

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") – MAY 19, 2010

Overview

The following discussion and analysis is a review of the financial condition and results of operations of Just Energy Income Fund ("Just Energy" or the "Fund") for the year ended March 31, 2010, and has been prepared with all information available up to and including May 19, 2010. This analysis should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2010. The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts are expressed in Canadian dollars. Quarterly reports, the annual report and supplementary information can be found under "reports and filings" on our corporate website at www.justenergy.com. Additional information can be found on SEDAR at www.sedar.com.

Just Energy is an open-ended, limited-purpose trust established under the laws of the Province of Ontario to hold securities and to distribute the income of its directly or indirectly owned operating subsidiaries and affiliates: Just Energy Ontario L.P. ("JE Ontario"), Just Energy Manitoba L.P. ("JE Manitoba"), Just Energy Quebec L.P. ("JE Quebec"), Just Energy (B.C.) Limited Partnership ("JE B.C."), Just Energy Alberta L.P. ("JE Alberta"), Alberta Energy Savings L.P. ("AESLP"), Just Energy Illinois Corp. ("JEIC"), Just Energy New York Corp. ("JENYC"), Just Energy Indiana Corp. ("JE Indiana"), Just Energy Texas L.P. ("JE Texas"), Just Energy Exchange Corp. ("JEEC"), Universal Energy Corp. ("UEC"), Universal Gas and Electric Corporation ("UG&E"), Commerce Energy, Inc. ("Commerce"), National Energy Corp. ("NEC") operating under the trade name of National Home Services ("NHS"), and Terra Grain Fuels Inc. ("TGF"), collectively, the "Just Energy Group".

Just Energy's business primarily involves the sale of natural gas and/or electricity to residential and commercial customers under long-term fixed-price and price-protected contracts. By fixing the price of natural gas or electricity under its fixed-price or price-protected program contracts for a period of up to five years, Just Energy's customers offset their exposure to changes in the price of these essential commodities. Just Energy, which commenced business in 1997, derives its margin or gross profit from the difference between the fixed price at which it is able to sell the commodities to its customers and the fixed price at which it purchases the associated volumes from its suppliers. In addition, through NHS, the Fund sells and rents high efficiency and tankless water heaters. TGF, an ethanol producer, operates an ethanol facility in Belle Plaine, Saskatchewan. Subsequent to year-end, Just Energy acquired Hudson Energy Services, LLC ("Hudson"), a marketer of natural gas and electricity who sells primarily to commercial customers in New York, New Jersey, Illinois and Texas.

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

Forward-looking information

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

Key terms

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

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

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

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

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

"RCE" means residential customer equivalent or the "customer", which is a unit of measurement equivalent to a customer using, as regards natural gas, 2,815 m³ (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

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

Seasonally adjusted sales and seasonally adjusted gross margin

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

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

Cash Available for Distribution

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

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

For reconciliation to cash from operating activities, please refer to the "Cash Available for Distribution and distributions" analysis on page 22.

EBITDA

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

Adjusted net income (loss)

"Adjusted net income (loss)" represents the net income (loss) excluding the impact of mark to market gains (losses) arising from derivative financial instruments on our future supply. Just Energy ensures that customer margins are protected by entering into fixed-price supply contracts. In accordance with GAAP, the associated customer contracts are not marked to market, but there is a requirement to mark to market the future supply contracts. This creates unrealized gains (losses) that are not offset by the related customer gains (losses).

Management believes that these short-term mark to market non-cash gains (losses) do not impact the long-term financial performance of the Fund. The related future supply has been sold under long-term customer contracts at fixed prices; therefore, the annual movement in the theoretical value of this future supply is not an appropriate measure of current or future operating performance.

Embedded gross margin

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

Standardized Distributable Cash

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

For reconciliation to cash from operating activities, please refer to the "Standardized Distributable Cash and Cash Available for Distribution" analysis on page 24.

Financial highlights

For the years ended March 31

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

	Fiscal 2010			Fiscal 2009			Fiscal 2008	
	\$	Per unit ⁴	Per unit change ⁴	\$	Per unit ⁴	Per unit change ⁴	\$	Per unit ⁴
Sales	2,299,231	\$ 17.77	4%	1,899,213	\$ 17.03	9%	1,738,690	\$ 16.04
Net income (loss) ¹	231,496	\$ 1.79	NMF ⁵	(1,107,473)	\$(10.03)	NMF ⁵	152,761	\$ 1.41
Gross margin (seasonally adjusted) ²	425,882	\$ 3.29	16%	315,193	\$ 2.83	16%	272,180	\$ 2.51
Distributable cash								
After gross margin replacement	230,000	\$ 1.78	2%	195,520	\$ 1.75	15%	169,997	\$ 1.57
After marketing expense	197,033	\$ 1.52	0%	169,353	\$ 1.52	11%	152,834	\$ 1.41
Distributions (including Special Distribution) ⁶	187,418	\$ 1.45	4%	156,604	\$ 1.40	(10)%	173,531	\$ 1.60
Distributions (excluding Special Distribution)	160,722	\$ 1.24	0%	138,030	\$ 1.24	7%	128,840	\$ 1.19
General and administrative	88,423	\$ 0.68	28%	59,586	\$ 0.53	15%	51,638	\$ 0.48
Distributable cash payout ratio (including Special Distribution)								
After gross margin replacement	81%			80%			102%	
After marketing expense	95%			92%			114%	
Distributable cash payout ratio ³ (excluding Special Distribution)								
After gross margin replacement	70%			71%			76%	
After marketing expense	82%			82%			84%	

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

² See discussion of non-GAAP financial measures on page 18.

³ Management targets an annual payout ratio after all marketing expenses, excluding any Special Distribution, of less than 100%.

⁴ The per unit calculation reflects a fully diluted basis. Year over year change is calculated on a per unit basis. The diluted weighted average number of units is 129.4 million for fiscal 2010, 111.5 million for fiscal 2009 and 108.4 million for fiscal 2008, with the exception of net income for fiscal 2009 which was calculated using an anti-dilutive unit figure of 110.5 million.

⁵ Not a meaningful number.

⁶ In calendar 2009, 2008 and 2007, the Fund under-distributed its taxable income and the Board of Directors concluded that a Special Distribution be paid to ensure that all taxable income would be distributed. Refer to "Special Distribution" on page 35 for further information.

Reconciliation of net income (loss) to adjusted net income

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Net income (loss)	\$ 231,496	\$(1,107,473)	\$ 152,761
Change in fair value of derivative instruments	1,282	1,336,976	831
Tax impact on change in fair value of derivative instruments	(47,511)	(59,574)	3,130
Adjusted net income	\$ 185,267	\$ 169,929	\$ 156,722

Acquisition of Universal Energy Group

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

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

Net assets acquired:

Working capital (including cash of \$10,319)	\$	74,314
Electricity contracts and customer relationships		229,586
Gas contracts and customer relationships		243,346
Water heater contracts and customer relationships		22,700
Other intangible assets		2,721
Goodwill		66,794
Property, plant and equipment		171,693
Future tax liabilities		(50,475)
Other liabilities – current		(164,148)
Other liabilities – long-term		(140,857)
Long-term debt		(183,079)
Non-controlling interest		(22,697)
	\$	<u>249,898</u>

Consideration:

Transaction costs	\$	9,952
Exchangeable Shares		<u>239,946</u>
	\$	<u>249,898</u>

All contracts, customer relationships and intangible assets are amortized over the average remaining life at the time of acquisition. The gas and electricity contracts, including customer relationships, acquired are amortized over periods ranging from eight to 57 months. The water heater contracts and customer relationships are amortized over 174 months and the other intangible assets are amortized over six months. The non-controlling interest represents 33.3% ownership of TGF held by Ellis Don Corporation. The purchase price allocation is considered preliminary and as a result may be adjusted during the 12-month period following the acquisition.

Operations

Gas

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

Ontario, Quebec, British Columbia and Michigan

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

Manitoba and Alberta

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

New York, Illinois, Indiana, Ohio and California

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

Electricity***Ontario, Alberta, New York, Texas, Pennsylvania, New Jersey, Maryland, Michigan and California***

Just Energy does not bear the risk for variations in residential customer consumption in any of the electricity markets in which it operates other than for certain customers in Texas and Alberta and the customers acquired in the Universal acquisition (customers located in Pennsylvania, New Jersey, Maryland, Michigan and California). In Ontario and New York, Just Energy provides customers with price protection for the majority of their electricity requirements. The customers experience either a small balancing charge or credit on each bill due to fluctuations in prices applicable to their volume requirements not covered by a fixed price. To the extent possible given the competitive nature and market knowledge of customers, future offerings for Texas customers will be a load balanced product, and Just Energy will not bear the risk for variations in customer consumption.

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

Home services division

NEC began operations in April 2008 and operates under the trade name of National Home Services ("NHS"). Newten Home Comfort L.P. ("NHCLP"), a partnership between Just Energy and Newten Home Comfort Inc., an arm's length third party holding 20% of the partnership, commenced providing Ontario residential customers with a long-term water heater rental program in the summer of 2008. The products offered included high efficiency conventional and power vented tanks and tankless water heaters. On July 2, 2009, NEC, a wholly owned home services subsidiary of UEG, acquired Newten Home Comfort Inc. Accordingly, NHCLP became a wholly owned subsidiary of Just Energy. On September 30, 2009, NEC acquired substantially all of the assets of NHCLP, including all of NHCLP's customer water heater rental agreements. NHCLP and Newten Home Comfort Inc. were subsequently wound up. NEC began offering the rental of air conditioners and furnaces to Ontario residents in the fourth quarter of fiscal 2010. See page 32 for additional information on NHS.

Ethanol division

Just Energy also owns a 66.7% interest in TGF, a 150-million-litre capacity wheat-based ethanol plant located in Belle Plaine, Saskatchewan. The plant produces wheat-based ethanol and high protein distillers dried grain ("DDG"). See page 33 for additional information on TGF.

Cash Available for Distribution and distributions

For the years ended March 31

(thousands of dollars, except per unit amounts)

	Fiscal 2010	Per unit	Fiscal 2009	Per unit	Fiscal 2008	Per unit
Reconciliation to statements of cash flow						
Cash inflow from operations	\$ 158,273		\$ 172,767		\$ 136,007	
Add:						
Increase (decrease) in non-cash working capital	35,523		(6,181)		11,879	
Tax adjustments	3,237		2,767		4,948	
Cash Available for Distribution	\$ 197,033		\$ 169,353		\$ 152,834	
Cash Available for Distribution						
Gross margin per financial statements	\$ 415,333	\$ 3.21	\$ 322,816	\$ 2.90	\$ 274,800	\$ 2.53
Adjustments required to reflect net cash receipts from gas sales	10,549		(7,623)		(2,620)	
Seasonally adjusted gross margin	\$ 425,882	\$ 3.29	\$ 315,193	\$ 2.83	\$ 272,180	\$ 2.51
Less:						
General and administrative	(88,423)		(59,586)		(51,638)	
Capital tax expense	(522)		(220)		(827)	
Bad debt expense	(17,940)		(13,887)		(6,951)	
Income tax recovery (expense)	(18,517)		(3,861)		757	
Interest expense	(16,134)		(3,857)		(5,346)	
Other items	8,447		3,664		780	
	(133,089)		(77,747)		(63,225)	
Distributable cash before marketing expenses	292,793	\$ 2.27	237,446	\$ 2.13	208,955	\$ 1.93
Marketing expenses to maintain gross margin	(62,793)		(41,926)		(38,958)	
Distributable cash after gross margin replacement	230,000	\$ 1.78	195,520	\$ 1.75	169,997	\$ 1.57
Marketing expenses to add new gross margin	(32,967)		(26,167)		(17,163)	
Cash Available for Distribution	\$ 197,033	\$ 1.52	\$ 169,353	\$ 1.52	\$ 152,834	\$ 1.41
Distributions (includes Special Distribution)						
Unitholder distributions	\$ 177,733		\$ 147,399		\$ 158,511	
Class A preference share distributions	7,579		7,660		13,699	
Unit appreciation rights and deferred unit grants distributions	2,106		1,545		1,321	
Total distributions	\$ 187,418	\$ 1.45	\$ 156,604	\$ 1.40	\$ 173,531	\$ 1.60
Distributions (excludes Special Distribution)						
Unitholder distributions	\$ 152,386		\$ 129,872		\$ 117,720	
Class A preference share distributions	6,526		6,791		10,130	
Unit appreciation rights and deferred unit grants distributions	1,810		1,367		990	
Total distributions	\$ 160,722	\$ 1.24	\$ 138,030	\$ 1.24	\$ 128,840	\$ 1.19
Diluted average number of units outstanding		129.4m		111.5m		108.4m

Distributable cash

Distributable cash after gross margin replacement for the current year ended March 31, 2010, was \$230.0 million (\$1.78 per unit), up 18% from \$195.5 million (\$1.75 per unit) in fiscal 2009. The growth reflects a 35% increase in seasonally adjusted gross margin. Factors contributing to margin growth include a 28% year over year increase in total customers, which was a result of a record 505,000 new customer additions and 430,000 acquired customers from Universal. Increased distributable cash was the result of the acquired Universal customers, higher margin per customer due to opportunistic pricing, and continued strong acceptance of the JustGreen product as well as improved supply management, particularly in Texas. This growth was offset by a 4% year over year decline in the U.S. dollar, higher income taxes and interest expenses. On a per unit basis (reflecting the additional units issued to acquire Universal), distributable cash after gross margin replacement was up 2% and seasonally adjusted gross margin increased by 16%, reflecting higher gross margin per customer offset by the anticipated drop in margin from customers acquired from Universal that were not expected to renew as well as non-recurring costs of the Universal merger. The largest contributor in the disparity between distributable cash and gross margin growth was an increase in general and administrative costs versus fiscal 2009 due to the inclusion of costs associated with the start-up phase at TGF and NHS. These businesses did not generate distributable cash in fiscal 2010 but added \$14.9 million to general and administrative costs. Both businesses are expected to contribute to distributable cash in fiscal 2011.

