MACQUARIE POWER INCOME FUND
FINANCIAL REPORT

FOR THE THREE MONTHS ENDED MARCH 31, 2005

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Macquarie Power Income Fund

Financial Report
For the three months ended,
March 31, 2005 (the "Quarter")

May 4, 2005

MACQUARIE

Macquarie Power Income Fund (the "Fund") is not a trust company and is not registered under applicable legislation governing trust companies, as it does not carry on or intend to carry on the business of a trust company. The units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that act or any other legislation.

Macquarie Power Management Ltd. ("MPML") is the Manager of the Fund and is an indirect wholly-owned subsidiary of Macquarie Bank Limited, incorporated in Australia.

Investments in the Fund are not deposits with or other liabilities of Macquarie Bank Limited, or any entity in the Macquarie Bank Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither MPML, nor any member of the Macquarie Bank Group, guarantees the performance of the Fund, the repayment of capital or the payment of a particular rate of return on the Fund's units.

MPML, as the Manager of the Fund, is entitled to fees for so acting. Macquarie Bank Limited and its related corporations, together with their officers and directors may hold units in the Fund from time to time.

Macquarie Power Income Fund
Management's Discussion and Analysis
For the three months ended,
March 31, 2005 (the "Quarter")

This report for the Macquarie Power Income Fund (the "Fund") summarizes the financial results for the quarter ended March 31, 2005. This discussion and analysis of the Fund's consolidated operating results, cash flow and financial position presented herein should be read in conjunction with the consolidated financial statements and related notes contained in this financial report, as well as the audited December 31, 2004 consolidated financial statements and related notes.

All financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). This report also contains figures that are not performance measurements according to GAAP. For instance, the Fund measures earnings before interest, taxes, depreciation and amortization and unrealized gains and losses ("EBITDA") because this method allows management to assess the financial performance of the Fund's operations. Additional information in the section dealing with non-GAAP measurements compares EBITDA figures with the most comparable financial performance indicators.

The purpose of this discussion and analysis is to help the reader understand the financial performance of the Fund since its inception. Certain statements in this report may constitute "forward looking statements" and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund to be materially different from any performance or achievement expressed or implied by such "forward looking statements".

Consolidation and comparison of operating results

The discussion and analysis of the operating results for the current quarter reflect the consolidated operations of the Fund, Macquarie Power Income Trust (the "Trust") and Cardinal Power of Canada L.P. ("Cardinal"). On the basis of revenue and EBITDA, the operating results for the consolidated entity are virtually identical to those of Cardinal as a stand-alone entity. As such, it is possible to compare the consolidated results of the Fund in the current quarter to the operating results of the Cardinal facility to the same quarter in the prior year.

The following discussion and analysis compares the actual results of the Fund for the quarter ended March 31, 2005 to the results of Cardinal for the quarter ended March 31, 2004. All amounts have been expressed in thousands of Canadian dollars unless otherwise stated.

Accounting estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions (see Note 2 to the consolidated financial statements) that affect the reported amounts of assets and liabilities, disclosure of contingencies, and the reported amounts of revenues and expenses during the quarter. Actual results could differ from those estimates.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

	Quarter Ended	
(in thousands of dollars, except per unit amounts)	March 31, 2005	March 31, 2004
Revenue	25,228	24,458
DCR adjustments from 2002 and 2003	-	2,835
Total Revenue	25,228	27,293
EBITDA [(i)]	8,644	11,401
Depreciation and amortization	3,120	(ii)
Unrealized loss on gas swap contracts	985	(ii)
Net interest expense	322	(ii)
Net income	4,217	(ii)
Per trust unit ($)	*0.199*	(ii)
Cash flow from operations	9,123	(ii)
Distributable cash [(i)]	7,907	(ii)
Per trust unit ($)	*0.374*	(ii)
Distributions declared to Unitholders	5,028	(ii)
Per trust unit ($)	*0.238*	(ii)
Payout ratio [(iii)]	64%	(ii)
Number of trust units outstanding (000s)	21,169	(ii)
Sale of electricity (000s MWh)	345	333
Sale of steam (000s lbs)	184	191

(i) See "Additional information about non-GAAP performance measures" for a reconciliation of EBITDA and Distributable Cash to Net Income for the quarter. EBITDA and Distributable Cash are not recognized measures under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, EBITDA and Distributable Cash may not be comparable to similar measures presented by other issuers.

