

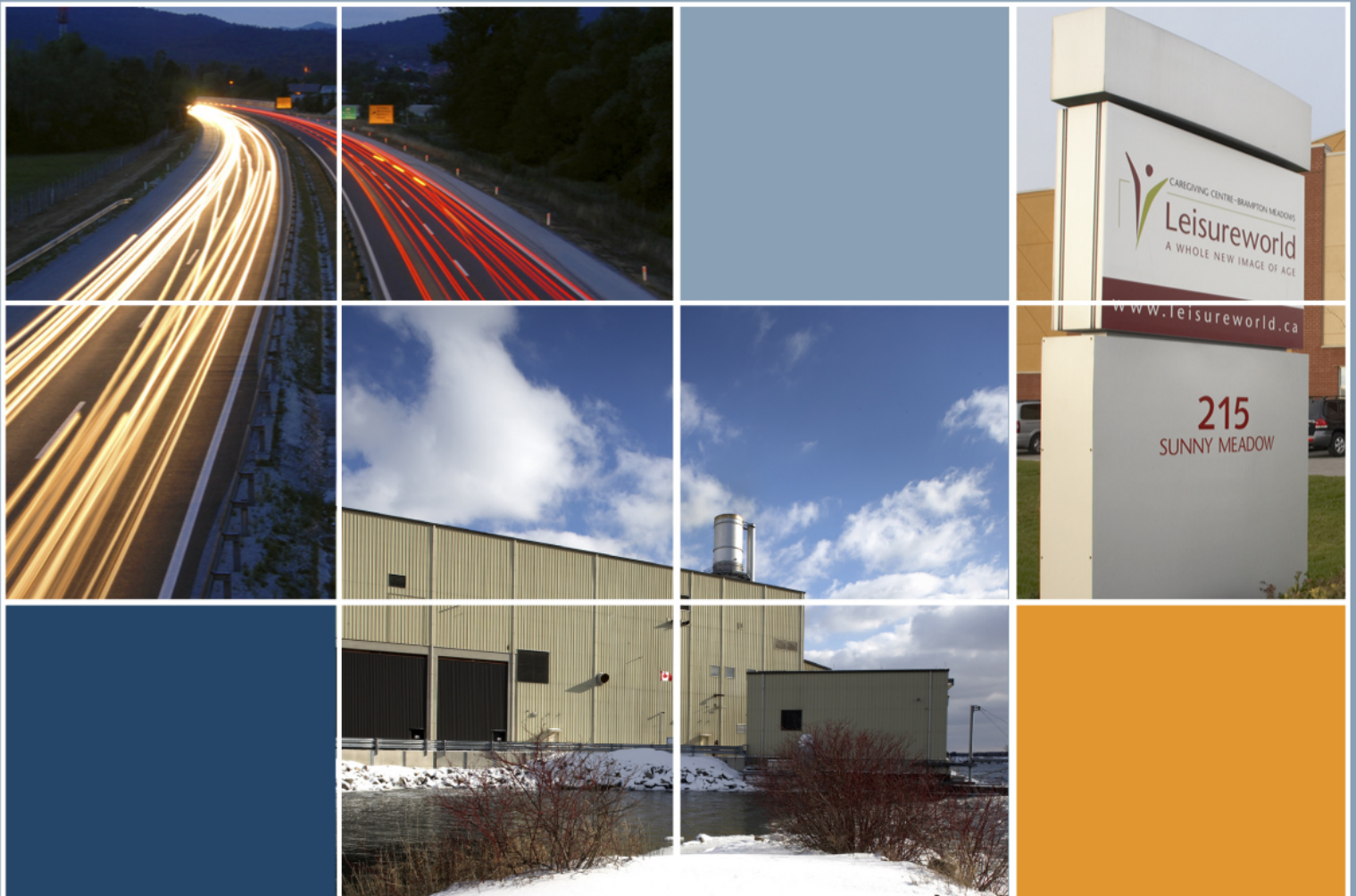


MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
FINANCIAL REPORT

FOR THE QUARTER ENDED
MARCH 31, 2008



MACQUARIE



Macquarie Power & Infrastructure Income Fund (“MPT” or 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” or the “Manager”) is the Manager of the Fund and is an indirect, wholly-owned subsidiary of Macquarie Group Limited, an Australian public company listed on the Australian Stock Exchange.

Investments in the Fund are not deposits with or other liabilities of Macquarie Group Limited, the Manager or of any Macquarie group (Macquarie Group Limited and its subsidiaries and affiliates) and are subject to investment risk, including loss of income and equity invested or delays in redemption. None of Macquarie Group Limited, the Manager or any other member company of the Macquarie group guarantees the performance of the Fund, distributions from the Fund or the redemption or repayment of capital from the Fund.

This quarterly report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in the Fund, the investor or prospective investor should consider whether such investment is appropriate to their particular needs, objectives and financial circumstances and consult an investment advisor if necessary.

MPML, as the Manager of the Fund, is entitled to certain fees for so acting (see “Related Party Transactions”). Macquarie Group Limited and its related corporations, together with their officers and directors, may hold units in the Fund from time to time.

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED
MARCH 31, 2008

This report for Macquarie Power & Infrastructure Income Fund (the "Fund") summarizes the consolidated operating results and cash flows for the three-month period ended March 31, 2008, and its financial position as at that date. This discussion and analysis should be read in conjunction with the consolidated financial statements of the Fund and accompanying notes for the quarter ended March 31, 2008, as well as the Fund's audited consolidated financial statements and related notes included in the Fund's annual report for the year ended December 31, 2007. Additional information about the Fund, including the Annual Information Form, quarterly reports and other public releases of the Fund, are available at www.sedar.com.

The information contained in this report reflects all material events up to May 6, 2008, the date on which the report was approved by the Board of Trustees.

NON-GAAP MEASURES

While the consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), this report also contains figures that are not performance measures as defined by GAAP. For instance, the Fund measures distributable cash, payout ratio and contribution margin for additional information and a comparison of these non-GAAP figures with the most comparable GAAP measures.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in the following discussion and analysis may constitute "forward-looking" statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements. When used in the following discussion and analysis, such statements use such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this discussion and analysis. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks and uncertainties described in this report under the heading "Risks and Uncertainties."

The risks and uncertainties described in this report should not be construed as exhaustive. Other events and risk factors in addition to those discussed herein, including risk factors disclosed in the Annual Information Form of the Fund, could cause actual results to differ materially from the results discussed in the forward-looking statements. The forward-looking statements contained in this discussion and analysis are based on information currently available and what the Fund currently believes are reasonable assumptions. However, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this discussion and analysis, and the Fund assumes no obligation to update or revise them to reflect new events or circumstances. The Fund cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

TO THE UNITHOLDERS OF MACQUARIE POWER & INFRASTRUCTURE INCOME FUND:

I am pleased to tell you that Macquarie Power & Infrastructure Income Fund performed strongly in the first quarter of 2008 in line with expectations, reflecting the strength, diversity and predictability of our portfolio.

On January 31, 2008, Leisureworld acquired seven long-term care homes, making it the third largest provider of long-term care in the province of Ontario. This transaction is expected to contribute to the sustainability and predictability of Leisureworld's distributions to the Fund.

Also during the quarter, the Fund increased distributions to unitholders to \$1.05 per unit on an annualized basis. This represents compound annual growth in distributions of 2.8% since inception.

Financial Review

Revenue for the quarter was \$43.7 million compared with \$29.0 million in the first quarter of 2007. The increase reflected the contribution from the wind, hydro and biomass power assets, which the Fund acquired as part of the successful unit exchange takeover of Clean Power Income Fund ("CPIF") on June 27, 2007, higher power prices attributable to the continuing impact of electricity rate increases under the Cardinal facility's Power Purchase Agreement ("PPA") and increased production.

Distributable cash was \$16.5 million (\$0.330 per unit) compared with \$12.1 million (\$0.402 per unit) in 2007. Declared distributions to unitholders for the quarter were \$13.1 million (\$0.262 per unit) compared with \$7.7 million (\$0.257 per unit) in 2007, representing a payout ratio of 80% (Q1 2007 – 64%). The higher payout ratio reflects cash flow from the newly acquired assets, which was offset by higher distributions declared to unitholders arising from the issuance of units in connection with the CPIF transaction as well as an increase in distributions to unitholders of \$0.02 per unit on an annualized basis.

At quarter end, the Fund had positive working capital of \$32.7 million, fully funded reserves and cash on hand of \$25.6 million, of which \$6.6 million was not designated for major maintenance, capital expenditure or general reserves.

Operational Review

Cardinal performed in line with expectations, producing 346,244 MWh of electricity (Q1 2007 – 344,543 MWh), which reflected fewer outages in 2008 compared with 2007. As a result, Cardinal achieved availability of 99.9% (Q1 2007 – 99.2%) and capacity of 98.5% (Q1 2007 – 97.9%). Subsequent to quarter end, Cardinal completed its combustion inspection in four days instead of the five days typically required.

Production at Erie Shores Wind Farm ("Erie Shores") totalled 81,933 MWh (Q1 2007 – 88,686 MWh), which was in line with the Fund's forecast. The wind speed and density in the quarter was less than the unusually strong conditions experienced in the first quarter of 2007. The plant achieved an availability of 97.4% (Q1 2007 – 95.9%) and a capacity factor of 38.1% (Q1 2007 – 40.8%).

The Fund's hydro power facilities delivered production of 29,937 MWh, in line with the same period last year (Q1 2007 – 30,091 MWh). The two hydro facilities in Ontario experienced increased water flows. This was offset by colder than usual conditions at the Sechelt facility in British Columbia, which resulted in decreased water flows, and planned electrical and mechanical maintenance at the facility. The hydro power facilities had a weighted average availability of 92.9% (Q1 2007 – 98.5%) for the quarter and a capacity factor of 38.6% (Q1 2007 – 39.0%).

The Whitecourt biomass plant ("Whitecourt") operated at 100% availability (Q1 2007 – 93.4%) as there were no outages during the quarter compared with two outages in the same quarter last year. The facility achieved a capacity factor of 98.7% (Q1 2007 – 92.7%). Total production at Whitecourt was 52,109 MWh (Q1 2007 – 46,760 MWh). The Chapais facility, in which the Fund holds a 31.3% interest in one of two classes of preferred shares as well as a debt interest, experienced availability of 96.6% (Q1 2007 – 99.9%). Production at Chapais for the quarter was 58,615 MWh (Q1 2007 – 60,186 MWh).

Leisureworld delivered a 27.1% increase in revenue and an 8.1% increase in income from operations, reflecting the contribution of the seven newly-acquired homes, improved occupancy and greater use of private accommodation across its portfolio. Government funding was also higher than in the same period last year. Average total occupancy for the quarter was 98.1% (Q1 2007 – 97.5%). Average private occupancy was 91.9% (Q1 2007 – 87.8%).

Outlook

We expect the Fund's stable performance to continue through 2008, which reflects the essential nature, inelastic demand and predictable cash flow that characterize critical infrastructure assets.

In 2008, Cardinal will continue to benefit from higher electricity rates under its PPA. This will be offset by higher than anticipated gas transportation costs, reflecting the impact of a regulated rate increase to \$1.31/GJ from \$1.09/GJ that was awarded to TransCanada Pipelines Limited, which transports gas to the Cardinal facility, effective April 1, 2008.

Erie Shores is performing in line with our forecast and is expected to deliver annual production of approximately 245,600 MWh, subject to wind speed and density, which are typically greatest during the fall and winter months. Warranted plant availability of 97% is currently guaranteed by GE, the turbine supplier, including direct revenue reimbursement if that threshold is not met. Erie Shores' annual maintenance, which typically requires approximately four to five days of outage, is expected to be completed during the seasonally low third quarter.