The fiscal 2010 costs reflect general and administrative levels which do not reflect the full synergies that will be realized in the Universal acquisition. Management initially estimated that these savings would be \$10 million per year and actual savings will exceed this amount. The benefit will be reflected in lower general and administrative cost growth in future years.

In addition, higher general and administrative costs reflect increased staffing expenses to support future growth, increased collection costs and professional fee expenditures on review of potential acquisitions and the Fund's conversion plan, International Financial Reporting Standards ("IFRS") and other corporate development activities. Bad debt expense increased in fiscal 2010 compared to fiscal 2009 primarily due to the higher volumes in those markets where the Fund bears the credit risk as well as continued weak economic conditions in the U.S. markets. Income tax expense was up in fiscal 2010 due to the Universal entities and tax liabilities in the U.S. In the distributable cash calculation, a current tax provision of \$0.7 million has been deducted as it relates to a reserve amount which, in management's view, will not likely be paid in the next year. Interest expense also increased by \$12.3 million over the prior year due to the Universal debentures and TGF credit facilities.

Just Energy spent \$62.8 million in marketing expenses to maintain its current level of gross margin, which represents 66% of the total marketing expense for the year. A further \$33.0 million was spent to generate gross margin growth in future years, which, combined with expenditures to maintain gross margin, resulted in a record 505,000 gross RCE additions and 73,000 net RCE additions in the current year.

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

(in millions of dollars)

	March 31, 2010	March 31, 2009	Increase
Canada (CAD\$)	\$ 783.1	\$ 697.1	12%
United States (US\$)	414.6	278.5	49%
Total (CAD\$)	\$ 1,204.3	\$ 1,020.3	18%

Excluding the Special Distribution, the payout ratio after deduction of all marketing expenses for the current year was 82% for the current and prior year.

For further information on the changes in the gross margin, please refer to "Sales and gross margin – Seasonally adjusted" on page 28 and "General and administrative expenses", "Marketing expenses", "Bad debt expense" and "Interest expense" are further clarified on pages 34 to 35.

Discussion of distributions

For the years ended March 31

(thousands of dollars)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Cash flow from operations ¹ (A)	\$ 158,273	\$ 172,767	\$ 136,007
Net income (loss) (B)	231,496	(1,107,473)	152,761
Total distributions ² (C)	187,418	156,604	173,531
Excess (shortfall) of cash flows from operating activities over distributions paid (A–C)	(29,145)	16,163	(37,524)
Excess (shortfall) of net income over distributions paid (B–C)	44,078	(1,264,077)	(20,770)

¹ Includes non-cash working capital balances.

² Includes Special Distributions of \$26.7 million in fiscal 2010, \$18.6 million in fiscal 2009 and \$44.7 million in fiscal 2008.

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

The change in fair value associated with these derivatives included in the net income for the 2010 fiscal year was a loss of \$1.3 million versus a loss of \$1.3 billion last year. In fiscal 2009, Just Energy moved away from hedge accounting during a time of significant commodity market price movement; the combination of these events resulted in a \$1.3 billion loss reported in the statement of profit and loss. In fiscal 2010, there was no change in policy and although there has been volatility in commodity prices during the year, the year over year change in these prices was not nearly as significant to the portfolio. In fiscal 2008, the change in fair value for the year was \$76.9 million, of which \$0.8 million was reported in the Statement of Operations. The remaining amount was reported in the statement of comprehensive income.

The Fund has, in the past, paid out distributions that were higher than both financial statement net income and operating cash flow. In the view of management, distributable cash, the non-GAAP measure, is an appropriate measure of the Fund's ability to distribute funds, as the cost of carrying incremental working capital necessary for the growth of the business has been deducted in the distributable cash calculation. Further, investment in the addition of new customers intended to increase cash flow is expensed in the financial statements while the original customer base was capitalized. Capital expenses at NEC are related to the growth of productive capacity of that business in that the capital cost will be more than offset by the rental contract margins in future periods. NEC has reached a new agreement with Home Trust Company to separately finance its water heaters. See page 39 for further discussion on this financing. In addition, the capital expenditures for TGF are funded through its credit facility and debt instruments. Management believes that the current \$1.24 per unit annual level of distributions is sustainable in the foreseeable future both as a trust and, subsequently, as a dividend following conversion to a corporate structure.

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

Standardized Distributable Cash and Cash Available for Distribution

For the years ended March 31

(thousands of dollars, except per unit amounts)

	Fiscal 2010	Fiscal 2009	Fiscal 2008
Reconciliation to statements of cash flow			
Cash inflow from operations	\$ 158,273	\$ 172,767	\$ 136,007
Capital expenditures ¹	(41,207)	(6,345)	(7,842)
Standardized Distributable Cash	117,066	166,422	128,165
Adjustments to Standardized Distributable Cash			
Change in non-cash working capital ²	35,523	(6,181)	11,879
Tax adjustments ³	3,237	2,767	4,948
Capital expenditures ¹	41,207	6,345	7,842
Cash Available for Distribution	\$ 197,033	\$ 169,353	\$ 152,834
Standardized Distributable Cash – per unit basic	0.91	1.51	1.19
Standardized Distributable Cash – per unit diluted	0.90	1.49	1.18
Payout ratio based on Standardized Distributable Cash (includes Special Distribution) ⁴	160%	94%	135%
Payout ratio based on Standardized Distributable Cash (excludes Special Distribution)	137%	83%	100%

¹ Capital expenditures incurred in the year were effectively funded out of the credit facility. The vast majority of capital expenditures relate to the purchase of water heaters for subsequent rental. These expenditures expand the productive capacity of the business. Effective January 2010, water heater capital purchases are now financed through a separate financing secured by the water heaters and associated contracts.

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

³ The amount includes payments to the holders of Class A preference shares and is equivalent to distributions. The number of Class A preference shares outstanding is included in the denominator of any per unit calculation. Also includes a current tax provision amount of \$0.7 million related to a reserve that will not likely be paid in the next fiscal year.

⁴ The Special Distribution relating to calendar 2009, 2008 and 2007 has increased the payout ratios for both comparable periods. Refer to "Special Distribution" on page 35 for further details.

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

Financing strategy

The Fund's \$250.0 million credit facility will be sufficient to meet the Fund's short-term working capital and capital expenditure requirements for the gas and electricity businesses. As part of the acquisition of Universal, additional credit facilities and debt were recorded and are explained further on page 38. Working capital requirements can vary widely due to seasonal fluctuations and planned U.S.-related growth. In the long term, the Fund may be required to access the equity or debt markets in order to fund significant acquisitions. NEC has reached a new agreement with Home Trust Company to separately finance its water heaters. See page 39 for further discussion on this financing. TGF has a separate credit facility, debenture and a term loan for their funding requirements which are detailed on page 38.

Productive capacity

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

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

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

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

Selected consolidated financial data

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

The consolidated financial statements of the Fund are prepared in accordance with Canadian GAAP and are expressed in Canadian dollars. The following table provides selected financial information for the last three fiscal years.

Statements of operations data

For the years ended March 31

	2010	2009	2008
Sales (seasonally adjusted)	\$ 2,344,172	\$ 1,888,733	\$ 1,730,605
Gross margin (seasonally adjusted)	425,882	315,193	272,180
Net income (loss)	231,496	(1,107,473)	152,761
Net income (loss) per unit – basic	1.81	(10.03)	1.42
Net income (loss) per unit – diluted	1.79	(10.03)	1.41

Balance sheet data

As at March 31

	2010	2009	2008
Total assets	\$ 1,353,095	\$ 535,755	\$ 709,115
Long-term liabilities	824,393	480,602	246,248

2010 compared with 2009

Sales increased by 24% in fiscal 2010 due to a 28% net increase in customers as a result of record new additions and the acquisition of Universal. On July 1, 2009, the Fund completed the acquisition of 430,000 Universal customers in consideration for JEEC Exchangeable Shares valued at \$239.9 million. For further information on the acquisition, see page 20. Seasonally adjusted gross margin increased to \$425.9 million, or 35%, over fiscal 2009 due to higher margin per customer, continued strong acceptance of the JustGreen product as well as improved supply management.

The change in net income relates primarily to the change in fair value of the derivative instruments, which has improved substantially from the \$1.3 billion loss recorded last year. Also, an increase in the income tax recovery of \$42.8 million relates to the Fund's conversion to a taxable Canadian corporation in late calendar 2010 and the future tax benefits of the mark to market losses expected to be realized post conversion. This increase is partially offset by higher current tax provision related to the Universal entities.

Total assets increased by 153% to \$1.4 billion in fiscal 2010. The largest components of this change relate to the property, plant and equipment, intangible assets and goodwill recorded as part of the Universal acquisition. The TGF ethanol plant was acquired totalling over \$155.2 million in capital assets on July 1, 2009. Also, future income tax assets of \$114.3 million have been recorded related primarily to the conversion of the Fund expected to happen late in calendar 2010.

Total long-term liabilities of \$824.4 million represent a 72% increase over the prior fiscal year. On July 1, 2009, in connection with the acquisition of UEG, Just Energy increased its credit facility from \$170.0 million to \$250.0 million. Also, as part of the Universal acquisition, the Fund acquired the debt obligations of TGF which comprises three separate facilities noted on page 38. Long-term liabilities have also increased in fiscal 2010 primarily due to the change in mark to market valuation of our derivative instruments.

2009 compared with 2008

The increase in sales and gross margin is primarily a result of the increase in the customer base, mainly in Texas and New York, and improved contract prices. In addition, on August 14, 2008, Just Energy purchased substantially all of the commercial and residential customer contracts (46,000 RCEs) of CEG Energy Options Inc. ("CEG") in British Columbia which contributed to Canadian sales and margin.

The change in net income from a gain of \$152.8 million to a loss of \$1.1 billion relates primarily to the \$1.3 billion loss representing the change in fair value of the derivative instruments. These instruments reflect the Fund's requirement to purchase commodity according to estimated demand and, as such, changes in value do not impact the long-term financial performance of the Fund. Effective July 1, 2008, Just Energy elected to discontinue the practice of hedge accounting, and all gains and losses on derivative instruments have been recorded in "Change in fair value of derivative instruments" on the Statement of Operations. In fiscal 2008, Just Energy had elected to use hedge accounting and thus was able to book the changes in fair value predominantly to other comprehensive income.

The increase in gross margin is due to an increase in number of customers and higher gross margin per customer. This was offset by increases in general and administrative costs, bad debt expenses and marketing expenses. General and administrative expenses increases were primarily staffing costs in our corporate office to support our current and future growth, U.S. exchange rates, impact on U.S. dollar denominated costs, an increase in collection costs, full year rent for our new customer service call centre and legal fees with respect to business operations in the U.S. Bad debt costs increased primarily due to the large increase in total revenues for the year in the markets where Just Energy assumes the risk for accounts receivable collections. In addition, the increase in the U.S. exchange rate and higher default rates noted in the U.S. markets due to the recessionary conditions led to higher bad debt expense this fiscal year. During fiscal 2008, improved collection procedures had resulted in a significant excess reserve for bad debt, which was released in that fiscal year lowering the bad debt expense. Marketing costs were up due to the impact of the growth in customer additions, higher U.S. exchange on our U.S.-based marketing costs and increased recruiting and corporate marketing overhead required to build our commercial sales team.

Total assets decreased by 24% primarily as a result of the change in the other assets – long term. There had been a significant drop in the forward gas and power prices related to our derivative instruments noted above. As a result, far more commodity contracts with counterparties would have resulted in a gain in the prior year, if sold on the open market. In fiscal 2009, the situation is the opposite whereby there are far more contracts with counterparties that would result in a loss if sold on the open market. Therefore, the other assets – long term amount has decreased and the other liabilities – long term amount has increased. Long-term liabilities increased in fiscal 2009 primarily due to the change in mark to market valuation of our derivative instruments explained above.

