,546
Diluted income (loss) per share/unit	\$ (0.92)	\$ 2.40

<sup>1</sup> The \$90 million, \$330 million, \$100 million convertible debentures, restricted and deferred share grants are anti-dilutive for fiscal 2012 and the stock option rights are anti-dilutive for fiscal 2012 and fiscal 2011.

#### NOTE 22 **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 by:

- i) enabling it to operate efficiently;
- ii) providing liquidity and access to capital for growth opportunities; and
- iii) 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 and 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, 2012 and 2011, all of these covenants have been met.

**NOTE 23 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 \$112,305.

**NOTE 24 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL REMUNERATION**

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial or operation decisions. The definition includes subsidiaries, joint ventures and other persons.

**Subsidiaries and joint ventures**

Transactions between Just Energy and its subsidiaries meet the definition of related party transactions. These transactions are eliminated on consolidation and are not disclosed in these financial statements. Transactions with joint ventures are disclosed in Note 10.

**Key management personnel**

Just Energy's key management personnel and persons connected with them are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of Just Energy and comprise the Chair of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer.

During the year ended March 31, 2012, Just Energy recorded the following as an expense related to these individuals:

	March 31, 2012	March 31, 2011
Salaries and benefits	\$ 4,242	\$ 2,605
Stock-based compensation	5,490	3,530
	<b>\$ 9,732</b>	<b>\$ 6,135</b>

As at March 31, 2012, these individuals held approximately 1,631,500 RSGs (2011 – 1,324,000).

**NOTE 25 DISTRIBUTIONS AND DIVIDENDS PAID AND PROPOSED**

For the year ended March 31, 2012, dividends of \$1.24 (2011 – \$1.24) per share/unit were declared and paid by Just Energy. This amounted to \$175,382 (2011 – \$148,335), which was approved throughout the year by the Board of Directors and was paid out during the year.

**Declared dividends subsequent to year-end**

On April 2, 2012, the Board of Directors of Just Energy declared a dividend in the amount of \$0.10333 per common share (\$1.24 annually). The dividend was paid on April 30, 2012, to shareholders of record at the close of business on April 16, 2012.

On May 2, 2012, 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, 2012, to shareholders of record at the close of business on May 15, 2012.

**NOTE 26 COMMITMENTS**

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

**As at March 31, 2012**

	Less than 1 year	1 to 3 years	4 to 5 years	Exceeding 5 years	Total
Premises and equipment leasing	\$ 8,296	\$ 12,231	\$ 7,570	\$ 7,087	\$ 35,184
Grain production contracts	7,876	360	—	—	8,236
Long-term gas and electricity contracts	1,363,421	1,057,222	175,049	622	2,596,314
	<b>\$1,379,593</b>	<b>\$1,069,813</b>	<b>\$ 182,619</b>	<b>\$ 7,709</b>	<b>\$2,639,734</b>

**As at March 31, 2011**

	Less than 1 year	1 to 3 years	4 to 5 years	Exceeding 5 years	Total
Premises and equipment leasing	\$ 8,333	\$ 10,955	\$ 6,533	\$ 4,841	\$ 30,662
Master Services Agreement with EPCOR	4,974	—	—	—	4,974
Grain production contracts	7,082	2,099	—	—	9,181
Long-term gas and electricity contracts	1,498,293	1,405,699	267,505	2,292	3,173,789
	<b>\$ 1,518,682</b>	<b>\$ 1,418,753</b>	<b>\$ 274,038</b>	<b>\$ 7,133</b>	<b>\$ 3,218,606</b>

**As at April 1, 2010**

	Less than 1 year	1 to 3 years	4 to 5 years	Exceeding 5 years	Total
Premises and equipment leasing	\$ 8,084	\$ 10,543	\$ 5,330	\$ 4,828	\$ 28,785
Master Services Agreement with EPCOR	12,132	8,088	—	—	20,220
Grain production contracts	36,059	21,438	396	—	57,893
Long-term gas and electricity contracts	1,494,003	1,621,623	415,680	2,065	3,533,371
	<b>\$ 1,550,278</b>	<b>\$ 1,661,692</b>	<b>\$ 421,406</b>	<b>\$ 6,893</b>	<b>\$ 3,640,269</b>

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. Just Energy has entered into leasing contracts for office buildings and administrative equipment. These leases have a leasing period of between one and eight years. For the main office building of Just Energy, there is a renewal option for an additional five years. No purchase options are included in any major leasing contracts.

**NOTE 27 ADJUSTMENTS REQUIRED TO REFLECT NET CASH RECEIPTS FROM GAS SALES**

	2012	2011
<b>Changes in:</b>		
Accrued gas receivables	\$ 22,033	\$ (5,749)
Gas delivered in excess of consumption	(10,300)	3,763
Accrued gas payable	(15,267)	4,266
Deferred revenue	11,274	(4,005)
	<b>\$ 7,740</b>	<b>\$ (1,725)</b>

**NOTE 28 CHANGES IN NON-CASH WORKING CAPITAL**

	2012	2011
Accounts receivable and unbilled revenues	\$ 14,048	\$ 4,513
Gas in storage	(3,520)	(2,355)
Prepaid expenses and deposits	361	15,511
Inventory	(3,082)	(583)
Trade and other payables and provisions	(34,839)	(56,149)
	<b>\$ (27,032)</b>	<b>\$ (39,063)</b>

**NOTE 29 LIABILITY ASSOCIATED WITH EXCHANGEABLE SHARES AND EQUITY-BASED COMPENSATION PLANS****Liability associated with Exchangeable Shares**

Since 2001 and up to and including January 1, 2011, Just Energy had Exchangeable Shares outstanding. These shares did not meet the definition of an equity instrument in accordance with IAS 32, Financial Instruments: Presentation, and accordingly, were classified as financial liabilities. The Exchangeable Shares were recorded upon transition to IFRS at redemption value and subsequent to transition were adjusted to reflect the redemption value at each reporting date. The resulting change from carrying value to redemption value was recorded at transition and at each reporting period to retained earnings and earnings, respectively, as a change in fair value of derivative instruments. All dividends attributable to exchangeable shareholders were recorded as interest expense in the reporting period for which the dividends were declared.

As a result of the Conversion, the Exchangeable Shares were exchanged on a one for one basis into common shares of JEGI. There were no Exchangeable Shares outstanding following the Conversion.

**Equity-based compensation plans**

As the award holders were entitled to receive Fund units, which under IFRS were considered puttable financial instruments, the awards were classified as liability-based awards. The fair value of awards was estimated at each reporting period using the fair market value of the Fund units at the reporting date. The resulting measurements of the liability were recorded as change in fair value of derivative financial instruments.

As a result of the Conversion, Just Energy's equity-based compensation plan awards are now settled in non-redeemable common shares resulting in equity plan accounting under IFRS. Accordingly, the fair value of the vested portion of outstanding awards was reclassified from liability to contributed surplus on January 1, 2011.

The following table summarizes the changes in the liability associated with the Exchangeable Shares and the equity-based compensation:

	Exchangeable Shares of JEEC		Class A preference shares of JEC		Options	Unit based awards			Total	
	Shares	\$-value	Shares	\$-value		DDUGS	UARs	\$-value	\$-value	
Opening balance – April 1, 2010	4,688,172	\$ 66,947	5,263,728	\$ 75,166	352,500	84,138	2,640,723	\$ 39,015	\$ 181,128	
Exchanged	(894,018)	(12,595)	–	–	–	–	(38,989)	(461)	(13,056)	
Issued/forfeited	–	–	–	–	(217,500)	18,362	175,251	–	–	
Non-cash deferred unit grant	–	–	–	–	–	–	–	87	87	
Unit based compensation	–	–	–	–	–	–	–	7,231	7,231	
Change in fair value	–	2,447	–	3,632	–	–	–	(2,725)	3,354	
Reclassified to share capital on the conversion to a corporation	(3,794,154)	(56,799)	(5,263,728)	(78,798)	–	–	–	–	(135,597)	
Reclassified to contributed surplus on the conversion to a corporation	–	–	–	–	(135,000)	(102,500)	(2,776,985)	(43,147)	(43,147)	
	–	–	–	–	–	–	–	–	–	

**NOTE 30 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 31 EXPLANATION OF TRANSITION TO IFRS**

For all periods up to and including the year ended March 31, 2011, Just Energy prepared its financial statements in accordance with CGAAP. Just Energy has prepared financial statements which comply with IFRS for periods beginning on or after April 1, 2011, as described in the accounting policies set out in Note 3. In preparing these consolidated financial statements, Just Energy's opening consolidated statement of financial position was prepared as at April 1, 2010 (Just Energy's date of transition).

In preparing the opening IFRS consolidated statement of financial position, Just Energy has adjusted amounts previously reported in consolidated financial statements prepared in accordance with CGAAP. An explanation of how the transition from CGAAP to IFRS has affected Just Energy's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**(a) Elective exemptions from full retrospective applications**

In preparing these consolidated financial statements in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), Just Energy has applied certain optional exemptions from full retrospective application of IFRS. The optional exemptions are described below.

**(i) Business combinations**

Just Energy has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, Business Combinations, retrospectively. Accordingly, Just Energy has not restated business combinations that took place prior to the transition date.

**(ii) Share-based payments**

Just Energy has elected to apply IFRS 2, Share-based Payments, to equity instruments granted on or before November 7, 2002, or which are vested by the transition date.

**(iii) Borrowing costs**

IAS 23, Borrowing Costs, requires that Just Energy capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after April 1, 2010. Just Energy elected not to adopt this policy early and has, therefore, expensed all borrowing costs prior to transition.

**(b) Mandatory exemptions to retrospective application**

In preparing these consolidated financial statements in accordance with IFRS 1, Just Energy has applied certain mandatory exemptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

**(i) Estimates**

Hindsight was not used to create or revise estimates and accordingly, the estimates previously made by Just Energy under CGAAP are consistent with their application under IFRS.

**(ii) Hedge accounting**

Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created prospectively. Just Energy has not applied any hedge accounting at or after the transition date.

Prior to July 1, 2008, Just Energy utilized hedge accounting for its customer contracts and formally documented the relationship between hedging instruments and the hedged items as well as its risk management objective and strategy for undertaking various hedge transactions. Effective July 1, 2008, Just Energy ceased the utilization of hedge accounting. The balance still remaining in accumulated other comprehensive income relates to the effective portion of the hedges that are still expected to occur as of the transition date.



**Reconciliation of financial position and equity at April 1, 2010:**

Canadian GAAP accounts	Canadian GAAP balances	IFRS adjustments	IFRS reclassifications	IFRS balance	IFRS accounts
<b>ASSETS</b>					<b>ASSETS</b>
<b>Non-current assets</b>					<b>Non-current assets</b>
Property, plant and equipment	\$ 217,223	\$ (547)	\$ –	\$ 216,676	Property, plant and equipment
Intangible assets	342,022	–	186,832	528,854	Intangible assets
Goodwill	190,862	(4,030)	(186,832)	–	–
Other assets long term	5,027	–	–	5,027	Other non-current financial assets
Long-term receivable	2,014	–	–	2,014	Non-current receivables
Contract initiation costs	5,587	–	–	5,587	Contract initiation costs
Future income tax assets	85,197	150,771	29,139	265,107	Deferred tax asset
	847,932	146,194	29,139	1,023,265	
<b>Current assets</b>					<b>Current assets</b>
Inventory	6,323	–	–	6,323	Inventory
Gas in storage	4,058	–	–	4,058	Gas in storage
Gas delivered in excess of consumption	7,410	–	–	7,410	Gas delivered in excess of consumption
Accounts receivable	232,579	–	–	232,579	Current trade and other receivables
Accrued gas receivables	20,793	–	–	20,793	Accrued gas receivables
Unbilled revenues	61,070	–	–	61,070	Unbilled revenues
Prepaid expenses and deposits	20,038	–	–	20,038	Prepaid expenses and deposits
Other assets – current	2,703	–	–	2,703	Other current assets
Current portion of future income tax assets	29,139	–	(29,139)	–	–
Cash	60,132	–	18,650	78,782	Cash and cash equivalents
Restricted cash	18,650	–	(18,650)	–	–
	462,895	–	(29,139)	433,756	
<b>TOTAL ASSETS</b>	<b>\$ 1,310,827</b>	<b>\$ 146,194</b>	<b>\$ –</b>	<b>\$ 1,457,021</b>	<b>TOTAL ASSETS</b>
<b>EQUITY AND LIABILITIES</b>					<b>EQUITY AND LIABILITIES</b>
<b>Unitholders' deficiency</b>					<b>Equity attributable to equity holders of the parent</b>
Deficit	\$ (1,423,698)	\$ (132,971)	\$ –	\$ (1,556,669)	Deficit
Accumulated other comprehensive income	221,969	–	–	221,969	Accumulated other comprehensive income
Unitholders' capital	659,118	118,738	–	777,856	Unitholders' capital
Contributed surplus	18,832	(18,832)	–	–	Contributed surplus
<b>Unitholders' deficiency</b>	<b>(523,779)</b>	<b>(33,065)</b>	<b>–</b>	<b>(556,844)</b>	<b>Unitholders' deficiency</b>
<b>Non-controlling interest</b>	<b>20,603</b>	<b>(182)</b>	<b>–</b>	<b>20,421</b>	<b>Non-controlling interest</b>
<b>Total Unitholders' deficiency</b>	<b>(503,176)</b>	<b>(33,247)</b>	<b>–</b>	<b>(536,423)</b>	<b>Total Unitholders' deficiency</b>
<b>LIABILITIES</b>					<b>LIABILITIES</b>
<b>Non-current liabilities</b>					<b>Non-current liabilities</b>
Long-term debt	231,837	–	–	231,837	Long-term debt
Provisions	–	3,270	(146)	3,124	Provisions
Deferred lease inducements	1,984	–	–	1,984	Deferred lease inducements
Other liabilities – long term	590,572	–	–	590,572	Other non-current financial liabilities
Future income taxes	–	–	6,776	6,776	Deferred tax liability
Liability associated with Exchangeable Shares and equity-based compensation	–	181,128	–	181,128	Liability associated with Exchangeable Shares and equity-based compensation
	824,393	184,398	6,630	1,015,421	
<b>Current liabilities</b>					<b>Current liabilities</b>
Bank indebtedness	8,236	–	–	8,236	Bank indebtedness
Accounts payable and accrued liabilities	184,682	(7,460)	146	177,368	Trade and other payables
Accrued gas payable	15,093	–	–	15,093	Accrued gas payable
Deferred revenue	7,202	–	–	7,202	Deferred revenue
Unit distribution payable	13,182	–	–	13,182	Unit distribution payable
Corporate taxes payable	6,410	–	–	6,410	Income taxes payable
Current portion of long-term debt	62,829	(1,381)	–	61,448	Current portion of long-term debt
Provisions	–	3,884	–	3,884	Provisions
Current portion future income tax liabilities	6,776	–	(6,776)	–	–
Other liabilities – current	685,200	–	–	685,200	Other current financial liabilities
	989,610	(4,957)	(6,630)	978,023	
<b>TOTAL LIABILITIES</b>	<b>\$ 1,814,003</b>	<b>\$ 179,441</b>	<b>\$ –</b>	<b>\$ 1,993,444</b>	<b>TOTAL LIABILITIES</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 1,310,827</b>	<b>\$ 146,194</b>	<b>\$ –</b>	<b>\$ 1,457,021</b>	<b>TOTAL EQUITY AND LIABILITIES</b>

**Reconciliation of consolidated income statement for the year ended March 31, 2011:**

Canadian GAAP accounts	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS	IFRS accounts
<b>SALES</b>	\$ 2,953,192	\$ –	\$ –	\$ 2,953,192	<b>SALES</b>
<b>COST OF SALES</b>	2,470,989	641	–	2,471,630	<b>COST OF SALES</b>
<b>GROSS MARGIN</b>	482,203	(641)	–	481,562	<b>GROSS MARGIN</b>
<b>EXPENSES</b>					<b>EXPENSES</b>
General and administrative	109,407	(7)	–	109,400	Administrative expenses
Marketing expenses	133,607	–	–	133,607	Selling and marketing expenses
Other operating expenses	–	1,284	164,291	165,575	Other operating expenses
Bad debt expense	27,650	–	(27,650)	–	
Amortization of intangible assets and related supply contracts	120,841	–	(120,841)	–	
Amortization of property, plant and equipment	5,698	–	(5,698)	–	
Unit-based compensation	5,509	4,405	(9,914)	–	
Capital tax	188	–	(188)	–	
	<b>\$ 402,900</b>	<b>\$ 5,682</b>	<b>\$ –</b>	<b>\$ 408,582</b>	
<b>Income (loss) before the undernoted</b>	79,303	(6,323)	–	72,980	<b>Operating profit</b>
Interest expense	50,437	9,446	–	59,883	Finance costs
Change in fair value of derivative instruments	(509,401)	3,354	–	(506,047)	Change in fair value of instruments derivative instruments
Other income	(7,235)	–	–	(7,235)	Other income
<b>Income before income taxes</b>	545,502	(19,123)	–	526,379	<b>Income before income taxes</b>
<b>Provision for income tax expense</b>	32,142	141,297	–	173,439	<b>Provision for income tax expense</b>
<b>NET INCOME FOR THE YEAR</b>	<b>\$ 513,360</b>	<b>\$ (160,420)</b>	<b>\$ –</b>	<b>\$ 352,940</b>	<b>PROFIT FOR THE YEAR</b>
<b>Attributable to:</b>					<b>Attributable to:</b>
<b>Shareholders of Just Energy</b>	<b>\$ 515,347</b>	<b>\$ (160,271)</b>	<b>\$ –</b>	<b>\$ 355,076</b>	<b>Unitholders of Just Energy</b>
<b>Non-controlling interests</b>	<b>(1,987)</b>	<b>(149)</b>	<b>–</b>	<b>(2,136)</b>	<b>Non-controlling interests</b>
	<b>\$ 513,360</b>	<b>\$ (160,420)</b>	<b>\$ –</b>	<b>\$ 352,940</b>	

**Reconciliation of consolidated statement of comprehensive income for the year ended March 31, 2011:**

Canadian GAAP accounts	Canadian GAAP	IFRS adjustments	IFRS reclassifications	IFRS	IFRS accounts
<b>NET INCOME</b>	<b>\$ 513,360</b>	<b>\$ (160,420)</b>	<b>\$ –</b>	<b>\$ 352,940</b>	<b>NET INCOME</b>
Unrealized gain on translation of self-sustaining operations	334	115	–	449	Unrealized gain on translation of self-sustaining operations
Amortization of deferred unrealized gain on discontinued hedges – net of income taxes of \$21,384	(98,499)	–	–	(98,499)	Amortization of deferred unrealized gain on discontinued hedges – net of income taxes of \$21,384
<b>OTHER COMPREHENSIVE LOSS</b>	<b>(98,165)</b>	<b>115</b>	<b>–</b>	<b>(98,050)</b>	<b>OTHER COMPREHENSIVE LOSS</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 415,195</b>	<b>\$ (160,305)</b>	<b>\$ –</b>	<b>\$ 254,890</b>	<b>COMPREHENSIVE INCOME</b>
<b>Attributable to:</b>					<b>Attributable to:</b>
<b>Shareholders of Just Energy</b>	<b>\$ 417,182</b>	<b>\$ (160,156)</b>	<b>\$ –</b>	<b>\$ 257,026</b>	<b>Shareholders of Just Energy</b>
<b>Non-controlling interests</b>	<b>(1,987)</b>	<b>(149)</b>	<b>–</b>	<b>(2,136)</b>	<b>Non-controlling interests</b>
	<b>\$ 415,195</b>	<b>\$ (160,305)</b>	<b>\$ –</b>	<b>\$ 254,890</b>	

**Reconciliation of financial position and equity at March 31, 2011:**

Canadian GAAP accounts	Canadian GAAP balances	IFRS adjustments	IFRS reclassifi- cations	IFRS balance	IFRS accounts
<b>ASSETS</b>					<b>ASSETS</b>
<b>Non-current assets</b>					<b>Non-current assets</b>
Property, plant and equipment	\$ 235,189	\$ (1,187)	\$ –	\$ 234,002	Property, plant and equipment
Intangible assets	412,752	–	227,467	640,219	Intangible assets
Goodwill	224,409	3,058	(227,467)	–	
Other assets – long term	5,384	–	–	5,384	Other non-current financial assets
Contract initiation costs	29,654	–	–	29,654	Contract initiation costs
Long-term receivable	4,569	–	–	4,569	Non-current receivables
Future income tax assets	85,899	(489)	36,375	121,785	Deferred tax asset
	997,856	1,382	36,375	1,035,613	
<b>Current assets</b>					<b>Current assets</b>
Inventory	6,906	–	–	6,906	Inventory
Gas in storage	6,133	–	–	6,133	Gas in storage
Gas delivered in excess of consumption	3,481	–	–	3,481	Gas delivered in excess of consumption
Accounts receivable	281,685	–	–	281,685	Current trade and other receivables
Unbilled revenues	112,147	–	–	112,147	Unbilled revenues
Accrued gas receivables	26,535	–	–	26,535	Accrued gas receivables
Prepaid expenses and deposits	6,079	–	–	6,079	Prepaid expenses and deposits
Other assets – current	3,846	–	–	3,846	Other current assets
Corporate tax recoverable	9,135	–	–	9,135	Corporate tax recoverable
Current portion of future income tax assets	36,375	–	(36,375)	–	
Cash	97,633	–	833	98,466	Cash and cash equivalents
Restricted cash	833	–	(833)	–	
	590,788	–	(36,375)	554,413	
<b>TOTAL ASSETS</b>	<b>\$ 1,588,644</b>	<b>\$ 1,382</b>	<b>\$ –</b>	<b>\$ 1,590,026</b>	<b>TOTAL ASSETS</b>
<b>DEFICIT AND LIABILITIES</b>					<b>DEFICIT AND LIABILITIES</b>
<b>Shareholders' deficiency</b>					<b>Equity attributable to equity holders of the parent</b>
Deficit	\$ (1,063,179)	\$ (286,749)	\$ –	\$ (1,349,928)	Deficit
Accumulated other comprehensive income	123,804	115	–	123,919	Accumulated other comprehensive income
Shareholders' capital	697,052	266,930	–	963,982	Shareholders' capital
Equity component of convertible debt	33,914	(15,728)	–	18,186	Equity component of convertible debt
Contributed surplus	22,903	29,820	–	52,723	Contributed surplus
<b>TOTAL DEFICIT</b>	<b>\$ (185,506)</b>	<b>\$ (5,612)</b>	<b>\$ –</b>	<b>\$ (191,118)</b>	<b>TOTAL DEFICIT</b>
<b>LIABILITIES</b>					<b>LIABILITIES</b>
<b>Non-current liabilities</b>					<b>Non-current liabilities</b>
Long-term debt	\$ 507,460	\$ –	\$ –	\$ 507,460	Long-term debt
Future income taxes	2,657	7,046	13,216	22,919	Deferred tax liability
Deferred lease inducements	1,622	–	–	1,622	Deferred lease inducements
Other liabilities – long term	355,412	–	–	355,412	Other non-current financial liabilities
Provisions	–	3,244	–	3,244	Provisions
	867,151	10,290	13,216	890,657	
<b>Current liabilities</b>					<b>Current liabilities</b>
Bank indebtedness	2,314	–	–	2,314	Bank indebtedness
Accounts payable and accrued liabilities	282,805	(7,302)	–	275,503	Trade and other payables
Accrued gas payable	19,353	–	–	19,353	Accrued gas payable
Corporate taxes payable	9,788	–	–	9,788	Income taxes payable
Current portion of long-term debt	94,117	–	–	94,117	Current portion of long-term debt
Provisions	–	4,006	–	4,006	Provisions
Current portion of future income tax liabilities	13,216	–	(13,216)	–	
Other liabilities – current	485,406	–	–	485,406	Other current financial liabilities
	906,999	(3,296)	(13,216)	890,487	
<b>TOTAL LIABILITIES</b>	<b>\$ 1,774,150</b>	<b>\$ 6,994</b>	<b>\$ –</b>	<b>\$ 1,781,144</b>	<b>TOTAL LIABILITIES</b>
<b>TOTAL DEFICIT AND LIABILITIES</b>	<b>\$ 1,588,644</b>	<b>\$ 1,382</b>	<b>\$ –</b>	<b>\$ 1,590,026</b>	<b>TOTAL DEFICIT AND LIABILITIES</b>

## Notes to the reconciliation of equity as at March 31, 2011

### A. Property, plant and equipment

**CGAAP** – Component accounting required but typically not practiced in Canada.

**IFRS** – Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items. Management has reassessed the significant parts of the ethanol plant, which has resulted in a decrease in amortization of the ethanol plant.

