



MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
FINANCIAL REPORT

FOR THE QUARTER ENDED
SEPTEMBER 30, 2007



MACQUARIE



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

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

Investments in the Fund are not deposits with, or other liabilities of, Macquarie Bank Limited, or any entity in the Macquarie Bank Group and are subject to investment risk, including loss of income and equity invested or delays in redemption. Neither MPML nor any member of the Macquarie Bank Group guarantees the performance of the Fund, the distributions from the Fund or the redemption or repayment of capital from the Fund.

MPML, as the manager of the Fund, is entitled to fees for so acting. See "Related Party Transactions". Macquarie Bank Limited and its related corporations (collectively, the "Macquarie Bank Group" or "Macquarie"), together with their respective 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
SEPTEMBER 30, 2007

This report for Macquarie Power & Infrastructure Income Fund (the "Fund") summarizes the consolidated operating results and cash flows for the three-and nine-month period ended September 30, 2007, 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 three and nine months ended September 30, 2007, 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, 2006. Additional information about the Fund, including the Annual Information Form, quarterly reports and other public releases of the Fund, are available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

The information contained in this report reflects all material events up to November 7, 2007, 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 and payout ratio to assess the financial performance of the Fund's operations. Please see distributable cash and payout ratio for additional information and a comparison of these non-GAAP figures with the most comparable GAAP measures.

FORWARD-LOOKING STATEMENTS

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 report that the Fund continued to deliver stable distributions to unitholders in the third quarter ended September 30, 2007, reflecting the strength and diversity of our portfolio.

Overall, the Fund's results for the period reflected the seasonality of our power purchase agreements ("PPAs") as well as the seasonal variability of wind speeds and water flows, which are typically lowest during the summer months. Operationally, Cardinal, Whitecourt and Leisureworld performed reliably in line with expectations. Our hydro power facilities delivered slightly above average results due to improved water flows compared with the same period last year, which was characterized by unusually low hydrology. Erie Shores Wind Farm experienced atypically low wind speeds during the quarter, which resulted in lower than expected production.

While the Fund's payout ratio for the quarter was 143%, we achieved a ratio of 106% for the year-to-date period. Based on our current outlook for the fourth quarter as we enter a seasonally high production period, we expect to realize a payout ratio of approximately 95% for fiscal 2007, which provides for stability of distributions while allowing the potential for growth.

Financial Review

The Fund's third quarter results reflect a full three months of contribution from the Fund's new wind, hydro and biomass assets, acquired with Clean Power Income Fund ("CPIF") on June 27, 2007, and continuing strong performance from Cardinal attributable to increased power production and the continuing impact of electricity rate increases under Cardinal's PPA.

Revenue of \$30.4 million was up 49% from the same period last year. Distributable cash was \$9.0 million (\$0.180 per unit) compared with \$6.9 million (\$0.231 per unit) in the same quarter last year. Distributions to unitholders for the quarter were \$12.9 million (\$0.257 per unit) compared with \$7.7 million (\$0.255 per unit) in the same period last year, representing a payout ratio of 143% (2006 – 110%). The higher payout ratio reflects the seasonality of the Fund's newly acquired assets and Cardinal.

Notably, the Fund's financial position remains strong with a positive working capital of \$24.5 million, fully funded reserves and an uncommitted cash balance of \$3.2 million.

Operational Review

Cardinal performed in line with expectations, achieving availability of 99.1% (Q3 2006 – 99.8%) and capacity of 97.2% (Q3 2006 – 97.2%). Production at Cardinal for the quarter was 306,448 MWh (Q3 2006 - 306,436 MWh).

Production for the quarter at Erie Shores was reduced to 28,002 MWh (Q3 2006 – 38,711 MWh) due to lower than expected wind speeds compared with the same period last year, which resulted in a lower capacity factor of 12.8% (Q3 2006 – 17.7%). Availability was 91.3% (Q3 2006 – 87.5%).

The Fund's hydro power facilities increased production during the quarter to 36,200 MWh (Q3 2006 – 17,290 MWh), reflecting increased water flows at all facilities offset slightly by lower availability at one of the plants primarily due to an outage for maintenance. The hydro power facilities had a weighted average availability of 95.1% (Q3 2006 – 97.7%) for the quarter and a capacity factor of 45.9% (Q3 2006 – 21.9%).

The Whitecourt biomass plant performed well but experienced lower availability of 96.8% (Q3 2006 – 100%) and a capacity factor of 96.5% (Q3 2006 – 99.6%) due to outages required for repair work. Total production at Whitecourt was 49,921 MWh for the quarter (Q3 2006 – 51,626 MWh). Chapais, in which the Fund holds a minority equity and debt interest, experienced slightly higher availability of 98.4% for the quarter (Q3 2006 – 98.1%) due to reduced outages. Production at Chapais for the quarter was 55,015 MWh (Q3 2006 – 58,607 MWh).

In the Fund's social infrastructure portfolio, Leisureworld delivered stable results with revenue growth of 3.9% and an 11.9% increase in income from operations, reflecting improved occupancy levels, optimization of preferred bed mix and increased government funding rates. Average total occupancy for the quarter was 98.4% (Q3 2006 - 95.7%) while average preferred occupancy was 84.0% (Q3 2006 – 80.8%). Leisureworld distributed \$2.6 million to the Fund for the quarter.