Strong performance from the hydro facilities is expected through the spring months as weather conditions warm. Water flows are typically strongest during the spring and fall months. The impact of fluctuating water flows on revenue is mitigated by the geographic diversification of the hydro assets across the Arctic, Atlantic and Pacific watersheds. Additionally, the PPAs at Wawatay and Dryden provide for higher electricity rates during the months of October to March.

The hydro facilities are expected to generate long-term average production of 166,360 MWh per year, which represents average actual historical production at each of the plants. This long-term average includes the impact of outages required for mechanical and electrical inspections at the plants, which are typically scheduled for seasonally low periods.

Whitecourt continues to operate reliably, reflecting the stability of its fuel supply and strong maintenance program. The plant operates on a seven-year maintenance cycle and will undergo major maintenance in May 2008, which is expected to require an approximately 24-day outage.

At Leisureworld, a key focus in 2008 is on securing approval from the Ministry of Health and Long-Term Care for the acquisition of the Good Samaritan Seniors Complex. Leisureworld is continuing its emphasis on optimizing occupancy across its homes and on increasing the number of residents choosing private accommodation, which contributes to Leisureworld's operating profitability. Leisureworld has significant critical mass in Ontario's long-term care sector and is well positioned to capitalize on complementary acquisition opportunities that will further enhance the stability and quality of the portfolio.

We anticipate achieving a payout ratio of approximately 100%, reflecting the impact of higher than expected transportation costs at Cardinal. Importantly, routine major maintenance costs at each of the Fund's power plants are fully funded through the Fund's major maintenance reserve account and have no impact on distributable cash.

Growth remains an important part of our mandate in 2008, and we are actively exploring opportunities to increase the size and value of the Fund. These opportunities could include power generation, particularly in the renewable energy sector; electricity transmission and distribution; additional long-term care homes; and other essential infrastructure assets, which could include public-private partnerships ("P3s"). We have substantial financial capacity for growth, including up to \$100 million under our credit facilities, and believe that experienced investors such as MPT will be able to capitalize on the growing pipeline of infrastructure investment opportunities. Approximately 50% of Canada's infrastructure will reach the end of its serviceable life by 2027, which is creating an urgent need for investment and renewal.

Later in this report, we discuss the federal government's new framework for greenhouse gas ("GHG") emissions. While full details regarding specific regulations and implementation are not yet available, the Fund will be an active participant in consultations leading up to the release of GHG targets and the structure of the offset program. We believe that our assets are environmentally sound and well positioned to be net receivers of offset credits, which could create a new source of value within our portfolio. We expect the Fund to be compliant with any new regulations, and we will look to capitalize on new opportunities within this evolving market.

We are working to build a significant, diversified portfolio of infrastructure assets that returns exceptional long-term value to unitholders. We appreciate your support in that endeavour.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Smith', written in a cursive style.

Gregory J. Smith
President & Chief Executive Officer

CONSOLIDATION AND COMPARISON OF OPERATING RESULTS

MPT is an unincorporated, open-ended limited purpose trust established by a declaration of trust dated March 15, 2004. This declaration was amended and restated on April 16, 2004 and further amended on February 21, 2006. Through its subsidiaries, the Fund owns, operates and has investments in power infrastructure assets, including gas cogeneration, wind, hydro and biomass power generating facilities, and has an investment in social infrastructure through its 45% interest in Leisureworld, a provider of long-term care (“LTC”).

This Management’s Discussion and Analysis (“MD&A”) is designed to provide readers with an informed discussion of the activities and operating results of Macquarie Power & Infrastructure Income Fund (“MPT” or the “Fund”), Macquarie Power & Infrastructure Income Trust (the “Trust”), Cardinal Power Inc. (“Cardinal GP”), Cardinal Power of Canada, LP (“Cardinal”), MPT LTC Holding Ltd. (“LTC GP”), MPT LTC Holding LP (“LTC Holding LP”) and Clean Power Operating Trust (“CPOT”). LTC Holding LP has an indirect 45% interest in Leisureworld Senior Care LP (“Leisureworld”) and CPOT has an indirect 31.3% interest in one of the two classes of preferred shares in Chapais Électrique Limitée (“Chapais”). The Fund accounts for these investments using the equity method.

The following discussion and analysis compares the actual results of the Fund for the quarter ended March 31, 2008 with the results for the quarter ended March 31, 2007. Results from Clean Power Income Fund (“CPIF”), acquired on June 27, 2007, are not included in the comparative figures for March 31, 2007. All amounts have been expressed in thousands of Canadian dollars unless otherwise stated.

Selected Consolidated Financial and Operating Information of the Fund

(In thousands of dollars, except for trust units and per trust unit amounts)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Revenue	43,663	28,969
Income before the following:	10,676	7,645
Unrealized loss on swap contracts	(2,311)	(771)
Unrealized gain on embedded derivative instruments	6,863	1,896
Net interest expense	(3,301)	(222)
Foreign exchange loss	(3)	-
Equity accounted loss from long-term investments	(25)	(1,190)
Income before income taxes	11,899	7,358
Current income tax recovery	18	-
Future income tax expense	(6,528)	-
Net income	5,389	7,358
Basic and diluted income per Unit	0.108	0.245
Cash flows from operating activities	14,891	17,287
Distributable cash ⁽ⁱ⁾	16,498	12,068
Per Unit	0.330	0.402
Distributions declared to Unitholders ⁽ⁱⁱ⁾	13,117	7,737
Per Unit	0.262	0.257
Payout ratio ⁽ⁱⁱⁱ⁾	80%	64%
Basic and diluted weighted average number of trust units and Class B exchangeable units outstanding (Units)	49,972	30,048
Total assets	795,603	306,262
Total long-term liabilities	369,029	62,065
Sale of electricity (MWh)	568,838	344,543
Sale of steam (M lbs)	196,039	175,771
Average total occupancy	98.1%	97.5%
Average private occupancy	91.9%	87.8%

⁽ⁱ⁾ See “Distributable Cash and Payout Ratio” for a reconciliation of distributable cash to cash flows from operating activities for the quarter. Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, distributable cash may not be comparable to similar measures presented by other issuers.

⁽ⁱⁱ⁾ All unitholders were paid distributions equivalent to the amount shown.

⁽ⁱⁱⁱ⁾ Payout ratio is defined by the Fund 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

Revenue for the quarter ended March 31, 2008 was \$43,663 compared with \$28,969 in the same period last year. The \$14,694 increase reflected a full quarter of operating results from the wind, hydro and biomass power assets acquired on June 27, 2007, higher power prices from continued increases in the DCR as well as increased production at the Cardinal facility due to fewer outages in the quarter. Total power generation for the quarter increased by 65% to 568,838 MWh from 344,543 MWh in 2007.

Income before the following

Income before unrealized gains and losses on swap contracts and embedded derivatives, net interest expense, foreign exchange loss, loss from equity accounted investments and income taxes for the quarter ended March 31, 2008 was \$3,031 higher than the same period last year. The increase mainly reflected a full quarter of operating results from the assets acquired in June 2007 as well as increased revenue at the Cardinal facility, offset by higher operating costs due to increased fuel usage and higher transportation charges. Administration expenses reflected higher management fees and increased cost reimbursement charges due to the Fund requiring more support services in finance and asset management following the acquisition of CPIF. Other administrative expenses for the quarter were also higher due to increased business development activities, higher audit and tax fees and other regulatory compliance costs.

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Management fees	435	268
Administrative fees	27	26
Cost reimbursement ^o	669	496
Incentive fees	1,543	1,648
Other administrative expenses	1,863	373
Administrative expenses	4,537	2,811

^oIn addition to the cost reimbursement included in administrative expenses for the quarter ended March 31, 2008, \$36 of cost reimbursement was recorded in capital assets and \$112 was capitalized as deferred charges. The Manager receives reimbursement for cost of services provided to the Fund in relation to, but not limited to, administration, regulatory, finance, rent and information technology.

Unrealized Loss on Swap Contracts

The fair values of the Fund's swap contracts have been recorded on the consolidated statement of financial position for the quarter ended March 31, 2008. Since these swap contracts do not meet the effectiveness criteria for hedge accounting, the movement in the fair value of these contracts has been reflected in the consolidated statement of operations for the quarter as follows:

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Unrealized loss on gas swap contracts	2,057	771
Unrealized loss on interest rate swap contract	254	-
Total unrealized loss on swap contracts	2,311	771

Unrealized Gain on Embedded Derivative Instruments

As at March 31, 2008, the embedded derivative asset and liability recorded at fair value were \$23,330 and \$12,407, respectively. The movement in the fair value of these embedded derivatives has been reflected in the consolidated statement of operations for the quarter as follows:

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Unrealized gain on embedded derivative asset	5,612	3,200
Unrealized gain (loss) on embedded derivative liability	1,251	(1,304)
Total unrealized gain on embedded derivative instruments	6,863	1,896

Net Interest Expense

Net interest expense for the quarter is \$3,079 higher than the same period last year due to higher interest incurred as a result of the Fund's acquisition of CPIF in 2007, resulting in increased debt levels, offset by interest earned on loans receivable from Chapais.

Equity Accounted Loss from Long-Term Investments

The Fund has an indirect 45% interest in Leisureworld and an indirect 31.3% interest in one of the two classes of preferred shares in Chapais, which are accounted for using the equity method. Included in the

consolidated statement of operations for the quarter ended March 31, 2008 are the equity accounted loss of \$181 (Q1 2007 - \$1,190 loss) from Leisureworld and equity accounted income of \$156 (2007 - \$nil) from Chapais.

Income Taxes

Bill C-52 which was passed into law on June 22, 2007, will result in the Fund's income being taxable starting in 2011. As a result, future income tax assets and liabilities have been recognized on the consolidated statement of financial position based on temporary differences between the accounting and tax bases of existing assets and liabilities that are expected to reverse after 2010. For the quarter ended March 31, 2008, the Fund recorded a future income tax expense of \$6,528 in the consolidated statement of operations in respect of these assets and liabilities.

Cash Flows from Operating Activities

Cash flows from operating activities for the quarter were lower by \$2,396 compared with the same period last year. The decrease was primarily due to higher interest expense and changes in working capital, offset by an increase in earnings before non-cash expense items for the reasons described above.

Distributable Cash and Payout Ratio

Distributable cash and payout ratio are not recognized performance measures under GAAP. The Fund believes that distributable cash and payout ratio are useful supplemental measures that may assist investors in assessing the Fund's financial performance. Distributable cash is based on cash flows from operating activities, the GAAP measure that is reported in the Fund's consolidated statement of cash flows, and adjusted for changes in the reserve accounts, non-discretionary receipts and payments and distributions received from Leisureworld. In addition, the impact of changes in non-cash working capital is excluded (the movements in trade-related current assets and liabilities) as management believes it should not be considered in a period calculation intended to demonstrate the degree to which cash flow from earnings supports the financial obligations of the Fund. Payout ratio is defined as distributions declared as a proportion of distributable cash.

For the quarter ended March 31, 2008, distributable cash exceeded distributions to Unitholders.

(In thousands of dollars, except for trust units and per trust unit amounts)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Cash flows from operating activities	14,891	17,287
Maintenance of productive capacity:		
Release from major maintenance reserve account	175	-
Allocation to major maintenance reserve account	(556)	(616)
Allocation to capital expenditure reserve account	(213)	(104)
	14,297	16,567
Other adjustments:		
Scheduled repayment of debt	(527)	-
Scheduled receipt of loans receivable	154	-
Distributions received from Leisureworld	2,588	2,587
Changes in working capital	(14)	(7,086)
Distributable cash for the period ⁽ⁱ⁾	16,498	12,068
Per Unit	0.330	0.402
Distributions declared to Unitholders	13,117	7,737
Per Unit ⁽ⁱⁱ⁾	0.262	0.257
Payout ratio ⁽ⁱⁱⁱ⁾	80%	64%
Basic Units outstanding	49,972	30,048

⁽ⁱ⁾ Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, distributable cash may not be comparable to similar measures presented by other issuers.