Summary of quarterly results

(thousands of dollars, except per unit amounts)

Fiscal 2010	Q1	Q2	Q3	Q4	Total
Sales (seasonally adjusted)	\$ 432,565	\$ 562,133	\$ 654,686	\$ 694,788	\$ 2,344,172
Gross margin (seasonally adjusted)	74,769	107,519	121,722	121,872	425,882
General and administrative expense	15,617	25,634	24,767	22,405	88,423
Net income (loss)	102,627	110,690	97,390	(79,211)	231,496
Net income (loss) per unit – basic	0.92	0.83	0.73	(0.59)	1.81
Net income (loss) per unit – diluted	0.91	0.82	0.73	(0.59)	1.79
Amount available for distribution					
After gross margin replacement	42,219	52,303	69,455	66,023	230,000
After marketing expense	36,087	41,345	61,242	58,359	197,033
Payout ratio ¹					
After gross margin replacement	83%	82%	98% ¹	63%	81%
After marketing expense	97%	104%	111% ¹	71%	95%
Fiscal 2009	Q1	Q2	Q3	Q4	Total
Sales (seasonally adjusted)	\$ 401,826	\$ 386,158	\$ 510,801	\$ 589,948	\$ 1,888,733
Gross margin (seasonally adjusted)	59,703	61,793	87,554	106,143	315,193
General and administrative expense	13,447	13,236	14,753	18,150	59,586
Net income (loss)	34,232	(923,990)	(49,094)	(168,621)	(1,107,473)
Net income (loss) per unit – basic	0.31	(8.33)	(0.44)	(1.57)	(10.03)
Net income (loss) per unit – diluted	0.31	(8.33)	(0.44)	(1.57)	(10.03)
Amount available for distribution					
After gross margin replacement	31,046	34,755	57,475	72,244	195,520
After marketing expense	30,282	28,394	48,162	62,515	169,353
Payout ratio ¹					
After gross margin replacement	108%	100%	93% ¹	48%	80%
After marketing expense	111%	122%	111% ¹	56%	92%

¹ Includes a one-time Special Distribution of \$26.7 million in fiscal 2010 and \$18.6 million in fiscal 2009.

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

Analysis of the fourth quarter

Sales are typically higher in the third and fourth quarters because gas and electricity consumption are both high during this time period. The overall customer base is currently 50% gas and 50% electricity. The fourth quarter increase in seasonally adjusted sales of 18% compared to the prior year comparable quarter is primarily attributable to record customer additions through marketing (particularly in the United States) and the acquisition of Universal. Seasonally adjusted gross margin increased by 15%, or \$15.7 million, in the fourth quarter of fiscal 2010 as compared to the same period last year. Total customers were up 54% in the fourth quarter of fiscal 2010 versus the same period last year. However, the growth of both sales and margin was dampened by a 21% decline in the U.S. dollar quarter over quarter. In the quarter, 42% of Just Energy's sales and 51% of margin were from the United States. The distributable cash after customer gross margin replacement was \$66.0 million, down 9% from \$72.2 million in the prior comparable quarter. The increase in gross margin from customers acquired with Universal, net customer additions through marketing and higher per customer margins were more than offset by the gas consumption effects of a record warm winter in Just Energy's key gas markets. The fourth quarter of fiscal 2010 was over 15% warmer in Canada and 5% warmer in the U.S. than fiscal 2009. Also, the 21% drop in the exchange rate on the U.S. dollar impacted gross margins negatively during the current quarter. In addition, the Fund saw higher general and administrative costs due largely to the inclusion of the costs of TGF and NHS in fiscal 2010, as well as higher tax provisions and interest expense.

Distributable cash after marketing expenses was \$58.4 million, a decrease of 7% from \$62.5 million in the prior comparable quarter. Distributions for the quarter were \$41.5 million, up 19% over the same period last year reflecting a higher number of units due to the Universal acquisition and the maintenance of annual \$1.24 distributions per unit in both periods. The payout ratio for the fourth quarter of fiscal 2010 after all marketing expenses was 71%, up from 56% in the prior year comparable period.

Gas and electricity marketing

Sales and gross margin – Per financial statements

For the years ended March 31

(thousands of dollars)

Sales	Fiscal 2010			Fiscal 2009		
	Canada	United States	Total	Canada	United States	Total
Gas	\$ 788,661	\$ 425,975	\$ 1,214,636	\$ 814,275	\$ 343,889	\$ 1,158,164
Electricity	637,580	381,674	1,019,254	518,388	222,661	741,049
	\$ 1,426,241	\$ 807,649	\$ 2,233,890	\$ 1,332,663	\$ 566,550	\$ 1,899,213
Increase	7%	43%	18%			

Gross margin	Fiscal 2010			Fiscal 2009		
	Canada	United States	Total	Canada	United States	Total
Gas	\$ 124,105	\$ 81,520	\$ 205,625	\$ 154,171	\$ 64,118	\$ 218,289
Electricity	107,042	91,107	198,149	77,549	26,978	104,527
	\$ 231,147	\$ 172,627	\$ 403,774	\$ 231,720	\$ 91,096	\$ 322,816
Increase	–	90%	25%			

Canada

Sales amounted to \$1.4 billion for the year ended March 31, 2010, up 7% from the same period in fiscal 2009. Gross margin was \$231.1 million for fiscal 2010, effectively unchanged from \$231.7 million in the prior comparable year.

United States

Sales and gross margin in the U.S. were \$807.6 million and \$172.6 million for the current year, an increase of 43% and 90%, respectively, from fiscal 2009.

Sales and gross margin – Seasonally adjusted¹

For the years ended March 31

(thousands of dollars)

Sales	Fiscal 2010			Fiscal 2009		
	Canada	United States	Total	Canada	United States	Total
Gas	\$ 788,661	\$ 425,975	\$ 1,214,636	\$ 814,275	\$ 343,889	\$ 1,158,164
Adjustments ¹	40,935	4,005	44,940	(10,480)	–	(10,480)
	829,596	429,980	1,259,576	803,795	343,889	1,147,684
Electricity	637,580	381,674	1,019,254	518,388	222,661	741,049
	\$ 1,467,176	\$ 811,654	\$ 2,278,830	\$ 1,322,183	\$ 566,550	\$ 1,888,733
Increase	11%	43%	21%			

Gross margin	Fiscal 2010			Fiscal 2009		
	Canada	United States	Total	Canada	United States	Total
Gas	\$ 124,105	\$ 81,520	\$ 205,625	\$ 154,171	\$ 64,118	\$ 218,289
Adjustments ¹	10,804	(255)	10,549	(7,623)	–	(7,623)
	134,909	81,265	216,174	146,548	64,118	210,666
Electricity	107,042	91,107	198,149	77,549	26,978	104,527
	\$ 241,951	\$ 172,372	\$ 414,323	\$ 224,097	\$ 91,096	\$ 315,193
Increase	8%	89%	31%			

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

On a seasonally adjusted basis, total sales and gross margin increased by 21% and 31%, respectively, to \$2.3 billion and \$414.3 million for the year ended March 31, 2010, over the same period last year. The 21% increase in seasonally adjusted sales was due to a 28% increase in customers due to record customer aggregation and the acquisition of Universal offset by a 4% year over year decline in the U.S. dollar and unfavourable weather-based reduced gas consumption in all significant provinces and states. Gross margin increased at a greater rate than sales due to higher realized margin per customer, particularly in the U.S.

Canada

Seasonally adjusted sales were \$1.5 billion for the year, up 11% from \$1.3 billion for the year ended March 31, 2009. Seasonally adjusted gross margins were \$242.0 million for the year of fiscal 2010, an increase of 8% from \$224.1 million in fiscal 2009.

Gas

Seasonally adjusted gas sales increased by 3% in fiscal 2010 to \$829.6 million and seasonally adjusted gross margin decreased by 8% to \$134.9 million versus the prior year. The lower margin was due to record warm winter conditions in Just Energy's key gas markets compared to a colder than average winter in fiscal 2009. The excess gas supply was sold into very weak spot prices reducing margin from expected levels. In fiscal 2009, the shortfall of supply was purchased at low spot prices and sold for full margin to customers. After allowance for balancing, average gross margin per customer ("GM/RCE") for the year ended March 31, 2010, amounted to \$191/RCE, down 9% compared to \$210/RCE from the prior comparable year. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

Electricity

Electricity sales were \$637.6 million for the current year, an increase of 23% from fiscal 2009. The increased sales are attributable to a 31% increase in customers. Gross margin increased by 38% from the prior year to \$107.0 million due to the increase in customers and increased margin per customer, resulting from steady increases in new customer contract margins in past periods, and the fact that the electricity customers acquired from Universal had generally higher margins, after excluding the JustGreen product, than those of Just Energy. As well, new customers under the higher margin JustGreen program are making up a higher proportion of the overall electricity book.

Average gross margin per customer after all balancing for the year ended March 31, 2010, in Canada amounted to \$149/RCE compared to \$131/RCE from the prior comparable year. The GM/RCE value includes an appropriate allowance for the bad debt expense in Alberta.

United States

Seasonally adjusted sales for the year ended March 31, 2010, were \$811.7 million, an increase of 43% from \$566.6 million in the prior year. Seasonally adjusted gross margin was \$172.4 million, up 89% from \$91.1 million from fiscal 2009.

Gas

Seasonally adjusted gas sales in the U.S. increased by 25% from \$343.9 million to \$430.0 million for the 2010 fiscal year. The seasonally adjusted sales increase reflects record customer additions through marketing of 171,000 (up from 90,000 in fiscal 2009) and the addition of 120,000 customers acquired as part of the Universal transaction offset by a 4% decline in the U.S. dollar and lower selling prices. Seasonally adjusted gas margin increased 27% for the current year to \$81.3 million from \$64.1 million. U.S. gas margins per customer were down for three reasons: the customers acquired from Universal were at lower margins than those of Just Energy; there was a 4% decline in the U.S. dollar; and warmer than normal weather in the northern U.S. required the sale of excess supply into a low-price spot market. In addition, there were Universal customers which were not expected to renew (and therefore not included in long-term customer numbers) that expired during the third and fourth quarters. The negative impact of this lost margin on the third and fourth quarters was anticipated at the time of the Universal acquisition and discussed in the MD&A for the second quarter of fiscal 2010.

Average gross margin after all balancing costs for the year ended March 31, 2010, was \$212/RCE, down from \$259/RCE noted in the prior year comparable period. The GM/RCE value includes an appropriate allowance for bad debt expense in Illinois.

Electricity

Electricity sales and gross margin for the current year were \$381.7 million and \$91.1 million, respectively, versus the comparable period of fiscal 2009 in which sales and gross margin amounted to \$222.7 million and \$27.0 million, respectively. Electricity customers increased by 67% with a record 216,000 customers added (up from 168,000 in fiscal 2009), driving the 71% sales growth. Unlike other markets, the Universal acquisition contributed only 2,000 of the 127,000 year over year net additions.

The adjusted gross margin increase of 238% reflects the growth in customers and higher margins per customer. U.S. electricity is where the largest impact of the growing consumption of JustGreen is evident. Since the overall book is relatively small, high take-up of JustGreen at higher margins has a greater impact on the overall margin per customer. In addition, Texas benefited from high consumption supplied with low cost commodity while New York profitability rose due to continued improvements in our supply management.

Average gross margin per customer for electricity during the current year was \$238/RCE compared to \$133/RCE from the prior comparable year. The GM/RCE value for Texas includes an appropriate allowance for the bad debt expense.

Customer aggregation

Long-term customers

	April 1, 2009	Additions	Acquired	Attrition	Failed to renew	March 31, 2010	% increase (decrease)
Natural gas							
Canada	743,000	46,000	93,000	(81,000)	(67,000)	734,000	(1)%
United States	235,000	171,000	120,000	(110,000)	(8,000)	408,000	74%
Total gas	978,000	217,000	213,000	(191,000)	(75,000)	1,142,000	17%
Electricity							
Canada	578,000	72,000	215,000	(94,000)	(11,000)	760,000	31%
United States	234,000	216,000	2,000	(52,000)	(9,000)	391,000	67%
Total electricity	812,000	288,000	217,000	(146,000)	(20,000)	1,151,000	42%
Combined	1,790,000	505,000	430,000	(337,000)	(95,000)	2,293,000	28%

Gross customer additions through marketing for the year were 505,000, up 21% from the 418,000 customers added through marketing during fiscal 2009. Total net customer additions for the year ended March 31, 2010, were 73,000, down from 103,000 net customer additions last year due to higher attrition noted on the larger customer base. Record additions through marketing were offset by the continuing effects of the weak U.S. economy. The high customer loss in the U.S. market reflects continued high foreclosure rates and credit cut-offs.