### B. Transaction costs

**CGAAP** – The cost of the purchase includes the direct costs of the business combination.

**IFRS** – Transaction costs of the business combination are expensed as incurred.

Transaction costs relating to the acquisition of Hudson have been expensed under IFRS. In addition, and in accordance with IAS 39, management has allocated transaction costs directly attributable to the credit facility, which were previously included as part of a business combination, to the related long-term debt. These costs are now expensed using the effective interest rate method over the life of the related debt.

### C. Stock-based compensation and contributed surplus

**CGAAP** – For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

**IFRS** – Each tranche in an award is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, Just Energy adjusted its expense for share-based awards to reflect this difference in recognition.

### D. Provisions

**CGAAP** – Accounts payable, accrued liabilities and provisions are disclosed on the consolidated statement of financial position as a single line item.

**IFRS** – Provisions are disclosed separately from liabilities and accrued liabilities and require additional disclosure. Under IFRS, provisions are also measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. This has resulted in an adjustment to Just Energy.

### E. Deferred tax asset/liability

**CGAAP** – Deferred taxes are split between current and non-current components on the basis of either: (i) the underlying asset or liability or (ii) the expected reversal of items not related to an asset or liability.

**IFRS** – All deferred tax assets and liabilities are classified as non-current.

### F. Impairment

**CGAAP** – A recoverability test is performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the asset does not recover its carrying value, an impairment loss is calculated as the excess of the asset's carrying amount over its fair value.

**IFRS** – The impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount, where recoverable amount is defined as the higher of the asset's fair value less costs to sell and its value-in-use. Under the value-in-use calculation, the expected future cash flows from the asset are discounted to their net present value. The change in measurement methodology did not result in additional impairment to Just Energy under IFRS.

### G. Exchangeable Shares and equity-based compensation

**CGAAP** – The Class A preference shares and Exchangeable Shares issued by a subsidiary of an income fund are presented on the consolidated statements of financial position of the income fund as part of unitholders' capital if certain criteria are met.

Just Energy had met the criteria and the Class A preference shares and Exchangeable Shares were recorded as part of unitholders' capital.

**IFRS** – As a result of the Class A preference shares, Exchangeable Shares and equity-based compensation being exchangeable into a puttable liability, the shares and equity-based compensation did not meet the definition of an equity instrument in accordance with IAS 32, Financial Instruments: Presentation, and accordingly, were classified as financial liabilities. The Exchangeable Shares and equity-based compensation were recorded upon transition to IFRS at redemption value and subsequent to transition were adjusted to reflect the redemption value at each reporting date. The resulting change from carrying value to redemption value was recorded at transition and at each reporting period to retained earnings and earnings, respectively, as a change in fair value of derivative instruments. All distributions were recorded as interest expense in the reporting period for which the dividends were declared.

#### H. Deferred taxes

**CGAAP** – There was an exemption that allowed issuers of convertible debentures to treat the difference in the convertible debentures as a permanent difference between tax and accounting. This exemption does not exist under IFRS.

Under CGAAP, Just Energy's deferred tax balances were calculated using the enacted or substantively enacted tax rates that were expected to apply to the reporting period(s) when the temporary differences were expected to reverse.

**IFRS** – The discount on the convertible debentures has been included in assessing the Company's future tax position. IAS 12, Income Taxes, requires the application of an "undistributed tax rate" in the calculation of deferred taxes, whereby deferred tax balances are measured at the tax rate applicable to Just Energy's undistributed profits during the periods when Just Energy was an income trust.

Deferred taxes have been recalculated on the revised accounting values for the adjustments A to G.

#### I. Acquisition of minority interest

**CGAAP** – The gain on the acquisition of minority interest, which occurred on January 1, 2011, was treated as a reduction to goodwill on the original acquisition.

**IFRS** – The gain was reallocated to contributed surplus as this is considered an equity transaction.

#### J. Cash flow statements

Cash flow statements prepared under IAS 7, Statement of Cash Flows, present cash flows in the same manner as under previous GAAP. Other than the adjustments noted above, reclassifications between net earnings and the adjustments to compute cash flows from operating activities, there were no material changes to the consolidated statement of cash flows.

# Corporate information

## Corporate office

Just Energy Group Inc.  
First Canadian Place  
100 King Street West  
Suite 2630, P.O. Box 355  
Toronto, ON M5X 1E1

## For financial information, contact:

Beth Summers, C.A.  
Chief Financial Officer  
905-795-4206

## For further information, contact:

Rebecca MacDonald  
Executive Chair  
416-367-2872

Ken Hartwick, C.A.  
Chief Executive Officer and President  
905-795-3557

## Auditors

Ernst & Young LLP  
Toronto, ON Canada

## Transfer agent and registrar

Computershare Investor Services Inc.  
100 University Avenue  
Toronto, ON M5J 2Y1

## Shares listed

Toronto Stock Exchange  
Trading symbol: JE

New York Stock Exchange  
Trading symbol: JE

## Annual general meeting

Thursday, June 28, 2012  
3:00 p.m.  
TSX Broadcast Centre  
130 King Street West  
Toronto, ON

[justenergygroup.com](http://justenergygroup.com)





2013 FIRST QUARTER REPORT TO SHAREHOLDERS

just 

## Highlights for the three months ended June 30, 2012, included:

- ◆ Gross customer additions through marketing of 338,000, up 49% compared to 227,000 in the first quarter of fiscal 2012. At 338,000, this is the highest number of customers ever aggregated by Just Energy in a quarter.
- ◆ Net additions of 107,000, up 143% compared to 44,000 in the first quarter of fiscal 2012.
- ◆ Consumer customer additions were 162,000, up 105% from fiscal 2012. Commercial additions of 176,000 were up 19% year over year. The Company also renewed 252,000 customers with a renewal rate of 74%, up from 66% a year earlier and 64% in fiscal 2012. Just Energy exited the quarter with 3,977,000 customers, up 18% from a year earlier.
- ◆ National Home Services installed base up 34% year over year to 177,000 with gross margin up 36% to \$8.5 million.
- ◆ Gross margin of \$114.3 million, up 21% (19% per share).
- ◆ Future embedded gross margin of \$2.1 billion, up 20% year over year and up 6% in the quarter.
- ◆ Adjusted EBITDA of \$42.3 million, up 13% (11% per share) reflecting earnings before marketing expenditures to add new gross margin.
- ◆ Funds from Operations of \$2.1 million versus \$24.9 million in Q1 fiscal 2012 as all cash from operations was used to fund higher than expected customer additions and faster than expected growth of the Momentis network marketing division.
- ◆ Payout ratio on Adjusted EBITDA was 105% for the quarter, versus 116% for the three months ended June 30, 2011, with Q1 being the lowest energy consumption quarter.
- ◆ First quarter results are ahead of the published annual guidance of 10% to 12% growth in gross margin (21% to date) and 8% to 10% growth in Adjusted EBITDA (13% to date).
- ◆ On July 23, 2012, Just Energy announced its entry into the U.K. commercial energy market.
- ◆ On August 1, 2012, Just Energy entered into an agreement with Macquarie Bank Limited to provide non-recourse debt financing for solar projects generated by our Hudson Energy Solar division.



# Message from the Chief Executive Officer

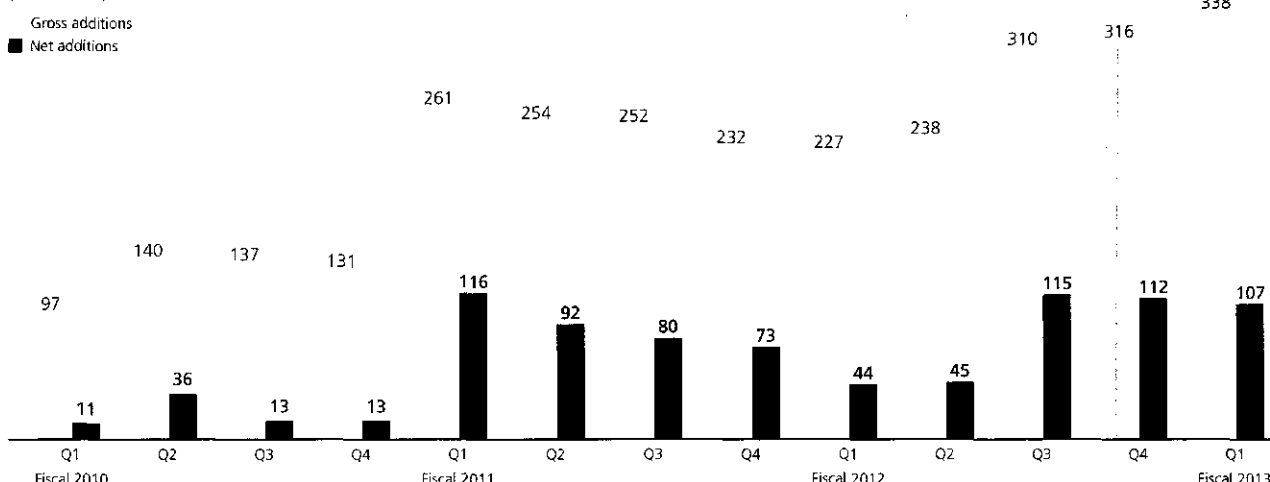
## Fellow Shareholders,

Just Energy has completed the first quarter of its 2013 fiscal year. The Company forecasted higher published guidance for gross margin and Adjusted EBITDA growth for fiscal 2013 than what was achieved for fiscal 2012 and the first quarter evidenced a resurgence in the Company's growth. Customer additions were 338,000, the highest in Just Energy's history. Net additions of 107,000 resulted in a 3% increase in the customer base over the quarter and an 18% increase over the past year. Our energy customer base reached 3.9 million and, including our 177,000 National Home Services ("NHS") customers, we exceeded 4 million customers for the first time.

Our customer additions were split with 162,000 consumer customer additions, more than double the 79,000 added in the first quarter of fiscal 2012, and 176,000 commercial additions, up 19% from the 148,000 added in the prior fiscal year. Over and above this, 252,000 of our customers renewed their contracts, with our renewal rate up sharply to 74% from 66% a year earlier and the 64% reported for fiscal 2012. This is a result of very strong renewals from commercial customers. Commercial renewal rates are expected to be volatile as they are normally subject to competitive bidding.

## QUARTERLY CUSTOMER ADDITIONS

(thousands)



The Company was able to realize this growth through success across its marketing channels. Our 1,200 independent contractors, telemarketing team, 66,000 Momentis independent representatives, internet-based sales group and broker network all worked hard to achieve record results.

	April 1, 2012	Additions	Attrition	Failed to renew	June 30, 2012	% increase (decrease)	June 30, 2011	% increase (decrease)
<b>Natural gas</b>								
Canada	558,000	32,000	(15,000)	(14,000)	561,000	1%	635,000	(12)%
United States	551,000	36,000	(30,000)	(13,000)	544,000	(1)%	567,000	(4)%
<b>Total gas</b>	<b>1,109,000</b>	<b>68,000</b>	<b>(45,000)</b>	<b>(27,000)</b>	<b>1,105,000</b>	<b>0%</b>	<b>1,202,000</b>	<b>(8)%</b>
<b>Electricity</b>								
Canada	698,000	25,000	(16,000)	(24,000)	683,000	(2)%	704,000	(3)%
United States	2,063,000	245,000	(66,000)	(53,000)	2,189,000	6%	1,452,000	51%
<b>Total electricity</b>	<b>2,761,000</b>	<b>270,000</b>	<b>(82,000)</b>	<b>(77,000)</b>	<b>2,872,000</b>	<b>4%</b>	<b>2,156,000</b>	<b>33%</b>
<b>Combined</b>	<b>3,870,000</b>	<b>338,000</b>	<b>(127,000)</b>	<b>(104,000)</b>	<b>3,977,000</b>	<b>3%</b>	<b>3,358,000</b>	<b>18%</b>

Energy marketing was not our only growth engine. NHS, our water heater/HVAC operation, saw its customer base grow to 177,000, up 34% from a year earlier.

The direct result of this growth was a 21% growth in our gross margin year over year. This rate of increase is well ahead of the 10% to 12% growth forecast for the year and gives the Company a strong start in what is, traditionally, the lowest cash flow quarter of the year.

At the same time as the Company's core business has been growing, we have made a number of investments in new growth channels during the quarter. The most significant of these was our investment in Momentis, our network marketing division. A year ago, Momentis had 5,000 independent representatives. At June 30, 2012, the total had reached 66,000, up 18,200 from the end of fiscal 2012.

Our Hudson Energy Solar business increased its committed projects to \$108 million, up from \$91 million at the beginning of the quarter. In addition, following quarter end, we entered into an agreement with Macquarie Bank Limited to provide non-recourse debt financing for our solar projects.

Finally, we made a significant investment in the establishment of a U.K.-based commercial office, our first presence in Europe. The office opened for business on July 23, 2012.

As with past growth investments, each of these projects is expected to have the high returns and rapid payback for which Just Energy is known. The projects required substantial spending on administrative costs and marketing costs for Momentis, capital for solar, and office set-up and staff for U.K. operations, none of which made a material contribution in the quarter. Management believes that these expenditures will broaden the base of the Company and allow us to continue our remarkable track record of growth into the future.

Our overall administrative costs were up 28% over the comparable quarter due to the inclusion of \$3.5 million in administrative costs added with the Fulcrum acquisition. Excluding these costs, Energy marketing administrative expenses were up 14% and this included administrative costs for the set-up of the London, U.K. office, expenditures that will benefit us in future periods.

Bad debt expenses were \$8.6 million, 2.6% of relevant sales versus 2.8% in the quarter a year earlier. Customer attrition rates averaged 14%, unchanged from a year earlier. Renewal rates were 74%, up from 66% reported a year earlier and 64% for fiscal 2012.

The results of the first quarter are highlighted by the table below:

*Three months ended June 30*

*(millions of dollars, except per share and customers)*

	Fiscal 2013	Per share	Fiscal 2012	Per share
Sales	\$ 646.1	\$ 4.51	\$ 626.2	\$ 4.46
Gross margin	114.3	0.80	94.3	0.67
Administrative expenses	36.1	0.25	28.3	0.20
Finance costs	17.9	0.12	13.8	0.10
Adjusted EBITDA	42.3	0.30	37.4	0.27
Adjusted Funds from Operations	29.2	0.20	32.5	0.23
Profit for the period <sup>1</sup>	328.6	2.29	51.1	0.36
Dividends/distributions	44.4	0.31	43.6	0.31
Payout ratio – Adjusted EBITDA	105%		116%	
Payout ratio – Adjusted Funds from Operations	152%		134%	
Long-term customers	3,977,000		3,358,000	

<sup>1</sup> Profit for the period includes the impact of unrealized gains (losses), which represents 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.

JustGreen and JustClean continued their growth. These high margin products were taken by 29% of our new residential customers who took green supply for an average of 81% of their consumption. Green now makes up 12% of our consumer electricity portfolio (up from 10% a year ago) and 11% of our consumer gas portfolio (up from 9% a year ago). We are careful to tie green sales to green supply within the same jurisdiction. We have participated in more than 70 carbon offset and renewable energy projects across North America.

Adjusted EBITDA growth followed our margin growth with a 13% increase year over year, again tracking ahead of our guidance of 8% to 10% growth for fiscal 2013. Adjusted EBITDA growth was less than margin growth largely because of the cost of the very high volume of renewals in the period.

Funds from Operations is a measure which shows where our cash flow stands compared to our dividend obligations. Funds from Operations for the quarter was \$2.1 million compared to \$24.9 million in the comparable quarter. Adjusted for growth marketing expenditures, our payout ratio was 152%, up from 134%. More than \$30.1 million was spent to grow our embedded gross margin versus \$10.1 million a year prior. The results of this growth spending can be tangibly measured within our embedded gross margin, which was up \$111.4 million during the quarter and reached a total of \$2.1 billion. As can be seen on the next page, the value of the Company's contracts increased 6% in the quarter and 20% over the past year. This reflects the success of Just Energy's growth expenditures and shows the ability of the Company to both grow and pay a high yield.

## EMBEDDED GROSS MARGIN

	As at June 30, 2012	As at March 31, 2012	June vs. March 2012 variance	As at June 30, 2011	June 2012 vs. June 2011 variance
Canada – energy marketing (CAD\$)	\$ 587.7	\$ 592.1	(1)%	\$ 622.1	(6)%
Home Services division (CAD\$)	465.7	393.0	18%	303.1	54%
Canada – total (CAD\$)	1,053.4	985.1	7%	925.2	14%
U.S. – energy marketing (US\$)	1,016.4	994.1	2%	851.3	19%
<b>Total (CAD\$)</b>	<b>\$ 2,088.2</b>	<b>\$ 1,976.8</b>	<b>6%</b>	<b>\$ 1,746.2</b>	<b>20%</b>

Dividends were \$0.31 per share, unchanged from those paid a year earlier. Payout ratio on Adjusted EBITDA improved to 105%, down from 116% a year ago in what is seasonally the weakest quarter of the year. This continues a trend of improved payouts after the replacement of all lost embedded gross margin for the period. To the extent that our growth continues to substantially exceed our published guidance, our dividend obligations will exceed our Adjusted Funds from Operations. This is not an unusual situation for a business in a high growth phase. The rapid payback on our investments will quickly resolve this situation and we are in the process of arranging funding for this potential accelerated growth rate, our capital expenditures and our dividends.

This was another excellent quarter for Just Energy. We believe that double-digit growth and a high dividend yield combine to make Just Energy a unique investment. We have a long track record of taking proactive steps to perpetuate our growth. We are confident that the investments we have taken in this quarter will reap similar success.

I thank my fellow shareholders for their continued support.

Yours sincerely,



Ken Hartwick  
Chief Executive Officer and President

# Management's discussion and analysis ("MD&A") – August 9, 2012

## Overview

The following discussion and analysis is a review of the financial condition and results of operations of Just Energy Group Inc. ("JE" or "Just Energy" or the "Company") (formerly Just Energy Income Fund (the "Fund")) for the three months ended June 30, 2012, and has been prepared with all information available up to and including August 9, 2012. This analysis should be read in conjunction with the unaudited consolidated financial statements for the three months ended June 30, 2012. The financial information contained herein has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Just Energy's date of transition to IFRS was April 1, 2010. All dollar amounts are expressed in Canadian dollars. Quarterly reports, the annual report and supplementary information can be found on Just Energy's corporate website at [www.justenergygroup.com](http://www.justenergygroup.com). Additional information can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or U.S. Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

Just Energy is a corporation established under the laws of Canada and holds securities and distributes the income of its directly or indirectly owned operating subsidiaries and affiliates. Effective January 1, 2011, Just Energy completed the conversion from the Fund to Just Energy (the "Conversion"). As part of the Conversion, Just Energy Exchange Corp. ("JEEC") was amalgamated with JE and, like the unitholders of the Fund, the holders of JEEC's Exchangeable Shares received common shares of JE on a one for one basis. JE also assumed all of the obligations under the \$90m convertible debentures and \$330m convertible debentures.

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. Just Energy markets its gas and electricity contracts in Canada, the United States and, commencing in July 2012, the United Kingdom under the following trade names: Just Energy, Hudson Energy, Commerce Energy, Amigo Energy and Tara Energy. 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. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Just Energy 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 related price at which it purchases the associated volumes from its suppliers.

Just Energy also offers green products through its JustGreen and JustClean programs. 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 that allow customers to reduce or eliminate the carbon footprint of their homes or businesses. JustClean products allow customers in certain jurisdictions to offset their carbon footprint without purchasing commodity from Just Energy. JustClean can be offered in all states and provinces and is not dependent on energy deregulation. Management believes that the JustGreen and JustClean products will not only add to profits but will also increase sales receptivity and improve renewal rates.

In addition, Just Energy sells and rents high efficiency and tankless water heaters, air conditioners and furnaces to Ontario residents, through a subsidiary under the trade name National Home Services ("NHS"). Just Energy also operates a network marketing division under the trade name Momentis. Through its subsidiary, Terra Grain Fuels, Inc. ("TGF"), Just Energy produces and sells wheat-based ethanol. Just Energy's subsidiary, Hudson Energy Solar Corp ("HES"), and its subsidiaries provide solar project development platforms operating in New Jersey, Pennsylvania and Massachusetts, under the trade name Hudson Energy Solar. Just Energy also holds a 50% ownership in Just Ventures LLC and Just Ventures L.P. (collectively, "Just Ventures"), a jointly controlled entity that is primarily involved in the Internet-based marketing of Just Energy's gas and electricity contracts.

## Forward-looking information

This MD&A contains certain forward-looking information pertaining to customer additions and renewals, customer consumption levels, EBITDA, Base EBITDA, Adjusted EBITDA 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 Just Energy's operations, financial results or dividend levels are included in the May 31, 2012 Annual Information Form and other reports on file with Canadian security regulatory authorities, which can be accessed on our corporate website at [www.justenergygroup.com](http://www.justenergygroup.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com) or the U.S. Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

## Key terms

"\$90m convertible debentures" represents the \$90 million in convertible debentures issued by Universal Energy Group Ltd. ("Universal") in October 2007. Just Energy Exchange Corp. assumed the obligations of the debentures as part of the Universal acquisition on July 1, 2009, and Just Energy assumed the obligations of the debentures as part of the Conversion. See "Long-term debt and financing" on page 26 for further details.

"\$100m convertible debentures" represents the \$100 million of convertible debentures issued by the Company to finance the purchase of Fulcrum Retail Holdings, LLC, effective October 1, 2011. See "Long-term debt and financing" on page 26 for further details.

"\$330m convertible debentures" represents the \$330 million in convertible debentures issued by the Fund to finance the purchase of Hudson Energy Services, LLC, effective May 1, 2010. Just Energy assumed the obligations of the debentures as part of the Conversion. See "Long-term debt and financing" on page 26 for further details.

"customer" does not refer to an individual customer but instead an RCE (see Key term below).

"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 gains/losses from the sale of excess commodity supply.

"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, which is a unit of measurement equivalent to a customer using, as regards natural gas, 2,815 m<sup>3</sup> (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.

## NON-GAAP FINANCIAL MEASURES

Just Energy's consolidated financial statements are prepared in compliance with IFRS. All non-GAAP financial measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Management believes that Adjusted EBITDA is the best basis for analyzing the financial results of Just Energy.

### EBITDA

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

### BASE EBITDA

"Base EBITDA" represents EBITDA adjusted to exclude the impact of mark to market gains (losses) arising from IFRS requirements for derivative financial instruments on future supply positions. This measure reflects operating profitability as mark to market gains (losses) are associated with supply already sold in the future at fixed prices.

Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. Under IFRS, 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. Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of Just Energy and management has therefore excluded it from the Base EBITDA calculation.

### ADJUSTED EBITDA

"Adjusted EBITDA" represents Base EBITDA adjusted to deduct selling and marketing costs sufficient to maintain existing levels of embedded 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.