(ii) Financial results from the prior year have been presented only if comparable to the current year.

(iii) The payout ratio is defined as distributions declared as a proportion of distributable cash. Payout ratio is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, it may not be comparable to similar measures presented by other issuers.

Revenue

The Cardinal plant demonstrated high reliability with an availability of 99.2% for the quarter. Capacity load factor was 97.9% for the quarter, demonstrating the consistent output of the Cardinal plant.

For the quarter, the Fund generated revenue from operations of $25,228 compared to $24,458 for the same quarter last year. The increase of $770 was as a result of curtailments in electricity production that occurred in 2004. In addition, in the first quarter of 2004, direct customer rate ("DCR") adjustments relating to 2002 and 2003 of $2,835 were finalized, received and recorded in the period.

EBITDA

The total EBITDA generated by the Fund during the quarter was $8,644, a difference of $2,757 when compared to the same quarter of the previous year. In addition to the impact of revenue variances discussed above, this negative variance reflects a $692 increase in operating and administration costs, related primarily to fund administration activities in 2005 that were not applicable to the business in the first quarter of 2004, and timing differences in the plant maintenance program.

Unrealized loss on gas swap contracts

At times, the Cardinal Plant does not produce electricity, such as in cases where the Plant is shut down in order to perform regularly scheduled maintenance. This will cause the Plant to have excess natural gas that it sells to mitigate the loss of revenue resulting from decreased electricity production. The sale of excess gas exposes the Fund to gas price volatility caused by fluctuations in the market rates for gas.

To stabilize the cash flows from excess gas sales, Cardinal entered into 5 gas swap contracts in April 2004. Under the terms of the contracts, Cardinal receives fixed payments from a counter-party, in exchange for paying floating payments to the counter-party that fluctuate based on the market prices of natural gas. The contracts are based on an estimated volume spread over the 7-month period from April until October. The contract volume can be adjusted to match the monthly profile of gas available for sale. The effect of the contracts is to fix the revenues Cardinal receives from the sale of excess gas. The contracts with the counter-party are a series of monthly contracts from April to October of each year and terminate October 31, 2008. This is an important benefit to the Fund because most of the revenue uncertainty with respect to the sale of excess gas has been removed.

An unrealized loss of $985 was recorded for the quarter ended March 31, 2005 to reflect the movement in fair value of certain of the contracts entered into for 2007 and 2008. This unrealized loss had no impact on the operating cash flows or distributable cash for the quarter ended.

Net interest expense

In fiscal 2004, the Fund converted its term loan from a prime rate loan to a series of Banker’s Acceptances (“BA”). The borrowing costs on these loans were paid at the inception date of the respective transactions and are amortized over the term of the respective maturities. The amortization of borrowing costs for the quarter totalled $359.

On March 28, 2005, a BA of $11,700 matured and was converted to a Prime Rate loan, with the intention of converting the loan back into a BA after an expected decrease in BA rates. The Fund incurred $19 in interest charges during the quarter on the Prime Rate loan. On May 2, 2005, the Fund converted the Prime Rate loan to a BA at a rate of 3.92% per annum maturing on May 1, 2006.

Cash flows

Of the $9,123 in cash flow from operations generated during the quarter, $5,028 was distributed to Unitholders, $212 was invested in property, plant and equipment, and the remainder was held in reserve.

Liquidity and financial resources

As at March 31, 2005, cash and cash equivalents totalled $14,766 after net allocations (releases) in the quarter of $537 to the major maintenance reserve and ($113) from the capital expenditure reserve. The breakdown of cash and cash equivalents at March 31, 2005 is as follows:

	($000s)
Major maintenance reserve	4,871
Capital expenditure reserve	783
General reserve	3,000
Other cash and cash equivalents	6,112
Cash and cash equivalents	14,766

The Fund has a $15,000 revolving operating line of credit available. Currently there is no amount outstanding on the facility.

Long-term assets and liabilities were stable during the quarter. As at March 31, 2005, Unitholders' Equity was $187,869, reflecting a small decrease during the quarter due to the fact that the Fund distributes more than it earns in Net Income. Term debt currently outstanding totalled $35,000.