Including the Universal acquisition, there was a 28% net increase in total customers at March 31, 2010, versus the same period last year. As part of the Universal acquisition, Just Energy acquired 430,000 customers and also gained a further 145,000 customers that were unlikely to renew as they were variable in nature or located in regions that were not in Just Energy's current expansion plans. As at March 31, 2010, 50,000 of these customers remain under contract.

The fourth quarter also saw a substantial increase in customer additions compared to the prior year. On an RCE basis, 131,000 gross customers were added in the quarter, up 54% from the fourth quarter additions of 85,000 in fiscal 2009. Net customer additions in the fourth quarter of fiscal 2010 were 13,000 compared to 15,000 in the same period in fiscal 2009, again reflecting the impact of the weak U.S. economy on customer attrition.

Just Energy's major marketing challenge remains in the Canadian markets where the disparity between spot prices and the five-year prices continues to impact sales. This has hurt both new customer additions and renewals. Under these conditions, Just Energy's marketing force has concentrated on the sale of JustGreen and related products. Acceptance of these products was strong but combining their premium price with a continued generally weak economy, created sales that were insufficient to offset attrition in the Canadian gas and electricity business. The recent upward movement in energy prices has begun to slow attrition in some markets. Solid customer additions were seen across the U.S., with Texas and New York electricity being particularly strong.

JustGreen

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

The Fund currently sells JustGreen gas in Ontario, British Columbia, Alberta, Michigan, New York, Ohio and Illinois and JustGreen electricity in Ontario, Alberta, New York and Texas. JustGreen sales are expanding into the remaining markets over the coming quarters. Of all customers who contracted with Just Energy in the year, 39% took JustGreen for some or all of their energy needs. On average, these customers elected to purchase 81% of their consumption as green supply.

Overall, green supply now makes up 2% of our overall gas portfolio, up from 1% a year ago. JustGreen supply makes up 5% of our electricity portfolio, up from 2% from the same period last year. For this reason, the margins on new customer additions continued to exceed target levels despite certain focused price discounts to stimulate sales in markets with very low utility prices resulting in high five-year premiums.

Attrition

Natural gas

The trailing 12-month natural gas attrition in Canada was 10% for the year, consistent with management's target of 10%. In the U.S., gas attrition for the trailing 12 months was 30%, above management's annual target of 20%. High U.S. gas attrition is an effect of the continued North American recession leading to home foreclosures and the necessary aggressive customer cut-off or forced return to default services policies utilized by Just Energy.

Electricity

The trailing 12-month electricity attrition rate in Canada for the year was 13%, above management's target of 10%. Higher than targeted attrition was a function of a clean-up of the acquired Universal book of customers which resulted in a stronger, higher margin book of customers going forward. Electricity attrition in the United States was 16% over the last year, below management's target of 20%.

Failed to renew

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

The trailing 12-month renewal rate for all Canadian gas customers was 61%. In the Ontario gas market, customers who do not positively elect to renew or terminate their contract receive a one-year fixed price for the ensuing year. Of the total Canadian gas customers renewed in fiscal 2010, 16% were renewed for a one-year term. Canadian gas was the only market in which renewals lagged the 2010 target of 70%. This was due to the high spread between the Just Energy five-year price and the utility spot price. Management anticipates continued focus in this area and a return to rising market pricing should result in an improvement in Canadian gas renewal rates to target levels.

The electricity renewal rate for Canadian customers was 73% for the trailing 12 months. In the Ontario electricity market, there is no opportunity to renew a residential or small volume customer for a one-year term should the customer fail to positively renew or terminate his or her contract. There has been solid take-up of JustGreen products within Canadian electricity renewals leading to higher than target renewal rates. Management targets a renewal rate for electricity customers of 65%.

In the U.S. markets, Just Energy currently only has Illinois gas and Texas electricity customers up for renewal. Gas renewals for the U.S. were 67%, above our target of 50%. The Texas electricity renewal rate was 79%, significantly better than our target rate of 60%.

In the table below, management outlines the expected annualized attrition and renewal rates for fiscal 2011. The high U.S. attrition rates reflect an expectation of continued economic weakness in those markets.

Targets for fiscal 2011:

	Attrition fiscal 2011	Renewals fiscal 2011
Natural gas		
Canada	10%	70%
United States	30%	75%
Electricity		
Canada	10%	70%
United States	20%	75%

Gas and electricity contract renewals

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

	Canada – gas	Canada – electricity	U.S. – gas	U.S. – electricity
2011	29%	19%	14%	9%
2012	21%	24%	17%	8%
2013	21%	26%	28%	11%
2014	14%	16%	14%	27%
Beyond 2014	15%	15%	27%	45%
Total	100%	100%	100%	100%

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

Gross margin earned through new marketing efforts

Annual gross margin per customer for new and renewed customers (includes JustGreen impact)

During fiscal 2010, the Fund continued to see the positive impact of continued efforts to maintain strong margin per customer during challenging marketing periods. Overall, average gross margin per RCE increased by 5% year over year primarily due to the compound impact of higher per customer margins on new contracts in past quarters offset by a lower U.S. dollar reducing the margin on existing U.S. contracts. These higher margins on past contracts have been a function of strong JustGreen program sales, opportunistic pricing in a falling market and improved supply management.

The table below depicts the annual margins on contracts of customers signed and renewed in the year. This table reflects the combined margins on both "brown" energy purchased by customers and the JustGreen program. Sales of the JustGreen products have been very strong with approximately 39% of all customers added in the past year taking some or all green energy supply. Those who purchased the green products elect on average to purchase 81% of their consumption as green supply.

Annual gross margin per customer¹

	Fiscal 2010	Annual target fiscal 2010
Customers added in the year		
Canada – gas	\$ 175	\$ 170
Canada – electricity	136	143
United States – gas	208	170
United States – electricity	229	143
Customers lost in the year		
Canada – gas	191	
Canada – electricity	120	
United States – gas	247	
United States – electricity	120	

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

Annual margin on 505,000 new customers added in the year including the impact of JustGreen was \$208 and margin earned on 166,000 renewing customers was \$168. Annual margin on customers lost during the year was \$179.

National Home Services division

NHS was acquired on July 1, 2009, as part of the Universal acquisition. On July 2, 2009, NHS acquired Newten Home Comfort Inc. and on September 30, 2009, acquired substantially all of the assets of NHCLP (see page 20 for additional information). NHS provides Ontario residential customers long-term water heater rental programs offering conventional tanks, power vented tanks and tankless water heaters in a variety of sizes, in addition to now offering furnaces and air conditioners. The combined installed water heater base on July 1, 2009 was 38,000. NHS continues to ramp up its operations and, as at March 31, 2010, had a cumulative installed base of 77,000 water heaters in residential homes. NHS earns revenue from its installed base.

Because NHS is a high-growth, relatively capital-intensive business, Just Energy's management believes that, in order to maintain stability of distributions, separate non-recourse financing of this capital was appropriate. On January 18, 2010, NEC entered into a long-term financing agreement with Home Trust Company for the funding of the water heaters for NHS. Under the agreement, NHS will receive an amount equal to the five-year cash flow of the water heater contract discounted at an agreed upon rate. Home Trust Company will then in return receive the customer payments on the water heaters for the next five years. The initial funding received up to March 31, 2010, was \$65.4 million and total funding is expected to be approximately \$90 million over the next year.

Selected financial information

(thousands of dollars)

	Date of acquisition (July 1, 2009) to March 31, 2010
Sales per financial statements	\$ 8,886
Cost of sales	1,837
Gross margin	7,049
Selling expenses	2,824
General and administrative expense	5,789
Interest expense	818
Capital expenditures	24,544
Amortization	1,975
Total number of water heaters installed	77,000

Results of operations

Just Energy has owned NHS since July 1, 2009, and therefore, results reflect only the nine months of operation ending March 31, 2010. For the nine months ended March 31, 2010, NHS had sales of \$8.9 million and gross margin of \$7.1 million. The cost of sales for the year was \$1.8 million and represents the amortization of the installed water heaters for the customer contracts signed to date. Selling expenses for fiscal 2010 were \$2.8 million and include the amortization of commission costs paid to the independent agents, automobile fleet costs, advertising and promotion, and telecom and office supplies expenses. General and administrative costs, which relate primarily to administrative staff compensation and warehouse expenses, amounted to \$5.8 million for the year ended March 31, 2010. Capital expenditures, including installation costs, amounted to \$24.5 million. Amortization costs were \$2.0 million for the current year and include not only the depreciation on capital assets noted above but also the amortization of the water heater contracts and customer relationships acquired in the purchases of Universal and Newton Home Comfort Inc.

The growth of NHS has been rapid and, combined with the Home Trust Company financing, is expected to be self-sustaining on a cash flow basis. A number of independent sales contractors, previously marketing gas and electricity, have been redeployed to water heaters resulting in lower Ontario customer additions in energy marketing. Overall, management believes this is the best utilization of the sales force in the Ontario market given the existing gas and electricity market conditions.

Ethanol division (TGF)

TGF continues to improve plant production and run time of the Belle Plaine wheat-based ethanol facility. For the year ended March 31, 2010, the plant had achieved an average production capacity of 62% with capacity expected to rise upon completion of the grain-milling upgrade discussed below.

The ethanol division has separate non-recourse financing in place such that capital requirements and operating losses will not impact distributable cash from Just Energy's core business.

Selected financial information

(thousands of dollars)

	Date of acquisition (July 1, 2009) to March 31, 2010
Sales per financial statements	\$ 56,455
Cost of sales	51,945
Gross margin	4,510
General and administrative expense	9,089
Interest expense	5,107
Capital expenditures	4,599
Amortization	1,079

Results of operations

Just Energy has owned 66.7% of TGF since July 1, 2009, and therefore results reflect only the nine months of operations to March 31, 2010. During fiscal 2010, TGF had sales of \$56.5 million and realized gross margin of \$4.5 million. During the current year, the plant produced 69.4 million litres of ethanol and 66,487 metric tonnes of distillers dried grain. For the nine months ended March 31, 2010, TGF incurred \$9.1 million in general and administrative expenses and \$5.1 million in interest charges. Production levels were below the 150-million-litre annual plant design capacity as a result of production bottlenecks primarily in grain milling until late in the fourth quarter. The first phase of the installation of the new grain milling equipment was completed on March 1, 2010, to address this bottleneck and enable production to achieve the design capacity. For the months of March and April 2010, production capacity increased to 73%. Capital expenditures, including installation costs, for the year amounted to \$4.6 million and include the assets related to the grain-milling project.

TGF receives a federal subsidy related to an agreement signed on February 17, 2009, based on the volume of ethanol produced. During the nine months ended March 31, 2010, the subsidy was 10 cents per litre on ethanol produced. Through fiscal 2011, this subsidy will be 9 cents per litre on ethanol produced. This amount declines through time to 5 cents per litre of ethanol produced in fiscal 2015, the last year of the agreement.

Overall consolidated results

General and administrative expenses

General and administrative costs were \$88.4 million for the year ended March 31, 2010, representing a 48% increase from \$59.6 million in fiscal 2009. This was primarily due to the inclusion of administrative costs for NHS and TGF as well as the addition of a portion of Universal's energy marketing administrative costs.

	Fiscal 2010	Fiscal 2009	Variance
Energy marketing	\$ 73,545	\$ 59,586	\$ 13,959
NHS	5,789	–	5,789
TGF	9,089	–	9,089
Total general and administrative expenses	\$ 88,423	\$ 59,586	\$ 28,837

Overall, energy marketing general and administrative costs were up 23% in fiscal 2010 versus last year to support the 28% increase in total customers. The increased costs include additional collection costs, staff and professional fee expenditures on review of potential acquisitions and the Fund's conversion plan, IFRS and other corporate development activities. Total corporate headcount increased by 28% to a total of 900 full-time employees. Both NHS and TGF are in the start-up phase and management is confident that they both will offset their start-up costs with distributable cash in future periods. Overall, after integrating Universal, management expected to reduce combined Just Energy and Universal general and administrative costs by \$10 million per year on an ongoing basis. This target has been exceeded on a current run rate basis and the rate of growth in general and administrative costs should slow in fiscal 2011 through achieved synergies.

Marketing expenses

Marketing expenses, which consist of commissions paid to independent sales contractors for signing new customers, expenses to operate the regional sales offices and an allocation of corporate marketing costs, were \$95.8 million, an increase of 41% from \$68.1 million in fiscal 2009.

This reflects increased customer additions of 28% versus the same period last year and increased recruiting costs resulting in 52% more active independent sales contractors. In addition, higher sales office expenses resulting from expansion and further development of the commercial product offerings, increased the costs in fiscal 2010.

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. Marketing expenses to maintain gross margin increased by 50% to \$62.8 million in fiscal 2010, as compared to \$41.9 million last year. The increase resulted from higher customer attrition driven by a continued weak U.S. economy and a greater number of renewals and associated costs versus last year.