⁽ⁱⁱ⁾ All unitholders were paid distributions equivalent to the amount shown.

⁽ⁱⁱⁱ⁾ Payout ratio is defined by the Fund 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.

For the quarter ended March 31, 2008, distributable cash was \$16,498 (Q1 2007 - \$12,068). The Fund declared distributions to unitholders of \$13,117 (Q1 2007 - \$7,737). This represents a payout ratio of 80% (Q1 2007- 64%), which reflects a full quarter of cash flows generated from the assets acquired in June 2007, offset by higher distributions declared in the quarter compared with the same period last year. Distributions

declared increased due to a greater number of units outstanding for the quarter as a result of the CPIF acquisition, which was completed on June 27, 2007 through a unit exchange takeover, as well as an increase in distributions to unitholders of \$0.02 per unit on an annualized basis.

HIGHLIGHTS BY OPERATING SEGMENT

The discussion and analysis of the Fund's summarized results is organized by its two principal operating segments: power infrastructure and social infrastructure.

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008			Quarter ended March 31, 2007		
	Power	Social	Total	Power	Social	Total
Revenue	43,663	-	43,663	28,969	-	28,969
Operating expenses	21,349	-	21,349	15,753	-	15,753
Contribution margin ⁽ⁱ⁾	22,314	-	22,314	13,216	-	13,216
Interest income on loans receivable ⁽ⁱⁱ⁾	205	-	205	-	-	-
The Fund's pro rata share of equity accounted income (loss) ⁽ⁱⁱⁱ⁾	156	(181)	(25)	-	(1,190)	(1,190)
Depreciation and amortization on capital assets	5,149	-	5,149	1,942	-	1,942
Sale of electricity (MWh)	568,838	-	568,838	344,543	-	344,543
Sale of steam (M lbs)	196,039	-	196,039	175,771	-	175,771
Average total occupancy	-	98.1%	98.1%	-	97.5%	97.5%
Average private occupancy	-	91.9%	91.9%	-	87.8%	87.8%

⁽ⁱ⁾ Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.

⁽ⁱⁱ⁾ The Fund's interest income consists of interest earned on Chapais loans for the period. This amount is included in net interest expense on the consolidated statement of operations.

⁽ⁱⁱⁱ⁾ The Fund's investments consist of a 31.3% interest in one of the two classes of preferred shares in Chapais and a 45% equity interest in Leisureworld.

Power Infrastructure

The power infrastructure segment includes gas cogeneration, wind, hydro and biomass power generation assets. The Fund's power assets are diversified by fuel source and have a weighted average remaining Power Purchase Agreement ("PPA") term of approximately 12 years.

Asset/Facility	Percentage Ownership	Location	Installed Capacity (MW)	Utility/Electricity Purchaser	Expiry of PPA	Fuel Supply Contract Expiry
Gas Cogeneration						
Cardinal	100%	ON	156 MW	Ontario Electricity Financial Corporation ("OEFC")	2014	2015
Wind						
Erie Shores Wind Farm ("Erie Shores")	100%	ON	99 MW	Ontario Power Authority ("OPA")	2026	n/a
Hydro						
Secheit	100%	BC	16 MW	BC Hydro	2017	n/a
Hluey Lakes	100%	BC	3 MW	BC Hydro	2020	n/a
Wawatay	100%	ON	14 MW	OEFC	2042	n/a
Dryden ⁽ⁱ⁾	100%	ON	3 MW	OEFC	2020	n/a
Biomass						
Whitecourt	100%	AB	28 MW	TransAlta Utilities Corp. ("TransAlta")	2014	2014
Chapais ⁽ⁱⁱ⁾	31.3%	QC	31 MW	Hydro Quebec	2015, with option to extend to 2020 under certain conditions	2015, with option to extend to 2020 under certain conditions

⁽ⁱ⁾ Comprises of the Wainwright, Eagle River and McKenzie Falls hydro power facilities.

⁽ⁱⁱ⁾ The Fund has a 31.3% interest in one of the two classes of preferred shares of Chapais and also holds a 24.8% interest in Tranche A and B debt and a 50% interest in Tranche C debt.

Gas Cogeneration Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Revenue	29,511	28,969
Operating expenses	17,280	15,753
Contribution margin [®]	12,231	13,216
Depreciation and amortization on capital assets	1,952	1,942
Sale of electricity (MWh)	346,244	344,543
Sale of steam (M lbs)	196,039	175,771

[®] Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.

Cardinal's revenue was higher by \$542 from the same period last year, primarily reflecting higher power rates under Cardinal's PPA. The plant operated at an availability of 99.9% (Q1 2007 - 99.2%) and a capacity factor of 98.5% (Q1 2007 - 97.9%), which reflected fewer outages in 2008. In addition, there were no curtailment hours during the quarter (Q1 2007 - 23 hours). Included in total revenue was steam revenue of \$304, which increased from the prior year (Q1 2007 - \$269) due to greater steam requirements by Canada Starch Operating Company ("CASCO"). Operating costs increased 9.7% primarily as a result of higher transportation charges.

Wind Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Revenue	7,943	-
Operating expenses	1,465	-
Contribution margin [®]	6,478	-
Depreciation and amortization on capital assets	2,061	-
Sale of electricity (MWh)	81,933	88,686

[®] Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.

Erie Shores performed in line with the Fund's forecast. The wind speed and density in the quarter was less than the unusually strong conditions experienced in the first quarter of 2007. Availability at Erie Shores was 97.4% (Q1 2007 - 95.9%), which reflects that the plant was in the first full year of its operations in the same period last year. Erie Shores achieved a capacity factor of 38.1% (Q1 2007 - 40.8%) for the quarter.

Hydro Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Revenue	2,582	-
Operating expenses	925	-
Contribution margin [®]	1,657	-
Depreciation and amortization on capital assets	555	-

[®] Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.

Sale of electricity (MWh) Asset/Facility	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Sechelt	14,633	24,870
Hluey Lakes	2,250	2,229
Wawatay	7,228	2,165
Dryden	5,826	827
Total sales of electricity (MWh)	29,937	30,091

Overall production at the hydro facilities was in line with production during the first quarter of 2007. Wawatay and Dryden experienced increased water flows, which was offset by a 41% decrease in production at Sechelt. Sechelt experienced colder than usual conditions which resulted in decreased water flows, and conducted electrical and mechanical maintenance during the quarter. The hydro power facilities operated at

a weighted average availability of 92.9% for the quarter (Q1 2007 – 98.5%) and achieved a capacity factor of 38.6% (Q1 2007 – 39.0%).

Biomass Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008			Quarter ended March 31, 2007		
	Whitecourt	Chapais	Total Biomass	Whitecourt	Chapais	Total Biomass
Revenue	3,627	-	3,627	-	-	-
Operating expenses	1,679	-	1,679	-	-	-
Contribution margin ⁹⁾	1,948	-	1,948	-	-	-
Depreciation and amortization on capital assets	581	-	581	-	-	-
The Fund's pro rata share of equity accounted income	-	156	156	-	-	-
Interest income on loans receivable	-	205	205	-	-	-

⁹⁾ Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.

Sale of electricity (MWh)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Whitecourt	52,109	46,760
Chapais	58,615	60,186
Total sales of electricity (MWh)	110,724	106,946

Whitecourt

The Whitecourt facility operated at 100% availability (Q1 2007 – 93.4%), reflecting fewer outages than in the same period last year. Production increased by 11.4% and the facility achieved a capacity factor of 98.7% (Q1 2007 – 92.7%). Whitecourt also benefited from increases in the average Alberta Power Pool price from \$63.63 per MWh last year to \$76.75 per MWh this year.

Chapais

The Chapais facility operated at 96.6% availability for the quarter ended March 31, 2008 (Q1 2007 – 99.9%), reflecting 75 hours (Q1 2007 – 2 hours) of outages. Chapais' production of 58,615 MWh (Q1 2007 – 60,186 MWh) for the quarter ended March 31, 2008 was marginally lower than the same period last year due to a boiler tube leak in January.

Chapais receives a monthly capacity premium during the four-month period from December to March provided that the facility meets the minimum 95% capacity requirement for both peak and off-peak hours during the month. This premium is in addition to the production revenue received. As a result, Chapais operates at full production capacity for the period December to March producing approximately 50% of annual revenue. For the quarter ended March 31, 2008, the plant achieved a capacity factor of 95%.

Social Infrastructure

Leisureworld owns and operates 26 LTC homes (4,314 beds), one retirement home (29 beds) and one independent living home (53 beds) located in the province of Ontario. In addition, through various entities, Leisureworld operates two related businesses, Preferred Health Care Services ("PHCS"), which provides professional nursing and personal support services for both community-based home care and LTC homes, and Ontario Long-Term Care Providers, which provides purchasing services to Leisureworld's LTC homes.

Leisureworld is currently the third largest provider of long-term care in Ontario, with a market share of approximately 5.6%. The composition of Leisureworld's LTC portfolio for the quarter ended March 31, 2008 by structural classification was as follows:

Beds by Class (i)	Leisureworld LTC Beds	
	Number	Percentage of Portfolio
A ⁽ⁱⁱ⁾	2,260	52.4%
B	299	6.9%
C	1,755	40.7%
Total	4,314	100%

(i) Class A homes meet or exceed 1998 design standards.
Class B homes exceed 1972 standards but do not meet 1998 design standards.
Class C homes meet 1972 standards.

(ii) All of Leisureworld's Class A homes are designated new homes and qualify for capital funding of \$10.35 per day, per bed.

The Fund's investment in Leisureworld is accounted for as an equity investment. As such, the Fund records its pro rata share of any income or loss for the period.

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Revenue	55,814	43,925
Operating expenses	49,579	38,157
Net loss	404	2,645
The Fund's pro rata share of equity accounted loss	181	1,190
Distributions paid to the Fund	2,588	2,587
Average total occupancy	98.1%	97.5%
Average private occupancy	91.9%	87.8%

For the quarter ended March 31, 2008, Leisureworld generated revenue of \$55,814 compared with \$43,925 in the prior year. This \$11,889 increase was primarily due to the acquisition of seven new homes in January 2008, which accounted for \$9,970 of the increase. The remainder of the increase was due to increased occupancy and increases in private accommodation and government funding rates, which were 4.5% higher than the same period last year. Operating expenses for the quarter were also higher, reflecting the acquisition of the seven new homes and the increases in occupancy and government funding which led to associated increases in staff and operating costs.

Net loss for the quarter was \$404 compared with a net loss of \$2,645 in the same period last year. The reduced net loss was mainly due to income contribution from the seven new homes, improved occupancy, increases in accommodation funding rates, increases in the private accommodation revenue and lower amortization charges.

Contribution Margin

Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Contribution margin can be defined as revenue net of direct operating expenses. Contribution margin provides useful information that may assist investors in assessing the operational performance of the Fund's underlying assets and their contribution to the Fund's financial results. The following provides a reconciliation of contribution margin from income before taxes for the quarter ended March 31, 2008.

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Income before income taxes	11,899	7,358
Unrealized loss on swap contracts	2,311	771
Unrealized gain on embedded derivative instruments	(6,863)	(1,896)
Foreign exchange loss	3	-
Net interest expense	3,301	222
Equity accounted loss from long-term investments	25	1,190
	10,676	7,645
Add back:		
Administrative expenses	4,537	2,811
Depreciation and amortization	7,101	2,760
Contribution margin	22,314	13,216

LIQUIDITY AND FINANCIAL RESOURCES

The Fund expects to meet all of its operating obligations in 2008 and to make distributions to unitholders from cash flows generated from operating activities and distributions received from Leisureworld. The Fund

had positive working capital of \$32,698 as at March 31, 2008 (December 31, 2007 - \$30,393). As at March 31, 2008, cash on hand totalled \$25,563 (December 31, 2007 - \$21,934), of which \$6,639 (December 31, 2007 - \$3,306) was not designated for major maintenance, capital expenditure or general reserves.