Additional information about non-GAAP performance measures

EBITDA

To assess the financial performance of its assets, the Fund uses EBITDA, even though it is not a performance measurement under GAAP. EBITDA is a widely accepted financial indicator used by investors to assess the performance of a company or a fund, and its ability to generate cash through operations. Management believes that this is especially relevant for the Fund, which pays out virtually all of its cash flow in regular distributions. However, since EBITDA is not a measurement of performance under GAAP, it may not be comparable to similarly named measures used by other companies. Investors should not use EBITDA as an alternative for Net Income, as an indicator of operating results or cash flows, or as a parameter for measuring liquidity.

The following table reconciles EBITDA to Net Income:

	Quarter Ended March 31, 2005 ($000s)
Net income	4,217
Depreciation and amortization	3,120
Net interest expense	322
Movement on gas swap contracts	985
EBITDA	8,644

Distributable Cash

Distributable Cash and payout ratio are not recognized performance measurements under GAAP. Canadian open-ended trusts, such as the Fund, use distributable cash and payout ratios as indicators of financial performance. Distributable Cash and payout ratio may differ from similar computations as reported by other entities and, accordingly, may not be comparable to distributable cash and payout ratios as reported by such entities. Management believes that Distributable Cash and payout ratio are useful supplemental measures that may assist investors in assessing financial performance.

The following is a reconciliation of distributable cash:

	Quarter Ended March 31, 2005 ($000s)
Net income for the quarter	4,217
Add:	
Depreciation and amortization and non-cash accretion of interest on decommissioning liability	3,129
Release from major maintenance reserve account	44
Release from capital expenditure reserve account	212
Unrealized loss on gas swap contracts	985
Less:	
Allocation to major maintenance expenditure reserve account	(581)
Allocation to capital expenditure reserve account	(99)
Distributable cash for the quarter	7,907
Distributable cash per unit for the quarter ($)	0.374

The Fund declared distributions to Unitholders of $5,028 for the quarter. This represents a payout ratio of 64% (payout ratio is defined as distributions declared as a proportion of distributable cash) and reflects the seasonality of cash flows, which are normally higher in the first quarter of the fiscal year.

Seasonality

Since the Fund's power station has long-term power sales and gas purchase contracts with fixed prices, its results are not significantly affected by fluctuations resulting from the market prices for electricity or the volatility in the price of natural gas. However, the power sales contracts contain lower power rates during the six-month period from April to September (and higher prices from October to March) to reflect differences in market demand between these two different segments of the year.

In addition, the power station generally performs its major maintenance during the April to September period, and as a result, the Fund's operating performance during this quarter is somewhat below that of the remainder of the year. To partially offset this seasonality, the power station sells the excess gas not consumed through a gas resale agreement with its gas supplier. In addition, the Fund maintains a general cash reserve of $3,000 in order to offset the seasonality and other factors that may impact electricity demand. This is expected to be sufficient to maintain level monthly distributions to Unitholders throughout the coming years.

The reader is referred to the Discussion and Analysis included in the December 31, 2004 Annual Report for an analysis of results of the financial performance of the Fund in prior quarters.

Related party transactions

During the quarter, the Fund incurred management fees and administrative fees to Macquarie Power Management Ltd ("MPML") of $145 and $25, respectively. Also, during the quarter the Fund recorded additional cost reimbursements of $75. These fees have been approved by the Board of Trustees of the Fund and conform to the terms of the Management and Administration agreements in place.

Trust units on issue

At March 31, 2005, the Fund had 21,168,997 trust units outstanding. There were no changes to trust units outstanding during the quarter.

Contractual obligations and other commitments

There were no significant changes in the Fund's obligations and commitments since March 21, 2005, the date of the Fund's Annual Information Form.

Risks and uncertainties

Management is of the opinion that there have been no significant changes in risks and uncertainties since March 21, 2005. Please refer to Risk Factors in the Fund's Annual Information Form dated March 21, 2005.

Outlook for 2005

The plant continues to provide reliable and consistent performance. As a result, the Fund has met and exceeded its operational and financial plan for the quarter ended March 31, 2005. The Fund has the necessary cash reserves to support all planned operational and financial requirements including maintenance, capital expenditures and distributions. The Fund will continue to review its cash position in relation to these requirements.

The Fund has enhanced insurance coverage without increasing premiums and has been able to reduce bank fees on its credit facility.