## FUNDS FROM OPERATIONS

"Funds from Operations" refers to the net cash available for distribution through dividends to shareholders. Funds from Operations is calculated by Just Energy as gross margin adjusted for cash items including administrative expenses, selling and marketing expenses, bad debt expenses, finance costs, corporate taxes, capital taxes and other items. The gross margin used includes a seasonal adjustment for the gas markets in Ontario, Quebec, Manitoba and Michigan in order to include cash received.

## BASE FUNDS FROM OPERATIONS

"Base Funds from Operations" refers to the Funds from Operations adjusted for capital expenditures purchased to maintain productive capacity. Capital expenditures to maintain productive capacity represent the capital spend relating to capital assets and spending relating to contract initiation costs to maintain embedded gross margin at the current level.

## ADJUSTED FUNDS FROM OPERATIONS

"Adjusted Funds from Operations" refers to the Base Funds from Operations adjusted to deduct the selling and marketing costs sufficient to maintain existing levels of embedded gross margin. This adjustment results in the exclusion of the marketing carried out by Just Energy to add to its future productive capacity.

## EMBEDDED GROSS MARGIN

"Embedded gross margin" is a rolling five-year measure of management's estimate of future contracted energy gross margin as well as the margin associated with the average remaining life of National Home Services' customer contracts. The energy marketing embedded gross margin 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.

## Financial highlights

For the three months ended June 30

(thousands of dollars, except where indicated and per share amounts)

	Fiscal 2013			Fiscal 2012	
	\$	Per share	Per share change	\$	Per share
Sales	646,074	\$ 4.51	1%	626,200	\$ 4.46
Gross margin	114,259	0.80	19%	94,261	0.67
Administrative expenses	36,104	0.25	25%	28,284	0.20
Finance costs	17,880	0.12	27%	13,792	0.10
Profit for the period <sup>1</sup>	328,639	2.29	530%	51,132	0.36
Dividends/distributions	44,390	0.31	0%	43,605	0.31
Base EBITDA <sup>2</sup>	15,173	0.11	(50)%	29,867	0.21
Adjusted EBITDA <sup>2</sup>	42,271	0.30	11%	37,431	0.27
Base Funds from Operations <sup>2</sup>	(903)	(0.01)	(104)%	22,373	0.16
Adjusted Funds from Operations <sup>2</sup>	29,224	0.20	(12)%	32,504	0.23
Payout ratio on Base EBITDA	293%			146%	
Payout ratio on Adjusted EBITDA	105%			116%	
Payout ratio on Base Funds from Operations	NEG <sup>3</sup>			195%	
Payout ratio on Adjusted Funds from Operations	152%			134%	
Embedded Gross Margin (in millions) <sup>2</sup>	2,088			1,746	
Energy customers (RCEs)	3,977,000			3,358,000	
Home Services customers (installed units)	177,000			131,600	
Total customers (RCEs and installed units)	4,154,000			3,489,600	

<sup>1</sup> Profit for the period includes the impact of unrealized gains (losses), which represents 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.

<sup>2</sup> See discussion of "Non-GAAP financial measures" on page 6.

<sup>3</sup> NEG represents a negative payout ratio.

## Acquisition of Fulcrum Retail Holdings LLC

On October 3, 2011, Just Energy completed the acquisition of Fulcrum with an effective date of October 1, 2011. The acquisition was funded by an issuance of \$100 million in convertible debentures.

The consideration for the acquisition was US\$79.4 million paid at the time of closing and subject to customary working capital adjustments. Just Energy will also pay up to US\$11.0 million in cash and issue up to 867,025 common shares (collectively the "Earn-Out" amount) to the seller 18 months following the closing date, provided that certain EBITDA and billed volume targets are satisfied by Fulcrum during the Earn-Out period.

In addition, the Company will pay, as part of the contingent consideration, an additional 4.006% on the cash portion of the contingent consideration and \$1.86 for each of the common shares that are issued at the end of the Earn-Out period.

The acquisition of Fulcrum was accounted for using the acquisition 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:

### Fair value recognized on acquisition

Current assets (including cash of \$3,875)	\$ 43,528
Property, plant and equipment	758
Software	215
Customer contracts and relationships	39,533
Affinity relationships	42,359
Brand	13,034
Contract initiation costs	156
Non-controlling interest	540
	<hr/> 140,123
Current liabilities	(44,856)
Other liabilities – current	(12,430)
Other liabilities – long term	(3,768)
Deferred lease inducements	(322)
Long-term debt	(586)
	<hr/> (61,962)
<b>Total identifiable net assets acquired</b>	<b>78,161</b>
Goodwill arising on acquisition	21,106
	<hr/>
<b>Total consideration</b>	<b>\$ 99,267</b>
	<hr/>
Cash paid, net of estimated working capital adjustment	\$ 80,940
Contingent consideration (Earn-Out amount)	18,327
	<hr/>
<b>Total consideration</b>	<b>\$ 99,267</b>

The electricity customer contracts and affinity relationships are amortized over the average remaining life at the time of acquisition. The electricity customer contracts are amortized over 3.5 years. The affinity relationships are amortized over eight years. The brand value, which represents the value allocated to the market awareness of the operating names used to sell and promote its products, is considered to have an indefinite life and, therefore, is not subject to amortization.

## Operations

### NATURAL GAS

Just Energy offers natural gas customers a variety of products ranging from month-to-month variable-price offerings to five-year fixed-price contracts. For fixed price contracts, Just Energy purchases gas supply through physical or financial transactions with market counterparts in advance of marketing, based on forecast customer aggregation for residential and small commercial customers. For larger commercial customers, gas supply is generally purchased concurrently with the execution of a contract. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion.

The LDC provides historical customer usage, which, when normalized to average weather, enables Just Energy to purchase the expected normal customer load. Furthermore, Just Energy mitigates exposure to weather variations through active management of the gas portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to mitigate weather effects is limited by the severity of weather from normal. To the extent that balancing requirements are outside the forecast purchase, Just Energy bears the financial responsibility for fluctuations in customer usage. Volume variances may result in either excess or short supply. In the case of under consumption by the customer, excess supply is sold in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. Further, customer margin is lowered proportionately to the decrease in consumption. In the case of greater than

expected gas consumption, Just Energy must purchase the short supply in the spot market resulting in either a gain or loss compared to the weighted average cost of supply. Consequently, customer margin increases proportionately to the increase in consumption. To the extent that supply balancing is not fully covered through active management or the options employed, Just Energy's customer gross margin may be reduced or increased depending upon market conditions at the time of balancing. 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, Alberta and Saskatchewan***

In Manitoba, Alberta and Saskatchewan, 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, California, Georgia, New Jersey and Pennsylvania***

In New York, Illinois, Indiana, Ohio, California, Georgia, New Jersey and Pennsylvania, 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**

In Ontario, Alberta, New York, Texas, Illinois, Pennsylvania, New Jersey, Maryland, Michigan, California, Ohio and Massachusetts, Just Energy offers a variety of solutions to its electricity customers, including fixed-price and variable-price products on both short-term and longer-term electricity contracts. Some of these products provide customers with price-protection programs for the majority of their electricity requirements. The customers may experience either a small balancing charge or credit (pass-through) 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 predict future customer consumption and to help with long-term supply procurement decisions.

Just Energy purchases power supply through physical or financial transactions with market counterparties in advance of marketing for residential and small commercial customers based on forecast customer aggregation. Power supply is generally purchased concurrently with the execution of a contract for larger commercial customers. The LDC provides historical customer usage, which, when normalized to average weather, enables Just Energy to purchase to expected normal customer load. Furthermore, Just Energy mitigates exposure to weather variations through active management of the power portfolio. The expected cost of this strategy is incorporated into the price to the customer. Our ability to mitigate weather effects is limited by the severity of weather from normal. In certain markets, to the extent that balancing requirements are outside the forecast purchase, Just Energy bears the financial responsibility for excess or short supply caused by fluctuations in customer usage. In the case of under consumption by the customer, excess supply is sold in the spot market resulting in either a gain or loss in relation to the original cost of supply. Further, customer margin is lowered proportionately to the decrease in consumption. In the case of greater than expected power consumption, Just Energy must purchase the short supply in the spot market resulting in either a gain or loss in relation to the fixed cost of supply. Customer margin generally increases proportionately to the increase in consumption. To the extent that supply balancing is not fully covered through customer pass-throughs or active management or the options employed, Just Energy's customer gross margin may be impacted depending upon market conditions at the time of balancing.

### **JUSTGREEN**

Customers have the ability to choose an appropriate JustGreen program to supplement their electricity and natural gas contracts, providing an effective method to offset their carbon footprint associated with the respective commodity consumption.

JustGreen programs for electricity customers involve the purchase of power from green generators (such as wind, solar, run of the river hydro or biomass) via power purchase agreements and renewable energy certificates. JustGreen programs for gas customers involve the purchase of carbon offsets from carbon capture and reduction projects.

### **JUSTCLEAN**

In addition to its traditional commodity marketing business, Just Energy allows customers to effectively manage their carbon footprint without buying energy commodity products by signing a JustClean contract. The JustClean products are essentially carbon offsets from carbon capture and reduction projects as well as green power renewable energy certificates from green generators. This product can be offered in all states and provinces and is not dependent on energy deregulation.



### BLEND AND EXTEND PROGRAM

As part of Just Energy's retention efforts, electricity and natural gas customers may be contacted for early renewal of their contracts under a Blend and Extend offer. These customers are offered a lower rate, compared to their current contracted rate, but the term of their contract is extended up to five more years. Consequently, Just Energy may experience a reduction in margins in the short term but will gain additional future margins.

### 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 energy products of this division is primarily done door-to-door through 1,200 independent contractors, the Momentis network marketing operation, and Internet-based and telemarketing efforts. Approximately 50% of Just Energy's customer base resides within the Consumer Energy division, which is currently focused on longer-term price-protected and variable rate offerings of commodity products, JustGreen and JustClean. 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 three main channels: door-to-door commercial independent contractors; inside commercial sales representatives; and sales through the broker channel using the commercial platform acquired with the Hudson purchase. Commercial customers make up approximately 50% of Just Energy's customer base. Products offered to commercial customers can range from standard fixed-price offerings to "one off" offerings, which are tailored to meet the customer's specific needs. These products 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 consumer margins but customer aggregation costs 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 that are lower than those of consumer customers.

### HOME SERVICES DIVISION

NHS began operations in April 2008 and provides Ontario residential customers with a long-term water heater, furnace and air conditioning rental, offering high efficiency conventional and power vented tanks and tankless water heaters and high efficiency furnaces and air conditioners. NHS markets through approximately 190 independent contractors in Ontario. See page 21 for additional information.

### ETHANOL DIVISION

Just Energy owns and operates Terra Grain Fuels ("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 21 for additional information on TGF.

### NETWORK MARKETING DIVISION

Just Energy owns and operates Momentis, a network marketing company operating within Canada and the United States. Independent representatives educate consumers about the benefits of energy deregulation and sell them products offered by Just Energy as well as a number of other products. Independent representatives are rewarded through commissions earned based on new customers added. As of June 30, 2012, there were approximately 66,000 independent representatives.

### SOLAR DIVISION

Hudson Energy Solar ("HES"), a solar project development platform operating in New Jersey, Pennsylvania and Massachusetts, brings renewable energy directly to the consumer, enabling them to reduce their environmental impact and energy costs. HES installs solar systems on residential or commercial sites, maintaining ownership of the system and providing maintenance and monitoring of the system for a period of up to 20 years. HES sells the energy generated by the solar panels back to the customer. This division will contribute to operating metrics through commodity sales, renewable energy credit offset sales and tax incentives. As of June 30, 2012, the division has made commitments of approximately \$108.0 million with the status of the associated projects ranging from contracted to completed.

## Adjusted EBITDA

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

	Fiscal 2013	Per share	Fiscal 2012	Per share
<b>Reconciliation to consolidated statements of income</b>				
Profit for the period	\$ 328,639	\$ 2.29	\$ 51,132	\$ 0.36
Add (subtract):				
Finance costs	17,880		13,792	
Provision for income taxes	32,697		7,221	
Amortization	30,015		37,419	
Profit attributable to non-controlling interest	(167)		–	
<b>EBITDA</b>	<b>\$ 409,064</b>	<b>\$ 2.86</b>	<b>\$ 109,564</b>	<b>\$ 0.78</b>
Subtract:				
Change in fair value of derivative instruments	(393,891)		(79,697)	
<b>Base EBITDA</b>	<b>\$ 15,173</b>	<b>\$ 0.11</b>	<b>\$ 29,867</b>	<b>\$ 0.21</b>
Add (subtract):				
Selling and marketing expenses to add gross margin	30,127		10,131	
Maintenance capital expenditures	(3,029)		(2,567)	
<b>Adjusted EBITDA</b>	<b>\$ 42,271</b>	<b>\$ 0.30</b>	<b>\$ 37,431</b>	<b>\$ 0.27</b>
<b>Adjusted EBITDA</b>				
Gross margin per financial statements	\$ 114,259	\$ 0.80	\$ 94,261	\$ 0.67
Add (subtract):				
Administrative expenses	(36,104)		(28,284)	
Selling and marketing expenses	(58,566)		(34,554)	
Bad debt expense	(8,640)		(6,814)	
Stock-based compensation	(3,232)		(1,681)	
Amortization included in cost of sales/selling and marketing expenses	6,480		6,774	
Other income	2,302		165	
Proportionate share of loss from the joint venture	(1,159)		–	
Profit attributable to non-controlling interest	(167)		–	
<b>Base EBITDA</b>	<b>\$ 15,173</b>	<b>\$ 0.11</b>	<b>\$ 29,867</b>	<b>\$ 0.21</b>
Selling and marketing expenses to add gross margin	30,127		10,131	
Maintenance capital expenditures	(3,029)		(2,567)	
<b>Adjusted EBITDA</b>	<b>\$ 42,271</b>	<b>\$ 0.30</b>	<b>\$ 37,431</b>	<b>\$ 0.27</b>
<b>Dividends/distributions</b>				
Dividends/distributions	\$ 43,197		\$ 42,520	
Restricted share grants and deferred share grant	1,193		1,085	
<b>Total dividends/distributions</b>	<b>\$ 44,390</b>	<b>\$ 0.31</b>	<b>\$ 43,605</b>	<b>\$ 0.31</b>
Adjusted fully diluted average number of shares outstanding <sup>1</sup>	143.2m		140.4m	

<sup>1</sup> The per share amounts are calculated on an adjusted fully diluted basis, removing the impact of the \$330m, \$100m and \$90m convertible debentures as all will be anti-dilutive in future periods.

Base EBITDA differs from EBITDA in that the impact of the mark to market gains (losses) from the financial instruments is removed. This measure reflects operating profitability as mark to market gains (losses) are associated with supply already sold in the future at fixed prices. Just Energy ensures that the value of customer contracts is protected by entering into fixed-price supply contracts. Under IFRS, the value of the customer contracts is 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 Just Energy.

For Adjusted EBITDA, selling and marketing expenses used for increasing gross margin are also removed along with maintenance capital expenditures being deducted. As a corporation, management believes that Adjusted EBITDA is the best measure of operating performance.

Adjusted EBITDA amounted to \$42.3 million (\$0.30 per share) in the first quarter, an increase of 13% (11% per share) from \$37.4 million (\$0.27 per share) in the prior comparable quarter. The increase is attributable to the increase in gross margin, offset by higher operating expenses. Gross margin increased 21% (19% per share) overall with energy marketing and home services gross margin increasing by 15% and 36%, respectively. Margin contributions from TGF decreased quarter over quarter due to lower ethanol prices and higher wheat feedstock prices.

Administrative expenses increased by 28% from \$28.3 million to \$36.1 million quarter over quarter. The increase over the prior comparable quarter was partially due to the inclusion of the administrative expenses of \$3.5 million relating to Fulcrum. Excluding the Fulcrum-related expenses, administrative expenses amounted to \$32.6 million, a 15% increase over the prior quarter due to the expansion in the energy marketing customer base, the growth of solar, network marketing and home services as well as the costs associated with the establishment of a U.K. operations and marketing office.

Selling and marketing expenses for the quarter ended June 30, 2012, were \$58.6 million, a 69% increase from \$34.6 million reported in the prior comparable quarter. This increase is attributable to the 49% increase in customer additions as well as the increased investments related to the build-out of the independent representative network by Momentis. Excluding the \$16.0 million of costs associated with the building of Momentis, selling and marketing expenses increased by 23% to \$42.6 million.

The selling and marketing expenses representing the costs associated with maintaining gross margin, which are deducted in Adjusted EBITDA, were \$25.1 million for the quarter ended June 30, 2012, 22% higher than \$20.6 million in the prior comparable quarter. This increase was due to the higher number of customers to be replaced due to attrition or failure to renew.

Bad debt expense was \$8.6 million for the quarter ended June 30, 2012, a 27% increase from \$6.8 million recorded for the prior comparable quarter. This increase is a result of the 37% increase in revenue for markets for which Just Energy bears the bad debt risk quarter over quarter. For the quarter ended June 30, 2012, the bad debt expense of \$8.6 million represents approximately 2.6% of revenue in the jurisdictions where the Company bears the credit risk, in comparison with 2.8% of revenue for the three months ended June 30, 2011.

Dividends and distributions paid for the quarter ended June 30, 2012, were \$44.4 million, an increase of 2% from the prior comparable quarter as a result of a higher number of shares outstanding. The payout ratio on Adjusted EBITDA was 105% for the three months ended June 30, 2012, versus 116% in the first quarter of fiscal 2012. For the quarter ended June 30, 2012, the payout ratio on Adjusted Funds from Operations was 152% versus 134% in the prior comparable quarter. Just Energy's operations are seasonal with first quarter typically experiencing the lowest consumption and, consequently, the lowest gross margin in comparison to the other quarters.

For further information on the changes in the gross margin, please refer to "Segmented Adjusted EBITDA" on page 15 and "Administrative expenses", "Selling and marketing expenses", "Bad debt expense" and "Finance costs", which are further clarified on pages 22 through 24.

## EMBEDDED GROSS MARGIN

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

(millions of dollars)

	As at June 30, 2012	As at March 31, 2012	June vs. March 2012 variance	As at June 30, 2011	June 2012 vs. June 2011 variance
Canada – energy marketing (CAD\$)	\$ 587.7	\$ 592.1	(1)%	\$ 622.1	(6)%
Home Services division (CAD\$)	465.7	393.0	18%	303.1	54%
Canada – total (CAD\$)	1,053.4	985.1	7%	925.2	14%
U.S. – energy marketing (US\$)	1,016.4	994.1	2%	851.3	19%
<b>Total (CAD\$)</b>	<b>\$ 2,088.2</b>	<b>\$ 1,976.8</b>	<b>6%</b>	<b>\$ 1,746.2</b>	<b>20%</b>

Management's estimate of the embedded gross margin amounted to \$2,088.2 million as at June 30, 2012, an increase of 6% from \$1,976.8 million three months prior and an increase of 20% year over year. The embedded gross margin for Canadian operations increased 7% driven by 18% higher embedded margin from the Home Services division. NHS embedded gross margins reflect a higher customer count as well as an increase in the monthly rental rate. The embedded gross margin for NHS represents the margin associated with the average remaining life of the customer contracts.

U.S. embedded gross margin increased 2% over the prior period from US\$994.1 million to US\$1,016.4 million. The growth in energy marketing embedded gross margin for the quarter was lower than the 3% growth in customer base as commercial customers, which make up a growing percentage of new additions, by design have lower margins and shorter base contract terms than consumer customers. However, the addition of commercial customers also results in lower customer aggregation costs and lower annual customer servicing costs, neither of which is captured in embedded gross margin.

The U.S. dollar strengthened 2% against the Canadian dollar over the first quarter of fiscal 2013, resulting in an increase of \$20.9 million in embedded gross margin when stated in Canadian dollars.

## Funds from Operations

*For the three months ended June 30*

*(thousands of dollars, except per share amounts)*

	Fiscal 2013	Per share	Fiscal 2012	Per share
<b>Cash inflow from operations</b>	<b>\$ 23,109</b>	<b>\$ 0.16</b>	<b>\$ 15,694</b>	<b>\$ 0.11</b>
Add:				
Increase (decrease) in non-cash working capital	(22,330)		4,049	
Tax adjustment	1,347		5,197	
<b>Funds from Operations</b>	<b>\$ 2,126</b>	<b>\$ 0.01</b>	<b>\$ 24,940</b>	<b>\$ 0.18</b>
Less: maintenance capital expenditures	(3,029)		(2,567)	
<b>Base Funds from Operations</b>	<b>\$ (903)</b>	<b>\$ (0.01)</b>	<b>\$ 22,373</b>	<b>\$ 0.16</b>
<b>Base Funds from Operations payout ratio</b>	<b>NEG<sup>2</sup></b>		<b>195%</b>	
Add: selling and marketing expenses to add new gross margin	30,127		10,131	
<b>Adjusted Funds from Operations</b>	<b>\$ 29,224</b>	<b>\$ 0.20</b>	<b>\$ 32,504</b>	<b>\$ 0.23</b>
<b>Adjusted Funds from Operations payout ratio</b>	<b>152%</b>		<b>134%</b>	
Adjusted fully diluted average number of shares outstanding <sup>1</sup>	143.2m		140.4m	

<sup>1</sup> The per share amounts are calculated on an adjusted fully diluted basis, removing the impact of the \$330m, \$100m and \$90m convertible debentures as all will be anti-dilutive in future periods.

<sup>2</sup> NEG represents a negative payout ratio.

Funds from Operations represents the cash available for distribution to the shareholders of Just Energy. For the three months ended June 30, 2012, Funds from Operations was \$2.1 million (\$0.01 per share), a 91% decrease from \$24.9 million (\$0.18 per share) in the prior comparable quarter. Base Funds from Operations, which represents Funds from Operations reduced by the maintenance capital expenditures, was \$(0.9) million for the three months ended June 30, 2012, compared with \$22.4 million in the first quarter of fiscal 2012.

The lower Funds from Operations and Base Funds from Operations are due to the substantial growth in selling and marketing expenses to add new embedded gross margin. The \$30.1 million in expenditures resulted in a \$111.4 million increase in embedded gross margin during the quarter. Given the quick payback on such investments, there is a clear longer-term benefit received from the cost in the quarter.

Adjusted Funds from Operations is adjusted to deduct only the sales and marketing expenses associated with maintaining gross margin for the quarter. These expenditures totalled \$25.1 million and resulted in the maintenance of the \$1,976.8 million in embedded gross margin in place at the beginning of the quarter. Selling and marketing expenses to add gross margin and growth capital expenditures resulted in an increase in embedded gross margin of \$111.4 million. For the three months ended June 30, 2012, Adjusted Funds from Operations was \$29.2 million (\$0.20 per share), a decrease of 10% over \$32.5 million (\$0.23 per share) in the prior comparable quarter. Payout ratios were 152% for the three months ended June 30, 2012, and 134% in the prior comparable quarter. Traditionally, the first quarter is seasonally the slowest quarter for sales and gross margin due to lower gas and electricity consumption.