(In thousands of dollars unless otherwise noted)	March 31, 2008	December 31, 2007
Major maintenance reserve	11,347	10,966
Capital expenditure reserve	2,577	2,662
General reserve	5,000	5,000
Total reserve accounts	18,924	18,628
Other cash and cash equivalents	6,639	3,306
Total cash and cash equivalents	25,563	21,934

With the continued funding of major maintenance and capital expenditure reserves, the Fund believes it has more than sufficient funds to meet all anticipated maintenance and capital requirements for 2008. As at March 31, 2008, the following funds were available under existing credit facilities:

(In thousands of dollars unless otherwise noted)	Credit Limits	Amounts Authorized or Drawn	Available
Cardinal Credit Facility	50,000	35,000	15,000
CPOT Credit Facility [®]	150,000	62,533	87,467

[®] Included in the amounts authorized or drawn are three letters of credit totalling \$2,533 and a \$10,000 unsecured guarantee provided to the lenders under the Tranche C loan for Erie Shores.

RELATED PARTY TRANSACTIONS

Under the terms of the Administration and Management Agreements for Cardinal Holding LP, LTC Holding LP and CPOT, the Fund makes payments to the Manager for administrative and management services, incentive fees and cost reimbursement.

During the quarter, the Fund entered into gas swap agreements with an affiliate of Macquarie Group Limited (“MGL”) to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of the gas purchase contract for the seven-month period from April to October for 2009 and 2010. The gas swap contracts require Cardinal to pay variable payments to MGL 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. These transactions were carried out under normal arms length commercial terms.

(In thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Management fees	435	268
Administrative fees	27	26
Incentive fees	1,543	1,648
Cost reimbursement [®]	817	644

[®] \$36 and \$112 of cost reimbursement for the quarter ended March 31, 2008 were recorded in capital assets and deferred charges, respectively. The Manager receives reimbursement for cost of services provided to the Fund in relation to, but not limited to, administration, regulatory, finance, rent and information technology.

SUPPLEMENTAL QUARTERLY INFORMATION

Selected Consolidated Financial and Operating Information of the Fund

(In thousands of dollars, except for trust units and per trust unit amounts)	Mar 31, 2008	Dec 31, 2007	Sept 30, 2007	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006	Jun 30, 2006
For the quarters ended								
Revenue	43,663	41,823	30,432	21,587	28,969	25,622	20,356	16,278
Net income (loss)	5,389	34,677	(4,947)	(31,662)	7,358	4,026	2,252	(1,473)
Cash flows from operating activities	14,891	7,694	(2,567)	7,249	17,287	6,853	(2,303)	2,206
Distributable cash [®]	16,498	20,394	8,991	7,331	12,068	10,003	6,947	6,308
Distributions declared to Unitholders	13,117	12,869	12,882	9,454	7,737	7,737	7,662	7,512
Basic and diluted net income (loss) per Unit	0.108	0.694	(0.099)	(1.024)	0.245	0.134	0.075	(0.049)
Cash flows from operating activities per Unit (Basic)	0.298	0.154	0.051	0.234	0.575	0.228	(0.077)	0.073
Distributable cash per Unit	0.330	0.408	0.180	0.237	0.402	0.333	0.231	0.210
Distributions declared per Unit [®]	0.262	0.257	0.257	0.257	0.257	0.257	0.255	0.250

[®] Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, distributable cash may not be comparable to similar measures presented by other issuers.

[®] All unitholders were paid distributions equivalent to the amount shown.

SUBSEQUENT EVENT

Subsequent to March 31, 2008, Cardinal entered into a gas swap agreement with an affiliate of MGL. The gas swap contract requires Cardinal to make variable payments to the counterparty 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 the period from April 1, 2011 to October 31, 2011.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The following describes the significant contractual obligations and commitments of the Fund as at March 31, 2008.

Long-term Debt

	Effective Interest Rate	Maturing	March 31, 2008	December 31, 2007
Cardinal term loan (maturing May 16, 2011)				
BA	5.57%	June 13, 2008	11,600	11,600
BA	5.31%	August 28, 2008	11,700	11,700
BA	5.18%	December 12, 2008	11,700	11,700
			<u>35,000</u>	<u>35,000</u>
CPOT credit facility (maturing June 28, 2010)				
Revolver	Prime	June 28, 2010	3,000	3,000
BA – term loan	5.31%	June 4, 2008	36,800	36,800
BA – term loan	5.41%	June 4, 2008	10,200	10,200
			<u>50,000</u>	<u>50,000</u>
Erie Shores project debt				
Tranche A	5.96%	April 1, 2026	68,471	68,988
Tranche B	5.28%	April 1, 2016	6,749	6,912
Tranche C	5.05%	April 1, 2011	40,000	40,000
			<u>115,220</u>	<u>115,900</u>
			<u>200,220</u>	<u>200,900</u>
Less: Deferred financing fees				
CPOT credit facility			(636)	(700)
Total debt, net of deferred financing fees			199,584	200,200
Less: Current portion of long-term debt			(2,818)	(2,778)
Total long-term debt			<u>196,766</u>	<u>197,422</u>

The following table summarizes total payments required under each of the Fund's facilities in the next five years:

Year of Repayment	Cardinal Term Loan	CPOT Credit Facility	Erie Shores Project Debt	Total
2008	-	-	2,098	2,098
2009	-	-	2,942	2,942
2010	-	50,000	3,117	53,117
2011	35,000	-	43,302	78,302
2012	-	-	3,497	3,497
Thereafter	-	-	60,264	60,264
	<u>35,000</u>	<u>50,000</u>	<u>115,220</u>	<u>200,220</u>

Electricity Supply Contracts

The Fund has agreements expiring between 2014 and 2042 to sell substantially all electricity produced at its facilities, less the amount of electricity consumed in the operation of the facilities, to the various entities and government authorities. Rates of power sales are fixed through long-term PPAs and include escalation clauses.

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 natural gas equivalent to 80% of the contract maximum.

Leases

Cardinal leases a portion of the site on which the Facility is located from 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.

CPOT has hydro power lease agreements with the Provinces of Ontario and British Columbia with respect to lands, lands under water and water rights necessary for the operation of its hydro facilities. The payments with respect to these agreements vary based on actual power production. The terms of the hydro power lease agreements extend between 2023 and 2042.

Erie Shores has an easement agreement with each landowner for a term of 20 years with an option to renew for a further 20 years. Under the agreements, Erie Shores is obligated to compensate each landowner an amount equal to the greater of \$5 per turbine per year; and the sum of \$1.5 per turbine per year and 2% of Erie Shores' annual gross revenue from electricity sales attributable to all of the turbines sited upon the easement lands during the calendar year.

The Fund has a number of capital leases with terms ranging from four to six years, expiring between 2008 and 2012 and bearing interest rates from 6.6% to 7.1%. The following table summarizes total principal and interest payments on the Fund's capital leases for the next five years:

Year	Annual Payment	Interest	Principal
2008	165	33	132
2009	221	32	189
2010	140	22	118
2011	133	13	120
2012	133	5	128
Total	792	105	687

Swap Contracts

CPOT has an interest rate swap contract on a notional amount of \$20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. Under the contract, CPOT will pay a fixed rate of 5.63% for a period of five years from December 1, 2011 to December 1, 2016. In return, CPOT will be paid a floating rate equal to the then current three-month BA rate.

Cardinal has gas swap contracts for the seven-month period from April to October in the years 2008 to 2010. These contracts require Cardinal to make variable payments to the counterparties 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.

Operations, Management and Maintenance Agreements

CPOT has an Operations and Management agreement with Regional Power Inc. ("Regional") to operate and maintain the hydro facilities, expiring on November 30, 2011 with automatic renewable terms. Regional is to be paid a monthly management fee and an annual incentive fee.

Whitcourt has an Operations and Management Agreement with Probyn Whitcourt Management Inc. ("PWMI") to operate and maintain the Whitcourt biomass facility, expiring on November 30, 2011 with automatic renewable terms. PWMI receives a monthly management fee and an annual incentive fee.

Chapais has a management agreement with Probyn Power Services Inc. expiring on November 30, 2011 to operate and maintain the Chapais biomass facility.

Under a fixed-price service and maintenance agreement that expires on June 30, 2010, General Electric Canada provides operating and management services to Erie Shores.

Under a separate agreement, General Electric Company provides the project with four-year revenue reimbursement and performance guarantees.

Wood Waste Supply Agreements

The Whitcourt biomass facility has entered into long-term agreements to ensure an adequate supply of wood waste. The agreements expire in 2014.

Guarantees

As at March 31, 2008, the Fund had an unsecured guarantee in the amount of \$10,000 to the lenders under the Tranche C loan to Erie Shores. This guarantee may be reduced from time to time by an amount equal to 75% of any releases from the escrow accounts established upon the disposition of Gas Recovery Systems,

LLC (“GRS”), in excess of a certain amount. At March 31, 2008, there had been no reduction in the guarantee amount.

The Fund also provides three guarantees relating to CPIF’s former investment in GRS. As at March 31, 2008, no claims have been made on these guarantees.

CLIMATE CHANGE AND THE ENVIRONMENT

The Fund’s assets are subject to a complex and increasingly stringent environmental, health and safety regime, which includes environmental laws, regulations and guidelines at the federal, provincial and local levels. As the Fund’s electricity generation business emits carbon dioxide (“CO₂”), it must comply with emerging federal and provincial requirements, including programs to offset emissions. The Fund complies, in all material respects, with current federal, provincial and local environmental legislation and guidelines.

On March 10, 2008, the Canadian federal government released *Turning the Corner, Taking Action to Fight Climate Change*, in which it established the structure of greenhouse gas (“GHG”) targets and compliance mechanisms for the years 2010 to 2020. The Canadian government has indicated that draft regulations will be available by the fall of 2008 for finalization in mid-2009 and implementation on January 1, 2010.

The federal plan calls for an 18% reduction in GHG emission intensity for existing facilities, increasing by 2% per year until 2020, at which point a 20% absolute reduction will be required. Some other elements of the plan include:

- The ability for electricity companies to comply based on their corporate emissions intensity rather than on a plant-by-plant basis;
- The favourable treatment of cogeneration facilities such that only modest reductions are required;
- The establishment of a technology fund designed to allow companies investing in transformative technologies to use those funds for compliance purposes. Firms can comply with the plan by investing \$15.00/tonne into the fund from 2010 to 2012, \$20.00/tonne in 2013 and increasing by the rate of nominal GDP growth in each subsequent year;
- The ability of firms to obtain offset credits for compliance purposes; and
- The intent to establish a Clean Electricity Task Force to determine where additional reductions from the sector can be found.

The approach outlined in the framework is designed to provide an incentive for high-efficiency cogeneration. This is achieved by treating the baseline for cogeneration as equal to the emission levels if the electricity and heat were produced separately. For the heat component, the baseline will be equivalent to a stand-alone conventional boiler at 80% efficiency. Existing facilities would face a target in 2010 of 18% below this baseline, with 2% continuous improvement thereafter. For the electricity component, the baseline intensity would be that of natural gas combined cycle generation, or 0.418 tonne/MWh, with no further reduction requirement. All current equipment at Cardinal is designed to produce emissions below these applicable standards.

Numerous design details of the framework are yet to be determined in the regulatory drafting, and the coordination of this approach with provincial plans has not yet been negotiated. As a result, at this time the Fund cannot estimate the full impact of this plan on its operations. The Fund’s exposure to evolving GHG regulations is mitigated by various clean technology initiatives and a growing portfolio of renewable power generation facilities which represent GHG offsets.