On April 14, 2005, the Fund announced that it intended to expand its focus for identifying potential investment opportunities. In doing this, the Fund will leverage its relationship with the Macquarie group to identify power generation opportunities and broader infrastructure opportunities. This increased scope is consistent with the Fund's charter. The Fund will maintain its disciplined approach to investments and remains committed to considering and investing in assets that can enhance cash available for distribution and diversify its risk profile.

Macquarie Power Income Fund
Consolidated Statements of Financial Position
(Unaudited)

	March 31, 2005 ($000s)	December 31, 2004 ($000s)
Current Assets		
Cash and cash equivalents (note 3)	14,766	10,883
Accounts receivable	8,897	8,753
Inventory	116	88
Prepaid expenses and borrowing costs	572	1,223
Total Current Assets	24,351	20,947
Property, plant and equipment (note 4)	146,532	148,240
Electricity supply and gas purchase contracts (note 4)	43,586	44,786
Gas swap contracts at fair value (note 12)	-	213
Goodwill	18,023	18,023
Total Assets	232,492	232,209
Current Liabilities		
Trade payables and accrued expenses	6,649	6,336
Distributions payable	1,676	1,676
Total Current Liabilities	8,325	8,012
Term debt (note 6)	35,000	35,000
Gas swap contracts at fair value (note 12)	772	-
Liability for asset retirement	526	517
Total Liabilities	44,623	43,529
Unitholders’ Equity	187,869	188,680
Total Unitholders’ Equity and Liabilities	232,492	232,209

Macquarie Power Income Fund
Consolidated Statement of Unitholders' Equity
For the quarter ended March 31, 2005
(Unaudited)

	Cumulative Unitholders' Equity ($000s)	Retained Earnings ($000s)	Cumulative Distributions ($000s)	Total ($000s)
Closing balance at December 31, 2004	194,907	7,236	(13,463)	188,680
Net income for the quarter ended March 31, 2005	-	4,217	-	4,217
Distributions declared to Unitholders for the quarter ended March 31, 2005 (note 9)	-	-	(5,028)	(5,028)
Closing balance at March 31, 2005	194,907	11,453	(18,491)	187,869

Macquarie Power Income Fund
Consolidated Statement of Income
For the quarter ended March 31, 2005
(Unaudited)

	($000s)
Revenue	25,228
Cost and expenses	
Operating costs	16,042
Administrative expenses	542
Depreciation and amortization	3,120
	19,704
Income from operations	5,524
Unrealized loss on gas swap contracts (note 12)	(985)
Net interest expense	(322)
Net income for the quarter	4,217
Weighted average number of trust units outstanding (units)	21,168,997
Basic and diluted earnings per trust unit ($)	0.199

Macquarie Power Income Fund
Consolidated Statement of Cash Flow
For the quarter ended March 31, 2005
(Unaudited)

	($000s)
Cash flows from operating activities:	
Net income	4,217
Add back:	
Movement of fair value of gas swap contracts (note 12)	985
Depreciation and amortization	3,120
Amortization of prepaid borrowing costs	359
Accretion of asset retirement liability	9
Non-cash changes in working capital	
Increase in accounts receivable	(144)
Increase in inventory	(28)
Decrease in prepaid expenses	292
Increase in trade payables and accrued expenses	313
Total cash flows from operating activities	9,123
Cash flows from investing activities:	
Investment in property, plant and equipment	(212)
Total cash flows from investing activities	(212)
Cash flows from financing activities:	
Distributions paid to Unitholders	(5,028)
Total cash flows from financing activities	(5,028)
Net increase in cash and cash equivalents	3,883
Cash and cash equivalents at the beginning of quarter	10,883
Cash and cash equivalents at the end of quarter	14,766
Interest paid	19

1. Organization

The Fund is an unincorporated open-ended trust established on March 15, 2004, under the laws of the Province of Ontario. The Fund began its operations on April 30, 2004 and indirectly acquired 100% of the equity of Cardinal. Cardinal is a 156-megawatt, gas-fired combined cycle cogeneration plant located in Cardinal, Ontario.

MPML, a wholly-owned subsidiary of Macquarie North America Ltd., provides administrative services to the Fund, in accordance with an administration agreement, and management services to Cardinal, in accordance with a management agreement.

2. Significant accounting policies

The following is a summary of the significant accounting policies followed by the Fund.