Marketing expenses to add new gross margin are allocated based on the ratio of net new gross margin earned on the customers signed, less attrition, as compared to the gross margin signed from new and renewed customers during the year. Marketing expenses to add new gross margin in fiscal 2010 totalled \$33.0 million, an increase of 26% from \$26.2 million in the prior year.

The actual aggregation costs per customer added were as follows:

	Fiscal 2010	Fiscal 2009
Natural gas		
Canada	\$ 215/RCE	
United States	174/RCE	
Total gas	182/RCE	\$ 194/RCE
Electricity		
Canada	\$ 188/RCE	
United States	161/RCE	
Total electricity	168/RCE	\$ 156/RCE

Actual total aggregation costs for gas and electricity customers for fiscal 2010 were \$182 per customer for gas and \$168 per customer for electricity. The main contributor to lower costs in the U.S. was the 4% decline in the U.S. dollar versus the Canadian dollar year over year. The increase in per customer aggregation cost in Canada is due to two reasons: a JustGreen customer generates a higher commission commensurate with its higher margin, and secondly, increased commission rates stimulate sales in heavily penetrated Canadian markets.

Unit based compensation

Compensation in the form of units (non-cash) granted by the Fund to the directors, officers, full-time employees and service providers of its subsidiaries and affiliates pursuant to the 2001 unit option plan, the 2004 unit appreciation rights plan and the directors' deferred compensation plan amounted to \$4.8 million, an increase of 16% from the \$4.1 million paid in fiscal 2009. The increased expense is a result of the increase in the number of fully paid unit appreciation rights awarded to employees in fiscal 2010.

Bad debt expense

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

Bad debt expense for fiscal 2010 was \$17.9 million, up 29% from \$13.9 million expensed last year. The bad debt expense increase was mainly due to the 19% increase in total revenues where Just Energy assumes the risk for accounts receivable collections and higher percentage losses in Texas. For the year ended March 31, 2010, the bad debt expense of \$17.9 million represents approximately 2.8% of \$649.3 million in revenues. In fiscal 2009, the total bad debt expense was \$13.9 million, or 2.6%, of \$543.5 million in revenue.

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.

Overall, bad debt expense is expected to remain near the upper end of the 2% to 3% target until there is a sustained residential real estate recovery in the U.S. As discussed earlier, management has taken an aggressive position with regards to returning customers to utility default services or disconnecting delinquent customers to ensure that bad debt expense is managed through the heavy heating season. Bad debt as a percentage of revenue has declined from 3.3% in the third quarter to 2.8% in the fourth quarter of fiscal 2010.

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 fee.

Interest expense

Total interest expense for the year ended March 31, 2010, amounted to \$16.1 million, up from \$3.9 million in fiscal 2009. The large increase noted in the year primarily relates to the \$5.0 million in interest expense relating to the Universal convertible debenture and interest payments of \$5.1 million made on debt associated with TGF.

Foreign exchange

Just Energy has an exposure to U.S. dollar exchange rates as a result of its U.S. operations and any changes in the applicable exchange rate may result in a decrease or increase in other comprehensive income (loss) for fiscal 2010. For the year, a foreign exchange unrealized gain of \$26.6 million was reported in other comprehensive income (loss) versus a \$1.9 million unrealized loss reported in the prior year. In the first quarter of fiscal 2010, a total of \$23.0 million in U.S. funds was repatriated back to Canada.

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

Class A preference share distributions

The remaining holder of the Just Energy Corp. ("JEC") Class A preference shares (which are exchangeable into units on a 1:1 basis) is entitled to receive, on a quarterly basis, a payment equal to the amount paid or payable to a Unitholder on an equal number of units. The total amount paid for the year ended March 31, 2010, including tax and the Special Distribution amounted to \$7.6 million versus \$7.7 million paid in fiscal 2009. These distributions on the Class A preference shares are reflected in the Statement of Unitholders' Equity of the Fund's consolidated financial statements, net of tax.

Special Distribution

The Fund under-distributed its taxable income in calendar 2009 and 2008 and would have been subject to tax at 46% for any undistributed taxable income. In order to ensure that all of the taxable income is distributed to its Unitholders, the Board of Directors concluded that it would be preferable to pay out a Special Distribution to effectively allocate all of the taxable income to the Unitholders. The Special Distribution was \$26.7 million (\$0.20 per unit) and was paid as 100% cash to the holders of units, unit appreciation rights ("UARs"), deferred unit grants ("DUGs"), Class A preference shares and JEEC Exchangeable Shares. The amount was funded by operating cash flow and the Fund's credit facility and was paid on January 30, 2010. In fiscal 2009, a Special Distribution of \$18.6 million (\$0.165 per unit) was declared in the third quarter.

Recovery of income tax

For the years ended March 31
(thousands of dollars)

	Fiscal 2010	Fiscal 2009
Current income tax expense	\$ 19,253	\$ 3,861
Amount credited to Unitholders' equity	2,501	2,767
Future tax recovery	(122,014)	(64,088)
Recovery of income tax	\$ (100,260)	\$ (57,460)

The Fund recorded a current income tax expense of \$19.3 million for the year versus \$3.9 million of expense in fiscal 2009. The change is due to income tax expense incurred by the Universal entities.

Also included in the income tax provision is an amount relating to the tax impact of the distributions paid to the Class A preference shareholder of JEC. In accordance with EIC 151, Exchangeable Securities Issued by Subsidiaries of Income Trusts, all Class A preference shares are included as part of Unitholders' equity and the distributions paid to the shareholders are included as distributions on the Statement of Unitholders' equity, net of tax. For the year ended March 31, 2010, the tax impact of these distributions, based on a tax rate of 33%, amounted to \$2.5 million as compared to \$2.8 million in fiscal 2009. During the current and past year, the Fund had significant temporary differences attributed to mark to market losses from financial derivatives, among which a substantial portion is expected to be realized subsequent to 2010. As the Fund will convert to a taxable Canadian corporation after 2010 (hereinafter defined as the "Conversion"), as per its announcement in January 2010, it is now recording the future tax benefits of these mark to market losses which are expected to be realized post Conversion. As a result, a future tax recovery of \$122.0 million has been recorded in fiscal 2010.

After the Conversion during the fourth quarter of calendar 2010, the Fund will be taxed as a taxable Canadian corporation from that date onwards. Therefore, the future tax asset or liability associated with Canadian liabilities and assets recorded on the balance sheet as at that date will be realized over time as the temporary differences between the carrying value of assets in the consolidated financial statements and their respective tax bases are realized. Current Canadian income taxes will be accrued at that time to the extent that there is taxable income in the Fund or its underlying operating entities.

The U.S.-based corporate subsidiaries are subject to U.S. income taxes on their taxable income determined under U.S. income tax rules and regulations. During the year, the U.S. subsidiaries (other than the newly acquired UG&E and Commerce) had fully utilized their combined operating losses for tax purposes carried over from prior years, and after taking these tax losses into effect, recorded a \$0.9 million current U.S. federal income tax for the year. These U.S. entities had also recorded a combined U.S. state income tax of \$2.0 million for the year. Both UG&E and Commerce had no operating losses carried forward and generated taxable income during the year, and as a result, income tax expense of \$1.4 million and \$2.8 million were recorded for these entities respectively during the year, which have been included in the current income tax expense amounts as noted above.

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

Liquidity and capital resources**Summary of cash flows**

For the years ended March 31
(thousands of dollars)

	Fiscal 2010	Fiscal 2009
Operating activities	\$ 158,273	\$ 172,767
Investing activities	(37,466)	(8,187)
Financing activities, excluding distributions	46,666	2,330
Gain (loss) on foreign exchange translation	(3,861)	2,691
Increase in cash before distributions	163,612	169,601
Distributions (cash payments)	(162,574)	(137,817)
Increase (decrease) in cash	1,038	31,784
Cash – beginning of year	59,094	27,310
Cash – end of year	\$ 60,132	\$ 59,094

Operating activities

Cash flow from operating activities for the year ended March 31, 2010, was \$158.8 million, a decrease from \$172.8 million in the prior comparable year. The decrease is primarily attributable to an increase in gross margin during fiscal 2010 that was partially offset by higher amortization on the acquired customer contracts from Universal and unrealized income related to the financial instruments recorded in the year.

Investing activities

The Fund purchased capital and recorded intangible assets totalling \$37.5 million during the year, an increase from \$8.2 million in the prior year. Capital asset purchases and intangibles amounted to \$47.6 million for fiscal 2010, compared with \$6.3 million last year. During the year, a total of \$24.5 million was spent on water heater purchases for NEC. During the second quarter of fiscal 2010, the Fund completed the acquisition of Universal in consideration for JEEC Exchangeable Shares valued at \$239.9 million. For further information on the acquisition see page 20. On July 2, 2009, NEC acquired Newten Home Comfort Inc., an arm's length third party that held a 20% interest of NHCLP. Accordingly, NHCLP became a wholly owned subsidiary of Just Energy. NEC, which began operations in April 2008, operates under the trade name of National Home Services. In the second quarter of fiscal 2009, Just Energy purchased substantially all of the commercial and residential customer contracts of CEG in British Columbia for \$1.8 million. CEG was a western Canadian marketer of natural gas wholly owned by SemCanada Energy Company, both of which filed for creditor protection under the Companies' Creditors Arrangement Act on July 30, 2008. As well, in fiscal 2009, the Fund entered into a limited partnership to form NHCLP for an investment of \$0.5 million.

Financing activities

Financing activities, excluding distributions, relate primarily to the drawdown of the operating line for working capital requirements as well as borrowing requirements for TGF. See page 38 for an additional discussion on "Long-term debt and financing".

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

The elapsed period between the times when a customer is signed to when the first payment is received from the customer varies with each market. The time delays per market are approximately two to 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 (cash payments)

Investors should note that due to the institution of a distribution reinvestment program ("DRIP") in 2007, a portion of dividends declared are not paid in cash. Under the program, Unitholders can elect to receive their distributions in units at a 2% discount to the prevailing market price rather than the cash equivalent.

During the year, the Fund made cash distributions to its Unitholders in the amount of \$162.6 million, compared to \$137.8 million in the prior year, an increase of 18%. The increase in distributions is a result of the JEEC Exchangeable Shares that were converted into units during the last three quarters of the fiscal year as well as the dividends paid on the Exchangeable Shares.

Just Energy will continue to utilize its cash resources for expansion into new markets, growth in its existing customer base, and distributions to its Unitholders.

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

Balance sheet as at March 31, 2010, compared to March 31, 2009

Cash increased from \$59.1 million as at March 31, 2009, to \$60.1 million at March 31, 2010. Long-term debt excluding the current portion has increased to \$231.8 million from \$76.5 million as a result of the Universal acquisition and is detailed on page 20. The Just Energy original credit facility decreased to \$57.5 million and relates to the normal injection of gas into storage and various other working capital requirements. Working capital requirements in the U.S. and Alberta result from the timing difference between customer consumption and cash receipts. For electricity, working capital is required to fund the lag between settlements with the suppliers and settlement with the LDCs. Restricted cash has increased to \$18.7 million from \$7.6 million as at March 31, 2009, due to additional cash collateral postings related to supply procurement and credit support for the Universal, Commerce and TGF entities.

The increase in accounts receivable from \$249.5 million to \$348.9 million is primarily attributable to the increase in sales during the period as a result of the Universal acquisition and customer growth. Accounts payable and accrued liabilities has also increased from \$173.8 million to \$227.0 million relating to added consumption as a result of the 430,000 Universal customers acquired on July 1, 2009, and current year net customer additions of 73,000.

Gas in storage has decreased from \$6.7 million to \$4.1 million for the year ended March 31, 2010. This balance reflects injections into storage for the Illinois, New York and Indiana customer base, which occur from April to November.

At the end of the year, customers in Ontario, Manitoba and Quebec had consumed more gas than was supplied to the LDCs for their use. Since Just Energy is paid for this gas when delivered yet recognizes revenue when the gas is consumed by the customer, the result on the balance sheet is the unbilled revenue amount of \$20.8 million and accrued gas accounts payable of \$15.1 million. As at March 31, 2009, Just Energy had unbilled revenues amounting to \$57.8 million and accrued gas accounts payable of \$41.4 million.

Prepaid expenses have increased from \$2.0 million to \$20.0 million for the current year. The increased balance relates to tax, rent and various prepayments from the Commerce, Universal, TGF and NEC entities.

Future income tax assets of \$114.3 million recorded in fiscal 2010 primarily related to the conversion of Just Energy to a taxable Canadian corporation late in calendar 2010.

Property, plant and equipment increased to \$218.6 million from \$20.0 million last year primarily due to the acquisition of Universal and the inclusion of the plant assets from TGF and water heater purchases made in fiscal 2010. Intangible assets and goodwill increases in the current year again relate to the acquisition of Universal on July 1, 2009.