## Summary of quarterly results

(thousands of dollars, except per share amounts)

	Q1 fiscal 2013	Q4 fiscal 2012	Q3 fiscal 2012	Q2 fiscal 2012
Sales	\$ 646,074	\$ 820,412	\$ 738,614	\$ 600,043
Gross margin	114,259	173,260	147,407	102,561
Administrative expenses	36,104	34,031	31,308	28,774
Finance costs	17,880	16,426	16,377	14,340
Profit (loss) for the period	328,639	(76,895)	(97,386)	(3,494)
Profit (loss) for the period per share – basic	2.36	(0.55)	(0.70)	(0.03)
Profit (loss) for the period per share – diluted	1.97	(0.55)	(0.70)	(0.03)
Dividends/distributions paid	44,390	44,152	43,934	43,691
Base EBITDA	15,173	76,948	63,563	38,604
Adjusted EBITDA	42,271	109,287	88,513	47,894
Base Funds from Operations	(903)	55,236	49,967	42,059
Adjusted Funds from Operations	29,224	88,170	76,567	52,401
Payout ratio on Base EBITDA	293%	57%	69%	113%
Payout ratio on Adjusted EBITDA	105%	40%	50%	91%
Payout ratio on Base Funds from Operations	NEG <sup>1</sup>	80%	88%	104%
Payout ratio on Adjusted Funds from Operations	152%	50%	57%	83%

	Q1 fiscal 2012	Q4 fiscal 2011	Q3 fiscal 2011	Q2 fiscal 2011
Sales	\$ 626,200	\$ 941,334	\$ 744,296	\$ 657,878
Gross margin	94,261	172,599	132,084	96,719
Administrative expenses	28,284	28,367	26,299	25,963
Finance costs	13,792	13,646	15,679 <sup>2</sup>	12,823 <sup>2</sup>
Profit (loss) for the period	51,132	37,119	178,468	(133,436)
Profit (loss) for the period per share/unit – basic	0.37	0.27	1.41	(1.07)
Profit (loss) for the period per share/unit – diluted	0.35	0.23	1.16	(1.07)
Dividends/distributions paid	43,605	43,208	42,450	42,276
Base EBITDA	29,867	109,282	68,823	31,441
Adjusted EBITDA	37,431	114,934	76,800	37,497
Base Funds from Operations	22,373	67,150	50,034	43,227
Adjusted Funds from Operations	32,504	75,215	61,327	50,916
Payout ratio on Base EBITDA	146%	40%	62%	134%
Payout ratio on Adjusted EBITDA	116%	38%	55%	113%
Payout ratio on Base Funds from Operations	195%	64%	85%	98%
Payout ratio on Adjusted Funds from Operations	134%	57%	69%	83%

<sup>1</sup> NEG represents a negative payout ratio.

<sup>2</sup> Excludes distributions paid to holders of Exchangeable Shares prior to Conversion included as finance costs under IFRS.

Just Energy'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 Base EBITDA, Adjusted EBITDA, Funds from Operations and Adjusted Funds from Operations and lower payout ratios in the third and fourth quarters, and lower Base EBITDA, Adjusted EBITDA, Funds from Operations and Adjusted Funds from Operations and higher payout ratios in the first and second quarters.

### ANALYSIS OF THE FIRST QUARTER

Sales increased by 3% year over year to \$646.1 million from \$626.2 million. Sales from gas and electricity marketing increased by 3% versus fiscal 2012 primarily as a result of an 18% increase in customer base offset by lower commodity prices. Gross margin from energy marketing increased by 15% with the increase associated with the growth in customer base being offset by the financial reconciliations associated with the lower gas consumption due to the extremely warm winter temperatures experienced across Just Energy's gas markets during fiscal 2012. Gross margin from NHS and Momentis increased and helped contribute to an overall increase in margin of 21%.

The change in fair value of derivative instruments resulted in a gain of \$393.9 million for the current quarter, in comparison with \$79.7 million in the first quarter of the prior fiscal year. Profit for the period ended June 30, 2012, was \$328.6 million, representing profit of \$2.36 and \$1.97 on a basic and diluted per share basis. For the prior comparable quarter, net profit was \$51.1 million, representing income

of \$0.37 and \$0.35 on a basic and diluted per share basis, respectively. The fair value of derivative instruments represents the mark to market of future commodity supply acquired to cover future customer demand. The supply has been sold to customers in the future at fixed prices, minimizing any impact of mark to market gains and losses.

Adjusted EBITDA increased by 13% to \$42.3 million for the three months ended June 30, 2012. This increase is attributable to higher gross margin being offset by higher administrative, bad debt, and selling and marketing expenses to maintain gross margin. Base EBITDA (after all selling and marketing costs) decreased by 49% to \$15.2 million for the three months ended June 30, 2012, down from \$29.9 million in the prior comparable quarter primarily as a result of record gross additions and the investment in the network marketing division. These expenditures will support future growth for the Company. For the three months ended June 30, 2012, the provision for income tax expense amounted to \$32.7 million versus the prior comparable period expense of \$7.2 million, which was a result of a change in the deferred tax.

As expected, Funds from Operations were negative as the available cash was utilized to fund record customer additions and embedded gross margin growth of \$111.4 million during the slowest seasonal quarter.

Dividends/distributions paid were \$44.4 million, an increase of 2% from the prior comparable quarter as a result of a higher number of shares outstanding. Payout ratio on Adjusted EBITDA was 105% for the three months ended June 30, 2012, compared with 116% in the prior comparable quarter. The payout ratio on Adjusted Funds from Operations was 152% for the three months ended June 30, 2012, compared with 134% reported for the first quarter of fiscal 2012.

## Segmented Adjusted EBITDA

*For the three months ended June 30*

	Fiscal 2013				
	Energy Marketing	Ethanol	Home Services	Other	Consolidated
Gross margin per financial statements	\$ 97,599	\$ 602	\$ 8,479	\$ 7,579	\$ 114,259
Add (subtract):					
Administrative expenses	(27,905)	(2,266)	(3,792)	(2,141)	(36,104)
Selling and marketing expenses	(41,475)	—	(1,081)	(16,010)	(58,566)
Bad debt expense	(8,604)	—	(36)	—	(8,640)
Stock-based compensation	(2,768)	—	(464)	—	(3,232)
Amortization included in cost of sales/selling and marketing expenses	2,832	1,082	2,566	—	6,480
Other income	411	—	2	1,889	2,302
Proportionate share of loss from the joint venture	(1,159)	—	—	—	(1,159)
Profit attributable to non-controlling interest	(167)	—	—	—	(167)
Base EBITDA	18,764	(582)	5,674	(8,683)	15,173
Selling and marketing expenses to add gross margin	13,549	—	576	16,002	30,127
Maintenance capital expenditures	(3,002)	(1)	(14)	(12)	(3,029)
Adjusted EBITDA	\$ 29,311	\$ (583)	\$ 6,236	\$ 7,307	\$ 42,271

	Fiscal 2012				
	Energy Marketing	Ethanol	Home Services	Other	Consolidated
Gross margin per financial statements	\$ 85,122	\$ 2,545	\$ 6,232	\$ 362	\$ 94,261
Add (subtract):					
Administrative expenses	(21,451)	(2,765)	(2,863)	(1,205)	(28,284)
Selling and marketing expenses	(32,137)	—	(1,300)	(1,117)	(34,554)
Bad debt expense	(6,811)	—	(3)	—	(6,814)
Stock-based compensation	(1,358)	—	(323)	—	(1,681)
Amortization included in cost of sales/selling and marketing expenses	3,563	1,438	1,773	—	6,774
Other income	99	—	—	66	165
Base EBITDA	27,027	1,218	3,516	(1,894)	29,867
Selling and marketing expenses to add gross margin	8,025	—	991	1,115	10,131
Maintenance capital expenditures	(2,518)	(27)	(22)	—	(2,567)
Adjusted EBITDA	\$ 32,534	\$ 1,191	\$ 4,485	\$ (779)	\$ 37,431

Adjusted EBITDA amounted to \$42.3 million for the three months ended June 30, 2012, an increase from \$37.4 million in the prior comparable quarter. Energy marketing contributed \$29.3 million to Adjusted EBITDA for the current quarter, a decrease from \$32.5 million in the first quarter of fiscal 2012, as a result of the costs of the substantial increase in renewals versus the prior year. Just Energy's Ethanol division, TGF, contributed \$(0.6) million to Adjusted EBITDA for the three months ended June 30, 2012, compared with the \$1.2 million in Adjusted EBITDA in the prior comparable quarter as a result of higher wheat feedstock prices and lower ethanol prices experienced in the current quarter.

NHS contributed \$6.2 million to the consolidated Adjusted EBITDA for the first quarter of fiscal 2012, an increase from \$4.5 million in the prior comparable quarter due to the higher gross margin resulting from an increasing customer base. Just Energy's other divisions, Momentis and HES, contributed a combined \$7.3 million to Adjusted EBITDA for the current quarter, an increase from \$(0.8) million contributed in the three months ended June 30, 2011.

For further information on each division, please refer to "Energy Marketing" included below, "Ethanol division (TGF)" on page 21, "Home Services division (NHS)" on page 21 and "Other divisions (Momentis and HES)" on page 22.

## Energy Marketing

Adjusted EBITDA for the three months ended June 30, 2012, amounted to \$29.3 million, a 10% decrease from \$32.5 million reported in the first quarter of fiscal 2012. Although gross margin increased by 15% quarter over quarter, higher operating expenses and, in particular, higher selling and marketing costs reflecting higher renewals offset this increase during the quarter. Administrative and bad debt expenses also increased as a result of the Fulcrum acquisition and the expanding customer base.

### SALES AND GROSS MARGIN

For the three months ended June 30, 2012

(thousands of dollars)

Sales	Fiscal 2013			Fiscal 2012		
	Gas	Electricity	Total	Gas	Electricity	Total
Canada	\$ 68,188	\$ 98,394	\$ 166,582	\$ 123,278	\$ 120,049	\$ 243,327
United States	51,908	385,026	436,934	79,172	265,298	344,470
	<b>\$ 120,096</b>	<b>\$ 483,420</b>	<b>\$ 603,516</b>	<b>\$ 202,450</b>	<b>\$ 385,347</b>	<b>\$ 587,797</b>
Increase (decrease)	(41)%	25%	3%			
Gross margin	Gas	Electricity	Total	Gas	Electricity	Total
Canada	\$ 10,636	\$ 25,991	\$ 36,627	\$ 16,847	\$ 18,470	\$ 35,317
United States	4,017	56,955	60,972	8,258	41,547	49,805
	<b>\$ 14,653</b>	<b>\$ 82,946</b>	<b>\$ 97,599</b>	<b>\$ 25,105</b>	<b>\$ 60,017</b>	<b>\$ 85,122</b>
Increase (decrease)	(42)%	38%	15%			

Sales for the three months ended June 30, 2012, were \$603.5 million, an increase of 3% from \$587.8 million in the prior comparable quarter. The sales increase reflects growth in the U.S. electricity segment from the 51% larger customer base, offset by the lower gas sales as a result of the lower gas consumption due to extreme warm temperatures across all key gas markets. In addition, because of the lower commodity prices, Just Energy has experienced a gradual reduction in average price within the customer base as new customers signed and customer renewals are at lower prices than those of customers expiring or lost through attrition.

Gross margins were \$97.6 million for the quarter, an increase of 15% from the \$85.1 million earned during the three months ended June 30, 2011, reflecting the Company's efforts to maintain per customer margins while selling prices decline. Again higher electricity margins more than offset the lower gas margins due to the warm winter and the resulting lower consumption. The increasing proportion of lower margin commercial customers results in lower margin growth than customer growth.

### GAS

Sales were \$120.1 million for the three months ended June 30, 2012, down 41% from \$202.5 million in the prior comparable quarter of fiscal 2012. Gross margins were \$14.7 million for the first quarter of fiscal 2013, a decrease of 42% from \$25.1 million recorded for the three months ended June 30, 2011. The number of gas customers has decreased by 8% during the past year.

**Canada**

Canadian gas sales were \$68.2 million, a decrease of 45% from \$123.3 million recorded for the three months ended June 30, 2012. Gross margin totalled \$10.6 million, down 37% from the prior comparable quarter. The decrease in sales and margin is a result of the decline in commodity prices reflected in recent contract offerings, the 12% smaller customer base and the quarterly consumption effects from the warmest winter on record in the Company's key markets.

After allowance for balancing and inclusive of acquisitions, realized average gross margin per customer ("GM/RCE") for the rolling 12 months ended June 30, 2012, amounted to \$179/RCE compared to \$165/RCE for the prior comparable period. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta and British Columbia.

**United States**

For the three months ended June 30, 2012, gas sales totalled \$51.9 million, a decrease of 34% from \$79.2 million in the prior comparable period. Gross margin for the gas markets in the U.S. was \$4.0 million, a 51% decrease versus \$8.3 million reported in the first quarter of fiscal 2012. Total gas customers in the U.S. decreased by 4% during the past year. The lower sales and gross margin were the result of the settlements associated with the lower consumption during the warmer than usual winter weather and the overall decrease in customer base. The lower commodity price environment and its impact on recently signed contracts also contributed to the decline in gas sales in the U.S. over the prior comparable period.

Average realized gross margin after all balancing costs for the rolling 12 months ended June 30, 2012, was \$108/RCE, a decrease from \$140/RCE. In addition to the impact from weather, a higher proportion of commercial customers were added which have lower margins per RCE by design. The GM/RCE value includes an appropriate allowance for bad debt expense in Illinois, Georgia, Michigan and California.

**ELECTRICITY**

Sales for the three months ended June 30, 2012, were \$483.4 million, an increase of 25% from \$385.3 million for the three months ended June 30, 2011. Gross margin was \$82.9 million, up 38% from \$60.0 million in the prior comparable quarter. The number of electricity customers has increased by 33% during the past year.

**Canada**

Electricity sales were \$98.4 million for the three months ended June 30, 2012, a decrease of 18% from the prior comparable period due to a 3% decline in RCEs as well as new variable rate products offered at lower sales prices. Gross margin increased 41% to \$26.0 million, compared to \$18.5 million from the prior comparable quarter. Gross margin increased largely due to higher margins associated with the JustGreen product offerings as well as pricing on attractive variable rate products.

Realized average gross margin per customer in Canada after all balancing and including acquisitions for the rolling 12 months ended June 30, 2012, amounted to \$155/RCE, an increase from \$121/RCE in the prior comparable period. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

**United States**

Electricity sales in the U.S. were \$385.0 million for the three months ended June 30, 2012, an increase of 45% from \$265.3 million in the prior comparable period. Gross margin for electricity in the U.S. was \$57.0 million, a 37% increase from \$41.5 million recorded in the three months ended June 30, 2011. Driving sales growth was the 51% increase in customer base during the past year, as a result of strong additions through marketing and 240,000 RCEs added through the Fulcrum acquisition effective October 1, 2011.

Just Energy has entered into a weather swap related to its Texas operations to limit its exposure to losses as a result of supply price volatility during extreme warm weather. During the three months ended June 30, 2012, a gain of \$1.2 million has been recognized against the corresponding deductible of \$0.8 million. The weather swap will continue to be in effect for July and August 2012.

Average gross margin per customer for electricity during the rolling 12 months decreased to \$128/RCE, compared to \$138/RCE in the prior comparable period, as a result of a higher proportion of commercial customers added which have lower margins per RCE by design. The GM/RCE value for Texas, Pennsylvania, Massachusetts and California includes an appropriate allowance for the bad debt expense.



## Long-term energy customer aggregation

	April 1, 2012	Additions	Attrition	Failed to renew	June 30, 2012	% increase (decrease)	June 30, 2011	% increase (decrease)
<b>Natural gas</b>								
Canada	558,000	32,000	(15,000)	(14,000)	561,000	1%	635,000	(12)%
United States	551,000	36,000	(30,000)	(13,000)	544,000	(1)%	567,000	(4)%
<b>Total gas</b>	<b>1,109,000</b>	<b>68,000</b>	<b>(45,000)</b>	<b>(27,000)</b>	<b>1,105,000</b>	<b>0</b>	<b>1,202,000</b>	<b>(8)%</b>
<b>Electricity</b>								
Canada	698,000	25,000	(16,000)	(24,000)	683,000	(2)%	704,000	(3)%
United States	2,063,000	245,000	(66,000)	(53,000)	2,189,000	6%	1,452,000	51%
<b>Total electricity</b>	<b>2,761,000</b>	<b>270,000</b>	<b>(82,000)</b>	<b>(77,000)</b>	<b>2,872,000</b>	<b>4%</b>	<b>2,156,000</b>	<b>33%</b>
<b>Combined</b>	<b>3,870,000</b>	<b>338,000</b>	<b>(127,000)</b>	<b>(104,000)</b>	<b>3,977,000</b>	<b>3%</b>	<b>3,358,000</b>	<b>18%</b>

Gross customer additions for the quarter were 338,000, up 49% from the previous 227,000 customers added through marketing in the first quarter of fiscal 2012. Net additions from marketing were 107,000 for the quarter versus 44,000 net customers added in the prior comparable quarter. Net additions from marketing exceeded 100,000 for the third consecutive quarter, reflecting improved performance across each of the sales channels in both the Consumer and Commercial divisions. The customer base increased by 3% during the quarter and 18% year over year.

Consumer customer additions amounted to 162,000 for the quarter, more than double the 79,000 customer additions recorded in the prior comparable quarter. Management continues to diversify its sales platform beyond door-to-door sales to include the Momentis network, telephone and online marketing channels.

Commercial additions were 176,000 for the year, a 19% increase from 148,000 additions in the first quarter of the previous fiscal year. The broker sales channel continues to expand across Just Energy's existing markets.

Total gas customers remained relatively flat during the quarter, reflecting a difficult price environment with a large disparity between utility spot prices and the five-year prices. The extended period of low, stable gas prices has reduced the customer appetite for the stability of higher priced long-term fixed contracts for consumer customers. As a result, Just Energy has moved to a variety of consumer products that provide a different value proposition in the current environment, with variable and monthly flat rate contracts being well received while spot market prices remain stable. During the quarter, Canadian gas customers increased by 1% representing its first increase in net additions in over five years.

Total electricity customers were up 4% during the quarter, with a 6% growth in the U.S. market and a 2% decrease in customers in the Canadian markets. The growth in the U.S. is a result of the strong additions, while the Canadian electricity market, particularly in Ontario, continues to face competitive challenges due to low utility pricing.

### JUSTGREEN AND JUSTCLEAN

Sales of the JustGreen products remain stable despite premium pricing in a low-price environment. 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, 2011, through December 31, 2011, validating the match of Just Energy's renewable energy and carbon offset purchases against customer contracts. Just Energy has contracts with over 70 carbon offset and renewable energy projects across North America and is actively pursuing new projects to meet our growing demand for green energy alternatives. Just Energy purchases carbon offsets and renewable energy credits for the current and future use of our customers. Our purchases help developers finance their projects.

The Company currently sells JustGreen gas in the eligible markets of Ontario, Quebec, British Columbia, Alberta, Michigan, New York, Ohio, Illinois and Pennsylvania. JustGreen electricity is sold in Ontario, Alberta, New York, Texas and Pennsylvania. Of all consumer customers who contracted with Just Energy in the past year, 29% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 81% of their consumption as green supply. In comparison, the first quarter of fiscal 2012 reported that 32% of the consumer customers who contracted with Just Energy in the previous year chose to include JustGreen for an average of 91% of their consumption. The reduction in green take-up is primarily related to the high premium on the product in a low commodity price environment for our gas consumers. Overall, JustGreen now makes up 11% of the Consumer gas portfolio, up from 9% a year ago. JustGreen makes up 12% of the Consumer electricity portfolio, up from 10% a year ago.

In addition, JustClean products are being offered in some markets within Canada and the United States. JustClean products are carbon offsets from carbon capture and reduction projects as well as green power renewable energy certificates from green generators that allow customers to offset a portion or all of their carbon footprint without an association to a commodity product. The JustClean product can be offered in all states and provinces and is not dependent on energy deregulation. The Company is exploring opportunities to expand this product offering to new markets throughout the U.S. and Canada, both regulated and deregulated.

## ATTRITION

	Trailing 12-month attrition June 30, 2012	Trailing 12-month attrition June 30, 2011	Trailing 12-month attrition March 31, 2012
<b>Natural gas</b>			
Canada	11%	10%	10%
United States	24%	21%	24%
<b>Electricity</b>			
Canada	11%	10%	9%
United States	13%	15%	13%
<b>Total attrition</b>	<b>14%</b>	<b>14%</b>	<b>13%</b>

Attrition rates remained constant quarter over quarter at 14%. The primary contributing factor to the stability in attrition rates is that most customers signed in the past three years are on prices consistent with current market prices. The attrition from these customers and their eventual renewal will be assisted by this pricing; in addition, there are generally lower attrition rates among the growing base of commercial customers.

### Natural gas

The annual natural gas attrition in Canada was 11% for the first quarter in fiscal 2013, slightly higher than from the attrition rate reported in the prior comparable quarter. In the U.S., annual gas attrition was 24%, an increase from 21% experienced in the prior comparable quarter. Attrition levels for the current quarter were in line with what was reported for fiscal 2012.

### Electricity

The annual electricity attrition rate in Canada was 11%, up from the 10% reported in the prior comparable quarter. Electricity attrition in the U.S. was 13% for the first three months in fiscal 2013, a slight decrease from 15% reported in the first quarter of fiscal 2012, due to the increasing commercial customer base, which has historically experienced lower attrition rates.

## RENEWALS

	Consumer		Commercial	
	Trailing 12-month renewal June 30, 2012	Trailing 12-month renewal June 30, 2011	Trailing 12-month renewal June 30, 2012	Trailing 12-month renewal June 30, 2011
<b>Natural gas</b>				
Canada	48%	67%	59%	59%
United States	80%	74%	47%	73%
<b>Electricity</b>				
Canada	50%	59%	59%	58%
United States	80%	81%	84%	62%
<b>Total renewals – consumer and commercial divisions</b>	<b>74%</b>	<b>66%</b>		

The Just Energy renewal process is a multifaceted 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, allowing a customer to renew for an additional period. Management's targeted renewal rates for consumer customers are to be in the range of 70% overall, assuming commodity price volatility remains low. The renewal rates for Canadian gas and electricity continue to be impacted by the current high spread between the Just Energy five-year price and utility spot price. The long period of stable low prices has reduced customer interest in renewing higher fixed prices. Just Energy is focused on variable-price offerings in order to improve renewal rates.

Renewal rates for commercial customers are expected to be more volatile than those of consumer customers as a commercial renewal is often a function of a competitive bid process and these customers regularly change suppliers. This was the case for the U.S. gas market, where the renewal rate was 47%, primarily due to customers that chose not to renew with Just Energy during the competitive bidding process.

The combined renewal rate for all customers, both consumer and commercial was 74% for the first three months in fiscal 2013, an increase from 66% for the prior comparable quarter. Commercial renewal rates are more volatile than those of residential customers. Renewal decisions are often made through competitive bid processes. The U.S. electricity renewals are most affected by this volatility. It is anticipated that Canadian renewal rates will improve towards target levels as more customers begin to renew off of current market priced contracts.

### GAS AND ELECTRICITY CONTRACT RENEWALS

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

	Canada – gas	Canada – electricity	U.S. – gas	U.S. – electricity
Remainder of 2013	27%	23%	18%	22%
2014	19%	16%	13%	27%
2015	18%	13%	12%	14%
2016	20%	22%	17%	14%
Beyond 2016	16%	26%	40%	23%
Total	100%	100%	100%	100%

All month-to-month customers, which represent 345,000 RCEs, are excluded in the table above.

### Gross margin earned through marketing efforts

The table below depicts the annual margins on contracts of consumer and commercial customers signed during the quarter. This table reflects all margin earned on new additions and renewals including both the brown commodity and JustGreen. Customers added through marketing or renewal had lower margins than the customers lost through attrition or failure to renew due to the need to price closer to the low utility floating rate alternative and substantially lower commodity prices on new contracts versus those up for renewal or lost through attrition. For commercial customers, the average gross margin for new customers added was \$76/RCE. The aggregation cost of these customers is lower per RCE compared to a consumer customer.