Basis of presentation
The accompanying unaudited interim consolidated financial statements do not include all information and footnote disclosures required under Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows at March 31, 2005 and for all periods presented, have been included. The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto included in the Fund's consolidated financial statements for the year ended December 31, 2004.

Use of estimates
The financial information contained in the accompanying financial statements has been prepared in accordance with GAAP, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting quarter. Actual results could differ from the estimates and the difference could be significant. Management estimates are used primarily in two areas: sales volumes are estimated to record accruals of revenue receivable in the last month of a reporting quarter; and natural gas volumes are estimated to record accruals of gas consumption and transportation costs in the last month of a reporting quarter. Also, sales of electricity are based on provisional power rates communicated by the OEFC. The agreement with OEFC provides that the provisional rates are used to settle electricity delivered from the plant during the year and finalized by OEFC subsequent to each fiscal year.

Basis of presentation
In addition to the Fund, these consolidated financial statements include the assets and liabilities and results of operations of the Trust, Cardinal Power Inc. (the “General Partner”) and Cardinal, all of which are 100% owned subsidiaries of the Fund. All intercompany balances and transactions have been eliminated.

Contracts
Electricity supply and gas purchase contracts are separately identifiable intangible assets. The assets are presented in the Statement of Financial Position, and are recorded at their fair value at the date of acquisition. The contracts are amortized over their useful life of 10 years using the straight-line method.

Property, plant and equipment
Property, plant and equipment have been recognized at cost of acquisition and are included in the Statement of Financial Position. Plant and equipment are depreciated over their useful life of 20 years using the straight-line method.

Goodwill
Goodwill is recorded at cost and is tested for impairment in the first quarter of each fiscal year or when indications of impairment arise. An impairment loss is recognized when the fair value of goodwill is less than its carrying amount.

Impairment of assets
The Fund evaluates the operating and financial performance of its long-lived assets for potential impairment in accordance with CICA Accounting Recommendation 3063 “Impairment of long-lived assets.” If an asset is determined to be impaired, the asset is written down to its fair value. The Fund reviews the fair value of long-lived assets in the first quarter of each fiscal year or as indicators of impairment arise.

Derivative instruments
The Fund uses swap contracts to manage its exposure to price fluctuations on sales of excess gas volumes.

The Fund has adopted Accounting Guideline 13, Hedging Relationships (“AcG 13”) issued by the Canadian Institute of Chartered Accountants, which establishes the criteria for applying hedge accounting for derivative instruments. Derivatives that have been designated and function effectively as hedges in accordance with AcG-13, are accounted for using hedge accounting principles. These require that the reporting quarter income or expense generated by the contracts be recognized during the period in which the underlying hedged transactions occur as adjustments to operating expenses.

Derivatives that do not qualify for hedge accounting are recorded in the Statement of Financial Position at fair value. Changes in fair value recorded in Net Income are reflected in the statement of income.

Asset retirement obligation
The Fund recognizes a liability for the future retirement obligations associated with the Cardinal Facility. These obligations are initially measured at fair value, which is the discounted future cost of the liability. The liability accretes until the date of expected settlement of the retirement obligations.

Revenue recognition
Revenue from the sale of electricity and steam is recognized when delivered to the customer and priced in accordance with the provisions of the applicable power and steam sales agreements.

Maintenance and repairs
Routine maintenance, repairs and major overhaul costs are charged to the income statement in the quarter they are incurred.

Income taxes
Under the terms of the Income Tax Act (Canada) (the “Tax Act”), Cardinal LP, as a partnership, is not subject to income taxes. Its income will be allocated to and included in computing the income of its partners, who are the General Partner and the Trust. Under the terms of the Tax Act, the Fund and the Trust are not generally subject to income tax to the extent their taxable income and taxable capital gains are distributed to Unitholders. As the Fund and the Trust are contractually committed to distribute all or virtually all of their taxable income and taxable capital gains to Unitholders, it is not likely that either entity will be subject to income tax. Accordingly, no provision for income taxes has been recorded in the Fund or the Trust.