Long-term debt and financing

As at March 31

(thousands of dollars)

	Fiscal 2010	Fiscal 2009
Original credit facility	\$ 57,500	\$ 76,500
TGF credit facility	41,313	–
TGF debentures	37,001	–
TGF term loan	10,000	–
JEEC convertible debentures	83,417	–
NEC Home Trust Company financing	65,435	–

Original credit facility

On July 1, 2009, in connection with the acquisition of UEG, Just Energy increased its credit facility from \$170 million to \$250 million. As part of the increase in the credit facility, Société Générale and Alberta Treasury Branches joined Canadian Imperial Bank of Commerce, Royal Bank of Canada, National Bank of Canada and Bank of Nova Scotia as the syndicate of the lenders thereunder. Under the new terms of the credit facility, effective July 1, 2009, Just Energy is able to make use of Bankers' Acceptances and LIBOR advances at stamping fees of 4.0%, prime rate advances at Canadian and U.S. prime plus 3.0%, and letters of credit at 4.0%. Just Energy's obligations under the credit facility are supported by guarantees of certain subsidiaries and affiliates and secured by a pledge of the assets of Just Energy and the majority of its operating subsidiaries and affiliates. Just Energy is required to meet a number of financial covenants under the credit facility agreement. As at March 31, 2010 and 2009, all of these covenants have been met.

TGF credit facility

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

TGF debentures

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

TGF term/Operating facilities

TGF also maintains a working capital facility for \$10.0 million with a third party lender bearing interest at prime plus 1% due in full on December 31, 2010. This facility is secured by liquid investments on deposit with the lender. In addition, TGF has a working capital operating line of \$7.0 million bearing interest at prime plus 1%, of which \$3.2 million was drawn via overdraft and is included in bank indebtedness, and \$1.6 million of letters of credit have also been issued.

JEEC convertible debentures

In conjunction with the acquisition of UEG on July 1, 2009, JEEC also assumed the obligations of the convertible unsecured subordinated debentures issued by Universal in October 2007 which have a face value of \$90 million. The debentures mature on September 30, 2014, unless converted prior to that date, and bear interest at an annual rate of 6% payable semi-annually on March 31 and September 30 of each year. Each \$1,000 principal amount of the debentures is convertible at any time prior to maturity or on the date fixed for redemption, at the option of the holder, into approximately 27.3 units of the Fund representing a conversion price of \$36.63 per Exchangeable Share.

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

NEC Home Trust Company financing

On January 18, 2010, NEC announced that it had entered into a long-term financing agreement for the funding of new and existing rental water heater contracts for NHS. Pursuant to the agreement, NHS will receive financing equal to the net present value of the first five years of monthly rental income, discounted at the agreed upon financing rate of 7.99% and as settlement, and is required to remit all proceeds received from customers on the water heater contracts for the first five years. The financing agreement is subject to a holdback provision, whereby 3% of the outstanding balance of the funded amount is deducted and deposited into a reserve account in the event of default. Once all of the obligations of NHS are satisfied or expired, the remaining funds in the reserve account will immediately be released to NHS. NEC is required to meet a number of covenants under the agreement and as at March 31, 2010, all of these covenants have been met.

Contractual obligations

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

Payments due by period

(thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	After 5 years
Accounts payable and accrued liabilities and unit distribution payable	\$ 240,132	\$ 240,132	\$ –	\$ –	\$ –
Bank indebtedness	8,236	8,236	–	–	–
Long-term debt	301,249	62,829	120,475	117,945	–
Interest payment	54,312	16,040	24,466	12,260	1,546
Property and equipment lease agreements	28,785	8,084	10,543	5,330	4,828
EPCOR billing, collections and supply commitments	20,220	12,132	8,088	–	–
Grain production contracts	57,893	36,059	21,438	396	–
Gas and electricity supply purchase commitments	3,533,371	1,494,003	1,621,623	415,680	2,065
	<u>\$ 4,244,198</u>	<u>\$ 1,877,515</u>	<u>\$ 1,806,633</u>	<u>\$ 551,611</u>	<u>\$ 8,439</u>

Other obligations

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

Transactions with related parties

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

Critical accounting estimates

The consolidated financial statements of the Fund have been prepared in accordance with Canadian GAAP. Certain accounting policies require management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, cost of sales, marketing and general and administrative expenses. Significant areas requiring the use of management estimates include the allowance for doubtful accounts, estimates of the useful life and estimated fair value of property, plant and equipment, and impairments thereon valuation of goodwill and intangibles and the impairment thereon, valuation allowance for future tax assets, the determination of the fair value of financial instruments, as the aggregate fair value amounts represent point in time estimates only and should not be interpreted as being realizable in an immediate settlement of the supply contracts, and the determination of unit based compensation. Estimates are based on historical experience, current information and various other assumptions that are believed to be reasonable under the circumstances. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

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

Unbilled revenues/Accrued gas accounts payable

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

Gas delivered in excess of consumption/Deferred revenues

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

Allowance for doubtful accounts

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

Goodwill

In assessing the value of goodwill for potential impairment, assumptions are made regarding Just Energy's future cash flow. If the estimates change in the future, the Fund may be required to record impairment charges related to goodwill. An impairment review of goodwill was performed during fiscal 2010 and as a result of the review, it was determined that no impairment of goodwill existed at March 31, 2010.

Fair value of derivative financial instruments and risk management

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

The Fund's business model's objective is to minimize commodity risk other than consumption changes, usually attributable to weather. Accordingly, it is Just Energy's policy to hedge the estimated requirements of its customers with offsetting hedges of natural gas, electricity, renewable energy certificates and carbon offsets at fixed prices for terms equal to those of the customer contracts. The cash flow from these supply contracts is expected to be effective in offsetting the Fund's price exposure and serves to fix acquisition costs of gas, electricity and renewables 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.

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

Preference shares of JEC and trust units

As at May 19, 2010, there were 5,263,728 Class A preference shares of JEC outstanding and 124,857,456 units of the Fund outstanding.

JEEC Exchangeable Shares

A total of 21,271,804 Exchangeable Shares of JEEC were issued on July 1, 2009, for the purchase of Universal. JEEC shareholders have voting rights equivalent to the Fund's Unitholders and their shares are exchangeable on a 1:1 basis. As at May 19, 2010, 16,966,547 shares had been converted and there were 4,305,257 Exchangeable Shares outstanding.

Taxability of distributions

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

Adoption of new accounting policies

As of April 1, 2009, the Fund adopted a new accounting standard that was issued by CICA in Handbook Section 3064, Goodwill and Intangible Assets, which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Just Energy adopted this standard retroactively as required by the standards.

In June 2009, CICA amended Handbook Section 3862, Financial Instruments – Disclosures, to adopt the amendments recently made by the International Accounting Standards Board ("IASB") to IFRS 7, Financial Instruments – Disclosures. The amendments require enhanced disclosure requirements about the fair value measurement, including the relative reliability of the inputs used in those measurements and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009; therefore, the Fund has included these additional disclosures for the year ended March 31, 2010. As this standard only addresses disclosure requirements, there is no impact on the financial position of the Fund.

Recently issued accounting standards

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

Business Combinations

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

International Financial Reporting Standards

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

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

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

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

The initial assessment phase determined that the areas with the highest potential to significantly impact the fund include, but are not limited to, property, plant and equipment, impairment of assets, accounting for income taxes, financial instruments, employee benefits as well as the first time adoption of IFRS ("IFRS 1").

The Fund has selected IFRS 1 elective exemptions which are practical and provide the most relevant presentation on conversion to IFRS. The primary result of the exemptions selected is to apply certain IFRS differences prospectively, minimizing adjustments to the IFRS opening balance sheet.

It is expected that several transitional adjustments and changes in accounting policies will be made on the transition to IFRS. The transitional adjustments and subsequent accounting may result in other business impacts such as impacts on the debt covenants and capital requirements disclosure. The Fund is currently determining the direction of changes and quantifying the adjustments which cannot be reasonably determined at this time.

Based on the work completed to date, the transition is expected to have minimal impact on information technology and internal controls over financial reporting of the Fund.

Risk factors

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

Credit, commodity and other market-related risks

Availability of supply

The risk of supply default is mitigated through credit and supply diversity arrangements. The Just Energy business model is based on contracting for supply to lock in margin. There is a risk that counterparties could not deliver due to business failure, supply shortage or be otherwise unable to perform their obligations under their agreements with Just Energy, or that Just Energy could not identify alternatives to existing counterparties. Just Energy continues to investigate opportunities to identify or secure additional gas suppliers and electricity suppliers. Just Energy's commodity contracts are predominantly with Shell, BP, Bruce Power, Constellation, Société Générale, Sempra and CP Energy Marketing (formerly and also known as "EPCOR"). Other suppliers represent less than 1% of our gas and 2% of our electricity supply.

Volatility of commodity prices – Enforcement

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

Availability of credit

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

Market risk

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

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, Maryland, California, Texas and Illinois, credit review processes have been implemented to manage customer default as Just Energy has credit risk in these markets. The processes are also applied to commercial customers in other 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 Illinois, Pennsylvania and Alberta and commercial customers where Just Energy has the 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 distributions. Counterparty limits are established within the Risk Management Policy. Any exception to these limits requires approval from the Board of Directors of JEC. The Risk Office and 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 swaps in advance of obtaining customers. Depending on several factors, including weather, Just Energy's customers may use more or less electricity than the volume purchased by Just Energy for delivery to them. Just Energy is able to invoice some of its existing electricity customers for balancing charges or credits when the amount of energy used is greater than or less than the amount of energy that Just Energy has estimated. For certain Texas and 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 the estimated associated costs. In certain circumstances, there can be balancing issues for which Just Energy is responsible when customer aggregation forecasts are not realized.

Natural gas supply – Balancing risk

It is Just Energy's policy to procure the estimated gas requirements of its customers with offsetting gas physical forwards 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 has an options strategy that covers forecast differences in customer consumption due to weather variations as well as forecast LDC balancing requirements. The cost of this strategy is incorporated in the price to the customer. To the extent that forecast balancing requirements are outside the options purchased, 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. 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.

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 and to electronically record each customer telephone interaction. Just Energy's information systems also help management forecast new customer enrolments and their energy requirements, which help ensure that the Fund is able to supply its new customers' estimated average energy requirements without exposing the Fund 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 all jurisdictions in which Just Energy operates, the LDCs currently perform billing and collection services except as follows: in the province of Alberta and state of Texas, where Just Energy is required to invoice and receive payments directly from its customers; in Illinois, where Just Energy is responsible for collection of defaulted amounts; in British Columbia and California, where Just Energy is required to invoice and receive payments from certain commercial customers and in Ontario, where Just Energy would be responsible for collection of defaulted amounts in respect of certain large volume users in one utility territory. To date, no defaults have been experienced in this last category. In 2005, Just Energy entered into a five-year agreement with EPCOR for the provision of billing and collection services for all of Just Energy's customers in Alberta which was amended and extended in December 2008. Pursuant to the amended agreement, EPCOR will continue to provide billing and collection services for AESLP until November 30, 2011, with respect to AESLP's existing customers. In the late summer of 2009, Just Energy began billing and collection services directly for all new customers signed and renewed customers. 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 and offshoring arrangements

Just Energy has outsource arrangements predominantly to support the call centre's requirements for business continuity plans and independence for regulatory purposes. Contract data input is also outsourced as is some business continuity and disaster recovery. Some of the outsourcing contracts are offshore. 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, Superior Energy and MX Energy) and incumbent utility subsidiaries compete with Just Energy in the residential, commercial and small industrial market. It is possible that new entrants may enter the market as marketers and compete directly for the customer base that Just Energy targets, slowing or reducing its market share. If the LDCs are permitted by changes in the current regulatory framework to sell natural gas at prices other than cost, their existing customer bases could provide them with a significant competitive advantage. This may limit the number of customers available for marketers including Just Energy.

Dependence on independent sales contractors

Just Energy must retain qualified independent sales contractors despite competition among Just Energy's competitors. If Just Energy is unable to attract a sufficient number of independent sales contractors, Just Energy's customer additions and renewals may decrease and the Fund 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. There can be no assurance that competitive conditions will allow these independent contractors, 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 a benefit 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 Just Energy is currently appealing the findings of two regulatory bodies (one in Canada and one in the U.S.). Should Just Energy be unsuccessful in its appeals, 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, 2010, Just Energy held long-term electricity and gas contracts reflecting approximately 2,293,000 long-term RCEs, and the renewal schedule for the contracts is noted on page 31. Just Energy has experienced contract attrition rates of approximately 13% in Canada and 16% in the U.S. for electricity with rates of 10% and 30% being realized for Canada and the U.S., respectively, for gas. 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 31 for further discussion on "Failed to renew". Just Energy's experience is that approximately 73% and 79% of its Canadian and U.S. electricity customers, respectively, and 61% and 67% of its Canadian and U.S. gas customers, respectively, have renewed at the expiry of the term of their contract.