Separately, the Canadian federal government has also indicated that it will develop a parallel framework for managing national air pollutant emissions such as sulphur dioxide (“SO₂”), nitrogen oxide (“NO_x”) and mercury. This is anticipated to occur in 2008, ultimately resulting in targets and compliance mechanisms for these pollutants.

In Alberta, the provincial government enacted the *Alberta Specified Gas Emitters Regulations* for GHG reductions in 2007. The Whitecourt biomass facility emits less than 100,000 tonnes of CO₂ annually, which is the threshold for the Alberta legislation.

Ontario legislation that came into effect in 2004 introduced a cap and trade system with respect to NO_x emissions. Under this system, facilities subject to the legislation receive a maximum yearly emission compliance limit, which may be achieved by source emission control or reduction, or by trading NO_x

allowances. For 2007, Cardinal received 984 tonnes of NOx allowances based on actual generation in 2005. Cardinal expects to retire 369 tonnes of NOx allowances for 2007, leaving a cumulative allowance balance of 3,066 tonnes. NOx emissions from Cardinal's existing generating equipment fall well below the levels mandated by legislation.

RISKS AND UNCERTAINTIES

To effectively manage MPT's business and execute its strategy to create value for unitholders, the Manager analyzes all risks and uncertainties associated with the Fund's operations and objectives. These risks and uncertainties could have an adverse impact on MPT's business, operating results and financial condition, which could negatively affect MPT's ability to pay distributions to its unitholders.

MPT seeks to mitigate the risks and uncertainties that may affect its performance through a process of identifying, assessing, reporting and managing risks of significance. The Manager continuously monitors risks and uncertainties at both the Fund and asset level and reports annually to the Board of Trustees about risk management actions and plans. Every year, the Manager re-evaluates risks and addresses new risks resulting from operational changes or external factors.

For an overview of the risks and uncertainties associated with the Fund's business, please refer to the "Risk and Uncertainties" section of the Fund's annual report for the fiscal year ended December 31, 2007 and in the Fund's Annual Information Form dated March 21, 2008, both of which are available on SEDAR at www.sedar.com. It is management's view that the risk factors disclosed in the annual report and Annual Information Form remain substantially unchanged except as noted below.

RISKS RELATED TO POWER INFRASTRUCTURE

Fuel Costs, Supply and Transportation

Cardinal's gas purchase agreement expires on May 1, 2015. Upon expiry of the gas purchase agreement, Cardinal will have to renegotiate the agreement or enter into a new gas supply agreement, and may not be able to do so on terms that are similar to the gas purchase agreement, if at all. The plant is also dependent on the transportation of natural gas to it. Any disruption to service could affect production at the facility. In addition, an increase in the cost of transportation, which is regulated by the National Energy Board, could result in higher operating costs.

Cardinal uses gas swap agreements to mitigate the effect of gas price fluctuations on the net proceeds that Cardinal receives for natural gas in excess of the plant's requirements. The gas swap agreements could expose MPT to losses that could occur under various circumstances, such as the counterparty defaulting on its obligations under the gas swap agreements or if the gas swap agreements provide an imperfect hedge.

The wind and hydro facilities have no fuel costs but rely on the availability and constancy of wind and water resources, which could vary due to abnormal weather conditions.

RISKS RELATED TO SOCIAL INFRASTRUCTURE

Acquisition-Related Risks

On January 31, 2008, Leisureworld and its affiliates signed an agreement to acquire the Good Samaritan Seniors Complex ("Good Samaritan"), consisting of a 64-bed Class A LTC home and an attached 24-bed retirement home, located in Alliston, Ontario, for approximately \$11,100 plus transaction costs. The acquisition is conditional upon regulatory approval from the Ontario Ministry of Health and Long-Term Care. There is a risk that Leisureworld may not receive regulatory approval or that there could be a delay in the completion of the acquisition, which could result in additional costs that could impact Leisureworld's distributable cash. Further, there is a possibility that the anticipated benefits from the acquisition will not be fully realized, and that the costs or difficulties related to integrating the new LTC homes into Leisureworld's business will be greater than expected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP. The significant accounting policies are described in note 2 to the unaudited interim consolidated financial statements and note 3 of the 2007 annual report. The critical accounting policies and estimates are detailed on pages 57 to 59 of the 2007 annual report.

Adoption of New Accounting Policies

On January 1, 2008, the Fund adopted four new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 1535, Capital Disclosures; Section 3862,

Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation and Section 3031, Inventories. The principal changes due to the adoption of these accounting standards are described below:

Sections 3862 and 3863, Disclosure and Presentation Requirements

Sections 3862 and 3863 provide guidance for additional required disclosures relating to financial instruments. These sections replaced Section 3861, Financial Instruments – Disclosure and Presentation and provide guidance on what disclosure should be included in the financial statements relating to items such as significance of financial instruments to the financial position and the performance of the Fund and the nature and extent of risks associated with financial instruments.

Section 1535, Capital Disclosures

This section requires an entity to disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

Section 3031, Inventories

Section 3031 relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The adoption of this new standard, applied retroactively, resulted in an adjustment of \$790 to inventory (credit) and capital assets (debit) in the opening consolidated statement of financial position for the three-month period ended March 31, 2008.

New Pronouncements

Section 3064, Goodwill and Intangible Assets and Section 1000, Financial Statement Concepts

The CICA issued a new accounting standard, Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset and as a result, start-up costs must be expensed as incurred. Section 1000, Financial Statement Concepts was also amended to provide consistency with the new standard. The new standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after October 1, 2008. The Fund plans to adopt these standards effective January 1, 2009. These standards are not expected to have a significant effect on the Fund's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2005, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to be converged with IFRS. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year. Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy that must be addressed. The impact of these new standards on the Fund's consolidated financial statements is currently being evaluated by management.

CONTROLS AND PROCEDURES

The Fund's Chief Executive Officer and Chief Financial Officer, on behalf of the Fund's Board of Trustees, are required by the provincial securities regulators to certify annually that they have designed, or caused to be designed, the Fund's disclosure controls and procedures, as defined in Multilateral Instrument 52-109, and that they have evaluated the effectiveness of these controls and procedures in the applicable period. Disclosure controls are those controls and other procedures that are designed to provide reasonable assurance that relevant information that the Fund is required to disclose is recorded, processed and reported within the time frames specified by such securities regulators.

The CEO and CFO have concluded that the Fund's disclosure controls and procedures were effective as at March 31, 2008 to ensure that information required to be disclosed in reports that the Fund files or submits under Canadian securities legislation is recorded, processed, summarized and reported within applicable time periods.

The Fund's management, under the supervision of and with the participation of the Fund's CEO and CFO, have designed internal controls over financial reporting. The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting, in accordance with GAAP, focusing in particular on controls over information contained in the audited annual and unaudited interim consolidated financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

There were no changes made in the Fund's internal controls over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited, in thousands of dollars unless otherwise noted)	March 31, 2008	December 31, 2007 Restated – note 2
Current Assets		
Cash and cash equivalents	25,563	21,934
Accounts receivable	24,770	25,516
Inventory	342	265
Prepaid expenses	3,330	5,048
Current portion of loans receivable	658	641
Deferred charges	135	442
Cash in escrow related to GRS (note 10)	5,675	5,695
	60,473	59,541
Loans receivable	7,441	7,612
Long-term investments (note 3)	64,595	67,428
Capital assets	428,317	433,101
Intangible assets	157,395	159,749
Embedded derivative asset (note 9)	23,330	17,718
Future income tax asset (note 4)	10,773	10,509
Goodwill	43,279	42,294
Total Assets	795,603	797,952
Current Liabilities		
Accounts payable and accrued liabilities (note 7)	13,050	15,730
Distributions payable	4,372	4,289
Current portion of long-term debt	2,818	2,778
Current portion of capital leases	178	181
Swap contracts at fair value (note 9)	1,682	475
Accounts payable and accrued liabilities related to GRS (note 10)	5,675	5,695
	27,775	29,148
Long-term debt	196,766	197,422
Convertible debentures	38,918	38,918
Levelization amounts	18,715	18,262
Capital lease obligations	509	555
Future income tax liability (note 4)	87,440	79,517
Embedded derivative liability (note 9)	12,407	13,658
Swap contracts at fair value (note 9)	1,765	662
Liability for asset retirement	1,498	1,475
Electricity supply and gas purchase contracts	11,011	11,418
Total Liabilities	396,804	391,035
Unitholders' Equity	398,799	406,917
Total Liabilities and Unitholders' Equity	795,603	797,952

Commitments and contingencies (note 8)

See accompanying notes to the consolidated financial statements

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

(Unaudited, in thousands of dollars unless otherwise noted)	Unitholders' Capital	Class B Exchangeable Units	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Comprehensive Income (Loss)	Cumulative Distributions	Total
Balance, January 1 2007	253,476	35,500	1,832	6,405	8,237	(66,106)	231,107
Net income for the quarter ended March 31, 2007	-	-	-	7,358	7,358	-	7,358
Equity share of other comprehensive loss of Leisureworld	-	-	(51)	-	(51)	-	(51)
Distributions declared to Unitholders for the quarter ended March 31, 2007	-	-	-	-	-	(7,737)	(7,737)
Balance, March 31, 2007	253,476	35,500	1,781	13,763	15,544	(73,843)	230,677

(Unaudited, in thousands of dollars unless otherwise noted)	Unitholders' Capital	Class B Exchangeable Units	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings	Total Comprehensive Income (Loss)	Cumulative Distributions	Total
Balance, January 1, 2008	467,006	35,500	1,628	11,831	13,459	(109,048)	406,917
Net income for the quarter ended March 31, 2008	-	-	-	5,389	5,389	-	5,389
Equity share of other comprehensive loss of Leisureworld	-	-	(365)	-	(365)	-	(365)
Distributions declared to Unitholders for the quarter ended March 31, 2008	-	-	-	-	-	(13,117)	(13,117)
Trust units redeemed (note 5)	(25)	-	-	-	-	-	(25)
Balance, March 31, 2008	466,981	35,500	1,263	17,220	18,483	(122,165)	398,799

See accompanying notes to the consolidated financial statements

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, in thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Revenue	43,663	28,969
Costs and expenses		
Operating costs	21,349	15,753
Administrative expenses	4,537	2,811
Depreciation and amortization	7,101	2,760
	<u>32,987</u>	<u>21,324</u>
	10,676	7,645
Unrealized loss on swap contracts	(2,311)	(771)
Unrealized gain on embedded derivative instruments	6,863	1,896
Foreign exchange loss	(3)	-
Net interest expense	(3,301)	(222)
Equity accounted loss from long-term investments (note 3)	(25)	(1,190)
Income before income taxes	11,899	7,358
Current income tax recovery (note 4)	18	-
Future income tax expense (note 4)	(6,528)	-
Net income	<u>5,389</u>	<u>7,358</u>
Basic and diluted weighted average number of trust units and Class B exchangeable units outstanding ("Unit")	49,972	30,048
Basic and diluted income per Unit	<u>0.108</u>	<u>0.245</u>

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited, in thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Net income	5,389	7,358
Equity share of comprehensive loss of Leisureworld (note 3)	(365)	(51)
Total comprehensive income	<u>5,024</u>	<u>7,307</u>