Outlook

We expect our performance in the last quarter of 2007 to strengthen due to improved hydrology and higher wind speed and density during the autumn and winter. Our portfolio is well diversified by asset type, fuel source and geography, which contributes to the stability of the Fund's cash flow. We also expect to realize increasing synergies through the fourth quarter of 2007 as we continue the rationalization of Fund administrative expenses following the acquisition of CPIF.

Cardinal is expected to experience increased cash flow for the balance of the year as a result of higher electricity rates compared with 2006. This will be partially offset by higher gas transportation costs. In addition, Cardinal is now entering its annual high season. From October to March, the PPA contains higher power rates. Moreover, the facility produces more electricity in the winter when the gas turbine attains its peak output as a result of lower ambient temperatures.

Our wind, hydro and biomass infrastructure assets are performing in line with expectations. We anticipate improved results from Erie Shores in the fourth quarter as wind speed and density typically increase during the autumn and winter months. Water flows at our hydro assets are generally greater during the autumn and spring months. In addition, Wawatay's and Dryden's PPAs contain higher rates for electricity during the months of October to March.

For Leisureworld, a key focus is on completing its acquisition of seven, class C long-term care ("LTC") homes from Counsel Corp. This acquisition, which is subject to approval by the Ministry of Health and Long-Term Care ("MOHLTC"), will add 1,127 beds to Leisureworld's portfolio. The occupancy of Leisureworld's current LTC homes is expected to continue to improve, with 18 of its 19 homes anticipated to achieve the 97% annual occupancy threshold that is required for full funding. Leisureworld is also continuing to attract more residents to preferred accommodation, for which it receives a regulated premium. Finally, Leisureworld expects to benefit from continuing increases in government funding in line with inflation.

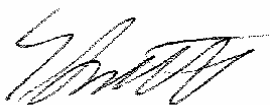
As previously stated, we expect the acquisition of Clean Power Income Fund to be accretive to the Fund's distributions per unit in the first year of combined operations. We anticipate achieving a payout ratio of approximately 95% in 2007 and expect that approximately 70% of the distributions paid to unitholders in 2007 will be non-taxable as a return of capital, barring any significant external shocks.

The Fund has delivered value for unitholders since inception, reflecting the high quality and stability of its assets as well as the success of its operating strategies. The fundamentals of the Fund's business are strong and management is confident in the Fund's long-term growth prospects. In fact, we have significant financial flexibility for continuing growth, including a \$75-million revolving credit facility to support further acquisitions.

The Fund also reports that Shemara Wikramanayake has stepped down from the Fund's Board of Trustees. Ms. Wikramanayake has represented Macquarie Power Management Ltd. (the "Manager"), which is a wholly-owned subsidiary of Macquarie Bank Limited, on the Board of Trustees since late 2005. Ms. Wikramanayake is assuming a new role with Macquarie in Australia. We thank Ms. Wikramanayake for her valuable contribution to the Fund's growth and success. The Manager's new representative on the Board of Trustees is Stephen Mentzines, who is a managing director of Macquarie and most recently served as the Chief Operating Officer for Macquarie's IB Funds division where he was responsible for developing and supporting new funds globally. Mr. Mentzines has assumed the leadership of Macquarie's IB Funds division in North America.

We greatly appreciate your support and confidence as we execute our strategy to build lasting value for the Fund's unitholders.

Sincerely,



Gregory J. Smith
President and Chief Executive Officer

CONSOLIDATION AND COMPARISON OF OPERATING RESULTS

The Fund is an unincorporated, open-ended, limited purpose trust established by a declaration of trust dated March 15, 2004 under the laws of the Province of Ontario, as amended and restated as of April 16, 2004, and as 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").

The discussion and analysis of operating results reflects the consolidated operations of 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% investment in Leisureworld Senior Care LP ("Leisureworld") and CPOT has an indirect 31.3% investment 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 September 30, 2007 with the results for the quarter ended September 30, 2006. The acquisition of Clean Power Income Fund ("CPIF") was complete on June 27, 2007. Results from CPIF are not included in the comparative figures for September 30, 2006. All amounts have been expressed in thousands of Canadian dollars unless otherwise stated.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenue	30,432	20,356	80,988	64,318
Income before the following:	4,379	2,212	14,408	5,360
Unrealized gain on swap contracts	345	678	727	1,811
Unrealized gain (loss) on embedded derivative instruments	(5,467)	-	6,346	-
Net interest expense	(3,325)	(285)	(3,851)	(710)
Foreign exchange loss	(1,239)	-	(1,311)	-
Equity accounted loss from long-term investments	(202)	(353)	(2,134)	(2,076)
Net income (loss) before tax	(5,509)	2,252	14,185	4,385
Current income tax expense	(4)	-	(4)	-
Future income tax (expense) recovery	566	-	(43,433)	-
Net income (loss)	(4,947)	2,252	(29,252)	4,385
Basic and diluted income (loss) per Unit	(0.099)	0.075	(0.787)	0.146
Cash flows from operating activities	(2,567)	(2,303)	21,969	14,191
Distributable cash ⁽ⁱ⁾	8,991	6,947	28,390	24,057
Per Unit	0.180	0.231	0.764	0.801
Distributions declared to Unitholders	12,882	7,662	30,073	22,686
Per Unit ⁽ⁱⁱ⁾	0.257	0.255	0.771	0.755
Payout ratio ⁽ⁱⁱⁱ⁾	143%	110%	106%	94%
Weighted average number of trust units and class B exchangeable units outstanding (Units)	50,052,413	30,048,386	37,156,092	30,048,387
Total assets	779,766	298,417	779,766	298,417
Total long-term liabilities	369,142	37,360	369,142	37,360
Sale of electricity (MWh) ^(iv)	524,319	306,436	1,173,039	892,787
Sale of steam (MM lbs)	169,949	152,546	510,873	507,682