Variable interest entities
On January 1, 2005, the Fund prospectively adopted the requirements of CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"), which is effective for fiscal year 2005 and provides guidance for applying the principles in Section 1590, "Subsidiaries", to those entities defined as Variable Interest Entities ("VIEs"), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack either voting control, an obligation to absorb expected losses, or the right to receive residual returns. AcG 15 requires consolidation of VIEs by the Primary Beneficiary. The Primary Beneficiary is defined as the party that

has exposure to the majority of a VIE's expected losses and/or residual returns. The Fund has evaluated its interests in electricity supply and gas purchase contracts and has determined that the Fund is the Primary Beneficiary at March 31, 2005 and should continue to consolidate Cardinal Power of Canada, L.P.

Net Income per Unit
Net Income per Unit is established by dividing Net Income, as determined above, by the Weighted Average Number of Units Outstanding during the quarter.

3. Cash and cash equivalents

Cash and cash equivalents comprise highly liquid investments with original maturities of less than 90 days. At March 31, 2005, cash and cash equivalents included the following:

	($000s)
Major maintenance reserve	4,871
Capital expenditure reserve	783
General reserve	3,000
Total reserve accounts	8,654
Other cash and cash equivalents	6,112
Cash and cash equivalents	14,766

4. Property, plant and equipment and electricity supply and gas purchase contracts

Property, plant and equipment	Cost ($000s)	Accumulated Depreciation ($000s)	Net Book Value ($000s)
Balance, December 31, 2004	153,366	(5,126)	148,240
Purchases of fixed assets during the quarter	212	-	212
Depreciation for the quarter	-	(1,920)	(1,920)
Balance, March 31, 2005	153,578	(7,046)	146,532

Electricity supply and gas purchase contracts	Cost ($000s)	Accumulated Amortization ($000s)	Net Book Value ($000s)
Balance, December 31, 2004	48,000	(3,214)	44,786
Amortization for the quarter	-	(1,200)	(1,200)
Balance, March 31, 2005	48,000	(4,414)	43,586

5. Bank credit facility

The Fund has a $15,000 operating line of credit. During the quarter, the maturity date of the credit facility was extended from April 30, 2005 to April 29, 2007. At maturity, the facility can be replaced by a facility with similar terms and conditions and for successive periods of 364 days. Collateral for the facility is provided by a first ranking hypothec covering the assets of Cardinal. The utilization of the facility is subject to certain financial and non-financial covenants. Advances under the facility are made in the form of BAs or Prime Rate loans. In the case of BAs, interest is charged at the BA rate plus a stamping fee based on the Fund's ratio of consolidated total debt to consolidated EBITDA. In the case of Prime Rate loans, interest is charged at the bank's Prime Rate plus an applicable margin based on the same ratio. As at March 31, 2005, no amount is outstanding under the facility.

6. Term debt facility

The term debt facility is a 3-year term loan for an amount of $35,000 maturing April 29, 2007. Collateral for the facility is provided by a first ranking hypothec covering the assets of Cardinal. Utilization of the facility is subject to certain financial and non-financial covenants. Advances under the facility are made in the form of BAs or Prime Rate loans. In the case of BAs, interest is charged at the BA rate plus a stamping fee based on the Fund's ratio of consolidated total debt to consolidated EBITDA. In the case of Prime Rate loans, interest is charged at the bank's Prime Rate plus an applicable margin based on the same ratio. On March 28, 2005, a BA of $11,700 matured and was converted to a Prime Rate loan. At March 31, 2005, the Fund's term debt was in the form of a series of instruments as follows:

Type of instrument	Draw down amount ($000s)	Maturity	All-in Rate
BA	$11,600	June 13, 2005	4.6%
BA	$11,700	December 16, 2005	4.5%
Prime Rate loan	$11,700	n/a	Prime Rate[i] + 0.75%

[i] *At March 31, 2005, the prime rate of interest was 4.25%.*

Borrowing costs, including interest, are paid at the inception of each BA loan. These costs are capitalized and amortized over the life of each respective loan. During the quarter, the Fund incurred $19 in interest charges on the Prime Rate loan. As at March 31, 2005, the unamortized portion of the capitalized borrowing costs totaled $472 and is included in the Statement of Financial Position.

On May 2, 2005, the Fund converted the Prime Rate loan to a BA at a rate of 3.92% per annum and maturing on May 1, 2006.