See accompanying notes to the consolidated financial statements

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, in thousands of dollars unless otherwise noted)	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Cash flows from operating activities:		
Net income	5,389	7,358
Add back:		
Depreciation and amortization	7,101	2,760
Unrealized loss on swap contracts	2,311	771
Unrealized gain on embedded derivative instruments	(6,863)	(1,896)
Future income tax expense (note 4)	6,528	-
Unpaid interest on levelization amounts	300	-
Amortization of deferred financing costs	63	-
Accretion of asset retirement obligations	23	18
Equity accounted loss from long-term investments (note 3)	25	1,190
Non-cash changes in working capital		
Decrease in accounts receivable	746	8,254
Decrease (increase) in inventory	(77)	33
Increase in prepaid expenses	1,718	614
Decrease (increase) in deferred charges	307	(1,405)
Decrease in accounts payable and accrued liabilities	(2,680)	(410)
Total cash flows from operating activities	14,891	17,287
Cash flows from investing activities:		
Receipt of loans receivable	154	-
Distributions received from long-term investments	2,588	2,587
Investment in capital assets	(369)	(21)
Total cash flows from investing activities	2,373	2,566
Cash flows from financing activities:		
Repayment of long-term debt	(680)	-
Redemption of units (note 5)	(25)	-
Repayment of lease obligations	(49)	-
Proceeds on levelization amounts	153	-
Distributions paid to Unitholders	(13,034)	(7,737)
Total cash flows from financing activities	(13,635)	(7,737)
Increase in cash and cash equivalents	3,629	12,116
Cash and cash equivalents, beginning of period	21,934	12,142
Cash and cash equivalents, end of period	25,563	24,258
Supplemental information :		
Interest paid	2,334	-

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements
March 31, 2008 Interim Financial Report (unaudited)
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1. ORGANIZATION

Macquarie Power & Infrastructure Income Fund (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 Power of Canada LP (“Cardinal”). Cardinal is a 156-megawatt, gas-fired combined cycle cogeneration plan located in Cardinal, Ontario. On October 18, 2005, the Fund acquired an indirect 45% interest in Leisureworld Senior Care LP (“Leisureworld”), a long-term care (“LTC”) provider in Ontario. On June 27, 2007, the Fund acquired a 100% interest in Clean Power Income Fund (“CPIF”), an open-ended investment trust that had indirect investments in power infrastructure assets employing technologies in wind, hydro and biomass. As at March 31, 2008, the Fund indirectly owns the CPIF investments through a 100% interest in Clean Power Operating Trust (“CPOT”), which includes an indirect 31.3% interest in one of the two classes of preferred shares of Chapais Électrique Limitée (“Chapais”).

Macquarie Power Management Ltd. (“MPML” or the “Manager”) is an indirect wholly-owned subsidiary of Macquarie Group Limited (“MGL”), an Australian public company listed on the Australian Stock Exchange. MPML provides administrative services to the Fund and Macquarie Power & Infrastructure Income Trust (“Trust”) in accordance with an administration agreement, and management services to the Fund, the Trust, Cardinal, MPT LTC Holding LP (“LTC Holding, LP”), and CPOT in accordance with management agreements.

2. ACCOUNTING POLICIES

Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and follow the same accounting policies and methods described in our audited consolidated financial statements for the year ended December 31, 2007, except as described below. Under GAAP, additional disclosures are required in annual financial statements; therefore, these unaudited interim consolidated financial statements should be read in conjunction with the Annual Information Form which is filed electronically on SEDAR (www.sedar.com) and the audited consolidated financial statements for the year ended December 31, 2007. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Fund as at March 31, 2008 and 2007 have been included.

Adoption of New Accounting Standards

On January 1, 2008, the Fund adopted four new accounting and disclosure standards that were issued by the Canadian Institute of Chartered Accountants (“CICA”): Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation and Section 3031, Inventories. The principal changes due to the adoption of these accounting standards are described below:

Sections 3862 and 3863, Disclosure and Presentation Requirements

Sections 3862 and 3863 provide guidance for additional required disclosures relating to financial instruments. These sections replaced Section 3861, Financial Instruments – Disclosure and Presentation and provide guidance on what disclosure should be included in the financial statements relating to items such as significance of financial instruments to the financial position and the performance of the Fund and the nature and extent of risks associated with financial instruments. The disclosure requirements of these sections are addressed in note 9.

Section 1535, Capital Disclosures

This section requires an entity to disclose information that enables users of its financial statements to evaluate an entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. Disclosures required as a result of adopting this section can be found in note 11.

Section 3031, Inventories

Section 3031 relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The adoption of this new standard resulted in the reclassification of spare parts for capital assets from inventory with the following impact on the opening financial position:

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	December 31, 2007	December 31, 2007
	As reported	Restated
Inventory	1,055	265
Capital assets	432,311	433,101

3. LONG-TERM INVESTMENTS

Long-term investments consist of the Fund's investments in Leisureworld and Chapais. The changes in these investments for the quarter are as follows:

	March 31, 2008	December 31, 2007
Leisureworld		
Opening balance	67,584	77,592
Transitional adjustments	-	1,832
Adjusted opening balance – January 1	67,584	79,424
Equity accounted loss	(181)	(1,286)
Equity share of other comprehensive income	(365)	(204)
Equity share of future income taxes	145	-
Distributions received	(2,588)	(10,350)
Ending balance	64,595	67,584
Chapais		
Opening balance	(156)	-
Equity accounted income (loss)	156	(156)
Ending balance	-	(156)
Total	64,595	67,428

4. FUTURE INCOME TAX

On June 22, 2007, the government's tax proposals pertaining to taxation of distributions paid by income trusts and changes to the personal tax treatment of trust distributions was passed into law. Applicable starting in 2011, the taxable portion of distributions will be subject to income tax payable by the Fund while taxable Canadian Unitholders will receive the favourable tax treatment on distributions currently applicable to qualifying dividends. For the quarter ended March 31, 2008, the Fund recognized a future income tax expense of \$6,528. The tax effect of these temporary differences is as follows:

Future income tax asset	March 31, 2008	December 31, 2007
Capital loss carryforwards	15,230	15,100
Loan premium and deferred financing costs	656	317
Non-capital loss carryforwards	161	168
Debt retirement	2,742	2,742
Levelization amounts	4,374	4,374
Deferred gains	189	197
Asset retirement obligation	419	413
Capital assets	923	936
Intangible assets	1,470	1,530
Total	26,164	25,777
Less: Valuation allowance ⁰	(15,391)	(15,268)
Future income tax asset	10,773	10,509

⁰The Fund records a valuation allowance to the extent the future income tax asset exceeds the amount that is more likely than not to be realized.

Future income tax liability	March 31, 2008	December 31, 2007
Capital assets	(46,030)	(40,289)
Intangible assets	(37,995)	(38,091)
Loan premium and deferred financing costs	(357)	-
Financial instruments	(3,058)	(1,137)
Future income tax liability	(87,440)	(79,517)

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As at March 31, 2008, certain entities consolidated into the Fund have accumulated aggregate non-capital and capital losses of approximately \$558 and \$108,783, respectively, that may be used to reduce taxable income in the future. These tax loss carry-forwards expire as follows:

\$558 non-capital losses	2025 - 2027
\$108,783 capital loss	no expiry date

The provision for income taxes on the consolidated statement of operations reflects an effective tax rate that differs from the statutory rate for the following reasons:

	March 31, 2008
Net income before taxes	11,899
Income tax payable at 46.41%	5,522
Income distributed to Unitholders	(5,522)
Income tax related to Leisureworld acquisition	(145)
Impact of tax post-2010	6,334
Other	321
Total income taxes	<u>6,510</u>

5. UNITS ISSUED BY THE FUND

During the quarter, 3,306 units were redeemed by the Fund for a total cost of \$25 (Q1 2007 – \$nil). In total, 46,719,133 units remain outstanding as at March 31, 2008 (December 31, 2007 – 46,722,439 units). In addition, the Fund had 3,249,390 Class B exchangeable units outstanding as at March 31, 2008 (December 31, 2007 – 3,249,390 units).

6. SEGMENTED INFORMATION

The Fund's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. The Fund operates in one geographical segment, Canada, and has two reportable segments:

- (i) Power infrastructure, which consists of the Fund's investments in gas cogeneration, wind, hydro and biomass assets; and
- (ii) Social infrastructure, which consists of the Fund's 45% indirect ownership of Leisureworld.

The performance of these segments is evaluated by the Manager primarily on revenue, net income and distributions received.

Revenue, net income and total assets by reportable segment are as follows:

	Quarter ended March 31, 2008				Quarter ended March 31, 2007			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	43,663	-	-	43,663	28,969	-	-	28,969
Net income (loss)	14,838	(459)	(8,990)	5,389	9,599	(1,433)	(808)	7,358
Total assets	722,712	64,414	8,477	795,603	228,825	75,357	2,080	306,262
Additions to capital assets	332	-	37	369	21	-	-	21
Depreciation and amortization of capital assets	5,149	-	6	5,155	1,942	-	-	1,942
Goodwill	43,279	-	-	43,279	18,023	-	-	18,023
Net interest expense	2,646	-	655	3,301	222	-	-	222
Future income tax expense	267	-	6,261	6,528	-	-	-	-
Current income tax recovery	18	-	-	18	-	-	-	-

7. RELATED PARTY TRANSACTIONS

MPML provides management services to Cardinal, LTC Holding LP, the Fund, the Trust and CPOT under management agreements that expire on April 30, 2024. MPML provides the Fund and the Trust with certain administrative and support services. Annual management and administrative fees charged are escalated annually by the consumer price index.

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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.

MPML is entitled to be reimbursed for all reasonable costs and expenses incurred in carrying out such services as approved by the independent trustees.

The following table summarizes total amounts recorded in the quarter with respect to services provided by MPML:

	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Management fees	435	268
Administrative fees	27	26
Incentive fees	1,543	1,648
Cost reimbursement ^①	817	644

^① \$36 and \$112 of cost reimbursement for the quarter ended March 31, 2008 were capitalized in capital assets and deferred charges, respectively. The Manager receives reimbursement for cost of services provided to the Fund in relation to, but not limited to, administration, regulatory, finance, rent and information technology.

All related party transactions have been measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Included in accounts payable and accrued liabilities on the consolidated statement of financial position is \$2,513 of amounts payable to MPML as at March 31, 2008.

During the quarter, the Fund entered into gas swap agreements with an affiliate of MGL to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of the gas purchase contract for the seven-month period from April to October for 2009 and 2010. The gas swap contracts require Cardinal to pay variable payments to MGL 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. These transactions were carried out under normal arms length commercial terms.

8. COMMITMENTS AND CONTINGENCIES

The Fund, either directly or indirectly through its subsidiaries, has entered into various contracts and commitments as at March 31, 2008 as described below:

Electricity Supply Contracts

The Fund has agreements expiring between 2014 and 2042 to sell substantially all electricity produced at its facilities, less the amount of electricity consumed in the operation of the facilities, to the various entities and government authorities. Rates for power sales are fixed through long-term power purchase agreements ("PPAs") and include escalation clauses.

Swap Contracts

Cardinal has gas swap contracts for the seven-month period from April to October in the years 2008 to 2010. These contracts require Cardinal to make variable payments to the counterparties 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.

CPOT has an interest rate swap contract on a notional amount of \$20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. Under the contract, CPOT will pay a fixed rate of 5.63% for a period of five years from December 1, 2011 to December 1, 2016. In return, CPOT will be paid a floating rate equal to the then current three-month BA rate.

Leases

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.

CPOT has hydro power lease agreements with the Provinces of Ontario and British Columbia with respect to lands, lands under water and water rights necessary for the operation of its hydro facilities. The payments

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with respect to these agreements vary based on actual power production. The terms of the hydro power lease agreements for Sechelt, Hluey Lakes, Wawatay and Dryden extend to 2025, 2030, 2042 and 2023, respectively.

Erie Shores has an easement agreement with each landowner for a term of 20 years with an option to renew for a further 20 years. Under the agreements, Erie Shores is obligated to compensate each landowner an amount equal to the greater of \$5 per turbine per year; and the sum of \$1.5 per turbine per year and 2% of Erie Shores' annual gross revenue from electricity sales attributable to all of the turbines sited upon the easement lands during the calendar year.