(i) See "Distributable Cash and Payout Ratio" for a reconciliation of distributable cash to cash flows from operating activities for the quarter and year-to-date. 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.

(iv) Total MWh production for the nine-months ended September 30, 2007 includes operating results of the newly acquired assets from the date of acquisition.

Revenue

Revenue for the quarter was \$30,432 compared with \$20,356 in the same period last year. The \$10,076 increase is the result of a full quarter of results from the wind, hydro and biomass power assets acquired on June 27, 2007, which positively impacted power sales by \$8,924 for the quarter, and higher power prices from a 4.0% increase in the Direct Customer Rate (“DCR”) rate. Total power generation for the quarter increased by 71.1% from 306,436 megawatt hours (“MWh”) in 2006 to 524,319 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 and equity accounted investments for the quarter was \$4,379 compared with \$2,212 for the same period last year, reflecting \$10,076 of higher revenue, partially offset by an increase in operating costs of \$4,558 and depreciation and amortization of \$3,360. Higher operating costs in 2007 were primarily driven by a full quarter of results from the Fund’s newly acquired assets as well as higher commodity rates and transportation charges. Administrative expenses decreased slightly from the same period last year. This is mainly due to a \$966 reduction in the incentive fee compared with a reduction of \$64 for the same period last year, offset by a full quarter of results from the newly acquired assets and higher management fees and cost reimbursement charges as the Fund required more support services in both finance and asset management.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Management and administrative fees	462	292	1,056	868
Cost reimbursement	682	367	1,863 ⁽ⁱ⁾	1,049
Incentive fee	(966)	(64)	677	887
Other administrative expenses	1,132	724	1,589	2,085
Administrative expenses	1,310	1,319	5,185	4,889

(i) \$436 of this amount has been capitalized in connection with the acquisition of CPIF. 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 Gain (Loss) on Swap Contracts

From time to time, Cardinal does not produce electricity, such as when the plant is shut down to perform regularly scheduled maintenance. As a result, the plant has excess natural gas that it sells to mitigate the loss of revenue due to decreased electricity production. The sale of excess natural gas exposes the Fund to gas price volatility caused by fluctuations in the market rates for natural gas. To stabilize the cash flows from excess gas sales, Cardinal entered into gas swap contracts.

The Fund has an interest rate swap contract in respect to \$20,000 to mitigate some of the refinancing risk associated with the Erie Shores Wind Farm (“Erie Shores”) project debt. Under the contract, the Fund will pay a fixed rate of 5.5% for a period of five years following the maturity of the five-year loan. In return, the Fund will be paid a floating rate equal to the then current three-month Bankers’ Acceptance (“BA”) rate.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Unrealized gain on gas swap contracts	603	678	1,102	1,811
Unrealized loss on interest rate swap contract	(258)	-	(375)	-
Total unrealized gain on swap contracts	345	678	727	1,811

The fair value of the swap contracts have been recorded on the consolidated statement of financial position for the quarter ended September 30, 2007. 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 period.

Unrealized Gain (Loss) on Embedded Derivative Instruments

On the adoption of the new accounting pronouncements for financial instruments (Section 3855), the Fund identified that the gas supply contract for the Cardinal facility contains embedded derivative features. The Fund has determined that these embedded derivative features, which include mitigation options and electricity indexing features within the contract, require separation and measurement at fair value. The fair value of these embedded derivatives requires 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 Ontario Electricity Financial Corporation's ("OEFCE") DCR, gas volumes and sales, fixed and variable gas transportation costs. Changes in one or a combination of these estimates can have a significant impact on the fair value of the embedded derivative given the volume of gas and length of contract involved. As new information becomes available, management may choose to revise these estimates, particularly where there is an absence of reliable observable market data.

As at September 30, 2007, the embedded derivative asset and liability recorded at fair value were \$14,760 and \$14,810, respectively.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Unrealized gain (loss) on embedded derivative asset	(3,077)	-	(2,240)	-
Unrealized gain (loss) on embedded derivative liability	(2,390)	-	8,586	-
Total unrealized gain (loss) on embedded derivative instruments	(5,467)	-	6,346	-

Net Interest Expense

Net interest expense consists of interest income earned on loans receivable and cash balances, offset by interest expense incurred in the quarter.

The Fund charges interest on its U.S. Wind Loan and loans receivable from Chapais. These loans bear interest at rates ranging from 0% to 11.5% and have maturity terms ranging from December 2015 to September 2024.