Cash distributions are not guaranteed and will fluctuate with the performance of Just Energy

Although Just Energy intends to distribute the interest and other income it earns less expenses and amounts, if any, paid by Just Energy in connection with the redemption of units, there can be no assurance regarding the amounts of income to be generated by the Fund's affiliates and paid, directly or indirectly to the Fund. The ability to distribute and the actual amount distributed in respect of the units 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 Fund's affiliates will be able to pass any additional costs arising from legislative changes (or any amendments) on to customers. Cash distributions are not guaranteed and will fluctuate with the performance of the Fund's affiliates and other factors.

Earnings volatility

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

Model risk

The approach to calculation of market value and customer forecasts requires data-intensive 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 goes undetected in the vetting process.

Commodity alternatives

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

Capital asset and replacement risk

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

Credit facilities and other debt arrangements

The credit facility maintained by Just Energy L.P. and Just Energy (U.S.) Corp. ("JEUS") is in the amount of \$250 million. The lenders under such credit facility together with certain of the suppliers of Just Energy and its affiliates are parties to an intercreditor agreement and related security agreements which provide for a joint security interest over all customer contracts (except for those owned by AESLP). There are various covenants pursuant to the credit facility that govern the activities of the Fund 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, the Fund's subsidiaries have met the requirements of the credit facility; however, should those subsidiaries default under the credit facility and it becomes unavailable, it could have a significant material adverse effect on the business of those subsidiaries and on the results of operations and financial performance of the Fund 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 an undertaking of TGF. These facilities include certain financial covenants of which certain requirements have not been met within the last year and have been waived by the lenders for fiscal 2011. The lenders have also agreed to defer certain principal payments during fiscal 2011. In addition, there is a term loan for \$10 million and a working capital operating line of \$7 million. The term loan is secured by liquid investments on deposit with the lender. There is a risk that these credit facilities, including the debenture purchase agreement, may not continue to be available on the same terms or at all given the compliance issues that TGF experienced under the facilities in 2009, which could result in the Belle Plaine facility ceasing to operate and a loss of the security pledged by TGF as security for advances under such credit facilities.

The Fund has guaranteed JECC's obligations under the JECC debentures in connection with the Universal acquisition. Risks associated with these debentures include dilution to Unitholders in the event they are converted into JECC Exchangeable Shares, or JECC Exchangeable Shares are issued to satisfy JECC's obligations upon maturity or redemption, and such JECC Exchangeable Shares are subsequently exchanged for units.

NHS has also entered into a long-term financing agreement with respect to the installation of water heaters (see page 39 for more information). In the event this financing becomes unavailable, it could have a material adverse affect on the Fund's home services business.

Disruptions to infrastructure

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

Expansion strategy and future acquisitions

The Fund 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 Fund from realizing its business strategy.

Acquisitions involve numerous risks, any one of which could harm the Fund'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 Fund 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 the Fund's 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 the provinces of Ontario, Manitoba, Quebec, British Columbia and Alberta and in the states of Illinois, Indiana, New York, Michigan, Ohio, California, Pennsylvania, New Jersey, Maryland and Texas. 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 as a door-to-door marketing company, Just Energy receives complaints from consumers which may involve sanctions from regulatory and legal authorities including those which issue marketing licences. Similarly, changes to consumer protection legislation in those provinces and states where Just Energy markets to non-commercial customers may, favourably or unfavourably, impact Just Energy's business model. Just Energy has a dedicated team of in-house regulatory advisors to ensure adequate knowledge of the legislation and regulations in order that operations may be advised of regulations pursuant to which procedures are required to be implemented and monitored to maintain licence status. When new markets are entered, the team assesses the market and determines if additional expertise (internal or external) is required. There is also a team that monitors and addresses complaints with a view to mitigating underlying causes of complaints.

In addition to the complaints and class actions referenced herein and litigation 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 51 of this report. This litigation is, and any such additional litigation could be, time consuming and expensive and could distract our executive team from the conduct of Just Energy's daily business. The adverse resolution of any specific lawsuit could have a material adverse effect on our ability to favourably resolve other lawsuits and could adversely affect the Fund's financial condition and liquidity.

Investment eligibility

Just Energy will endeavour to ensure that the units continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and there is no assurance that the conditions prescribed for such qualified or eligible investments will be adhered to at any particular time.

Nature of units, convertible debentures and exchangeable shares

Securities such as the units, convertible debentures and exchangeable shares are hybrids in that they share certain attributes common to both equity securities and debt instruments. The units, convertible debentures and exchangeable shares do not represent a direct investment in the natural gas or electricity wholesale business and should not be viewed by investors as shares or securities in any of the Fund's affiliates. As holders of units, subject to the Trust Beneficiaries' Liability Act, 2004, Unitholders do not have the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppressive" or "derivative" actions. The units represent a fractional interest in the Fund. The Fund's primary assets are its direct and indirect interests in the securities of its affiliates. The price per unit is, among other things, a function of anticipated distributable income.

Redemption right

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. JEC notes, notes of OESC Exchangeco II Inc. ("Exchangeco II"), a wholly owned subsidiary of the Fund, and the Fund notes (of which none are outstanding) may be distributed *in specie* to Unitholders in connection with a redemption and will not be listed on any stock exchange and no established market is expected to develop for such JEC notes, Exchangeco II notes and the Fund notes. Cash redemptions are subject to limitations.

Unitholder limited liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its assets or obligations, and in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholders' share of the Fund's assets.

The Declaration of Trust further provides that the trustee and the Fund shall make all reasonable efforts to include, as a specific term of any obligations or liabilities being incurred by the Fund or the trustee on behalf of the Fund, a contractual provision to the effect that neither the Unitholders nor the trustee have any personal liability or obligations in respect thereof. The Administration Agreement contains such provisions. Personal liability may also arise in respect of claims against the Fund that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. As the Fund's activities are generally limited to investing in securities issued by its affiliates, the possibility of any personal liability of this nature arising is considered remote.

On December 16, 2004, the Government of Ontario passed the Trust Beneficiaries' Liability Act, 2004, which limits the liability of holders of trust units, in a manner similar to that afforded to holders of shares of Ontario incorporated limited liability corporations. The legislation provides that the beneficiaries of a trust are not as beneficiaries, liable for any act, default, obligation or liability of the trust or any of its trustees that arises after the act became law if, when the act or default occurs or the obligation or liability arises: (a) the trust is a reporting issuer under the Securities Act (Ontario); and (b) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act (Ontario) and is governed by the laws of Ontario. However, the courts have not yet had an opportunity to consider this legislation.

The operations of the Fund will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Unitholders for claims against the Fund.

Distribution of common shares and notes on termination of the Fund

Upon termination of the Fund, the trustee may distribute the common shares, Exchangeco common shares, JEC notes, Exchangeco II notes and the Fund notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the common shares, Exchangeco common shares, Exchangeco II notes, JEC notes, or the Fund notes. In addition, the common shares, Exchangeco common shares, Exchangeco II notes, JEC notes and the Fund notes are not freely tradable and are not currently listed on any stock exchange.

The Fund may issue additional units diluting existing Unitholders' interests

The Declaration of Trust authorizes JEC as administrator to cause the Fund to issue an unlimited number of units for such consideration and on such terms and conditions as shall be established by the Administrator without the approval of any Unitholders. Additional units have been and will be issued by the Fund on the exercise of the Exchangeco II Exchange Rights relating to the Class A preference shares.

Restrictions on potential growth

The payout by the Fund's affiliates of the vast majority of all of their operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of Just Energy and its cash flow.

Changes in securities legislation

There can be no assurance that the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the units will cease to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans.

Risks relating to certain of the Fund's subsidiaries

The following risk factors relate to the respective businesses conducted by TGF and NHS, subsidiaries of the Fund acquired pursuant to the Universal acquisition, and are in addition to the risk factors set forth above and in the Annual Information Circular. The Fund's subsidiaries are immaterial to the total result of the business. TGF and NHS had a net loss of \$9.7 million versus the total net income of \$231.5 million realized by the Fund for the year ended March 31, 2010. In addition, TGF and NHS generated 2.8% of the gross margin for the year ended March 31, 2010, and held 19% of the total assets.

Leverage and restrictive covenants

TGF's use of debt financing makes it more difficult for it to operate because it must make principal and interest payments on the indebtedness and abide by covenants contained in its debt financing agreements. The level of TGF's debt may have implications on TGF's operations, including, among other things: (i) limiting TGF's ability to obtain additional debt financing; (ii) making TGF vulnerable to increases in prevailing interest rates; (iii) requiring TGF to dedicate a substantial portion of its cash flow from operations to interest and principal payments in respect of its indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate expenditures; (iv) placing TGF at a competitive disadvantage because it may be substantially more leveraged than some of its competitors; (v) subjecting all or substantially all of TGF's assets to liens, which means that there may be no assets left for the Fund in the event of a liquidation; (vi) limiting TGF's ability to adjust to changing market conditions, which could make it more vulnerable to a downturn in the general economic conditions of its business; and (vii) limiting TGF's ability to make business and operational decisions, including, without limitation, limiting TGF's ability to pay dividends, make capital improvements, sell or purchase assets or engage in transactions TGF deems to be appropriate and in its best interest.

TGF's ability to make payments on and refinance its indebtedness will depend on its ability to generate cash from its future operations. TGF's ability to generate cash from future operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond TGF's control. If TGF is unable to comply with applicable restrictive covenants or service its debt, TGF may lose control of its business and be forced to reduce or delay planned capital expenditures, sell assets, restructure its indebtedness or submit to foreclosure proceedings, all of which could result in a material adverse effect upon TGF's business, results of operations and financial condition. TGF's future debt arrangements may also include subordinated debt, which may contain even more restrictions and be on less favourable terms than TGF's existing senior debt and subordinated debt.

Reliance on proprietary technology; risk of claims for infringement

The ability of TGF to operate its Belle Plaine facility and for it to be economically viable depend on intellectual property and proprietary technology (collectively, "proprietary technology") licensed from third parties. No assurance can be given that the proprietary technology may not be circumvented, misappropriated, disclosed, infringed or required to be licensed to others. TGF's rights are non-exclusive and accordingly others may use the proprietary technology to conduct a competitive ethanol production business. Third parties may claim that the use of the proprietary technology has infringed their rights or may directly or indirectly challenge TGF's right to the proprietary technology. It is possible that litigation by TGF or others may be required to protect the proprietary technology or TGF's right to use it, or to determine the validity or scope of the rights of others. Such litigation can be time consuming and expensive, cause delays in TGF's operations or require TGF to enter into licensing arrangements that may require the payment of license fees or royalties to others. Such royalty or licensing arrangements, if required, may not be available on terms acceptable to TGF.

Dependence on commodity prices

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

Sensitivity to gasoline prices and demand

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

Sensitivity to wheat prices and supply

Wheat is the principal raw material TGF will use to produce ethanol and distillers grains. As a result, changes in the price of wheat can significantly affect TGF's business. At certain levels, wheat prices would make ethanol uneconomical to use in fuel markets. The price of wheat is influenced by local and international weather conditions (including droughts) and other factors affecting crop yields, farmer planting decisions and general economic, market and regulatory factors, including government policies and subsidies with respect to agriculture and international trade, and global and local supply and demand. The significance and relative effect of these factors on the price of wheat is difficult to predict. Any event that tends to negatively affect the supply of wheat, such as adverse weather or crop disease, could increase wheat prices and potentially harm TGF's business. The price of wheat has fluctuated significantly in the past and may fluctuate significantly in the future.

TGF may also have difficulty from time to time in purchasing wheat on economic terms due to supply shortages. Any supply shortage could require TGF to suspend operations until wheat became available on economic terms.

Sensitivity to natural gas prices and supply

TGF relies upon third parties for TGF's supply of natural gas, which is consumed in the manufacture of ethanol. The prices for and availability of natural gas are subject to volatile market conditions. These market conditions are affected by factors beyond TGF's control such as weather conditions (including hurricanes), overall economic conditions and foreign and domestic governmental regulation and relations. Significant disruptions in the supply of natural gas could impair TGF's ability to manufacture ethanol for TGF's customers.

Sensitivity of distillers grain prices to the price of other commodity products

Distillers grains compete with other protein-based animal feed products. The price of distillers grains may decrease when the price of competing feed products decrease. The prices of competing animal feed products are based in part on the prices of the commodities from which they are derived. Downward pressure on commodity prices, such as soybeans, will generally cause the price of competing animal feed products to decline, resulting in downward pressure on the price of distillers grains. Because the price of distillers grains is not tied to production costs, decreases in the price of distillers grains will result in TGF generating less revenue and lower profit margins.