The Fund has a number of capital leases with terms ranging from four to six years, expiring between 2008 and 2012 and bearing interest rates from 6.6% to 7.1%. The following table summarizes total principal and interest payments on the Fund's capital leases for the next five years:

Year	Annual Payment	Interest	Principal
2008	165	33	132
2009	221	32	189
2010	140	22	118
2011	133	13	120
2012	133	5	128
Total	792	105	687

Operations and Management Agreements

CPOT has an Operations and Management agreement with Regional Power Inc. ("Regional") to operate and maintain the hydro facilities, expiring on November 30, 2011 with automatic renewable terms. Regional is to be paid a monthly management fee and an annual incentive fee.

Whitecourt has an Operations and Management Agreement with Probyn Whitecourt Management Inc. ("PWMI") to operate and maintain the Whitecourt biomass facility, expiring on November 30, 2011 with automatic renewable terms. PWMI receives a monthly management fee and an annual incentive fee.

Chapais has a management agreement with Probyn Power Services Inc. expiring on November 30, 2011 to operate and maintain the Chapais biomass facility.

Under a fixed-price service and maintenance agreement that expires on June 30, 2010, General Electric Canada provides operating and management services to Erie Shores.

Under a separate agreement, General Electric Company provides the project with four-year revenue reimbursement and performance guarantees.

Gas Purchase Contracts

Cardinal has long-term purchase agreements for natural gas and gas transportation that expire in 2015 and 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.

Wood Waste Supply Agreements

The Whitecourt biomass facility has entered into long-term agreements to ensure an adequate supply of wood waste. The agreements expire in 2014.

Guarantees

As at March 31, 2008, the Fund has an unsecured guarantee in the amount of \$10,000 to the lenders under the Tranche C loan to Erie Shores. This guarantee may be reduced from time to time by an amount equal to 75% of any releases from the escrow accounts established upon the disposition of Gas Recovery Systems, LLC ("GRS"), in excess of a certain amount. At March 31, 2008, there has been no reduction in the guarantee amount.

The Fund also provides three guarantees relating to CPIF's former investment in GRS. As at March 31, 2008, no claims have been made on these guarantees.

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Easements

Erie Shores has an easement agreement with the Town of Tillsonburg and the Corporation of the Municipality of Bayham for a term of 40 years commencing June 28, 2005. Under the agreement, Erie Shores is obligated to compensate the Town of Tillsonburg and the Municipality of Bayham an annual amount that is equal to the greater of \$18; and 4% of the Landowner Compensation. Landowner Compensation is the aggregate annual compensation in relation to the gross revenue from electricity sales received by each of the landowners on whose land a wind turbine is sited by Erie Shores.

9. FINANCIAL INSTRUMENTS

Financial instruments primarily consist of cash and cash equivalents, accounts receivable, accounts payable, distributions payable, loans receivable, long-term debt, convertible debentures, levelization amounts and gas and interest rate swap contracts. The Fund also has embedded derivatives on certain of its commodity contracts.

Financial Instruments Designated as Held-for-trading:

Cash and Cash Equivalents and Cash in Escrow Related to GRS

The Fund invests its cash and cash in escrow balances in financial instruments of highly rated financial institutions and government securities with original maturities of 90 days or less.

Loans and Receivables:

Accounts Receivable

The Fund's accounts receivable consists of trade and interest receivable recorded at fair value. A substantial portion of the Fund's accounts receivables are from the Ontario Electricity Financial Corporation ("OEFC") and the associated credit risks are deemed to be minimal.

Loans Receivable

The Fund's loans receivable are measured at amortized cost using the effective interest method.

Other Liabilities:

Accounts Payable, Distributions Payable and Accounts Payable and Accrued Liabilities Related to GRS

The Fund's accounts payable and distributions payable are short-term liabilities with carrying values that approximate their fair values. As at March 31, 2008, the Fund has recorded accounts payable and accrued liabilities relating to GRS equal to the amount that were held in escrow. The carrying value of these liabilities approximates their fair value.

Long-Term Debt, Convertible Debentures, Levelization Amounts and Capital Lease Obligations

The Fund's long-term debt, convertible debentures, levelization amounts and capital lease obligations are recorded at amortized cost using the effective interest method.

Financial Instruments Classified as Held-for-trading:

Swaps Contracts

The Fund's gas swap contracts effectively fix the revenue derived from the sales of excess gas. These contracts mitigate exposure to natural gas price fluctuations from sales of excess natural gas in the years from 2008 to 2010. They do not meet the effectiveness criteria for hedge accounting and accordingly, the fair value of the contracts are reflected in the consolidated statement of financial position. As at March 31, 2008, the estimated liability to the Fund was \$2,532 (December 31, 2007 - \$475).

The Fund has an interest rate swap contract on a notional amount of \$20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. Under the contract, the Fund will pay a fixed rate of 5.63% for a period of five years from December 1, 2011 to December 1, 2016. In return, the Fund will be paid a floating rate equal to the then current three-month BA rate. Any changes in the fair value of this contract are reported in the consolidated statement of operations. As at March 31, 2008, the estimated liability in respect of this interest rate swap was \$915 (December 31, 2007 - \$662).

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The amounts included in the consolidated statement of operations in respect of these swaps are as follows:

	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Unrealized loss on gas swap contracts	2,057	771
Unrealized loss on interest rate swap contract	254	-
Total unrealized loss on swap contracts	2,311	771

Embedded Derivatives

The Fund has determined that its gas purchase contract contains embedded derivative features, which include mitigation options and electricity indexing features requiring separation and measurement at fair value. As at March 31, 2008, the embedded derivative asset and liability that have been recorded at fair value are \$23,330 (December 31, 2007 - \$17,718) and \$12,407 (December 31, 2007 - \$13,658), respectively. Changes in the fair value of these financial instruments during the quarter have been recorded in the consolidated statement of operations as follows:

	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Unrealized gain on embedded derivative asset	5,612	3,200
Unrealized gain (loss) on embedded derivative liability	1,251	(1,304)
Total unrealized gain on embedded derivative instruments	6,863	1,896

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

The carrying values of cash and cash equivalents, cash in escrow related to GRS, accounts receivable, accounts payable, distributions payable and accounts payable and accrued liabilities related to GRS approximate their fair values due to their short-term nature.

The fair value of the Fund's loans receivable will differ from their carrying value due to changes in interest rates and the underlying risk associated with the debtor. It is determined using a discounted cash flow analysis.

The carrying value of the Fund's capital leases approximates their fair value. Fluctuations in market interest rates will not have a significant impact on their fair value.

The fair values of the Fund's floating rate debt and levelization amounts approximate their carrying values. The fair value of the Fund's fixed rate debt is determined through the use of a discounted cash flow analysis using relevant risk-free bond rates plus an applicable risk premium.

The fair value of the Fund's convertible debentures is obtained through multiplying the current market price per debenture unit by the number of convertible units outstanding as at the period end. The Fund pays a fixed 6.75% rate of interest on these convertible debentures and therefore is not subject to market fluctuations in interest rates.

The fair value of the Fund's gas swap contracts fluctuate with changes in market interest rates and prices for natural gas. Therefore, a forward gas price and interest rate curve is used in a discounted cash flow analysis to determine their fair value.

The fair value of the Fund's interest rate swap contract fluctuates with changes in market interest rates. For the quarter ended March 31, 2008, a discounted cash flow analysis and a forward interest rate curve is used to determine its fair value.

The determination of the fair value of the Fund's embedded derivatives requires the use of option pricing models involving significant judgement based on management's estimates and assumptions. The major assumptions that impact the value of the reported asset and liability include forecasts to 2015 for gas prices and volatility, foreign exchange, the OEFC's DCR, gas volumes and sales, and fixed and variable gas transportation costs. Changes in one or a combination of these estimates may have a significant impact on the fair value of the embedded derivatives given the volume of gas and length of contract involved. As new information becomes available, management may choose to revise these estimates and, in particular, where

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there is an absence of reliable observable market data.

The following table provides a comparison of carrying and fair values for each classification of financial instrument as at March 31, 2008:

	March 31, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments designated as held-for-trading:				
Cash and cash equivalents	25,563	25,563	21,934	21,934
Cash in escrow related to GRS	5,675	5,675	5,695	5,695
	<u>31,238</u>	<u>31,238</u>	<u>27,629</u>	<u>27,629</u>
Loans and receivables:				
Accounts receivable	24,770	24,770	25,516	25,516
Loans receivable	8,099	9,229	8,253	9,005
	<u>32,869</u>	<u>33,999</u>	<u>33,769</u>	<u>34,521</u>
Other liabilities:				
Accounts payable and accrued expenses	(13,050)	(13,050)	(15,730)	(15,730)
Distributions payable	(4,372)	(4,372)	(4,289)	(4,289)
Capital lease obligations	(687)	(687)	(736)	(736)
Long-term debt ⁰	(200,220)	(202,415)	(200,900)	(199,319)
Levelization amounts	(18,715)	(18,715)	(18,262)	(18,262)
Convertible debentures	(38,918)	(39,373)	(38,918)	(38,237)
Accounts payable and accrued liabilities related to GRS	(5,675)	(5,675)	(5,695)	(5,695)
	<u>(281,637)</u>	<u>(284,287)</u>	<u>(284,530)</u>	<u>(282,268)</u>
Financial instruments classified as held-for-trading:				
Gas swap contracts	(2,532)	(2,532)	(475)	(475)
Interest rate swap contract	(915)	(915)	(662)	(662)
Embedded derivative asset	23,330	23,330	17,718	17,718
Embedded derivative liability	(12,407)	(12,407)	(13,658)	(13,658)
	<u>7,476</u>	<u>7,476</u>	<u>2,923</u>	<u>2,923</u>

⁰ For comparison purposes, the carrying values of long-term debt as at March 31, 2008 and December 31, 2007 exclude deferred financing fees of \$636 and \$700, respectively.

Income and Expenses from Financial Instruments

	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Financial instruments designated as held-for-trading:		
Interest income on cash and cash equivalents ⁰	239	200
Loans and receivables:		
Interest income from loans receivable ⁰	205	-
Other liabilities:		
Interest expense from long-term debt ⁰	2,785	422
Interest expense from levelization amounts ⁰	305	-
Interest expense from convertible debentures ⁰	655	-
Financial instruments classified as held-for-trading:		
Unrealized loss on gas swap contracts	2,057	771
Unrealized loss on interest rate swap contracts	254	-
Unrealized gain on embedded derivative asset	5,612	3,200
Unrealized gain (loss) on embedded derivative liability	1,251	(1,304)

⁰ Net interest expense of \$3,301 (Q1 2007 - \$221) for the quarter includes interest income from loans receivable and cash balances, offset by interest expense on long-term debt, levelization amounts and convertible debentures.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under CICA Section 3862.

The Fund's normal operating, investing and financing activities expose it to a variety of financial risks including market risk (including commodity price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management process is designed to identify, manage and mitigate business risk, which includes, among others, financial risk.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that the Fund is exposed to include gas and power prices (commodity risk), foreign currency exchange rates, interest rates, and other indices that could adversely affect the value of the Fund's financial assets, liabilities or expected future cash flows.

i) Commodity price risk

Cardinal's gas purchase agreement protects Cardinal from exposure to changes in the market price of gas. This agreement expires on May 1, 2015. Upon expiry of the agreement, Cardinal will have to renegotiate the agreement or enter into a new agreement, and may not be able to do so on terms that are similar to the existing agreement, if at all.

While the excess power capacity of some of the facilities may be sold in the open market, thus exposing the assets to fluctuations in energy prices, most of the electricity that is generated at the facilities is sold to large utilities or creditworthy customers under long-term PPAs, which provide a specified rate for a defined period of time.

Cardinal uses gas swap agreements to mitigate the effect of gas price fluctuations on the net proceeds that Cardinal receives for the sale of natural gas in excess of the plant's requirements.

ii) Interest Rate Risk

Interest rate risk arises as the fair value of future cash flows from a financial instrument can fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk on its floating rate debt and levelization amounts. Currently, the Fund has an interest rate swap contract on a notional amount of \$20,000 to mitigate some of the risk associated with its long-term debt.

iii) Foreign Currency Exchange Risk

The Fund's exposure to foreign currency exchange risk is limited to the U.S. dollars held in its escrow account and accounts payable and accrued liabilities related to GRS.