The Fund's long-term debt consists of: a \$35,000 term loan for Cardinal that consists of a series of BAs; two \$75,000 unsecured senior credit facilities for CPOT of which \$68,000 has been advanced and consists of a series of BAs; and a \$116,570 project debt for the Erie Shores project bearing interest that ranges from 5.05% to 5.96%.

Foreign Exchange Loss

The foreign exchange loss in the consolidated statement of operations in the quarter represents the loss in translation of the U.S. Wind Loan from U.S. to Canadian dollars in the quarter.

Equity Accounted Loss from Long-Term Investments

The Fund has an indirect 45% interest in Leisureworld and an indirect 31.3% interest in Chapais, which are accounted for under the equity method. Included in the consolidated statement of operations for the quarter ended September 30, 2007 are the equity accounted loss of \$102 (YTD loss - \$2,032) from Leisureworld and \$100 (YTD loss - \$102) from Chapais.

Income Tax

As a result of Bill C-52, effective June 22, 2007 future income tax assets and liabilities have been recognized on temporary differences between the accounting and tax bases of existing assets and liabilities expected to reverse after 2010. For the quarter ended September 30, 2007, the Fund has recorded a future income tax recovery of \$566 (YTD - expense of \$43,433).

Cash Flows from Operating Activities

Cash flows from operating activities were lower for the quarter by \$264 compared with the same period last year. The decrease was primarily due to higher interest expense for the quarter compared with the same period last year and changes in working capital, offset by an increase in earnings before non-cash expense items.

Distributable Cash and Payout Ratio

Distributable cash and payout ratio are not recognized performance measures under GAAP. Many Canadian income funds, such as the Fund, use distributable cash and payout ratio as indicators of financial performance. Distributable cash and payout ratio may differ from similar computations as reported by other issuers and, accordingly, may not be comparable to distributable cash and payout ratio as reported by such issuers. The Fund believes that distributable cash and payout ratio are useful supplemental measures that may assist investors in assessing the Fund's financial performance. Payout ratio is defined as distributions declared as a proportion of distributable cash.

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. Cash flows from operating activities are 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.

The nature of power infrastructure assets require scheduled maintenance programs to optimize their efficiency and operating life. The Fund has established reserves that are funded based on planned requirements. Cash from these reserves is released to meet maintenance and capital requirements. Adjustments for scheduled receipts and payments are made according to the Fund's investment and financing decisions regarding ongoing commitments.

The Fund continues to calculate and measure distributable cash excluding changes in working capital. The OEFC, the Fund's primary customer, is billed once monthly. As there are only 12 payments each year, the timing of each payment has a significant impact on the Fund's working capital. Monthly payments are received at month end or on the first business day following a month end, which could result in a situation where two bills are paid in the same month. Such circumstances could cause significant fluctuation in working capital, distributable cash and payout ratio that is not reflective of the Fund's ongoing distributable cash or stability of operations.

For the quarter and nine months ended September 30, 2007, cash flow from operations was less than distributions. The Fund makes monthly distributions at a constant amount per unit during the year. Given seasonal fluctuations in revenue and the timing of cash flows associated with working capital items, it is possible for monthly distributions to exceed cash flows from time to time. In such a situation, the variance is funded from the Fund's existing cash resources. On an annual basis, the Fund expects cash flow from operating activities to exceed distributions paid to unitholders.

In any period, the amount of distributions declared will exceed the net earnings of the Fund as a result of non-cash charges, most significantly, amortization and non-cash movements in future income taxes and embedded derivative balances. Except for allocations to capital expenditures and major maintenance reserve accounts, the Fund does not retain additional amounts for these non-cash balances as movements in these balances do not require periodic investments to maintain existing levels of activity.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash flows from operating activities	(2,567)	(2,303)	21,969	14,191
Maintenance of productive capacity:				
Release from major maintenance reserve account	-	-	431	4,292
Allocation to major maintenance reserve account	(747)	(620)	(1,979)	(1,776)
Allocation to capital expenditure reserve account	(255)	(101)	(464)	(303)
	(3,569)	(3,024)	19,957	16,404
Other adjustments:				
Scheduled repayment of debt	(660)	-	(660)	-
Scheduled receipt of loans receivable	146	-	146	-
Distributions received from Leisureworld	2,588	2,588	7,762	7,763
Changes in working capital	10,486	7,383	1,185	(110)
Distributable cash for the period	8,991	6,947	28,390	24,057
Per Unit ⁽ⁱ⁾	0.180	0.231	0.764	0.801
Distributions declared to Unitholders	12,882	7,662	30,073	22,686
Per Unit ⁽ⁱⁱ⁾	0.257	0.255	0.771	0.755
Payout ratio ⁽ⁱⁱⁱ⁾	143%	110%	106%	94%
Basic weighted average number of Units	50,052,413	30,048,386	37,156,092	30,048,387

(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 September 30, 2007, distributable cash was \$8,991 (2006 - \$6,947). The Fund declared distributions to unitholders of \$12,882 (2006 - \$7,662). This represents a quarterly payout ratio of 143% (2006 - 110%). The higher payout ratio reflects the seasonality of the Fund's newly acquired assets and Cardinal. The payout ratio for the nine months ended September 30, 2007 reflects an increase in the number of units outstanding as a result of the acquisition of CPIF. The new Unitholders were unitholders of record on June 30, 2007 and received a distribution payment for the month of June. Due to the timing of the transaction four days before quarter end, the newly acquired assets did not make a significant contribution to the Fund's second quarter cash flow. As a result, the payout ratio for the nine months was 106%, versus 100% had the transaction closed July 1.