Dependence on federal and provincial legislation and regulation

Various laws, regulations and programs of the United States federal government and certain provincial and state governments are intended to lead to increased use of ethanol in gasoline. For example, certain existing and proposed laws, regulations and programs provide (or if implemented will provide) economic incentives to ethanol producers and users; however, existing and proposed laws may be influenced by those who believe that the use of ethanol does not create the benefits suggested by proponents of increased ethanol usage. These existing and proposed laws, regulations and programs are constantly changing. In both the U.S. and Canada, legislators and environmental regulators could adopt or modify existing or proposed laws, regulations or programs that could adversely affect the use of ethanol.

There can be no assurance that existing laws, regulations or programs will continue in the future, or that proposed laws, regulations or programs will be adopted or implemented as currently anticipated or at all. In addition, certain jurisdictional governments may oppose the use of ethanol because those jurisdictions might have to acquire ethanol from other jurisdictions, which could increase gasoline prices in those jurisdictions.

Environmental, health and safety laws, regulations and liabilities

TGF owns the land on which it has built the Belle Plaine facility. TGF is subject to various federal, provincial and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of TGF's employees. These laws and regulations require TGF to maintain and comply with numerous environmental permits to operate its Belle Plaine facility. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts on the environment. A violation of these laws, regulations or permit conditions can result in substantial fines, natural resource damages, criminal sanctions, permit revocations and/or facility shutdowns.

Environmental issues, such as contamination and compliance with applicable environmental standards could arise at any time during the operation of the Belle Plaine facility. If this occurs, it could require TGF to spend significant resources to remedy the issues and may have a material adverse impact on the operation of the Belle Plaine facility.

There is a risk of liability for the investigation and cleanup of environmental contamination at each of the properties that TGF owns or operates. If hazardous substances have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, TGF may be responsible under environmental laws for all or part of the costs of investigation and/or remediation, and for damages to natural resources. TGF may also be subject to related claims by private parties, including TGF's employees and property owners or residents near the Belle Plaine facility, alleging property damage and personal injury due to exposure to hazardous or other materials at or from its Belle Plaine facility. Additionally, employees, property owners or residents near the Belle Plaine facility could object to the air emissions or water discharges from the Belle Plaine facility. Ethanol production has been known to produce an unpleasant odour. Environmental and public nuisance claims or toxic tort claims could be brought against TGF as a result of this odour or TGF's other releases to the air or water. Some of these matters may require TGF to expend significant resources for investigation, cleanup, installation of control technologies or other compliance-related items, or other costs.

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. For example, federal and state environmental authorities have recently been investigating alleged excess volatile organic compounds and other air emissions from certain U.S. ethanol plants, which could also occur in Canada. Present and future environmental laws and regulations (and interpretations thereof) applicable to TGF's operations, more vigorous enforcement policies and discovery of currently unknown conditions may require substantial capital and other expenditures.

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

Disruptions to infrastructure or in the supply of fuel or natural gas

TGF's business depends on the continuing availability of rail, road, storage and distribution infrastructure. Any disruption in this infrastructure network, whether caused by rail car shortages, earthquakes, storms, other natural disasters or human error or malfeasance, could have a material adverse effect on TGF's business. TGF relies upon third parties to maintain the rail lines from the Belle Plaine facility to the national rail network, and any failure on their part to provide rail cars or maintain the lines could impede TGF's delivery of productions, impose additional costs on TGF and could have a material adverse effect on TGF's business, results of operations and financial condition.

TGF's business also depends on the continuing availability of raw materials, including fuel and natural gas. The production of ethanol, from the planting of wheat to the distribution of ethanol to refiners, is highly energy intensive. Significant amounts of fuel and natural gas are required for the growing, fertilizing and harvesting of wheat, as well as for the fermentation, distillation and transportation of ethanol and the drying of distillers grains. A serious disruption in supplies of fuel or natural gas, or significant increases in the prices of fuel or natural gas could significantly reduce the availability of raw materials at the Belle Plaine facility and increase TGF's production costs.

Technological advances

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

Ethanol production methods are also constantly advancing. A current trend in ethanol production research is to develop an efficient method of producing ethanol from cellulose-based biomass such as agricultural waste, forest residue and municipal solid waste. Another trend in ethanol production research is to produce ethanol through a chemical process rather than a fermentation process, thereby significantly increasing the ethanol yield per pound of feedstock. Although current technology does not allow these production methods to be competitive, new technologies may develop that would allow these methods to become viable means of ethanol production in the future. If TGF is unable to adopt or incorporate these advances into its operations, TGF's cost of producing ethanol could be significantly higher than those of its competitors, which could make the Belle Plaine facility less competitive.

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

Buyouts and returns of water heaters

Just Energy's customers are permitted to purchase their rented water heaters at a price determined with reference to the price of the water heater at the time of installation or may terminate their rental agreement with NHS at any time. If customers choose to buy their installed water heaters or terminate their rental agreement, the number of installed water heaters and the composition of the portfolio of installed water heaters could change.

Social or technological changes affecting the water heater market

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

Concentration of water heater suppliers and product faults

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

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

Geographic concentration of the Canadian water heater market

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

Legal proceedings

On March 3, 2008, the Citizen's Utility Board, AARP and Citizen Action/Illinois filed a complaint before the Illinois Commerce Commission ("ICC") alleging that independent sales agents used deceptive practices in the sale of Just Energy contracts to Illinois customers. On October 14, 2009, the complaint proceeded to a hearing by the ICC. On April 14, 2010, the ICC released its order finding that Just Energy had committed ten violations and imposed a penalty of \$0.1 million. Pursuant to the order, Just Energy is required to undertake an independent audit to confirm its compliance with the regulations and to change certain sales and marketing processes.

The State of California has filed a number of complaints to the Federal Regulatory Energy Commission ("FREC") against many suppliers of electricity, including Commerce, a subsidiary of the Fund, with respect to events stemming from the 2001 energy crises in California. Pursuant to the complaints, the State of California is challenging FREC's enforcement of its market-based rate system. Although CEI did not own generation, the State of California is claiming that CEI was unjustly enriched by the run-up 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.

Just Energy will resolve or vigorously contest the claims in these matters and in any other non-material litigation matters. Management believes that the pending legal actions against JEIC and Commerce are not expected to have a material impact on the financial condition of the Fund at this time.

Controls and procedures

Disclosure controls and procedures

Except for the limitation on scope of design of disclosure, controls and procedures as noted below, Just Energy maintains appropriate systems, procedures and controls to ensure that information disclosed externally is complete, reliable and timely. Just Energy's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Fund's disclosure controls and procedures (as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings) as at March 31, 2010, and have concluded that such disclosure controls and procedures were appropriately designed and were operating effectively.

Internal control over financial reporting

Except for the limitation on scope of the internal controls over financial reporting as noted below, Just Energy has established adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of the financial statements for external purposes in accordance with GAAP. Just Energy's Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design and operating effectiveness of the Fund's internal controls over financial reporting (as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings) as at March 31, 2010, using the Internal Control over Financial Reporting – Guidance for Smaller Public Companies published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the assessment they concluded that Just Energy's internal controls over financial reporting were appropriately designed and were operating effectively.

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

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

Changes in internal control over financial reporting

There have been no changes in the Fund's policies and procedures that comprise its internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting during the year ended March 31, 2010.

Limitation on scope of design

Section 3.3(1) of National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, states that the Fund may limit its design of disclosure controls and procedures and internal controls over financial reporting for a business that it acquired not more than 365 days before the end of the financial period to which the certificate relates. Under this section, the Fund's CEO and CFO have limited the scope of the design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the subsidiaries TGF and NHS acquired on July 1, 2009 as part of the UEG acquisition.

Summary financial information pertaining to the UEG acquisition that was included in the consolidated financial statements of the Fund is as follows:

(thousands of dollars)

		TGF	NHS	Total
Revenue ¹	\$	56,455	\$ 8,886	\$ 65,341
Net loss ¹		(6,861)	(2,887)	(9,748)
Current assets ²		10,792	6,579	17,371
Non-current assets ²		150,236	84,913	235,149
Current liabilities ²		67,351	12,574	79,925
Non-current liabilities ²		37,358	53,920	91,278

¹ Results from July 2, 2009 to March 31, 2010.

² Balance sheet as at March 31, 2010.

Corporate governance

Just Energy is committed to transparency in our operations and our approach to governance meets all recommended standards. Full disclosure of our compliance with existing corporate governance rules is available on our website at www.justenergy.com and is included in the Fund's May 23, 2010 management proxy circular. Just Energy actively monitors the corporate governance and disclosure environment to ensure timely compliance with current and future requirements.

Outlook

On April 19, 2010, Just Energy announced the intent to purchase all of the shares of Hudson, a privately held commercial energy marketing company operating in New York, New Jersey, Illinois and Texas. The funding for the acquisition totalling \$330 million was completed through the sale of 6% convertible debentures to a syndicate of underwriters. The transaction closed on May 7, 2010.

Just Energy believes that Hudson is a strong strategic fit and will significantly accelerate Just Energy's development as a leading North American energy marketing business. Hudson will add significant depth and focus to Just Energy's growing commercial marketing business. Eighty-five per cent of Hudson's customers are commercial while 65% of Just Energy customers are residential. Hudson generates sales through its independent broker and contractor marketing channels. Just Energy has not meaningfully utilized the broker channel as an aggregation tool. With its Sales Portal technology, Hudson also has technology that enables more efficient selling of Hudson's products to commercial customers through the broker channel and through direct sales. Just Energy's management believes that this technology can be used in all of the jurisdictions in North America where Just Energy currently operates.

The Hudson acquisition on a pro forma basis was materially accretive to the combined company's EBITDA for the year ended March 31, 2010. Management anticipates that this accretion will continue under combined operations. There will be some one-time transition costs in the second and third quarters of fiscal 2011 but the transaction is expected to be accretive in fiscal 2011 after these expenses.

Just Energy Income Fund has announced that it plans to reorganize its income trust structure into a high-dividend-paying corporation. Unitholders will be asked to approve by way of a plan of arrangement (the "Arrangement") the reorganization at the Fund's Annual and Special Meeting of Unitholders scheduled for June 29, 2010.

Upon completion of the reorganization, the Board intends to implement a dividend policy where monthly dividends will be initially set at \$0.1033 per share (\$1.24 annually) equal to the current distributions paid to Just Energy Unitholders.

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

- The conversion to a corporation will result in a lower overall tax burden versus payment of the trust tax after January 1, 2011.
- The unique nature of Just Energy as a growth company with high return on invested capital allows it to pay both a substantial yield and continue to grow. This remains true regardless of whether Just Energy is an income fund or a corporation.
- The receipt of \$1.24 per year in dividends will result in a substantially higher after-tax cash yield to shareholders than that of \$1.24 in distributions for most taxable Canadian Unitholders.
- As a corporation, Just Energy will have greater access to capital markets to the extent that issuance of equity should be required for growth through acquisition.
- Limitations under the proposed tax on undue expansion of trusts and foreign ownership limitations on trusts will no longer apply to Just Energy.
- The high-dividend yield as a corporation combined with Just Energy's growth prospects will focus market attention on the value of Just Energy shares.

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

Management believes that Just Energy will again grow its key operating measures during fiscal 2011. Overall, management believes that a return to targeted attrition rates as the U.S. economy recovers is a key factor in the level of Just Energy's growth going forward. Customer additions are at record levels but the benefit of this is absorbed by high attrition rates in the United States. Company growth expectations are predicated on some recovery in the U.S. but not full recovery to pre-recession levels. The addition of Hudson will be accretive to the Fund's growth on a fully diluted per unit basis, although this growth will be offset to a degree by one-time transition costs.

Management's best expectation is that distributable cash after gross margin replacement will grow by approximately 5% to 10%, including the acquisition from Hudson. Total RCEs are expected to grow after all attrition and failure to renew over and above the customers brought with Hudson. However, management is not in a position to provide guidance on the level of customer growth pending acquisition of the Hudson sales force and its integration into Just Energy. Investors will be updated in future quarters on the customer growth expectations.

Sales of the JustGreen products have been very strong with approximately 39% of all customers added in the current year taking 81% of green energy supply. Although currently a small component of the overall customer book (2% of gas customers and 5% of electricity customers), continued sales of JustGreen products at these levels will alter the economics of Just Energy as green customers generate higher per customer margins than the past five-year fixed-rate customers. As these new green customers become a higher and higher percentage of the overall Just Energy customer base, the results should be higher margins per customer and improved renewal rates.

The Fund intends to continue its geographic expansion into new markets in the United States both through organic growth and focused acquisitions. The Fund intends to enter Massachusetts in the first quarter and Pennsylvania in the third quarter of fiscal 2011. The Fund is actively reviewing a number of further possible acquisitions. Just Energy continues to monitor the progress of the deregulated markets in various jurisdictions. In addition, Just Energy is pursuing the development of alternative sales channels to enhance its continued growth in customer additions.