7. Units issued by the Fund

An unlimited number of units may be issued by the Fund pursuant to its trust indenture. Each unit is transferable and represents a Unitholder's proportionate undivided beneficial ownership interest in any distributions from the Fund, including distributions of Net Income, net realized capital gains or other amounts. Each unit also entitles the Unitholder to share in the net assets of the Fund in the event of termination or winding-up. All units have equal rights and privileges. The units are not subject to future calls or assessments and entitle the Unitholder to one vote for each unit held at all meetings of Unitholders. Units do not have conversion, retraction or pre-emptive rights, and are redeemable at any time on demand by Unitholders at an amount equal to the lesser of:

(i) 90% of the daily weighted average price per unit during the period of the last 10 days; and
(ii) an amount equal to either:
  (a) the closing price of the units on the date on which the units were tendered for redemption;
  (b) the average of the highest and lowest prices of units on the date on which the units were tendered for redemption; or
  (c) the average of the last bid and ask prices on the date on which the units were tendered for redemption.

The total amount payable in cash by the Fund in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed $50 (provided that such limitation may be waived at the discretion of the trustees of the Fund). In total, 21,168,997 units have been issued were outstanding as at March 31, 2005.

8. Distributable cash

The amount of cash distributed monthly is based on 100% of the Net Income of the Fund adjusted for non-cash transactions including depreciation and amortization and allocations to the reserve accounts. The distributable cash also takes into account additions to property, plant and equipment, and any other amount that the Trustees reasonably consider to be necessary to provide for the payment of any costs or expenses for the operation of the Fund and for reasonable reserves.

The following is a reconciliation of distributable cash for the quarter:

	Quarter Ended March 31, 2005 ($000s)
Net income for the quarter	4,217
Add:	
Depreciation and amortization	3,120
Non-cash accretion of interest on decommissioning liability	9
Release from major maintenance reserve account	44
Release from capital expenditure reserve account	212
Less:	
Movement of fair value of gas swap contracts	985
Allocation to major maintenance reserve account	(581)
Allocation to capital expenditure reserve account	(99)
Distributable cash for the quarter	7,907
Distributable cash per unit for the quarter ($)	0.374

9. Distributions to Unitholders

Distributions to Unitholders are paid on the last day of each month, one month in arrears. The following distributions have been declared to Unitholders for the quarter ended March 31, 2005:

Period of distribution	Date of payment	Amount declared ($000s)	Amount declared ($ per unit)
January 1 to 31, 2005	February 28, 2005	1,676	0.07917
February 1 to 28, 2005	March 31, 2005	1,676	0.07917
March 1 to 31, 2005	April 29, 2005	1,676	0.07917
Quarter ended March 31, 2005		5,028	0.23751

Any income of the Fund that is applied to cash redemptions of units or is otherwise unavailable for cash distribution will be distributed to Unitholders in the form of additional units. Such additional units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

10. Related party transactions

MPML provides management services to Cardinal under a 20-year management agreement. A fee of $587 in respect of the 2005 fiscal year is payable by Cardinal to MPML for the provision of these services, adjusted annually in line with the Consumer Price Index. MPML is entitled to seek reimbursement for all costs and expenses incurred in carrying out its management services. MPML may also earn an annual incentive fee equal to 25% of the amount by which the distributable cash per unit in a calendar year exceeds $0.95 multiplied by the weighted average number of units of the Fund outstanding for the relevant fiscal year or part thereof.

Pursuant to a 20-year administration agreement, MPML provides the Fund and the Trust with certain administrative and support services. MPML receives an annual fee of $102 for these services and is entitled to be reimbursed for all reasonable costs and expenses incurred in carrying out such services as approved by the independent Trustees.

During the quarter, the Fund incurred management fees and administrative fees to MPML of $145 and $25 respectively. During the quarter, the Fund recorded additional cost reimbursements of $75.

11. Commitments and Contingencies

Electricity supply contract
Cardinal has entered into an agreement to sell all electricity produced at its Facility, less the amount of electricity consumed in the operation of the Facility, to the OEFC until December 31, 2014.

Gas purchase contracts
Cardinal has entered into long-term purchase agreements for natural gas and gas transportation that expire on May 1, 2015 and October 31, 2014, respectively. Minimum commitments under such agreements are 9,289,104 MMBtu per year through to expiration in 2015. Under its long-term purchase agreement for natural gas, Cardinal is required to purchase a minimum volume of gas equivalent to 80% of the contract maximum, or the supplier is entitled to financial compensation from Cardinal.