HIGHLIGHTS BY OPERATING SEGMENT

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

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007			Quarter Ended September 30, 2006		
	Power	Social	Total	Power	Social	Total
Revenue	30,432	-	30,432	20,356	-	20,356
Operating expenses	18,248	-	18,248	13,690	-	13,690
Contribution margin	12,184	-	12,184	6,666	-	6,666
Interest income on loans receivable ⁽ⁱ⁾	750	-	750	-	-	-
The Fund's pro rata share of equity investments ⁽ⁱⁱ⁾	(100)	(102)	(202)	-	(353)	(353)
Sale of electricity (MWh)	524,319	-	524,319	306,436	-	306,436
Sale of steam (MM lbs)	169,949	-	169,949	152,546	-	152,546
Average total occupancy	-	98.4%	98.4%	-	95.7%	95.7%
Average preferred occupancy	-	84.0%	84.0%	-	80.8%	80.8%

(i) The Fund's interest income consists of interest earned on the U.S. Wind Loan and Chapais loan for the period. This amount is included in net interest expense on the consolidated statement of operations.

(ii) The Fund's investments consist of a 31.3% equity interest in Chapais and a 45% equity interest in Leisureworld.

Unaudited (in thousands of dollars unless otherwise noted)	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2006		
	Power	Social	Total	Power	Social	Total
Revenue	80,988	-	80,988	64,318	-	64,318
Operating expenses	49,216	-	49,216	44,674	-	44,674
Contribution margin	31,772	-	31,772	19,644	-	19,644
Interest income on loans receivable ⁽ⁱ⁾	781	-	781	-	-	-
The Fund's pro rata share of equity investments ⁽ⁱⁱ⁾	(102)	(2,032)	(2,134)	-	(2,076)	(2,076)
Sale of electricity (MWh) ⁽ⁱⁱⁱ⁾	1,173,039	-	1,173,039	892,787	-	892,787
Sale of steam (MM lbs)	510,873	-	510,873	507,682	-	507,682
Average total occupancy	-	98.3%	98.3%	-	95.6%	95.6%
Average preferred occupancy	-	81.9%	81.9%	-	80.6%	80.6%

(i) The Fund's interest income consists of interest earned on the U.S. Wind Loan and Chapais loan for the period. This amount is included in net interest expense on the consolidated statement of operations.

(ii) The Fund's investments consist of a 31.3% equity interest in Chapais and a 45% equity interest in Leisureworld.

(iii) Total MWh production for the nine-months ended September 30, 2007 includes operating results of the newly acquired assets from the date of acquisition.

Power Infrastructure

The Power Infrastructure segment includes power generation assets from gas cogeneration, wind, hydro and biomass. Power assets are diversified by fuel source and geography, and have a weighted average remaining PPA term of approximately 12 years. The operating results of the assets' underlying the Power Infrastructure segment are provided in the analysis below:

Asset/Facility	Location	Installed Capacity (MW)	Utility/ Electricity Purchaser	Expiry of PPA
Gas Cogeneration				
Cardinal	Ontario	156 MW	OEFC	2014
Wind				
Erie Shores Wind Farm	Ontario	99 MW	Ontario Power Authority ("OPA")	2026
U.S. Wind Loan ⁽ⁱ⁾	Various	110 MW	Various	2014 to 2024
Hydro				
Sechelt	British Columbia	16 MW	BC Hydro	2017
Hluey Lakes	British Columbia	3 MW	BC Hydro	2020
Wawatay	Ontario	14 MW	OEFC	2042
Dryden ⁽ⁱⁱ⁾	Ontario	3 MW	OEFC	2020
Biomass				
Whitecourt	Alberta	28 MW	TransAlta Utilities Corp.	2014
Chapais ⁽ⁱⁱⁱ⁾	Quebec	31 MW	Hydro Quebec	2015, with option to extend to 2020 under certain conditions

(i) The Fund's investment in these facilities is in the form of a subordinated loan to Caithness Western Wind Holdings LLC ("U.S. Wind Loan").

(ii) Comprised of the Wainwright, Eagle River and McKenzie Falls hydro power facilities.

(iii) The Fund's investment in Chapais consists of a 31.3% equity interest, a 24.8% interest in Tranche A and B debt and a 50% interest in Tranche C debt.

Gas Cogeneration Operations:

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenue	21,508	20,356	71,623	64,318
Operating expenses	14,348	13,690	45,133	44,674
Contribution margin	7,160	6,666	26,490	19,644
Sale of electricity (MWh)	306,448	306,436	955,284	892,787
Sale of steam (MM lbs)	169,949	152,546	510,873	507,682

Cardinal's revenue increased by \$1,152 from the same period last year, reflecting higher power prices, which were impacted by a 4.0% increase in the DCR rate and a higher DCR adjustment of \$295 in the quarter from the same period last year. Cardinal's availability for the quarter was 99.1% (Q3 2006 – 99.8%) and capacity was 97.2% (Q3 2006 – 97.2%), with 17.9 hours (Q3 2006 – 4.5 hours) of outages and no curtailment hours (2006 – nil). During curtailment, the plant continues to operate but at less than capacity. During an outage, the plant does not generate any electricity. Included in total revenue is steam revenue of \$262 (YTD - \$787) which also increased compared with the same period last year (Q3 2006 - \$232, YTD 2006 - \$772) due to greater steam requirements by Canada Starch Operating Company ("CASCO").