### ANNUAL GROSS MARGIN PER CUSTOMER<sup>1</sup>

	Q1 Fiscal 2013	Number of customers
Consumer customers added in the period		
Canada – gas	\$ 140	14,000
Canada – electricity	160	9,000
United States – gas	196	34,000
United States – electricity	176	105,000
Average annual margin	176	162,000
Consumer customers renewed in the period		
Canada – gas	\$ 167	6,000
Canada – electricity	138	10,000
United States – gas	198	9,000
United States – electricity	170	60,000
Average annual margin	169	85,000
Consumer customers lost in the period		
Canada – gas	\$ 195	23,000
Canada – electricity	150	30,000
United States – gas	168	32,000
United States – electricity	196	46,000
Average annual margin	178	131,000
Commercial customers added in the period	\$ 76	176,000
Commercial customers lost in the period	\$ 114	100,000

<sup>1</sup> Customer sales price less cost of associated supply and allowance for bad debt.

## 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. However, in the first quarter of fiscal 2013, the plant completed scheduled maintenance, resulting in production downtime, and also experienced wheat shortages requiring production shutdowns and slowdowns as a result of unfavourable weather conditions. For the three months ended June 30, 2012, the plant achieved an average production capacity of 63%, a decrease from average production capacity of 67% in the same quarter in the prior fiscal year.

Ethanol prices were, on average, \$0.61 per litre and wheat prices averaged \$252 per metric tonne for the three months ended June 30, 2012. For the prior comparable quarter, average ethanol prices were \$0.68 per litre and wheat prices were \$216 per metric tonne. As at June 30, 2012, ethanol was priced at \$0.59 per litre.

### RESULTS OF OPERATIONS

For the three months ended June 30, 2012, TGF had sales of \$23.5 million, a 22% decrease from \$30.2 million in the prior comparable quarter. The decrease in sales is a result of lower production as well as lower ethanol prices during the current quarter. Cost of sales amounted to \$22.9 million, a decrease of 17% from \$27.6 million in the prior comparable quarter as a result of higher wheat prices and a reclassification of costs from administrative expenses in the first quarter of fiscal 2013. During the first quarter in fiscal 2013, the plant produced 23.5 million litres of ethanol and 20,949 metric tonnes of DDG, resulting in a productive capacity of 63%. In the prior comparable quarter, TGF produced 25.2 million litres of ethanol and 23,869 metric tonnes of DDG and experienced an average production capacity of 67%. Administrative expenses declined due to a reclassification of certain costs to cost of sales.

Adjusted EBITDA for the Ethanol division for the first quarter of fiscal 2013 amounted to \$(0.6) million, in comparison with \$1.2 million in the prior comparable quarter. This decrease is directly attributable to the decrease in gross margin associated with the lower ethanol prices and higher wheat prices than that which was experienced in the prior comparable quarter.

TGF receives a federal subsidy related to the ecoEnergy for Biofuels Agreement initially signed on February 17, 2009, based on the volume of ethanol produced. The subsidy is \$0.07 per litre for fiscal 2013. The subsidy amount declines through time to \$0.05 per litre of ethanol produced in fiscal 2015, the last year of the agreement.

## 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 as well as high efficiency furnaces and air conditioners. NHS continues its customer growth with installations for the quarter amounting to 9,800 water heaters and 1,800 air conditioners and furnaces, compared with 11,300 water heaters and 1,700 air conditioner and furnace units installed in the prior comparable quarter. Overall, installations declined versus the first quarter of fiscal 2012, but were slightly higher additions during the fourth quarter of fiscal 2012. NHS currently markets through approximately 190 independent contractors. As of June 30, 2012, the installed customer base, including water heaters, furnaces and air conditioners, amounted to 177,000, an increase of 34% from the installed customer base of 131,600 as at June 30, 2011.

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 entered into a long-term financing agreement with Home Trust Company ("HTC") for the funding of the water heaters, furnaces and air conditioners in the Enbridge Gas and Union Gas distribution territories. Under the HTC agreement, NHS receives funds equal to the amount of the five-, seven- or ten-year cash flow (at its option) of the water heater, furnace and air conditioner contracts discounted at the contracted rate, which is currently 7.99%. HTC is then paid an amount that is equal to the customer rental payments on the water heaters for the next five, seven or ten years as applicable. The funding received from HTC up to June 30, 2012, was \$207.4 million. As at June 30, 2012, the balance outstanding was \$160.0 million, with an average term of 6.3 years.

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 will be an asset, which will generate strong cash returns following repayment of the HTC financing. The embedded gross margin within the NHS contracts grew 18% to \$465.7 million during the quarter, up from \$393.0 million as at March 31, 2012. NHS also realized a margin of \$8.5 million during the quarter in addition to the growth in embedded gross margin.

### RESULTS OF OPERATIONS

For the three months ended June 30, 2012, NHS had gross margin of \$8.5 million, an increase of 36% from \$6.2 million reported in the prior comparable quarter. The increase in sales was slightly higher than the 34% increase in the number of units installed quarter over quarter due to the fact that revenue associated with furnace and air conditioner installations is approximately 2.4 times that of a water heater unit. Administrative costs, which relate primarily to administrative staff compensation and warehouse expenses were \$3.8 million for the three months ended June 30, 2012, an increase of 32% quarter over quarter due to business growth.

Adjusted EBITDA for the Home Services division for the first quarter of fiscal 2013 amounted to \$6.2 million, an increase of 39% from \$4.5 million in the prior comparable quarter. This increase is attributable to the increase in gross margin associated with the 34% increase in installed customer base in comparison with a year prior.

Finance costs amounted to \$3.0 million for the three months ended June 30, 2012, an increase from \$2.2 million expensed during the first quarter of fiscal 2012. NHS financing as at June 30, 2012, was \$160.0 million, an increase of 9% from a year prior.

### Other divisions (Network Marketing and Solar)

Adjusted EBITDA generated by Just Energy's other divisions amounted to \$7.3 million, an increase from \$(0.8) million in the prior comparable quarter. The increase over the prior comparable quarter is primarily due to the growth in the network marketing division.

#### NETWORK MARKETING (MOMENTIS)

Gross margin for the three months ended June 30, 2012, amounted to \$7.6 million, an increase from \$0.4 million in the prior comparable quarter. The gross margin relates to revenue generated by initial registration fees paid by new independent representatives as well as revenue generated by the sale of third party products less the related cost of sales. During the quarter, an additional 18,200 independent representatives joined Momentis bringing the total to 66,000. Momentis had approximately 5,000 representatives a year ago.

Selling and marketing expenses amounted to \$16.0 million for the three months ended June 30, 2012, representing the initial cost of building the network marketing division. The costs are recognized immediately although the gross margin will not be recognized until future periods. These costs are added back as marketing expenses to add gross margin in the calculation of Adjusted EBITDA.

#### SOLAR (HES)

Gross margin generated by the Solar division is not yet material as there are currently only a small number of projects that were completed as of June 30, 2012. However, as at June 30, 2012, the division has made commitments of \$108.0 million, with project statuses ranging from contracted to completed. On August 1, 2012, HES entered into a separate non-recourse US\$30 million credit agreement with Macquarie Bank Limited. Advances under the credit facility will be used to assist with the construction of solar projects. The credit facility has a two-year term, under which advances will be made in connection with interconnected solar projects located in the United States.

## Overall consolidated results

### ADMINISTRATIVE EXPENSES

For the three months ended June 30, 2012, administrative expenses were \$36.1 million, an increase of 28% from \$28.3 million in the prior comparable quarter.

	Three months ended June 30, 2012	Three months ended June 30, 2011	% increase (decrease)
Energy marketing	\$ 27,905	\$ 21,451	30%
NHS	3,792	2,863	32%
TGF	2,266	2,765	(18)%
Other	2,141	1,205	78%
<b>Total administrative expenses</b>	<b>\$ 36,104</b>	<b>\$ 28,284</b>	<b>28%</b>

Energy marketing administrative costs were \$27.9 million for the first quarter of fiscal 2013, an increase of 30% from \$21.5 million for the three months ended June 30, 2011. This increase is primarily attributable to the inclusion of \$3.5 million in administrative costs added with the Fulcrum acquisition. Management did not anticipate any material synergies to be gained from the Fulcrum acquisition with respect to the administrative expenses. Excluding the Fulcrum-related costs, administrative expenses amounted to \$24.4 million, a 14% increase quarter over quarter due to the expansion in the energy marketing customer base as well as the cost associated with the establishment of a U.K. operations and marketing office.

The administrative expenses for NHS and Other (network marketing and solar divisions) were \$3.8 million and \$2.1 million, respectively, both reflecting an increase from the prior comparable period as a result of the substantial growth in operations during the past year. The administrative expenses for TGF decreased as a result of a reallocation to cost of sales.

## SELLING AND MARKETING EXPENSES

Selling and marketing expenses, which consist of commissions paid to independent sales contractors, brokers and independent representatives as well as sales-related corporate costs, were \$58.6 million, an increase of 69% from \$34.6 million in the first quarter of fiscal 2012. Excluding the \$16.0 million of costs associated with the expansion of Momentis, selling and marketing expenses increased by 23% to \$42.6 million. New customers signed by the sales force totalled 338,000 during the first quarter of fiscal 2013, an increase of 49% compared to 227,000 customers added through our sales channels in the prior comparable quarter. The increase in selling and marketing costs was less than the increase in customers due to the large component of commercial customers added. Commissions per RCE for commercial customers are lower than those of consumer customers.

Commissions related to obtaining and renewing broker commercial contracts are paid all or partially upfront or as residual payments over the life of the contract. If the commission is paid all or partially upfront, the amortization is included in selling and 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 80% are commercial broker customers and approximately 62% of these commercial brokers are being paid recurring residual payments. During the three months ended June 30, 2012, \$3.8 million in commission-related expenses was capitalized to contract initiation costs. Of the capitalized commissions, \$1.1 million represents commissions paid to maintain gross margin and therefore is included in the maintenance capital deducted in the Adjusted EBITDA calculation.

Selling and marketing expenses to maintain embedded 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 quarter. Selling and marketing expenses to maintain gross margin were \$25.1 million for the three months ended June 30, 2012, an increase of 22% from \$20.6 million for the first quarter in fiscal 2012 as a result of significantly higher renewals and associated costs offset by the lower commission associated with the commercial customer additions.

Selling and marketing expenses to add new gross margin calculates the portion of costs that were required to create the increase in embedded gross margin during the period. This measure increased \$111.4 million in the quarter. Expenditures from home services, energy marketing and network marketing resulted in this net growth after the replacement of all margin lost to attrition and failed to renew contracts. Selling and marketing expenses to add new gross margin in the three months ended June 30, 2012, totalled \$30.1 million, of which \$16.0 million related to the building of the network marketing division. In the prior comparable quarter, \$10.1 million was spent to increase embedded gross margin.

In contrast to door-to-door marketing, there is an initial cost of building the Momentis channel as a result of the expansion of an independent representative base that will contribute to the number of customers on a go forward basis. This cost is expensed immediately, with the margin for customer aggregation recognized over future periods. The customers signed by independent representatives are not customers that would normally have been signed by the traditional door-to-door marketing channel and typically experience lower attrition and better renewal rates. It is expected that this division will become a significant cash flow generator in future periods.

Selling and marketing expenses included in Base EBITDA exclude amortization related to the contract initiation costs for Hudson, Fulcrum and NHS. For the three months ended June 30, 2012, the amortization amounted to \$3.3 million, a decrease of 14% from \$3.9 million reported in the prior comparable period.

The aggregation costs per customer for the three months ended June 30, 2012, 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
<b>Natural gas</b>			
Canada	\$ 251/RCE	\$ 90/RCE	\$ 31/RCE
United States	\$ 202/RCE	\$ 113/RCE	\$ 36/RCE
<b>Electricity</b>			
Canada	\$ 237/RCE	\$ 148/RCE	\$ 34/RCE
United States	\$ 126/RCE	\$ 82/RCE	\$ 32/RCE
<b>Total aggregation costs</b>	<b>\$ 188/RCE</b>	<b>\$ 115/RCE</b>	<b>\$ 32/RCE</b>

The \$32/RCE 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 \$32/RCE per year for each additional year that the customer flows. Assuming an average life of 2.8 years, this would add approximately \$58 (1.8 x \$32/RCE) to the quarter's \$32/RCE average aggregation cost for commercial broker customers reported above. For the prior comparable year, total aggregation costs per residential, commercial and commercial brokers were \$215/RCE, \$137/RCE and \$35/RCE, respectively, with a combined cost of \$107/RCE.

## BAD DEBT EXPENSE

In Illinois, Alberta, Texas, Pennsylvania, California, Massachusetts, Michigan and Georgia, Just Energy assumes the credit risk associated with the collection of customer accounts. In addition, for commercial direct-billed accounts in British Columbia, 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 three months ended June 30, 2012, Just Energy was exposed to the risk of bad debt on approximately 51% of its sales.

Bad debt expense is included in the consolidated income statement under other operating expenses. Bad debt expense for the three months ended June 30, 2012, was \$8.6 million, an increase of 27% from \$6.8 million expensed for the prior quarter ended June 30, 2011. The bad debt expense increase was a result of a 37% increase in total revenues for the current year for the markets where Just Energy bears the credit risk, including the additional revenue earned in Texas from the customers acquired from Fulcrum. 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 three months ended June 30, 2012, the bad debt expense of \$8.6 million represents 2.6% of relevant revenue, lower than the bad debt for the comparable quarter in fiscal 2012, which represented 2.8% of relevant revenue.

Management expects that bad debt expense will remain in the range of 2% to 3% of relevant revenue. 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.

## FINANCE COSTS

Total finance costs for the three months ended June 30, 2012, amounted to \$17.9 million, an increase of 30% from \$13.8 million recorded in the first quarter of fiscal 2012. The increase is a result of interest associated with the \$100m convertible shares issued to fund the Fulcrum acquisition in September 2011 as well as higher interest costs for the credit facility and NHS financing.

## 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 three months ended June 30, 2012, a foreign exchange unrealized gain of \$3.1 million was reported in other comprehensive income versus a loss of \$3.7 million in the prior comparable quarter.

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 placed. 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.

## PROVISION FOR INCOME TAX

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

	June 30, 2012	June 30, 2011
Current income tax expense (recovery)	\$ 257	\$ (2,238)
Deferred tax expense	32,440	9,459
Provision for income tax	\$ 32,697	\$ 7,221

Just Energy recorded a current income tax expense of \$0.3 million for the first three months of this fiscal year versus a \$2.2 million recovery in the same period of fiscal 2012. The increase in current tax expense is mainly due to lower U.S. income tax recovery recorded in this quarter than in the same period of the prior fiscal year.

During the first three months of this fiscal year, the cumulative mark to market losses from financial instruments further declined as a result of a change in fair value of these derivative instruments during this period and, as a result, a deferred tax expense of \$32.4 million has been recorded for the current period. During the first quarter of fiscal 2012, the comparable deferred tax expense was \$9.5 million.

After the Conversion on January 1, 2011, Just Energy has been taxed as a taxable Canadian corporation. Therefore, the deferred 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 26% after the Conversion.

Under IFRS, Just Energy recognized income tax liabilities and assets based on 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 deferred tax asset will not be recognized 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 deferred 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 2013	Fiscal 2012
Operating activities	\$ 23,109	\$ 15,694
Investing activities	(34,852)	(22,538)
Financing activities, excluding dividends/distributions	61,451	19,174
Effect of foreign currency translation	(85)	342
Increase in cash before dividends/distributions	49,623	12,672
Dividends/distributions (cash payments)	(44,348)	(34,897)
Increase (decrease) in cash	5,275	(22,225)
Cash and cash equivalents – beginning of period	53,220	97,633
Cash and cash equivalents – end of period	\$ 58,495	\$ 75,408

### OPERATING ACTIVITIES

Cash flow from operating activities for the period ended June 30, 2012, was \$23.1 million, an increase from \$15.7 million in the prior comparable period. Cash flow from operations increased as a result of changes in non-cash working capital and increased gross margin and was offset by higher selling and marketing and administrative expenses.

### INVESTING ACTIVITIES

Just Energy purchased capital assets totalling \$24.3 million during the period, an increase from \$11.6 million in the prior comparable period. Just Energy's capital spending related primarily to the installations for the Home Services and Solar divisions. Contract initiation costs increased by \$8.2 million during the quarter, an increase from \$6.9 million in the prior comparable quarter.

### FINANCING ACTIVITIES

Financing activities, excluding dividends/distributions, relates primarily to the issuance and repayment of long-term debt. During the three months ended June 30, 2012, \$65.2 million in long-term debt was issued primarily to fund capital investments made by the Home Services and Solar divisions. Long-term debt amounting to \$8.7 million was repaid during the period. In the comparable quarter, \$68.9 million was issued in long-term debt relating to the credit facility and NHS financing with \$53.7 million being repaid.

As of June 30, 2012, Just Energy had a credit facility of \$350 million expiring on December 31, 2013. 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 primarily by the delay from the time that a customer contract is signed until cash flow is generated. For consumer 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 upfront once the customer begins to flow.

The elapsed period between the time 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.

### DIVIDENDS/DISTRIBUTIONS (CASH PAYMENTS)

During the three months ended June 30, 2012, Just Energy paid dividends/distributions to its shareholders and holders of restricted share grants and deferred share grants in the amount of \$44.3 million, compared to \$34.9 million in the prior comparable quarter. For the three months ended June 30, 2011, \$8.7 million of the dividends were paid in shares under the dividend reinvestment plan ("DRIP"). The DRIP was suspended as of February 1, 2012, with the approval of the normal course issuer bid, and remained suspended as at June 30, 2012.



Just Energy maintains its annual dividend rate at \$1.24 per share. The current dividend policy provides that shareholders of record on the 15th day of each month or the first business day thereafter receive dividends at the end of the month. Investors should note that in the past, due to the DRIP, a portion of dividends (and prior to January 1, 2011, distributions) declared are not paid in cash. Under the program, shareholders could have elected to receive their dividends in shares at a 2% discount to the prevailing market price rather than the cash equivalent.

Just Energy will continue to utilize its cash resources for expansion into new markets and grow its existing energy marketing customer base, JustGreen and JustClean products, and Solar and Home Services divisions, and make accretive acquisitions of customers as well as pay dividends to its shareholders.

## Balance sheet as at June 30, 2012, compared to March 31, 2012

Cash increased from \$53.2 million as at March 31, 2012, to \$58.5 million. The utilization of the credit facility increased from \$98.5 million to \$144.1 million. The increase in the utilization of the credit facility is a result of the funding requirements of the Solar and Networking Marketing divisions as well as the normal seasonal working requirements of the Energy Marketing division.

As at June 30, 2012, trade receivables and unbilled revenue amounted to \$268.8 million and \$125.4 million, respectively, compared to March 31, 2012, when the trade receivables and unbilled revenue amounted to \$299.9 million and \$130.8 million, respectively. The decrease is related to the seasonality of energy marketing, with consumption being higher during January through March as opposed to April through June. Trade payables have increased slightly from \$287.1 million to \$287.6 million in the quarter.

As at June 30, 2012, Just Energy had delivered more gas to the LDCs than had been consumed by customers in Ontario, Manitoba, Quebec and Michigan, resulting in gas delivered in excess of consumption and deferred revenue of \$42.5 million and \$42.0 million, respectively. This build-up of inventory at the LDCs has been impacted by the consumption being lower than expected with the much warmer than normal temperatures experienced in the winter months. At March 31, 2012, Just Energy had gas delivered in excess of consumption and deferred revenue amounting to \$12.8 million and \$12.0 million, respectively. In addition, gas in storage increased from \$11.5 million as at March 31, 2012, to \$30.8 million as at June 30, 2012, due to seasonal lower consumption as well as lower consumption from the mild winter temperatures.

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 profit and, accordingly, shareholders' equity from year to year 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 goodwill and acquired customer contracts, as well as other intangibles such as brand, broker network and information technology systems, primarily related to the Hudson, Fulcrum and Universal purchases. The total intangible asset balance decreased to \$516.3 million, from \$543.8 million as at March 31, 2012, as a result of amortization.

Long-term debt (excluding the current portion) has increased from \$679.1 million to \$737.3 million in the three months ended June 30, 2012, primarily as a result of the increase in borrowings on the credit facility and additional funding related to NHS financing.

Shareholders' equity remains in a deficit position of \$1.4 billion, lower than the deficit of \$1.7 billion at March 31, 2012. Just Energy's profit includes an amount relating to the change in fair value of derivative instruments. Under IFRS, the customer margins are not marked to market but there is a requirement to mark to market the future supply contracts. This creates unrealized non-cash gains or (losses) depending upon current supply pricing. During the year ended March 31, 2009, Just Energy commenced full reporting of mark to market impact and recorded an unrealized non-cash loss on the change in fair value of derivative instruments of \$1.3 billion. Since then, the change in fair value of derivative instruments has fluctuated from year to year, with the gains experienced to date not yet fully offsetting the \$1.3 billion loss in fiscal 2009.

## Long-term debt and financing

(thousands of dollars)

	As at June 30, 2012	As at March 31, 2012
Just Energy credit facility	\$ 144,097	\$ 98,455
TGF credit facility	30,888	32,046
TGF debentures	35,707	35,818
NHS financing	159,965	147,220
\$90m convertible debentures	86,469	86,101
\$330m convertible debentures	293,379	291,937
\$100m convertible debentures	86,295	85,879

### JUST ENERGY CREDIT FACILITY

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, The Bank of Nova Scotia, Toronto Dominion Bank and Alberta Treasury Branches. 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 2.88% and 3.65%, prime rate advances at rates of interest that vary between bank prime plus 1.88% and 2.65%, and letters of credit at rates that vary between 2.88% and 3.65%. Interest rates are adjusted quarterly based on certain financial performance indicators.

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. The credit facility agreement was amended, pursuant to which certain covenants were renegotiated to facilitate the growth of the business. As at June 30, 2012, all of the covenants had been met. Subsequent to June 30, 2012, the credit facility was increased by \$20 million to \$370 million.

### 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 prime rate plus 3% with principal repayments that commenced on March 1, 2010. The credit facility is secured by a demand debenture agreement, a first priority security charge on all assets and undertakings of TGF, a mortgage on title to the land owned by TGF and a general security interest on all other current and acquired assets of TGF. 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 covenants were measured as of March 31, 2012, and TGF failed to meet all required covenants. The non-compliance was waived by the lenders but did result in a non-compliance fee of \$0.08 million, representing 0.25% of the loan balance as of March 31, 2012. The covenants will be re-measured at March 31, 2013.

### 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. On April 1, 2011, the interest rate was increased to 12%. 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. Compliance with the new covenants has been extended to May 15, 2014, with a call right any time after April 1, 2013. On March 31, 2012, TGF agreed with the debenture holders to increase the quarterly blended payments to \$1.2 million. TGF also agreed to make an additional debt repayment after March 31, 2012, if the cash flow from operations exceeds \$0.5 million for fiscal 2013, provided that this type of payment will not create a non-compliance issue for the corporation under the TGF credit facility.

### NHS FINANCING

NHS has entered into a long-term financing agreement with HTC for the funding of new and existing rental water heater, furnace and air conditioner contracts. 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 air conditioner and furnace 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 June 30, 2012, the average term of the HTC funding was 6.3 years.

The financing agreement is subject to a holdback provision, whereby 3% in the Enbridge Gas distribution territory and 5% in the Union Gas distribution 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 non-financial covenants under the agreement and, as at June 30, 2012, all of these covenants had been met.

### \$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 June 30, 2012, 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 34.96 Just Energy common shares, representing a conversion price of \$28.60 per share. Pursuant to the \$90m convertible debentures, if Just Energy fixes a record date for the payment 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.

### \$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 in 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 Just Energy, representing a conversion price of \$18 per share.

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 Just Energy, 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 Just Energy, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest.

### \$100M CONVERTIBLE DEBENTURES

On September 22, 2011, Just Energy issued \$100 million of convertible unsecured subordinated debentures which were used to purchase Fulcrum. The \$100 million convertible debentures bear interest at an annual rate of 5.75%, payable semi-annually on March 31 and September 30 in each year, commencing March 31, 2012, and have a maturity date of September 30, 2018. Each \$1,000 principal amount of the \$100 million convertible debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption into 56.0 common shares of Just Energy, representing a conversion price of \$17.85.