Gas swap contracts
Cardinal has entered into gas swap contracts to hedge itself against fluctuations in the price of excess gas sold under the gas mitigation clause of the gas purchase agreement. The gas swap contracts require Cardinal to pay variable payments to the counter-party based on 436,814 MMBtu of gas at the market rate of natural gas in exchange for receiving fixed payments based on 436,814 MMBtu of gas at a fixed price per MMBtu for up to five years ending October 31, 2008. The contracts cover the sale of gas for the seven-month period from April to October. As at March 31, 2005, there were 4 seven-month contracts remaining.

Lease
Cardinal leases a portion of the site on which the facility is located from Canada Starch Operating Company Inc. ("CASCO"). Under the lease, Cardinal pays nominal rent. The lease expires concurrently with the energy savings agreement between CASCO and Cardinal. The energy savings agreement currently expires on January 31, 2015 but can be extended by mutual agreement.

Environmental Commitments
Under regulations recently issued by the Ontario Ministry of Environment ("MOE"), Cardinal was required to install at its facility either Continuous Emission Monitors ("CEMS") or MOE Director-approved Predictive Emissions Monitors ("PEMS"). In 2004, Cardinal decided to implement a CEMS system, and the estimated capital cost of implementing the system is not expected to exceed $250. To date, $229 has been incurred and has been funded from the capital expenditure reserve account. The system was implemented and certified by January 21, 2005. While the system is currently operational, the project will be considered competed upon final third party testing for calibration purposes only, as part of the MOE requirements, in the fourth quarter of 2005.

In relation to the requirement to implement emission monitoring, there was a period of 68 days during the calendar year 2004 that Cardinal did not comply with certain MOE requirements. Fines and penalties may be eligible. However, in the opinion of management, it is unlikely that the financial impact would be material.

12. Financial Instruments

Financial instruments consist primarily of temporary cash investments, accounts receivable, current liabilities and gas swap contracts. The fair value of the Fund's financial instruments included in current assets and current liabilities approximate the carrying amount due to their short-term maturities.

The Fund invests its cash balances in financial instruments of highly rated financial institutions and government securities. A substantial portion of its trade receivables are from a major electric utility and the associated credit risks are deemed to be limited.

The fair value of the Fund's long-term debt changes as interest rates change. The fair value of this floating rate debt approximates its carrying value.

The Fund has entered into gas swap contracts to fix the revenue derived from the sale of excess gas (refer to note 11). Two of these contracts meet the effectiveness criteria for hedge accounting and accordingly, the fair value of these contracts has not been reflected in the financial statements. The fair value of these derivatives at March 31, 2005 is estimated to be a liability to the Fund of $2,271. However, the Fund intends to hold these contracts to maturity to mitigate exposure to gas price fluctuations from sales of excess gas volumes in 2005 and 2006.

There are two other gas swap contracts that do not meet the effectiveness criteria for hedge accounting and accordingly, the fair value of these contracts has been included in the Statement of Financial Position with a corresponding unrealized loss of $985 during the quarter recorded in the Statement of Income. The fair value of these derivatives at March 31, 2005 is estimated to be an liability to the Fund of $772. The Fund intends to hold these contracts to maturity to mitigate exposure to gas price fluctuations from sales of excess gas volumes in 2007 and 2008.

13. Economic dependence

For the quarter, approximately 98.9% of the Fund's revenue was derived from the sale of electricity to Ontario Electricity Financial Corporation (“OEFC”). Approximately 96.7% of the March 31, 2005 accounts receivable balance was due from OEFC relating to electricity sales.

For the quarter ended, approximately 86.1% of the Fund's cost of goods sold derived from the purchase of gas from Husky Energy Marketing Inc. (“Husky”) under a long-term gas purchase contract. Approximately 68.9% of the March 31, 2005 trade payables and accrued expenses was payable to Husky relating to gas purchases.

Additional Information

For additional information about the Fund, please refer to the SEDAR website (www.sedar.com) for the prospectus, dated April 19, 2004, and the annual information form, dated March 21, 2005.

Investor Information

Transfer Agents, Registrar and Trustee

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Exchange Listing:

Macquarie Power Income Fund's units are listed on the Toronto Stock Exchange and trade under the symbol MPT.UN

Web Site:

www.macquarie.com/mpt