Operating costs for the quarter were higher in 2007 than the same period last year due primarily to higher commodity rates and transportation charges. Year-to-date contribution margin for the nine-months ended September 30, 2007 is \$6,846 higher than the same period last year as a result of a major inspection outage totalling 496.2 hours which took place in the second quarter of last year and resulted in reduced generation of electricity. Operating expenses for the same period were also reduced but offset by costs associated with the outage.

Wind Power Operations:

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007			Quarter Ended September 30, 2006		
	Erie Shores	U.S. Wind Loan	Total Wind	Erie Shores	U.S. Wind Loan	Total Wind
Revenue	2,697	-	2,697	-	-	-
Operating expenses	1,377	-	1,377	-	-	-
Contribution margin	1,320	-	1,320	-	-	-

Interest income on loans receivable	-	537	537	-	-	-
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Production (MWh) ⁽ⁱ⁾	28,002	48,733	76,735	38,711	51,386	90,097
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(i) Included in total MWh production are operating results of the assets acquired on June 27, 2007 for the periods indicated. These are provided solely for comparison purposes and do not change the results as reported by the Fund.

Unaudited (in thousands of dollars unless otherwise noted)	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2006		
	Erie Shores	U.S. Wind Loan	Total Wind	Erie Shores	U.S. Wind Loan	Total Wind
Revenue	2,849	-	2,849	-	-	-
Operating expenses	1,439	-	1,439	-	-	-
Contribution margin	1,410	-	1,410	-	-	-

Interest income on loans receivable	-	559	559	-	-	-
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Production (MWh) ⁽ⁱ⁾	168,025	203,895	371,920	47,841	221,879	269,720
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(i) Included in total MWh production are operating results of the assets acquired on June 27, 2007 for the periods indicated. These are provided solely for comparison purposes and do not change the results as reported by the Fund.

Erie Shores Wind Farm

Erie Shores started generating revenue and achieved commercial operation under the PPA with the OPA during the second quarter of 2006. Therefore, MWh production for the nine months ended September 30, 2006 is not indicative of the first nine months of actual operations and is not directly comparable to production from the nine months ended September 30, 2007.

For the quarter, Erie Shores' availability was 91.3% (2006 – 87.5%) with 4.5 days (2006 - 4.5 days) of outage for annual maintenance. The average wind speed at the site during the quarter, which was atypically low, was 10.5% lower than the same period last year. As a result, Erie Shores' production was 28,002 MWh (Q3 2006 – 38,711 MWh) or approximately 28% below production for the same period last year. Erie Shores achieved a capacity factor of 12.8% (Q3 2006 – 17.7%) for the quarter.

U.S. Wind Loan Receivable

The Fund receives two semi-annual interest payments on its subordinated wind loan receivable, scheduled in March and September. An interest payment of US\$1.0 million was received during the third quarter. Receipt of the interest payment is not anticipated to be affected by any normally expected variance in production.

In the third quarter, total production from all facilities decreased by 5% from the same period in the prior year to 48,733 MWh (Q3 2006 – 51,386 MWh) due to lower wind speeds at all the facilities and lower weighted average availability of 94.2% (Q3 2006 – 95.4%) due to lower availability at Foote Creek IV. An ongoing generator replacement program at Foote Creek IV continued through the quarter affecting availability at this facility. The weighted average capacity factor achieved for the quarter was 20.2% compared with 21.3% in the same period last year.

Hydro Power Operations:

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue	2,689	-	2,830	-
Operating expenses	893	-	917	-
Contribution margin	1,796	-	1,913	-

Production (MWh) ⁽ⁱ⁾ Asset/Facility	Quarter Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Sechelt	13,157	10,606	69,854	64,833
Hluey Lakes	1,217	1,170	4,880	4,691
Wawatay	16,275	2,332	38,446	29,073
Dryden	5,551	3,182	8,207	13,706
Total	36,200	17,290	121,387	112,303

(i) Included in total MWh production are operating results of the assets acquired on June 27, 2007 for the periods indicated. These are provided solely for comparison purposes and do not change the results as reported by the Fund.

Production increased 109% during the quarter to 36,200 MWh (Q3 2006 – 17,290 MWh), due to increased water flows at all facilities. Water flows were slightly above average levels at the Ontario plants compared with the extremely dry conditions experienced during Q3 2006. The hydro power facilities operated at a weighted average availability of 95.1% for the quarter (Q3 2006 – 97.7%) and achieved a capacity factor of 45.9% (Q3 2006 – 21.9%). Lower availability was experienced at Sechelt as there were 219.6 outage hours (Q3 2006 – 56.4 hours), 89.0 hours due to the BC Hydro transmission line being down in the area, 106.6 hours for maintenance work and one day for repairs.