Credit Risk

Financial instruments that potentially subject the Fund to concentrations of credit risk consist of cash and cash equivalents, accounts and loans receivable and swap contracts.

The Fund deposits its cash with reputable financial institutions and therefore management believes the risk of loss to be remote. Credit risk concentration with respect to trade receivables is limited due to the Fund's customer base being predominately government authorities. For the quarter ended March 31, 2008, over 75% of the Fund's total accounts receivable relate to sales to the OEFC. Since the OEFC is a government authority, management does not believe there to be significant credit risk. As at March 31, 2008, the maximum exposure with respect to receivables from the OEFC was \$19,177 and there are no accounts receivable that are past due.

The Fund has loans receivable from Chapais maturing in 2015. The Fund carries these loans receivable at amortized cost, having originally recorded them at fair value at acquisition. During the quarter, the Fund has recorded an allowance of \$44 relating to interest receivable on Tranche B of the Chapais loans receivable (Q1 2007 - \$nil) as no interest payments have been received to date. As at March 31, 2008, the carrying value of the loans receivable were below their fair value.

The swap agreements could expose MPT to losses that could occur under various circumstances, such as the counterparty defaulting on its obligations under the swap agreements or if the swap agreements provide an imperfect hedge. Counterparties to the Fund's interest rate and gas swap contracts are major financial

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institutions that have been accorded investment grade ratings by a primary rating agency, therefore management believe there to be low credit risks associated with its swap contracts.

Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulties in meeting obligations associated with financial liabilities and commitments. The Fund has the following credit agreements in place relating to the Power Infrastructure Facilities: the Cardinal credit agreement (expires in 2011), the Erie Shores credit agreement (expires in 2026) and the CPOT credit agreement (expires in 2010). These credit agreements contain a number of standard financial and other covenants.

A failure by Cardinal, Erie Shores or CPOT to comply with their obligations in these credit agreements could result in a default, which, if not cured or waived, could result in the termination of distributions by these facilities and permit acceleration of the relevant indebtedness. There can be no assurance that the assets of Cardinal, Erie Shores or CPOT would be sufficient to repay in full that indebtedness.

In the event of default, there can be no assurance that Cardinal, Erie Shores or CPOT could:

- generate sufficient cash flow from operations or that future distributions will be available in amounts sufficient to pay outstanding indebtedness, or to fund any other liquidity needs; or
- refinance these credit agreements or obtain additional financing on commercially reasonable terms, if at all. Cardinal's and CPOT's credit agreement is, and future borrowings may be, at variable rates of interest, which exposes the Fund to the risk of increased interest rates.

The Fund maintains a conservative capital structure, which helps to minimize the risk of default under these credit agreements. The following table summarizes the maturity dates for each of the Fund's financial liabilities as at March 31, 2008:

Financial liabilities	Date of Maturity	March 31, 2008	December 31, 2007
Accounts payable and accrued liabilities	Within 1 year	13,050	15,730
Distributions payable	Within 1 year	4,372	4,289
Capital lease obligations ^①	December 2012	687	736
Convertible debentures	December 2010	38,918	38,918
Levelization amounts ^①	June 2042	18,715	18,262
Swap contracts			
Gas swap ^①	October 2010	2,532	475
Interest rate swap ^①	December 2016	915	662
Embedded derivative liability ^①	May 2015	12,407	13,658
Long-term debt			
Cardinal term loan	May 2011	35,000	35,000
CPOT credit facility	June 2010	50,000	50,000
Erie Shores project debt			
Tranche A ^①	April 2026	68,471	68,988
Tranche B ^①	April 2016	6,749	6,912
Tranche C	April 2011	40,000	40,000

^① These financial liabilities are repaid over the term to maturity and are not due on demand at maturity.

SENSITIVITY ANALYSIS

Section 3862 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of changes in market variables (commodity prices, foreign exchange rates and interest rates) to the Fund's financial position and performance as a result of changes in the fair value of cash flows associated with the Fund's financial instruments. The sensitivity analysis provided discloses the effect on profit or loss as at March 31, 2008 assuming that a reasonably possible change in the relevant risk variable has occurred at March 31, 2008 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data.

The sensitivity analysis has been prepared based on March 31, 2008 balances and on the basis that the balances, the ratio of fixed to floating rates of debt and derivatives, the proportion of energy contracts that are financial instruments and the proportion of financial instruments in foreign currencies in place at March 31, 2008 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments under Section 3855.

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The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced because the Fund's actual exposure to market rates is constantly changing as the Fund's portfolio of commodity, debt, foreign currency and equity contracts changes. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Fund.

	Carrying Amount	Interest Rate Risk		Foreign Exchange Rate Risk	
		- 1%	+ 1%	- 10%	+ 10%
		Income	Income	Income	Income
Financial Assets:					
Cash and cash equivalents ⁽ⁱ⁾	25,563	(64)	64	-	-
Cash in escrow related to GRS ⁽ⁱⁱ⁾	5,675	(14)	14	568	(568)
Financial Liabilities:					
Long-term debt ⁽ⁱⁱⁱ⁾	200,220	213	(213)	-	-
Interest rate swap contract ^(iv)	915	(789)	789	-	-
Accounts payable and accrued liabilities related to GRS ⁽ⁱ⁾	5,675	14	(14)	(568)	568

	Carrying Amount	Natural Gas Price Risk		DCR Risk	
		- 10%	+ 10%	- 10%	+ 10%
		Income	Income	Income	Income
Financial Assets:					
Embedded derivative asset ^(v)	23,330	(3,282)	3,274	182	(184)
Financial Liabilities:					
Gas swap contracts ^(vi)	2,532	1,736	(1,736)	-	-
Embedded derivative liability ^(v)	12,407	-	-	3,662	(3,717)

⁽ⁱ⁾ Cash and cash equivalents include deposits at call which are at floating interest rates. Sensitivity to a $\pm 1\%$ movement in interest rates would have a \$64 impact on income for the quarter.

⁽ⁱⁱ⁾ Cash in escrow and accounts payable and accrued liabilities related to GRS are denominated in USD. Sensitivity to a $\pm 1\%$ movement in interest rates and $\pm 10\%$ movement in foreign exchange rates would result in \$14 and \$568 impact on income for the quarter, respectively.

⁽ⁱⁱⁱ⁾ Long-term debt includes \$85,000 of floating rate debt. Sensitivity to a $\pm 1\%$ movement in interest rates would have a \$213 impact on income for the quarter. Carrying value of long-term debt excludes deferred financing fees of \$636.

^(iv) The Fund has an interest rate swap contract on a notional amount of \$20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. The swap is recorded at fair value based on the use of a forward interest rate curve. A $\pm 1\%$ shift in interest rates would cause income for the quarter to fluctuate by \$789.

^(v) The Fund has recorded an embedded derivative asset and liability relating to the gas mitigation option and electricity indexing features of Cardinal's gas purchase contract at fair value. The determination of fair value of these financial instruments requires the use of a number of variables including forward gas and DCR curves. For the embedded derivative asset, a $+10\%$ shift in the Canadian dollar equivalent gas curve and DCR curve would result in an increase in income of \$3,274 and decrease in income of \$184, respectively. A -10% shift in the Canadian dollar equivalent gas curve and DCR curve would result in a decrease in income of \$3,282 and increase in income of \$182, respectively. For the embedded derivative liability, a $+10\%$ shift in the DCR curve would cause a \$3,717 decrease in income and a -10% shift in the DCR curve would cause a \$3,662 increase in income.

^(vi) The Fund has gas swap contracts to mitigate its exposure to natural gas price fluctuations from sales of excess gas in the years from 2008-2010. The gas swap contracts are recorded at fair value based on the use of a forward gas curve. Sensitivity to a $\pm 10\%$ shift in the forward gas curve would have a \$1,736 impact on income for the quarter.

10. CASH IN ESCROW AND LIABILITIES RELATED TO GRS

On September 15, 2006, CPIF completed the sale of its investment in GRS. Pursuant to the purchase and sale agreement, US\$7,593 of the proceeds was deposited into an escrow account for ongoing legacy issues regarding GRS operations. The only significant issue outstanding at this time relates to a dispute surrounding the methodology used by one of GRS's customers, Commonwealth Edison Co., to calculate the rate under the PPA. The amount that remains in escrow represents the maximum exposure to the Fund relating to this issue and has been accrued at March 31, 2008. These escrowed funds, or a portion thereof, will be payable if certain conditions are met. In addition, should the dispute be resolved fully in the favour of GRS, the Fund may be entitled to the refund of additional amounts that were paid prior to closing, totalling US\$2,300, less certain royalties. The Fund has not recognized any of the escrowed amounts or the potential refund of amounts previously paid as a gain at March 31, 2008 because realization by the Fund has not been

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reasonably assured. Upon the acquisition of CPIF, Unitholders of CPIF received one contingency value receipt ("CVR") for each CPIF unit. Each CVR entitles the holder, subject to certain conditions, to a payment of up to approximately \$0.19, provided that if refunds are received from Commonwealth Edison Co., the maximum amount payable under the CVR will increase. The CVRs represent the right to receive an amount equal to 80% of the amount of the US\$7,593 escrowed funds that were set aside by CPIF in connection with its sale of GRS in 2006 and any refunds received from Commonwealth Edison Co., after reduction for certain claims and costs and after specified adjustments.

11. CAPITAL DISCLOSURE

The Fund defines its capital as its long-term debt, convertible debentures, levelization amounts, unitholders' equity and cash and cash equivalents.

The Fund's objectives when managing capital are to (i) maintain a capital structure that provides financing options to the Fund when a financing or a refinancing need arises to ensure access to capital, on commercially reasonable terms, without exceeding its debt capacity; (ii) maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and distribution payments; and (iii) to deploy capital to provide an appropriate investment return to its unitholders.

The Fund's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions. In order to maintain or adjust its capital structure, the Fund may issue additional units, issue additional debt, issue debt to replace existing debt with similar or different characteristics, and adjust the amount of distributions paid to unitholders. The Fund's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Fund's needs and economic conditions at the time of the transaction.

The Board of Trustees of the Fund reviews the level of distributions paid to unitholders on a quarterly basis. The Fund is in compliance with all financial and non-financial covenants on its credit facilities. Collateral for the Cardinal term loan facility is provided by a first ranking hypothec covering the assets of Cardinal. As at March 31, 2008, the carrying value of the assets of Cardinal exceeds total amounts drawn on the Cardinal credit facility. The Erie Shores debt is secured only by the assets of Erie Shores, with no recourse to the Fund's other assets. As at March 31, 2008, the carrying value of the assets of Erie Shores exceeds total amount of the project debt. Under the agreement, Erie Shores is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as operating income to debt service. As at March 31, 2008, the debt service coverage ratio is at a level that would require funding of a debt service reserve account for an amount equal to three-month's principal and interest payments. The lenders have waived the requirement to fund the debt service reserve account for the quarter ended March 31, 2008.

There were no changes in the Fund's approach to capital management during the quarter.

12. SUBSEQUENT EVENT

Subsequent to March 31, 2008, Cardinal entered into a gas swap agreement with an affiliate of MGL to make variable payments 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 the period from April 1, 2011 to October 31, 2011.

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ADDITIONAL INFORMATION

Please refer to the SEDAR website (www.sedar.com) for additional information about the Fund including the Fund's annual information form, dated March 21, 2008.

INVESTOR INFORMATION

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EXCHANGE LISTING:

Macquarie Power & Infrastructure Income Fund's units are listed on the Toronto Stock Exchange and trade under the symbol MPT.UN. The Fund's convertible debentures trade under the symbol MPT.DB.

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