The \$100 million convertible debentures are not redeemable at the option of the Company on or before September 30, 2014. After September 30, 2014 and prior to September 30, 2016, the \$100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the common shares of Just Energy on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is at least 125% of the conversion price. On or after September 30, 2016, the \$100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days' and not less than 30 days' prior notice, at a price equal to their principal amount 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-cancellable.

### PAYMENTS DUE BY PERIOD

(thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Trade and other payables	\$ 287,585	\$ 287,585	\$ –	\$ –	\$ –
Bank indebtedness	5,963	5,963	–	–	–
Long-term debt (contractual cash flow)	891,449	99,252	300,304	29,576	462,317
Interest payments	253,619	48,658	85,362	68,152	51,447
Premises and equipment leasing	33,444	7,958	11,699	7,259	6,528
Grain production contracts	14,372	14,372	–	–	–
Long-term gas and electricity contracts	2,588,906	1,310,947	1,086,062	189,737	2,160
	<u>\$ 4,075,338</u>	<u>\$ 1,774,735</u>	<u>\$ 1,483,427</u>	<u>\$ 294,724</u>	<u>\$ 522,452</u>

## 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 consolidated 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 IFRS. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales, selling and marketing, 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.

### ACCRUED GAS RECEIVABLE/ACCRUED GAS PAYABLE

Accrued gas receivable results 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 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 all customers' accounts in Alberta, Illinois, Texas, Pennsylvania, California, Massachusetts, Michigan and Georgia. In addition, for large direct-billed accounts in British Columbia, 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, 2012, 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 or carbon destruction. 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.

Just Energy'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 U.S. operations introduce foreign exchange-related risks. Just Energy enters into foreign exchange forwards in order to hedge its exposure to fluctuations in cross border cash flows.

The consolidated financial statements are in compliance with IAS 32, Financial Instruments: Presentation; IAS 39, Financial Instruments: Recognition and Measurement; and IFRS 7, Financial Instruments: Disclosure. 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 income statement. 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.

## Just Energy common shares

As at August 9, 2012, there were 139,378,283 common shares of Just Energy outstanding.

## Normal course issuer bid

During fiscal 2012, Just Energy announced that it had received approval to make a normal course issuer bid to purchase for cancellation up to 13,200,917 of its common shares, approximately 10% of the public float, during a 12-month period commencing December 16, 2011 and ending December 15, 2012. A maximum of 82,430 shares, approximately 25% of the average daily trading volume, may be purchased on any trading day. As at June 30, 2012, Just Energy purchased and cancelled 84,100 shares at an average price of \$11.36 for total cash consideration of \$1.0 million. There were no additional shares purchased for cancellation during the three months ended June 30, 2012.

## Legal proceedings

Just Energy's subsidiaries are party to a number of legal proceedings. Other than as set out below, 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.

The State of California has filed a number of complaints to the Federal Energy Regulatory Commission ("FERC") against many suppliers of electricity, including Commerce Energy Inc. ("CEI"), 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 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. On June 13, 2012, the FERC denied the plaintiff's request for a rehearing, affirming its initial decision. The California party still has the ability to appeal to the United States Courts for the Ninth Circuit. CEI continues to vigorously contest this matter, which is not expected to have a material impact on the financial condition of the Company.

## Controls and procedures

At June 30, 2012, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company, along with the assistance of senior management, have designed disclosure controls and procedures to provide reasonable assurance that material information relating to Just Energy is made known to the CEO and CFO, and have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with IFRS.

Except for the limitation on scope of design as noted below, during the three months ended June 30, 2012, there was no change in Just Energy's internal controls over financial reporting that occurred that have significantly affected, or are reasonably likely to significantly affect, the Company's internal controls 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 Company 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 Company'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 Fulcrum, acquired effective October 1, 2011.

Summary financial information pertaining to the Fulcrum acquisition that was included in the consolidated financial statements of Just Energy as at June 30, 2012, is as follows:

(In thousands of dollars)

	Total
Sales <sup>1</sup>	\$ 79,347
Profit for the period <sup>1</sup>	20,302
Current assets	39,038
Non-current assets	101,906
Current liabilities	33,583
Non-current liabilities	733

<sup>1</sup> For the three months ended June 30, 2012, profit includes the non-cash mark to market gain on financial instruments.

## 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.justenergygroup.com](http://www.justenergygroup.com) and is included in Just Energy's May 18, 2012 Management Proxy Circular. Just Energy actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

## Outlook

The first quarter of fiscal 2013 was a period which saw the impact of past diversification and growth expenditures resulting in double-digit growth, ahead of the pace necessary to meet the Company's published growth guidance. In providing the Company guidance, it was indicated that Just Energy would have to have customer growth greater than 10% in fiscal 2013 in order to meet growth guidance. At the end of the first quarter, the customer base is up 18% year over year and grew by a net 3% in the quarter. While the first quarter is seasonally the slowest quarter for sales and margin, results to date are entirely consistent with meeting or exceeding published growth guidance.

The major uses of cash from operations at Just Energy are expenditures for future growth and dividends. During the quarter, the dividend was maintained at \$1.24 per share. One result of growth investments was an increase in embedded gross margin within the Company's contracts. This measure of future value grew to \$2.1 billion in the quarter, up 20% year over year and up 6% in the quarter. This growth is the direct result of Just Energy's growth investments.

The quarter reflected a number of these investments in diversification and future growth. The Momentis network saw its independent representative force grow to 66,000, up 18,200 in the quarter and up from 5,000 one year ago. This investment has generated some revenue in the period but the true potential of Momentis is expected to be seen in quarters to come.

Funds committed to solar installations similarly are subject to long-term contracts and will generate their returns on completion of installation. On August 1, 2012, Just Energy entered into an agreement with Macquarie Bank Limited to provide non-recourse debt financing of US\$30 million for solar projects generated by our Hudson Energy Solar division.

The Company also invested in the establishment of a commercial operations and marketing office in the U.K., Just Energy's first entry into Europe. On July 23, 2012, Just Energy announced the commencement of sales from this office.

Each of these investments will contribute to continued growth in future periods.

The core energy marketing business had strong results which are expected to be a trend the Company will maintain going forward. Customer growth was seen in both the Consumer division (additions up 105% year over year) and Commercial division (additions up 19% year over year). The resurgence of residential additions is important as these are higher margin customers. Attrition rates were effectively unchanged at 14% for the rolling 12 months. Renewal rates increased up to 74% for the rolling 12 months, up from 66% a year earlier. This is largely due to high renewals of commercial contracts for which renewal is often dependent on competitive bids. As such, renewal rates will be more volatile as the commercial segment continues to grow. Subsequent to the quarter end, New York City Housing Authority's natural gas contract expired and was not renewed following competitive bids. The contract totalled approximately 75,000 RCEs (2% of the Company's total); however, the contract represented less than 0.2% of the energy marketing business's gross margin. Management believes that the loss of this contract will have no meaningful effect on future results.

Growth at NHS remained steady with substantial embedded value created in the business over the year. The installation base grew by 34% to 177,000. Gross margin was up by 36% reflecting both growth and higher margin furnace and air conditioner unit installations. The best measure of the success of NHS is the growth of embedded gross margin within customer contracts. Over the year, embedded margin grew to \$465.7 million, up \$72.7 million (18%) in the quarter. NHS continues testing its products for geographic expansion outside Ontario. While the rate of growth is expected to slow on the more substantial customer base, the impact of new markets is expected to be positive over the coming years.

Take-up on Just Energy's green offerings was 29% of new consumer customers taking 81% of their consumption in green supply. JustGreen makes up 12% of the Consumer division electricity portfolio, up from 10% a year earlier. Eleven percent of the Consumer division gas portfolio is green, up from 9% in fiscal 2011. Management believes that there is a certain percentage of the public that will always elect green and that any increase in underlying "brown" electricity or gas will result in a return to traditional take-up levels.

The Company continues to actively monitor possible acquisition opportunities within its current business segments.

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.

Just Energy believes it is important to promote the sale of several products to the current customer, adding operating leverage and business efficiency. Energy use controls through thermostats and commodity opportunities surrounding the growth of use of the electric car are also important developments which will have an impact on the energy marketing business in the future. Just Energy is reviewing opportunities and developing products in order to be a major participant in these market segments.

# Interim consolidated statements of financial position

As at

(unaudited in thousands of Canadian dollars)

	Notes	June 30, 2012	March 31, 2012
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		\$ 311,864	\$ 291,061
Intangible assets		516,255	543,775
Contract initiation costs		49,794	44,225
Other non-current financial assets	7	31,185	15,315
Non-current receivables		7,295	6,475
Deferred tax asset		50,783	78,398
		<u>967,176</u>	<u>979,249</u>
<b>Current assets</b>			
Inventory		8,908	9,988
Gas delivered in excess of consumption		42,467	12,844
Gas in storage		30,801	11,453
Current trade and other receivables		268,804	299,945
Accrued gas receivables		1,758	2,875
Unbilled revenues		125,364	130,796
Prepaid expenses and deposits		9,828	9,451
Other current assets	7	48,647	12,799
Corporate tax recoverable		8,885	8,225
Restricted cash		12,426	12,199
Cash and cash equivalents		58,495	53,220
		<u>616,383</u>	<u>563,795</u>
<b>TOTAL ASSETS</b>		<b>\$ 1,583,559</b>	<b>\$ 1,543,044</b>
<b>DEFICIT AND LIABILITIES</b>			
<b>Deficit attributable to equity holders of the parent</b>			
Deficit		\$ (1,368,106)	\$(1,652,188)
Accumulated other comprehensive income	8	64,078	70,293
Shareholders' capital	9	993,623	993,181
Equity component of convertible debenture		25,795	25,795
Contributed surplus		64,980	62,147
<b>Shareholders' deficit</b>		<b>(219,630)</b>	<b>(500,772)</b>
<b>Non-controlling interest</b>		<b>(465)</b>	<b>(637)</b>
<b>TOTAL DEFICIT</b>		<b>(220,095)</b>	<b>(501,409)</b>
<b>Non-current liabilities</b>			
Long-term debt	10	737,336	679,072
Provisions		3,111	3,068
Deferred lease inducements		1,810	1,778
Other non-current financial liabilities	7	209,381	309,617
Deferred tax liability		8,467	6,073
		<u>960,105</u>	<u>999,608</u>
<b>Current liabilities</b>			
Bank indebtedness		5,963	1,060
Trade and other payables		287,585	287,145
Accrued gas payable		1,621	2,960
Deferred revenue		41,954	11,985
Income taxes payable		4,046	4,814
Current portion of long-term debt	10	99,252	97,611
Provisions		3,296	3,226
Other current financial liabilities	7	399,832	636,044
		<u>843,549</u>	<u>1,044,845</u>
<b>TOTAL LIABILITIES</b>		<b>1,803,654</b>	<b>2,044,453</b>
<b>TOTAL DEFICIT AND LIABILITIES</b>		<b>\$ 1,583,559</b>	<b>\$ 1,543,044</b>

Commitments (Note 16)

See accompanying notes to the interim condensed consolidated financial statements



# Interim consolidated statements of income

For the three months ended June 30

(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

	Notes	2012	2011
<b>SALES</b>	13	<b>\$ 646,074</b>	<b>\$ 626,200</b>
<b>COST OF SALES</b>	12(b)	<b>531,815</b>	<b>531,939</b>
<b>GROSS MARGIN</b>		<b>114,259</b>	<b>94,261</b>
<b>EXPENSES</b>			
Administrative expenses		36,104	28,284
Selling and marketing expenses		58,566	34,554
Other operating expenses	12(a)	35,407	39,140
		<b>130,077</b>	<b>101,978</b>
<b>Operating loss</b>		<b>(15,818)</b>	<b>(7,717)</b>
Finance costs	10	(17,880)	(13,792)
Change in fair value of derivative instruments	7	393,891	79,697
Proportionate share of loss from joint venture	6	(1,159)	–
Other income		2,302	165
<b>Income before income taxes</b>		<b>361,336</b>	<b>58,353</b>
<b>Provision for income taxes</b>	11	<b>32,697</b>	<b>7,221</b>
<b>PROFIT FOR THE PERIOD</b>		<b>\$ 328,639</b>	<b>\$ 51,132</b>
Attributable to:			
Shareholders of Just Energy		\$ 328,472	\$ 51,132
Non-controlling interest		167	–
<b>PROFIT FOR THE PERIOD</b>		<b>\$ 328,639</b>	<b>\$ 51,132</b>
See accompanying notes to the interim condensed consolidated financial statements			
<b>Earnings per share</b>	14		
Basic		\$ 2.36	\$ 0.37
Diluted		\$ 1.97	\$ 0.35

# Interim consolidated statements of comprehensive income

For the three months ended June 30

(unaudited in thousands of Canadian dollars)

	Notes	2012	2011
<b>Profit for the period</b>		<b>\$ 328,639</b>	<b>\$ 51,132</b>
<b>Other comprehensive income (loss)</b>	8		
Unrealized gain (loss) on translation of foreign operations		3,077	(3,745)
Amortization of deferred unrealized gain on discontinued hedges, net of income taxes of \$2,289 (2011 – \$7,375)		(9,292)	(13,017)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(6,215)</b>	<b>(16,762)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>\$ 322,424</b>	<b>\$ 34,370</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of Just Energy		\$ 322,257	\$ 34,370
Non-controlling interest		167	–
<b>Total comprehensive income for the period, net of tax</b>		<b>\$ 322,424</b>	<b>\$ 34,370</b>

See accompanying notes to the interim condensed consolidated financial statements

# Interim consolidated statements of changes in shareholders' deficit

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

	Notes	2012	2011
<b>ATTRIBUTABLE TO THE SHAREHOLDERS</b>			
<b>Accumulated deficit</b>			
Accumulated deficit, beginning of period		\$ (442,812)	\$ (315,934)
Profit for the period, attributable to the shareholders		328,472	51,132
<b>Accumulated deficit, end of period</b>		<b>(114,340)</b>	<b>(264,802)</b>
<b>DIVIDENDS</b>			
Dividends, beginning of period		(1,209,376)	(1,033,994)
Dividends	15	(44,390)	(43,605)
<b>Dividends, end of period</b>		<b>(1,253,766)</b>	<b>(1,077,599)</b>
<b>DEFICIT</b>		<b>\$(1,368,106)</b>	<b>\$(1,342,401)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>			
Accumulated other comprehensive income, beginning of period	8	\$ 70,293	\$ 123,919
Other comprehensive loss		(6,215)	(16,762)
<b>Accumulated other comprehensive income, end of period</b>		<b>\$ 64,078</b>	<b>\$ 107,157</b>
<b>SHAREHOLDERS' CAPITAL</b>			
Shareholders' capital, beginning of period	9	\$ 993,181	\$ 963,982
Share-based compensation awards exercised		442	587
Dividend reinvestment plan		–	8,676
<b>Shareholders' capital, end of period</b>		<b>\$ 993,623</b>	<b>\$ 973,245</b>
<b>EQUITY COMPONENT OF CONVERTIBLE DEBENTURES</b>			
Balance, beginning of period		\$ 25,795	\$ 18,186
<b>Balance, end of period</b>		<b>\$ 25,795</b>	<b>\$ 18,186</b>
<b>CONTRIBUTED SURPLUS</b>			
Balance, beginning of period		\$ 62,147	\$ 52,723
Add: Share-based compensation awards and non-cash deferred share grant distributions		3,275	1,713
Less: Share-based awards exercised		(442)	(587)
<b>Balance, end of period</b>		<b>\$ 64,980</b>	<b>\$ 53,849</b>
<b>NON-CONTROLLING INTEREST</b>			
Balance, beginning of period		\$ (637)	\$ –
Foreign exchange on non-controlling interest		5	–
Profit attributable to non-controlling interest		167	–
<b>Balance, end of period</b>		<b>\$ (465)</b>	<b>\$ –</b>
<b>TOTAL DEFICIT</b>		<b>\$ (220,095)</b>	<b>\$ (189,964)</b>

See accompanying notes to the interim condensed consolidated financial statements

# Interim consolidated statements of cash flows

For the three months ended June 30

(unaudited in thousands of Canadian dollars)

	2012	2011
<b>Net inflow (outflow) of cash related to the following activities</b>		
<b>OPERATING</b>		
Income before income taxes	\$ 361,336	\$ 58,353
<b>Items not affecting cash</b>		
Amortization of intangible assets and related supply contracts	21,779	29,304
Amortization of contract initiation costs	3,338	3,871
Amortization of property, plant and equipment	1,756	1,341
Amortization included in cost of sales	3,142	2,903
Share-based compensation	3,232	1,681
Financing charges, non-cash portion	2,502	1,923
Other	18	(85)
Change in fair value of derivative instruments	(393,891)	(79,697)
	(358,124)	(38,759)
Adjustment required to reflect net cash receipts from gas sales	(829)	3,108
Changes in non-cash working capital	22,330	(4,049)
	24,713	18,653
Income tax paid	(1,604)	(2,959)
<b>Cash inflow from operating activities</b>	<b>23,109</b>	<b>15,694</b>
<b>INVESTING</b>		
Purchase of property, plant and equipment	(24,328)	(11,595)
Purchase of intangible assets	(1,542)	(1,597)
Release of holdback on acquisition	-	(2,223)
Advances of long-term receivables	(818)	(261)
Contract initiation costs	(8,164)	(6,862)
<b>Cash outflow from investing activities</b>	<b>(34,852)</b>	<b>(22,538)</b>
<b>FINANCING</b>		
Dividends paid	(44,348)	(34,897)
Increase in bank indebtedness	4,903	3,939
Issuance of long-term debt	65,232	68,941
Repayment of long-term debt	(8,684)	(53,706)
<b>Cash inflow (outflow) from financing activities</b>	<b>17,103</b>	<b>(15,723)</b>
Effect of foreign currency translation on cash balances	(85)	342
<b>Net cash inflow (outflow)</b>	<b>5,275</b>	<b>(22,225)</b>
Cash and cash equivalents, beginning of period	53,220	97,633
<b>Cash and cash equivalents, end of period</b>	<b>\$ 58,495</b>	<b>\$ 75,408</b>
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 17,700	\$ 15,600

See accompanying notes to the interim condensed consolidated financial statements

# Notes to the interim condensed consolidated financial statements

For the three months ended June 30, 2012

(unaudited in thousands of Canadian dollars, except where indicated and per share amounts)

## NOTE 1 ORGANIZATION

Just Energy Group Inc. ("JEGI", "Just Energy" or the "Company") 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. Effective January 1, 2011, Just Energy completed the conversion from an income trust, Just Energy Income Fund (the "Fund"), to a corporation (the "Conversion").

The registered office of Just Energy is First Canadian Place, 100 King Street West, Toronto, Ontario, Canada. The interim condensed consolidated financial statements consist of Just Energy and its subsidiaries and affiliates. The interim condensed consolidated financial statements were approved by the Board of Directors on August 9, 2012.

## 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. Just Energy markets its gas and electricity contracts in Canada and the U.S. under the following trade names: Just Energy, Hudson Energy, Commerce Energy, Amigo Energy and Tara Energy. 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. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. Just Energy 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 related price at which it purchases the associated volumes from its suppliers.

Just Energy also offers green products through its JustGreen and JustClean programs. 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 that allow customers to reduce or eliminate the carbon footprint of their homes or businesses. JustClean products allow customers in certain jurisdictions to offset their carbon footprint without purchasing commodity from Just Energy. JustClean can be offered in all states and provinces and is not dependent on energy deregulation. Management believes that the JustGreen and JustClean products will not only add to profits but will also increase sales receptivity and improve renewal rates.

In addition, Just Energy sells and rents high efficiency and tankless water heaters, air conditioners and furnaces to Ontario residents, through a subsidiary under the trade name National Home Services ("NHS"). Just Energy also operates a network marketing division under the trade name, Momentis. Through its subsidiary, Terra Grain Fuels, Inc. ("TGF"), Just Energy produces and sells wheat-based ethanol. Just Energy's subsidiary, Hudson Energy Solar Corp. ("HES"), and its subsidiaries also provide a solar project development platform operating in New Jersey, Pennsylvania and Massachusetts, under the trade name, Hudson Energy Solar.

## NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

### (b) Basis of presentation and interim reporting

These unaudited interim condensed consolidated financial statements should be read in conjunction with and follow the same accounting policies and methods of application as those used in the audited consolidated financial statements for the years ended March 31, 2012 and 2011.

The interim condensed consolidated financial statements are presented in Canadian dollars, the functional currency of Just Energy, and all values are rounded to the nearest thousand.

The interim operating results are not necessarily indicative of the results that may be expected for the full year ending March 31, 2013, due to seasonal variations resulting in fluctuations in quarterly results. Gas consumption by customers is typically highest in October through March and lowest in April through September. For the 12 months ended June 30, 2012, the gas segment reported gross margin of \$129,681 (2011 – \$180,453) and profit of \$68,468 (2011 – \$180,130). 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. For the 12 months ended June 30, 2012, the electricity segment reported gross margin of \$338,806 (2011 – \$275,792) and profit (loss) of \$154,783 (2011 – \$(33,680)).

(c) **Principles of consolidation**

The interim condensed consolidated financial statements include the accounts of Just Energy and its directly or indirectly owned subsidiaries and affiliates as at June 30, 2012. Subsidiaries and affiliates are consolidated from the date of acquisition and control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries and affiliates are prepared for the same reporting period as Just Energy, using consistent accounting policies. All intercompany balances, income, expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated on consolidation.

**NOTE 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the interim condensed consolidated financial statements requires the use of estimates and assumptions to be made in applying the accounting policies that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis for making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Judgments made by management in the application of IFRS that have a significant impact on the interim condensed consolidated financial statements relate to the following:

**Impairment of non-financial assets**

Just Energy's impairment test is based on value-in-use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and are sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

**Deferred taxes**

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax-planning strategies.

**Development costs**

Development costs are capitalized when the product or process is technically and commercially feasible and sufficient resources have been allocated to complete development. Initial capitalization of costs is based on management's judgment that technical and economical feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model. As at June 30, 2012, the carrying amount of capitalized development costs was \$12,517 (March 31, 2012 – \$13,343). This amount primarily includes costs for the internal development of software tools for the customer billing and analysis in the various operating jurisdictions. These software tools are developed by the internal information technology and operations department, for the specific regional market requirements.

**Useful life of key property, plant and equipment and intangible assets**

The amortization method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by Just Energy.

**Provisions for litigation**

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. At this time, the likelihood of damages or recoveries and the ultimate amounts, if any, with respect to this litigation are not certain; however, an estimated amount has been recorded in these interim condensed consolidated financial statements as at June 30, 2012. In the general course of operations, Just Energy has made additional provisions for litigation matters that have arisen.

**Trade receivables**

Just Energy reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statements of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Just Energy makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

**Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to Note 7 for further details about the assumptions as well as sensitivity analysis.

**Acquisition accounting**

For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at fair value on the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition.

**NOTE 5 ACQUISITIONS****(a) Acquisition of Fulcrum Retail Holdings LLC**

On October 3, 2011, Just Energy completed the acquisition of the 100% equity interest of Fulcrum Retail Holdings LLC ("Fulcrum") with an effective date of October 1, 2011. The acquisition was funded by an issuance of \$100 million in convertible debentures (Note 10(f)).

The consideration for the acquisition was US\$79.4 million paid at the time of closing, subject to customary working capital adjustments. Just Energy paid US\$7.3 million in connection with the preliminary working capital adjustment, which is still subject to finalization. Just Energy will also pay up to US\$11.0 million in cash and issue up to 867,025 common shares (collectively, the "Earn-Out" amount) to the sellers 18 months following the closing date, provided that certain EBITDA and billed volume targets are satisfied by Fulcrum. On the Earn-Out amount, Just Energy will pay 4.006% interest on the cash portion and \$1.86 per share issued at the end of the Earn-Out period. The \$11.0 million is being held in a restricted cash account until the amount is finalized. The fair value of the contingent consideration at acquisition was estimated to be \$18,327. Changes in the fair value of the contingent consideration are recorded in the consolidated statements of income as a change in fair value of derivative instruments. The contingent consideration was valued at \$15,826 as at June 30, 2012, and is included in other current financial liabilities.