Biomass Operations:

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007			Quarter Ended September 30, 2006		
	Whitecourt	Chapais	Total Biomass	Whitecourt	Chapais	Total Biomass
Revenue	3,538	-	3,538	-	-	-
Operating expenses	1,630	-	1,630	-	-	-
Contribution margin	1,908	-	1,908	-	-	-

The Fund's pro rata share – 31.3%	-	(100)	-	-	-	-
Interest income on loans receivable	-	213	-	-	-	-

Unaudited (in thousands of dollars unless otherwise noted)	Nine Months Ended September 30, 2007			Nine Months Ended September 30, 2006		
	Whitecourt	Chapais	Total Biomass	Whitecourt	Chapais	Total Biomass
Revenue	3,686	-	3,686	-	-	-
Operating expenses	1,727	-	1,727	-	-	-
Contribution margin	1,959	-	1,959	-	-	-

The Fund's pro rata share – 31.3%	-	(102)	-	-	-	-
Interest income on loans receivable	-	222	-	-	-	-

Production (MWh) ⁽ⁱ⁾ Asset/Facility	Quarter Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Whitecourt	49,921	51,626	144,493	153,185
Chapais	55,015	58,607	168,808	169,135
Total	104,936	110,233	313,301	322,320

(i) Included in total MWh production are operating results of the assets acquired on June 27, 2007 for the periods indicated. These are provided solely for comparison purposes and do not change the results as reported by the Fund.

Whitecourt

During the quarter, the Whitecourt facility operated at an availability of 96.8% (Q3 2006 – 100%) and achieved a capacity factor of 96.5% (Q3 2006 – 99.6%), reflecting outages for approximately 76 hours (Q3 2006 – nil) due to tube leak repairs. Whitecourt production was 49,921 MWh for the quarter (Q3 2006 – 51,626 MWh), due to the lower availability. The average power pool price received during the quarter was \$90 per MWh (Q3 2006 - \$95 per MWh). During the quarter, power pool pricing affected approximately 12% (Q3 2006 – 12%) of Whitecourt production that is not contracted under a long-term PPA.

Chapais

The Chapais facility operated at 98.4% availability for the quarter (Q3 2006 – 98.1%), reflecting 36 hours (Q3 2006 – 64.6) of outages. Chapais production was 55,015 MWh for the quarter (Q3 2006 – 58,607 MWh). Production may vary through the quarters, but annual production has historically approximated the maximum provision as per the PPA. The Chapais PPA is subject to a maximum annual production provision for each 12-month period ending November 30. Should the facility exceed this maximum production amount, the PPA rate paid on any excess production is significantly reduced. Therefore, the facility is operated throughout the year so that the total production for each 12-month period ending November 30 approximates the maximum provision in the PPA.

Social Infrastructure

Leisureworld owns and operates 19 LTC homes (3,187 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 fourth-largest provider of long-term care in Ontario. The composition of Leisureworld’s LTC portfolio by structural classification is as follows:

Beds by Class ⁽ⁱ⁾	Leisureworld LTC Homes		Ontario		Leisureworld Share of Ontario Market	
	Number	Percent	Number ⁽ⁱ⁾	Percent	Percent	Percent
A ⁽ⁱⁱ⁾	2,260	70.9%	24,440	32.1%	9.2%	
B	299	9.4%	8,108	10.6%	3.7%	
C	628	19.7%	30,953	40.6%	2.0%	
D	-	-	12,679	16.6%	-	
Total	3,187	100%	76,180	100%	4.2%	

(i) As of December 31, 2006. Source: Care Planning Partners, Inc.

(ii) 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.

Class D homes do not meet 1972 standards.

(iii) 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 (45%) of any income or loss for the period.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended	Quarter Ended	Nine Months Ended	Nine Months Ended
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Revenue	44,816	43,143	134,019	125,067
Net loss	(228)	(787)	(4,516)	(4,614)
The Fund’s pro rata share – 45%	(102)	(353)	(2,032)	(2,076)
Distributions paid to the Fund	2,588	2,588	7,762	7,763
Average total occupancy	98.4%	95.7%	98.3%	95.6%
Average preferred occupancy	84.0%	80.8%	81.9%	80.6%

Leisureworld’s revenue for the quarter increased by \$1,673 compared with the same period last year primarily due to increased occupancy at the Vaughan LTC home, which achieved full occupancy during the fourth quarter of 2006, and increased government funding rates which were 3.7% higher than the same

period last year. These increases were partially offset by a one-time decrease to tax funding revenues of \$911, which related to prior period property taxes for the Vaughan and Richmond Hill homes that were lower than anticipated and therefore resulted in lower tax funding by the MOHLTC. In addition, revenue increased by \$91 as more residents were provided with preferred accommodation in the newer homes, which attracts higher rates. PHCS's external revenue was \$526 higher than the same period last year due to an increase in personal support contract revenues including the provision of flow through stabilization funding by the MOHLTC.

Net loss for Leisureworld for the quarter was \$228 compared with a net loss of \$787 in the same period last year. This was mainly attributable to higher occupancy and associated increases in staff and operating costs at the Vaughan LTC home, an increase in accommodation funding rates, increases in the preferred accommodation mix and a prior period property tax assessment reduction, offset by higher net interest and amortization expenses.