The acquisition of Fulcrum was accounted for using the acquisition 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:

**Fair value recognized on acquisition**

Current assets (including cash of \$3,875)	\$ 43,528
Property, plant and equipment	758
Software	215
Customer contracts and relationships	39,533
Affinity relationships	42,359
Brand	13,034
Contract initiation costs	156
Non-controlling interest	540
	<hr/>
	140,123
Current liabilities	(44,856)
Other liabilities – current	(12,430)
Other liabilities – long term	(3,768)
Deferred lease inducements	(322)
Long-term debt	(586)
	<hr/>
	(61,962)
Total identifiable net assets acquired	78,161
Goodwill arising on acquisition	21,106
	<hr/>
<b>Total consideration</b>	<b>\$ 99,267</b>
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Cash paid, net of estimated working capital adjustment	\$ 80,940
Contingent consideration (Earn-Out amount)	18,327
	<hr/>
<b>Total consideration</b>	<b>\$ 99,267</b>

The transaction costs related to the acquisition of Fulcrum were expensed in fiscal 2012. There were no changes made to the purchase price allocation during the three months ended June 30, 2012. Goodwill of \$21,106 comprises the value of expected ongoing synergies from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill associated with the Fulcrum acquisition is part of the electricity marketing segment. The purchase price allocation is considered preliminary, and as a result, it may be adjusted during the 12-month period following the acquisition, in accordance with IFRS.

The fair value of the trade receivables amounted to \$20,600 at the date of acquisition. The gross amount of trade receivables was \$27,540.

The customer contracts and relationships and affinity relationships are amortized over the average remaining life at the time of acquisition. The electricity customer contracts and customer relationships are amortized over 42 months (3.5 years). The affinity relationships are amortized over eight years. The brand value is considered to be indefinite and, therefore, is not subject to amortization. Brand represents the value allocated to the market awareness of the operating names used to sell and promote its products.

If the combination had taken place at the beginning of the prior fiscal year, consolidated sales would have been \$686,521, and the consolidated profit attributable to shareholders of Just Energy would have been \$53,871 for the three months ended June 30, 2011.



**NOTE 6 JOINT VENTURE**

Effective July 1, 2011, Just Energy has a 50% interest in Just Ventures LLC and Just Ventures L.P. (collectively "Just Ventures"), jointly controlled entities that are involved in the marketing of Just Energy products. The marketing efforts of Just Ventures are primarily Internet- and telemarketing-based, which differs from Just Energy's traditional sales channels.

Just Ventures is currently funded by its investors and all advances are recorded as additional capital contributions.

	2012
Share of the associate's revenue and loss:	
Revenue eliminated on consolidation	\$ 375
Loss	\$ (1,159)
Carrying amount of the investment	\$ -

At any time subsequent to the second anniversary of the joint venture agreements, the other participant in the joint venture has the ability to sell part or all of its membership interest in Just Ventures or part or all of the customer cash flows it is entitled to (the "Put"). As at June 30, 2012, the Put was estimated to have a nominal value and is therefore not reflected in these interim condensed consolidated financial statements.

**NOTE 7 FINANCIAL INSTRUMENTS****(a) Fair value**

Fair value is the estimated amount that Just Energy would pay or receive to dispose of the 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, 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 income. 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 table illustrates gains/(losses) related to Just Energy's derivative financial instruments classified as held-for-trading and recorded on the interim condensed consolidated statements of financial position as 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, 2012	For the three months ended June 30, 2012 (USD)	For the three months ended June 30, 2011	For the three months ended June 30, 2011 (USD)
<b>Change in fair value of derivative instruments</b>				
<b>Canada</b>				
Fixed-for-floating electricity swaps (i)	\$ 45,076	n/a	\$ 40,089	n/a
Renewable energy certificates (ii)	(683)	n/a	554	n/a
Verified emission-reduction credits (iii)	880	n/a	(19)	n/a
Options (iv)	480	n/a	4,324	n/a
Physical gas forward contracts (v)	59,766	n/a	28,502	n/a
Physical electricity forward contracts	(55)	n/a	—	n/a
Transportation forward contracts (vi)	4,549	n/a	661	n/a
Fixed financial swaps (vii)	3,441	n/a	(2,172)	n/a
<b>United States</b>				
Fixed-for-floating electricity swaps (viii)	39,597	39,201	15,504	16,023
Physical electricity forward contracts (ix)	160,403	158,799	(563)	(582)
Unforced capacity forward contracts (x)	(303)	(300)	(1,340)	(1,384)
Unforced capacity physical contracts (xi)	2,794	2,766	104	108
Renewable energy certificates (xii)	1,825	1,806	833	861
Verified emission-reduction credits (xiii)	491	486	(324)	(335)
Options (xiv)	193	189	647	669
Physical gas forward contracts (xv)	11,551	11,436	5,845	6,040
Transportation forward contracts (xvi)	444	439	250	258
Heat rate swaps (xvii)	23,361	23,127	(1,055)	(1,091)
Fixed financial swaps (xviii)	40,873	40,464	5,193	5,367
Weather derivative (xx)	2,689	2,641	—	—
Foreign exchange forward contracts (xix)	(318)	n/a	(549)	n/a
Ethanol physical forward contracts	—	n/a	(45)	n/a
Share swap	(7,016)	n/a	n/a	n/a
Amortization of deferred unrealized gains on discontinued hedges	11,581	n/a	20,392	n/a
Amortization of derivative financial instruments related to acquisitions	(13,506)	n/a	(37,134)	n/a
Change in fair value of contingent consideration	5,778	n/a	n/a	n/a
<b>Change in fair value of derivative instruments</b>	<b>\$ 393,891</b>		<b>\$ 79,697</b>	

The following table summarizes certain aspects of the financial assets and liabilities recorded in the interim condensed consolidated financial statements as at June 30, 2012:

	Other assets (current)	Other assets (non-current)	Other liabilities (current)	Other liabilities (non-current)
<b>Canada</b>				
Fixed-for-floating electricity swaps (i)	\$ 12	\$ –	\$ 77,554	\$ 57,844
Renewable energy certificates (ii)	98	33	354	706
Verified emission-reduction credits (iii)	74	79	81	40
Options (iv)	764	155	1,530	281
Physical gas forward contracts (v)	55	65	123,689	65,961
Transportation forward contracts (vi)	185	–	2,338	1,471
Fixed financial swaps (vii)	–	29	7,003	11,937
<b>United States</b>				
Fixed-for-floating electricity swaps (viii)	–	29	64,042	30,916
Physical electricity forward contracts (ix)	9,891	9,254	12,161	334
Unforced capacity forward contracts (x)	68	–	2,604	1,591
Unforced capacity physical contracts (xi)	2,372	–	4,546	261
Renewable energy certificates (xii)	1,030	1,090	737	635
Verified emission-reduction credits (xiii)	74	175	220	149
Options (xiv)	34	–	569	222
Physical gas forward contracts (xv)	–	–	22,275	3,970
Transportation forward contracts (xvi)	58	7	801	188
Heat rate swaps (xvii)	28,855	20,019	–	–
Fixed financial swaps (xviii)	2,388	250	54,666	32,875
Foreign exchange forward contracts (xix)	–	–	139	–
Weather derivative (xx)	2,689	–	–	–
Share swap	–	–	7,016	–
Contingent consideration	–	–	17,507	–
<b>As at June 30, 2012</b>	<b>\$ 48,647</b>	<b>\$ 31,185</b>	<b>\$ 399,832</b>	<b>\$ 209,381</b>

The following table summarizes certain aspects of the financial assets and liabilities recorded in the interim condensed consolidated financial statements as at March 31, 2012:

	Other assets (current)	Other assets (non-current)	Other liabilities (current)	Other liabilities (non-current)
<b>Canada</b>				
Fixed-for-floating electricity swaps (i)	\$ —	\$ —	\$ 105,794	\$ 74,614
Renewable energy certificates (ii)	154	49	158	292
Verified emission-reduction credits (iii)	—	—	387	462
Options (iv)	975	359	1,644	656
Physical gas forward contracts (v)	—	—	159,742	89,576
Transportation forward contracts (vi)	—	—	5,396	2,776
Fixed financial swaps (vii)	—	—	8,192	14,159
<b>United States</b>				
Fixed-for-floating electricity swaps (viii)	—	11	90,698	41,425
Physical electricity forward contracts (ix)	—	—	121,213	30,674
Unforced capacity forward contracts (x)	5	—	1,664	2,086
Unforced capacity physical contracts (xi)	724	—	4,642	1,225
Renewable energy certificates (xii)	266	305	750	889
Verified emission-reduction credits (xiii)	42	80	304	420
Options (xiv)	73	—	601	349
Physical gas forward contracts (xv)	40	—	29,442	7,720
Transportation forward contracts (xvi)	34	—	1,137	241
Heat rate swaps (xvii)	10,307	14,511	—	—
Fixed financial swaps (xviii)	—	—	81,497	42,053
Foreign exchange forward contracts (xix)	179	—	—	—
Contingent consideration	—	—	22,783	—
<b>As at March 31, 2012</b>	<b>\$ 12,799</b>	<b>\$ 15,315</b>	<b>\$ 636,044</b>	<b>\$ 309,617</b>

The following table summarizes financial instruments classified as held-for-trading as at June 30, 2012, to which Just Energy has committed:

Contract type	Notional volume	Total remaining volume	Maturity date	Fixed price	Fair value favourable/ (unfavourable)	Notional value
<b>Canada</b>						
(i) Fixed-for-floating electricity swaps*	0.0001–48 MWh	7,830,133 MWh	July 31, 2012 – December 31, 2019	\$16.75–\$128.13	(\$135,387)	\$430,497
(ii) Renewable energy certificates	10–187,500 MWh	1,376,810 MWh	December 31, 2012 – December 31, 2016	\$3.00–\$26.00	(\$930)	\$8,713
(iii) Verified emission-reduction credits	6,000–50,000 tonnes	599,000 tonnes	December 31, 2012 – December 31, 2016	\$6.25–\$11.50	\$32	\$5,307
(iv) Options	119–26,500 GJ/month	481,717 GJ	July 31, 2012 – February 28, 2014	\$7.16–\$12.39	(\$892)	(\$3,792)
(v) Physical gas forward contracts	1–14,294 GJ/day	65,060,957 GJ	July 31, 2012 – June 30, 2017	\$2.22–\$10.00	(\$189,529)	\$397,719
(vi) Transportation forward contracts	25–24,917 GJ/day	28,789,852 GJ	July 31, 2012 – August 31, 2015	\$0.0025–\$1.5600	(\$3,623)	\$13,129
(vii) Fixed financial swaps	14,000–139,500 GJ/month	20,724,272 GJ	July 31, 2012 – March 31, 2017	\$2.34–\$5.20	(\$18,911)	\$91,127
<b>United States</b>						
(viii) Fixed-for-floating electricity swaps*	0.10–160 MWh	10,007,392 MWh	July 1, 2012 – March 31, 2017	\$24.75–\$136.75 (US\$24.31–\$134.32)	(\$94,929) (US\$93,242)	\$498,867 (US\$489,998)
(ix) Physical electricity forward contracts	1–102 MWh	13,812,398 MWh	July 15, 2012 – September 30, 2017	\$0.35–\$110.25 (US\$0.34–\$108.29)	\$6,649 (US\$6,531)	\$641,189 (US\$629,790)
(x) Unforced capacity forward contracts	1–150 MWhCap	106,051 MWhCap	July 31, 2012 – May 31, 2014	\$60.57–\$8,000 (US\$59.49–\$7,857.77)	(\$4,127) (US\$4,054)	\$14,228 (US\$13,975)
(xi) Unforced capacity physical contracts	1–265 MWhCap	7,017 MWhCap	July 31, 2012 – May 31, 2016	\$1,620–\$9,350 (US\$1,591.2–\$9,183.77)	(\$2,433) (US\$2,390)	\$47,230 (US\$46,390)
(xii) Renewable energy certificates	10–160,000 MWh	4,237,450 MWh	December 31, 2012 – December 31, 2017	\$0.2–\$310 (US\$0.2–\$304.49)	\$749 (US\$736)	\$22,127 (US\$21,734)
(xiii) Verified emission-reduction credits	1–50,000 tonnes	658,001 tonnes	December 31, 2012 – December 31, 2016	\$3.5–\$8.75 (US\$3.44–\$8.59)	(\$120) (US\$118)	\$4,193 (US\$4,118)
(xiv) Options	110–60,000 mmbTU/month	917,325 mmbTU	July 31, 2012 – December 31, 2014	\$8.05–\$13.8 (US\$7.91–\$13.55)	(\$758) (US\$745)	(\$1,040) (US\$1,022)
(xv) Physical gas forward contracts	10–2,500 mmbTU/month	5,466,781 mmbTU	July 2, 2012 – July 31, 2014	\$2.87–\$11.88 (US\$2.82–\$11.67)	(\$26,246) (US\$25,779)	\$45,529 (US\$44,720)
(xvi) Transportation forward contracts	1–279,000 mmbTU/day	8,302,780 mmbTU	July 2, 2012 – August 31, 2015	\$0.0075–\$1.15 (US\$0.0073–\$1.13)	(\$924) (US\$908)	\$22,835 (US\$20,260)
(xvii) Heat rate swaps	1–100 MWh	3,143,370 MWh	July 31, 2012 – October 31, 2016	\$19.99–\$86.77 (US\$19.63–\$85.23)	\$48,876 (US\$48,007)	\$113,079 (US\$111,068)
(xviii) Fixed financial swaps	930–1,000,000 mmbTU/month	44,474,828 mmbTU	July 7, 2012 – May 31, 2017	\$2.33–\$9.26 (US\$2.29–\$9.10)	(\$84,904) (US\$83,394)	\$244,358 (US\$240,014)
(xix) Foreign exchange forward contracts	(\$509–\$5,091) (US\$500–\$5,000)	n/a	July 3, 2012 – April 1, 2013	\$0.9935–\$1.0365	(\$139) (US\$136)	(\$45,242) (US\$44,438)
(xx) Weather derivative	40 MWh	n/a	August 31, 2012	\$56–\$92 (US\$55–\$90)	\$2,689 (US\$2,641)	n/a

\* Some of the electricity fixed-for-floating contracts related to the Province of Alberta and the Province of Ontario are 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 are 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 on the discontinued hedges reported in accumulated other comprehensive income that is expected to be amortized to net income within the next 12 months is a gain of approximately \$24.5 million.

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 interim condensed consolidated financial statements.

#### **Share swap**

The Company has entered into a share swap agreement to manage the risks associated with the Company's restricted share grant and deferred share grant plans. The value of the 2.5 million shares under this share swap agreement is approximately \$33,803. Net monthly settlements received under the share swap agreement are recorded in other income. The Company marks to market the fair value of the share swap agreement and has included that value as other current financial liabilities on the statement of financial position. Changes in the fair value of the share swap agreement are recorded through the statements of income as a change in fair value of derivative instruments. The fair value of the equity swap as at June 30, 2012, was \$7,016 (2011 – \$NIL).

#### **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 and cash equivalents, current trade and other receivables, unbilled revenues, bank indebtedness, trade and other payables, and long-term debt under Level 1.

##### **Level 2**

Fair value measurements that 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 that 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 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 FV 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 the remaining years, Just Energy uses extrapolation, which leads 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 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 market 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 June 30, 2012:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and short-term deposits	\$ 70,921	\$ –	\$ –	\$ 70,921
Loans and receivables	401,463	–	–	401,463
Derivative financial assets	–	2,612	77,220	79,832
<b>Financial liabilities</b>				
Derivative financial liabilities	–	(73,381)	(535,832)	(609,213)
Other financial liabilities	1,130,136	–	–	1,130,136
<b>Total net derivative liabilities</b>	<b>\$ 1,602,520</b>	<b>\$ (70,769)</b>	<b>\$ (458,612)</b>	<b>\$ 1,073,139</b>

The following table illustrates the classification of financial assets/(liabilities) in the FV hierarchy as at March 31, 2012:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash and short-term deposits	\$ 65,419	\$ –	\$ –	\$ 65,419
Loans and receivables	437,216	–	–	437,216
Derivative financial assets	–	–	28,114	28,114
<b>Financial liabilities</b>				
Derivative financial liabilities	–	(98,193)	(847,468)	(945,661)
Other financial liabilities	(1,064,888)	–	–	(1,064,888)
<b>Total net derivative liabilities</b>	<b>\$ (562,253)</b>	<b>\$ (98,193)</b>	<b>\$ (819,354)</b>	<b>\$ (1,479,800)</b>

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, 2012, and the year ended March 31, 2012:

	June 30, 2012	March 31, 2012
<b>Balance, beginning of period</b>	<b>\$ (819,354)</b>	<b>\$ (743,488)</b>
Total gain/(losses) – Profit for the period	164,323	(376,121)
Purchases	1,566	(201,235)
Sales	3,074	41,547
Settlements	191,779	459,943
Transfer out of Level 3	–	–
<b>Balance, end of period</b>	<b>\$ (458,612)</b>	<b>\$ (819,354)</b>

**(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 June 30, 2012	
	Carrying amount	Fair value
Cash and cash equivalents	\$ 58,495	\$ 58,495
Restricted cash	12,426	12,426
Current trade and other receivables	268,804	268,804
Unbilled revenues	125,364	125,364
Non-current receivables	7,295	7,295
Other financial assets	79,832	79,832
Bank indebtedness, trade and other payables	293,548	293,548
Long-term debt	836,588	864,560
Other financial liabilities	609,213	609,213
	For the three months ended June 30	
	2012	2011
Interest expense on financial liabilities not held-for-trading	\$ 17,880	\$ 13,792

As at June 30, 2012 and March 31, 2012, the carrying value of cash and cash equivalents, restricted cash, current trade and other receivables, unbilled revenues and trade and other payables approximates 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, \$330 million and \$100 million convertible debentures, which are fair valued, based on market value. As at March 31, 2012, the fair value of long-term debt was \$826,991.

**(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 investments 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., Just Energy expects to have a greater exposure to U.S. fluctuations in the future than in prior years. Just Energy has economically 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, if the Canadian dollar had been 5% stronger or weaker against the U.S. dollar for the three months ended June 30, 2012, assuming that all the other variables had remained constant, profit for the period would have been \$12,400 higher/lower and other comprehensive income would have been \$6,700 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 period ended June 30, 2012, of approximately \$395.

**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 flows of Just Energy. Just Energy mitigates the exposure for variances in customer requirements that are driven by changes in expected weather conditions, through active management of the underlying portfolio, which involves, but is not limited to, the purchase of options including weather derivatives. Just Energy's ability to mitigate weather effects is limited by the severity of weather from normal.

**Commodity price sensitivity – all derivative financial instruments**

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 income taxes for the three months ended June 30, 2012, would have increased (decreased) by \$185,029 (\$184,531) primarily as a result of the change in fair value of Just Energy's derivative instruments.

**Commodity price sensitivity – Level 3 derivative financial instruments**

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 income taxes for the three months ended June 30, 2012, would have increased (decreased) by \$171,022 (\$170,541) primarily as a result of the change in 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, British Columbia, New York, Massachusetts, Pennsylvania, California, Michigan and Georgia, 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.

The aging of the accounts receivable from the above markets was as follows:

	June 30, 2012	March 31, 2012
Current	\$ 85,012	\$ 69,738
1–30 days	13,356	15,530
31–60 days	5,107	5,681
61–90 days	2,709	2,905
Over 91 days	18,068	19,947
	<b>\$ 124,252</b>	<b>\$ 113,801</b>

Changes in the allowance for doubtful accounts were as follows:

	June 30, 2012	March 31, 2012
Balance, beginning of period	\$ 34,926	\$ 25,115
Allowance on acquired receivables	–	6,940
Provision for doubtful accounts	8,640	28,514
Bad debts written off	(8,688)	(29,215)
Other	1,055	3,572
Balance, end of period	\$ 35,933	\$ 34,926

For the remaining markets, the local distribution companies ("LDCs") for a fee, provide collection services and assume the risk of any bad debts owing from Just Energy's customers. 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 June 30, 2012, the maximum counterparty credit risk exposure amounted to \$204,084, representing the risk relating to the Company's 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 June 30, 2012:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Trade and other payables	\$ 287,585	\$ 287,585	\$ 287,585	\$ –	\$ –	\$ –
Bank indebtedness	5,963	5,963	5,963	–	–	–
Long-term debt*	836,588	891,449	99,252	300,304	29,576	462,317
Derivative instruments	609,213	2,588,906	1,310,947	1,086,062	189,737	2,160
	\$ 1,739,349	\$ 3,773,903	\$ 1,703,747	\$ 1,386,366	\$ 219,313	\$ 464,477

As at March 31, 2012:

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Trade and other payables	\$ 287,145	\$ 287,145	\$ 287,145	\$ –	\$ –	\$ –
Bank indebtedness	1,060	1,060	1,060	–	–	–
Long-term debt*	776,683	833,962	97,611	252,570	26,433	457,348
Derivative instruments	945,661	2,596,314	1,363,421	1,057,222	175,049	622
	\$ 2,010,549	\$ 3,718,481	\$ 1,749,237	\$ 1,309,792	\$ 201,482	\$ 457,970

\* Included in long-term debt is \$330,000, \$100,000 and \$90,000 relating to convertible debentures, which may be settled through the issuance of shares at the option of the holder or Just Energy upon maturity.

In addition to the amounts noted above, at June 30, 2012, 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	\$ 48,658	\$ 85,362	\$ 68,152	\$ 51,447

(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 \$2,945 to accommodate for its counterparties' risk of default.

NOTE 8 **ACCUMULATED OTHER COMPREHENSIVE INCOME**

	Foreign currency translation adjustments	Cash flow hedges	Total
<b>For the three months ended June 30, 2012</b>			
Balance, beginning of period	\$ 31,419	\$ 38,874	\$ 70,293
Unrealized foreign currency translation adjustment	3,077	—	3,077
Amortization of deferred unrealized gain on discontinued hedges, net of income taxes of \$2,289	—	(9,292)	(9,292)
Balance, end of period	\$ 34,496	\$ 29,582	\$ 64,078
<b>For the three months ended June 30, 2011</b>			
Balance, beginning of period	\$ 29,033	\$ 94,886	\$ 123,919
Unrealized foreign currency translation adjustment	(3,745)	—	(3,745)
Amortization of deferred unrealized gain on discontinued hedges, net of income taxes of \$7,375	—	(13,017)	(13,017)
Balance, end of period	\$ 25,288	\$ 81,869	\$ 107,157

NOTE 9 **SHAREHOLDERS' CAPITAL**

Details of issued and outstanding shareholders' capital are as follows for the three months ended June 30, 2012, with comparatives for the year ended March 31, 2012:

	Three months ended June 30, 2012		Year ended March 31, 2012	
Issued and outstanding	Shares	Amount	Shares	Amount
Balance, beginning of period	139,348,926	\$ 993,181	136,963,726	\$ 963,982
Share-based awards exercised	29,357	442	91,684	1,385
Dividend reinvestment plan	—	—	2,377,616	28,413
Repurchase and cancellation of shares (i)	—	—	(84,100)	(599)
Balance, end of period	139,378,283	\$ 993,623	139,348,926	\$ 993,181

(i) **Repurchase and cancellation of shares**

During the prior fiscal year, Just Energy obtained approval from its Board of Directors and the Toronto Stock Exchange to make a normal course issuer bid to purchase up to 13,200,917 common shares for the 12-month period commencing December 16, 2011, and ending December 15, 2012. A maximum of 82,430 common shares can be purchased during any trading day.

During the prior fiscal year, Just Energy purchased and cancelled 84,100 common shares for a cash consideration of \$955. The average book value of \$599 was recorded as a reduction to share capital and the remaining loss of \$356 was allocated to accumulated deficit.

## NOTE 10 LONG-TERM DEBT AND FINANCING

	June 30, 2012	March 31, 2012
Credit facility (a)	\$ 144,097	\$ 98,455
Less: debt issue costs (a)	(1,004)	(1,196)
TGF credit facility (b)(i)	30,888	32,046
TGF debentures (b)(ii)	35,707	35,818
NHS financing (c)	159,965	147,220
\$90 million convertible debentures (d)	86,469	86,101
\$330 million convertible debentures (e)	293,379	291,937
\$100 million convertible debentures (f)	86,295	85,879
Capital leases (g)	792	423
	836,588	776,683
Less: current portion	(99,252)	(97,611)
	\$ 737,336	\$ 679,072

Future annual minimum repayments are as follows:

	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
Credit facility (a)	\$ —	\$ 144,097	\$ —	\$ —	\$ 144,097
TGF credit facility (b)(i)	30,888	—	—	—	30,888
TGF debentures (b)(ii)	35,707	—	—	—	35,707
NHS financing (c)	32,230	65,842	29,576	32,317	159,965
\$90 million convertible debentures (d)	—	90,000	—	—	90,000
\$330 million convertible debentures (e)	—	—	—	330,000	330,000
\$100 million convertible debentures (f)	—	—	—	100,000	100,000
Capital leases (g)	427	365	—	—	792
	\$ 99,252	\$ 300,304	\$ 29,576	\$ 462,317	\$ 891,449

The following table details the finance costs for the three months ended June 30. Interest is expensed at the effective interest rate.

	Three months ended June 30, 2012	Three months ended June 30, 2011
Credit facility (a)	\$ 3,213	\$ 1,946
TGF credit facility (b)(i)	468	537
TGF debentures (b)(ii)	1,083	1,130
NHS financing (c)	3,020	2,149
\$90 million convertible debentures (d)	1,718	1,690
\$330 million convertible debentures (e)	6,392	6,273
\$100 million convertible debentures (f)	1,854	—
Capital lease interest (g)	49	—
Unwinding of discount on provisions	83	67
	\$ 17,880	\$ 13,792

(a) As at June 30, 2012, Just Energy has 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, The Bank of Nova Scotia, The Toronto-Dominion Bank and Alberta Treasury Branches. The term of the facility expires 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 2.88% and 3.65%. Prime rate advances are at rates of interest that vary between bank prime plus 1.88% and 2.65% and letters of credit are at rates that vary between 2.88% and 3.65%. Interest rates are adjusted quarterly based on certain financial performance indicators.

As at June 30, 2012, the Canadian prime rate was 3.0% and the U.S. prime rate was 3.25%. As at June 30, 2012, Just Energy had drawn \$144,097 (March 31, 2012 – \$98,455) against the facility and total letters of credit outstanding amounted to \$126,114 (March 31, 2012 – \$121,054). As at June 30, 2012, unamortized debt issue costs relating to the facility are \$1,004 (March 31, 2012 – \$1,196). As at June 30, 2012, Just Energy has \$79,789 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 general security agreement and a pledge of the assets and securities of Just Energy and the majority of its operating subsidiaries and affiliates excluding, among others, NHS, HES and TGF. Just Energy is required to meet a number of financial covenants under the credit facility agreement. The credit facility agreement was amended, pursuant to which certain covenants were renegotiated to facilitate the growth of the business. As at June 30, 2012, all of these covenants had been met. Subsequent to June 30, 2012, the credit facility was increased by \$20 million to \$370 million.

- (b) In connection with an acquisition, 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, a mortgage on title to the land owned by TGF and a general security interest on all other current and acquired assets of TGF. 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 covenants were measured as at March 31, 2012, and TGF failed to meet all required covenants. The non-compliance was waived by the lenders but did result in a non-compliance fee of \$80, representing 0.25% of the loan balance as at March 31, 2012. The covenants will be re-measured at March 31, 2013. As at June 30, 2012, the amount owing under this facility amounted to \$30,888. The lenders have no recourse to the Company or any other Just Energy entity.

(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. On April 1, 2011, the interest rate was increased to 12%. 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. Compliance with the new covenants will be measured annually beginning with the fiscal 2013 year-end. The maturity date has been extended to May 15, 2014, with a call right any time after April 1, 2013. On March 31, 2012, TGF agreed with the debenture holders to increase the quarterly blended principal and interest payments to \$1,186 and to amend the financial covenants for fiscal 2013 to be more in line with the expected financial results of TGF for the year. TGF also agreed to make an additional debt repayment after March 31, 2013, if the cash flow from operations exceeds \$500 for fiscal 2013, provided that this type of payment will not create a non-compliance issue for the Company under the TGF credit facility. The debenture holders have no recourse to the Company or any other Just Energy entity. As at June 30, 2012, the amount owing under this debenture agreement amounted to \$35,707.

- (iii) TGF has a working capital operating line of \$7,000 bearing interest at a rate of prime plus 2%. In addition to the amount shown on the consolidated statements of financial position as bank indebtedness, TGF has total letters of credit issued of \$250.

- (c) NHS entered into a long-term financing agreement for the funding of new and existing rental water heater and HVAC contracts in the Enbridge and Union Gas distribution territories. 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, is required to remit an amount equivalent to the rental stream from customers on the water heater, furnace and air conditioner contracts for the first five, seven or ten years. As security for performance of the obligation, NHS has provided security over the water heaters, HVAC equipment and rental contracts, subject to the financing 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 \$159,965 owing under this agreement, including \$7,231 relating to the holdback provision, recorded in non-current receivables, as at June 30, 2012. NHS is required to meet a number of non-financial covenants under the agreement. As at June 30, 2012, all of these covenants had been met.

- (d) In conjunction with an acquisition, the Company also acquired the obligations of the convertible unsecured subordinated debentures (the “\$90 million convertible debentures”) issued in October 2007. The fair value of the \$90 million convertible debentures 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 34.96 shares as at June 30, 2012, representing a conversion price of \$28.60 per common share as at June 30, 2012. 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 three months ended June 30, 2012, interest expense amounted to \$1,718.

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, Just Energy assumed all of the obligations under the \$90 million convertible debentures.

The Company may, at its option, on not more than 60 days’ and not less than 30 days’ prior notice, subject to applicable regulatory approval and provided 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 \$90 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 common shares determined by dividing the principal amount of the \$90 million convertible debentures being repaid by 95% of the current market price on the date of redemption or maturity, as applicable.

- (e) In order to fund an acquisition on May 5, 2010, Just Energy issued \$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 three months ended June 30, 2012, interest expense amounted to \$6,392. 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 (\$22.50). 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 common shares 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’ deficit in the amount of \$33,914. Upon initial recognition of the convertible debentures, Just Energy recorded a deferred tax liability of \$15,728 and reduced the value of the equity component of convertible debentures by this amount. 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, Just Energy assumed all of the obligations under the \$330 million convertible debentures.

- (f) On September 22, 2011, Just Energy issued \$100 million of convertible unsecured subordinated debentures (the “\$100 million convertible debentures”) which was used to purchase Fulcrum. The \$100 million convertible debentures bear interest at an annual rate of 5.75%, payable semi-annually on March 31 and September 30 in each year commencing March 31, 2012, and have a maturity date of September 30, 2018. Each \$1,000 principal amount of the \$100 million convertible debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the maturity date and the last business day immediately preceding the date fixed for redemption into 56.0 common shares of Just Energy, representing a conversion price of \$17.85. The \$100 million convertible debentures are not redeemable at the option of the Company on or before September 30, 2014. After September 30, 2014, and prior to September 30, 2016, the \$100 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 price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the common shares is at least 125% of the conversion price. On or after September 30, 2016, the \$100 million convertible debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days’ and not less than 30 days’ prior notice, at a price equal to their principal amount plus accrued and unpaid interest.

The Company may, at its option, on not more than 60 days’ and not less than 30 days’ prior notice, subject to applicable regulatory approval and provided 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 \$100 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 common shares determined by dividing the principal amount of the \$100 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 \$100 million convertible debentures has been accounted for as a separate component of shareholders’ deficit in the amount of \$10,188. Upon initial recognition of the convertible debentures, Just Energy recorded a deferred tax liability of \$2,579 and reduced the equity component of the convertible debenture by this amount. The remainder of the net proceeds of the \$100 million convertible debentures has been recorded as long-term debt, which will be accreted up to the face value of \$100,000 over the term of the \$100 million convertible debentures using an effective interest rate of 8.6%. If the \$100 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. During the three months ended June 30, 2012, interest expense amounted to \$1,854.

- (g) The Company leases certain computer, office equipment and software. These financing arrangements bear interest at rates ranging from 0% to 29% and mature between April 20, 2013 and January 31, 2015.

#### NOTE 11 INCOME TAXES

	For the three months ended June 30, 2012	For the three months ended June 30, 2011
Current income tax expense (recovery)	\$ 257	\$ (2,238)
Deferred tax expense	32,440	9,459
Provision for income taxes	<u>\$ 32,697</u>	<u>\$ 7,221</u>

**NOTE 12 OTHER INCOME, EXPENSES AND ADJUSTMENTS****(a) Other operating expenses**

	For the three months ended June 30, 2012	For the three months ended June 30, 2011
Amortization of acquired gas contracts	\$ 3,959	\$ 6,740
Amortization of acquired electricity contracts	9,471	16,166
Amortization of acquired water heater and HVAC contracts	414	399
Amortization of other intangible assets	7,935	5,999
Amortization of property, plant and equipment	1,756	1,341
Bad debt expense	8,640	6,814
Share-based compensation	3,232	1,681
	<u>\$ 35,407</u>	<u>\$ 39,140</u>

**(b) Amortization and cost of inventories included in the consolidated statements of income**

	For the three months ended June 30, 2012	For the three months ended June 30, 2011
Included in cost of sales		
Amortization	\$ 3,142	\$ 2,903
Costs recognized as an expense	528,673	529,036
	<u>\$ 531,815</u>	<u>\$ 531,939</u>

**(c) Included in change in fair value of derivative instruments**

	For the three months ended June 30, 2012	For the three months ended June 30, 2011
Amortization of acquired gas contracts	\$ 3,219	\$ 12,765
Amortization of acquired electricity contracts	10,287	24,369

**(d) Employee benefit expense**

	For the three months ended June 30, 2012	For the three months ended June 30, 2011
Wages, salaries and commissions	\$ 59,005	\$ 38,203
Benefits	5,006	5,250
	<u>\$ 64,011</u>	<u>\$ 43,453</u>

**NOTE 13 REPORTABLE BUSINESS SEGMENTS**

Just Energy operates in the following reportable segments: gas marketing, electricity marketing, ethanol, home services and other. Other represents HES and Momentis. Reporting by products and services is in line with Just Energy's performance measurement parameters.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements. Just Energy is not considered to have any key customers.



For the three months ended June 30, 2012	Gas marketing	Electricity marketing	Ethanol	Home services	Other	Consolidated
Sales	\$ 120,096	\$ 483,420	\$ 23,537	\$ 10,924	\$ 8,097	\$ 646,074
Gross margin	14,653	82,946	602	8,479	7,579	114,259
Amortization of property, plant and equipment	241	777	665	57	16	1,756
Amortization of intangible assets	5,796	15,558	6	414	5	21,779
Administrative expenses	7,795	20,110	2,266	3,792	2,141	36,104
Selling and marketing expenses	10,704	30,771	–	1,081	16,010	58,566
Other operating expenses	(826)	11,917	–	500	281	11,872
Operating profit (loss) for the period	\$ (9,057)	\$ 3,813	\$ (2,335)	\$ 2,635	\$ (10,874)	\$ (15,818)
Finance costs	(3,648)	(9,641)	(1,570)	(3,021)	–	(17,880)
Change in fair value of derivative instruments	85,528	308,668	–	(305)	–	393,891
Proportionate share of loss from joint venture	(322)	(837)	–	–	–	(1,159)
Other income	509	(98)	–	2	1,889	2,302
Provision for income taxes	1,901	5,275	–	25,521	–	32,697
Profit (loss) for the period	\$ 71,109	\$ 296,630	\$ (3,905)	\$ (26,210)	\$ (8,985)	\$ 328,639
Capital expenditures	\$ (1,780)	\$ (86)	\$ (1)	\$ (9,151)	\$ (13,310)	\$ (24,328)
Total goodwill	\$ 127,341	\$ 123,186	\$ –	\$ 283	\$ –	\$ 250,810
Total assets	\$ 408,774	\$ 815,558	\$ 146,129	\$ 164,013	\$ 49,085	\$ 1,583,559
Total liabilities	\$ 625,728	\$ 925,848	\$ 79,359	\$ 169,081	\$ 3,638	\$ 1,803,654

For the three months ended June 30, 2011	Gas marketing	Electricity marketing	Ethanol	Home services	Other	Consolidated
Sales	\$ 202,450	\$ 385,347	\$ 30,192	\$ 7,807	\$ 404	\$ 626,200
Gross margin	25,105	60,017	2,545	6,232	362	94,261
Amortization of property, plant and equipment	337	670	293	38	3	1,341
Amortization of intangible assets	8,878	20,022	5	399	–	29,304
Administrative expenses	8,830	12,621	2,765	2,863	1,205	28,284
Selling and marketing expenses	10,537	21,600	–	1,300	1,117	34,554
Other operating expenses	1,058	7,143	–	294	–	8,495
Operating profit (loss) for the period	\$ (4,535)	\$ (2,039)	\$ (518)	\$ 1,338	\$ (1,963)	\$ (7,717)
Finance costs	(3,512)	(6,437)	(1,687)	(2,151)	(5)	(13,792)
Change in fair value of derivative instruments	51,582	28,160	(45)	–	–	79,697
Other income	40	60	–	–	65	165
Provision for (recovery of) income taxes	2,635	4,620	–	–	(34)	7,221
Profit (loss) for the period	\$ 40,940	\$ 15,124	\$ (2,250)	\$ (813)	\$ (1,869)	\$ 51,132
Capital expenditures	\$ 667	\$ 1,294	\$ 27	\$ 9,526	\$ 81	\$ 11,595
As at March 31, 2012:						
Total goodwill	\$ 127,055	\$ 121,827	\$ –	\$ 283	\$ –	\$ 249,165
Total assets	\$ 350,915	\$ 904,504	\$ 123,604	\$ 159,696	\$ 4,325	\$ 1,543,044
Total liabilities	\$ 543,062	\$ 1,250,564	\$ 76,995	\$ 168,715	\$ 5,117	\$ 2,044,453

**Geographic information****Revenues from external customers**

	For the three months ended June 30, 2012	For the three months ended June 30, 2011
Canada	\$ 201,569	\$ 281,415
United States	444,505	344,785
Total revenue per interim consolidated statements of income	\$ 646,074	\$ 626,200

The revenue is based on the location of the customer.

**Non-current assets**

Non-current assets for this purpose consist of property, plant and equipment and intangible assets and are summarized as follows:

	As at June 30, 2012	As at March 31, 2012
Canada	\$ 480,759	\$ 480,452
United States	346,518	354,384
United Kingdom <sup>1</sup>	842	–
Total	\$ 828,119	\$ 834,836

<sup>1</sup> Subsequent to June 30, 2012, Just Energy began operating in the United Kingdom.

**NOTE 14 EARNINGS PER SHARE**

	2012	2011
<b>Basic earnings per share</b>		
Profit available to shareholders	\$ 328,472	\$ 51,132
Basic shares outstanding	139,352,152	137,180,059
Basic earnings per share	\$ 2.36	\$ 0.37
<b>Diluted earnings per share</b>		
Profit available to shareholders	\$ 328,472	\$ 51,132
Adjustment for dilutive impact of convertible debentures	7,250	6,017
Adjusted earnings	\$ 335,722	\$ 57,149
Basic shares outstanding	139,352,152	137,180,059
<b>Dilutive effect of:</b>		
Restricted share grants	3,711,204	3,076,129
Deferred share grants	136,730	108,335
Convertible debentures	27,082,427	21,188,081
Shares outstanding on a diluted basis	170,282,513	161,552,604
Diluted earnings per share	\$ 1.97	\$ 0.35

**NOTE 15 DIVIDENDS PAID AND PROPOSED**

For the three months ended June 30, 2012, dividends of \$0.31 (2011 – \$0.31) per share were declared and paid by Just Energy. This amounted to \$44,390 (2011 – \$43,605), which was approved throughout the period by the Board of Directors and was paid out during the period.

**Declared dividends subsequent to quarter end**

On July 3, 2012, the Board of Directors of Just Energy declared a dividend in the amount of \$0.10333 per common share (\$1.24 annually). The dividend was paid on July 31, 2012, to shareholders of record at the close of business on July 16, 2012.

On August 1, 2012, 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 August 31, 2012, to shareholders of record at the close of business on August 15, 2012.

**NOTE 16 COMMITMENTS**

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

*As at June 30, 2012*

	Less than 1 year	1 to 3 years	4 to 5 years	Exceeding 5 years	Total
Premises and equipment leasing	\$ 7,958	\$ 11,699	\$ 7,259	\$ 6,528	\$ 33,444
Grain production contracts	14,372	–	–	–	14,372
Long-term gas and electricity contracts	1,310,947	1,086,062	189,737	2,160	2,588,906
	<u>\$1,333,277</u>	<u>\$1,097,761</u>	<u>\$ 196,996</u>	<u>\$ 8,688</u>	<u>\$2,636,722</u>

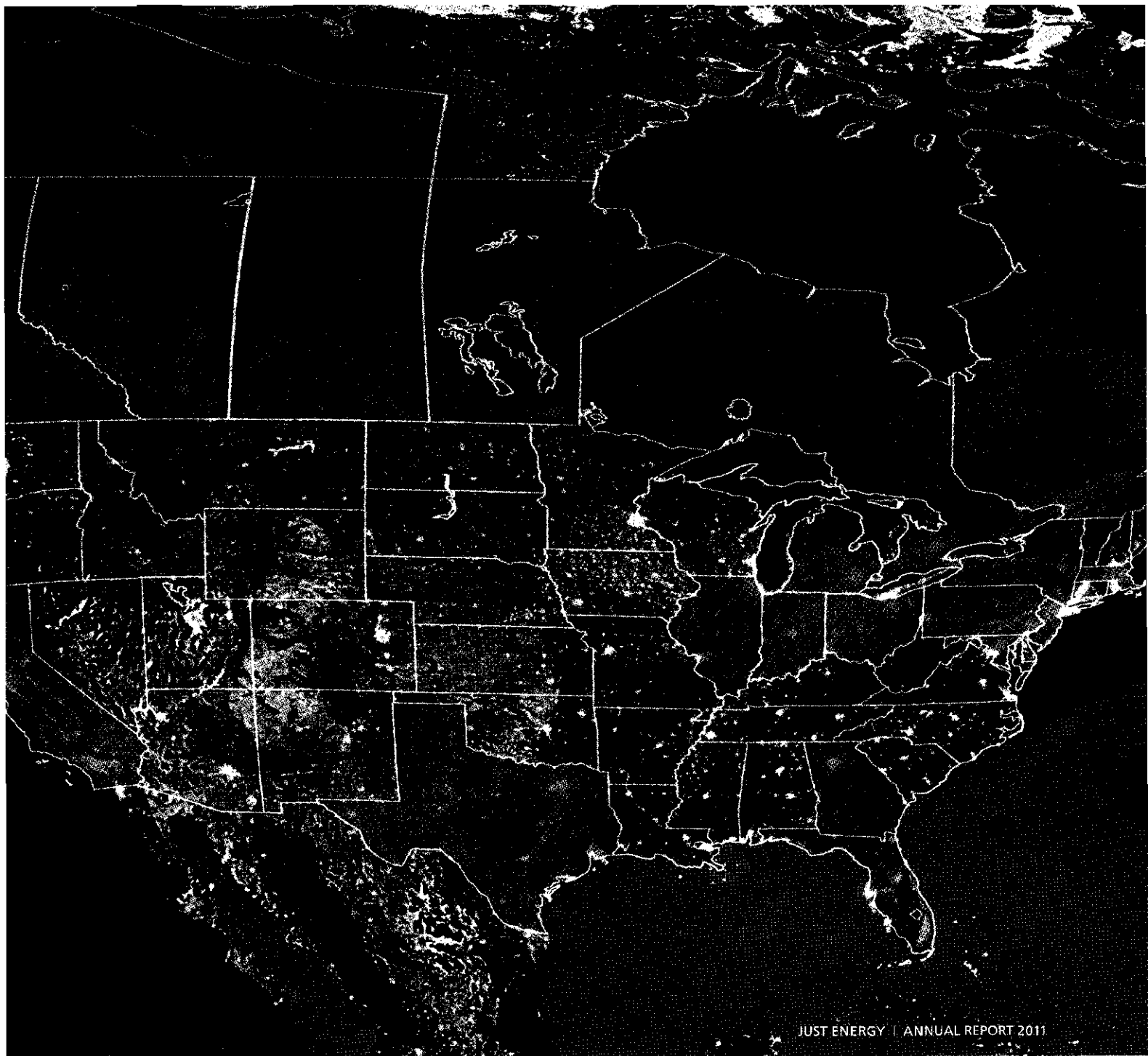
Just Energy is also committed under long-term contracts with customers to supply gas and electricity. These contracts have various expiry dates and renewal options. Just Energy has entered into leasing contracts for office buildings and administrative equipment. These leases have a leasing period of between one and eight years. For the main office building of Just Energy, there is a renewal option for an additional five years. No purchase options are included in any major leasing contracts.

**NOTE 17 COMPARATIVE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 18 SUBSEQUENT EVENT**

On August 1, 2012, HES entered into a US\$30 million credit facility that will be used to assist with the construction of solar projects. The credit facility has a two-year term, under which advances will be made in connection with interconnected solar projects located in the United States. Advances will bear interest, payable quarterly, at a rate of either LIBOR plus 7.9% or the prime rate as published in the Eastern Edition of the Wall Street Journal plus 6.9%. The credit facility may be increased from time to time upon agreement by the lender.



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## PROVIDING ENERGY AND INNOVATION ACROSS NORTH AMERICA

Just Energy has been providing price-protected energy supply to North American homes and businesses since 1997. We provide gas and electricity sufficient to meet the needs of more than 3.3 million commercial and residential customer equivalents in 13 states and 6 provinces.

### LEADER IN GREEN ENERGY

Just Energy is one of North America's largest competitive green energy retailers. We invest in green energy generation and carbon reduction projects that broaden customer choice and accessibility. By putting more choice and control in the hands of consumers, we provide them with easy, hassle-free options to mitigate the environmental impact associated with their home energy use. Since 2007, our hundreds of thousands of green customers have helped offset over 443,000 metric tonnes of carbon emissions and inject 1.95 million MWh of renewable energy into electricity grids – see page 6.

### STRENGTH IN RESIDENTIAL

We are one of the dominant suppliers in every region in which we compete. During fiscal 2011, we added a record 428,000 customers through marketing. Today, few retailers can match Just Energy's geographic reach and sales force – see page 8.

### GROWTH IN COMMERCIAL

We added 571,000 new commercial customers in fiscal 2011. Mid-sized businesses and institutional users such as hospitals and school boards now represent approximately 40% of our total customer base – see page 10.

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 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. Just Energy also offers "green" products through its JustGreen program. In addition, through National Home Services, Just Energy rents and sells high efficiency and tankless water heaters, air conditioners and furnaces to Ontario residents. Through Hudson Solar, the Company completes solar power installations for customers in New Jersey. Through Terra Grain Fuels, Just Energy produces and sells wheat-based ethanol.