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 net income (loss) before tax for the quarter and nine months ended September 30, 2007.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Net income (loss) before tax	(5,509)	2,252	14,185	4,385
Equity accounted loss from long-term investments	202	353	2,134	2,076
Foreign exchange loss	1,239	-	1,311	-
Net interest expense	3,325	285	3,851	710
Unrealized gain (loss) on embedded derivative instruments	5,467	-	(6,346)	-
Unrealized gain on swap contracts	(345)	(678)	(727)	(1,811)
	4,379	2,212	14,408	5,360
Administrative expenses	1,310	1,319	5,185	4,889
Depreciation and amortization	6,495	3,135	12,179	9,395
Contribution margin	12,184	6,666	31,772	19,644

LIQUIDITY AND FINANCIAL RESOURCES

The Fund expects to meet all of its operating obligations in 2007 and make distributions to unitholders from cash flow generated from operating activities and distributions received from Leisureworld. The Fund had positive working capital of \$24,527 as at September 30, 2007 (December 31, 2006 - \$19,151). As at September 30, 2007, cash on hand totalled \$21,489 (December 31, 2006 - \$12,142), of which \$3,167 (December 31, 2006 - \$5,868) was not designated for major maintenance, capital expenditure or general reserves.

As at September 30, 2007, the following funds were available:

Unaudited (in thousands of dollars unless otherwise noted)	Credit Limits	Amounts Authorized or Drawn	Available	
Line of Credit				
Line of Credit	15,000	-	15,000	
Senior Credit				
Three-year revolving loan	75,000	51,900	23,100	Guaranteed by Fund
Three-year term loan	75,000	16,100	58,900	Guaranteed by Fund
Letters of Credit				
Letters of Credit	1,980	-	1,980	Letter of credit in favour of OPA
Letters of Credit	550	-	550	Letter of credit in favour of SunLife
Letters of Credit	3	-	3	Letter of credit in favour of the IESO ⁽ⁱ⁾

(i) "IESO" - Independent Electricity System Operator

After the completion of the 2006 major maintenance program at Cardinal, and 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 2007.

Unaudited (in thousands of dollars unless otherwise noted)	September 30, 2007	December 31, 2006
Major maintenance reserve	10,767	2,219
Capital expenditure reserve	2,555	1,055
General reserve	5,000	3,000
Total reserve accounts	18,322	6,274
Other cash and cash equivalents	3,167	5,868
Total cash and cash equivalents	21,489	12,142

SEASONALITY

Since Cardinal has a long-term PPA with the OEFC and gas purchase contracts with fixed prices, its results are not significantly affected by fluctuations resulting from the market prices for electricity or the volatility in the price of natural gas. However, the PPA contains lower power rates during the six-month period from April to September (and higher rates from October to March), which is reflected in the variations in quarterly results.

In addition, Cardinal generally performs its major maintenance activities during the April to July period, which affects the Fund's operating results during that period. To partially offset this seasonality, Cardinal sells the excess natural gas not consumed through gas swap contracts.

Electricity production generated by Erie Shores fluctuates with the natural wind speed and density in the area of the facility. During the autumn and winter periods, wind speed and density are generally greater than during the spring and summer periods.

A significant portion of electricity production generated by the Fund's hydro facilities fluctuates with the natural water flows of the respective watersheds. During the spring and autumn periods, water flows are generally greater than during the winter and summer periods.

Wawatay's and Dryden's PPAs with the OEFC have different pricing provisions for electricity produced, depending on the time of year. The OEFC pays higher rates for electricity during the months of October to March.

The PPA with Hydro Québec relating to the Chapais facility also has different pricing provisions for electricity produced depending on the time of year. During the months of December to March, Hydro Québec pays an additional capacity premium. This results in fluctuations in other investment income, but does not affect cash flows to the Fund.

The seasonality of wind speed and density, water flows, pricing provisions within the PPAs with the OEFC, and the PPA with Hydro Québec may result in fluctuations in revenue and net income during the year.

The Fund maintains reserve accounts and free cash in order to offset the seasonality and other factors that may impact electricity production. Management believes that the active management of the reserve accounts and free cash is expected to be sufficient to maintain level monthly distributions to unitholders throughout the coming years.

SUPPLEMENTAL QUARTERLY INFORMATION AND ANALYSIS OF KEY FINANCIAL MEASURES

Selected Consolidated Financial and Operating Information of the Fund

Unaudited For the quarters ended	Sept 30, 2007	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005
(thousands of dollars)								
Revenue	30,432	21,587	28,969	25,622	20,356	16,278	27,684	24,620
Net income (loss)	(4,947)	(31,662)	7,358	4,026	2,252	(1,473)	3,606	1,697
Cash flows from operating activities	(2,567)	7,249	17,287	6,853	(2,303)	2,206	14,288	(782)
Distributable cash ⁽ⁱ⁾	8,991	7,331	12,068	10,003	6,947	6,308	10,800	7,786
Distributions declared to Unitholders	12,882	9,454	7,737	7,737	7,662	7,512	7,512	7,136
Basic net income (loss) per Unit	(0.099)	(1.024)	0.245	0.134	0.075	(0.049)	0.120	0.060
Diluted net income (loss) per Unit	(0.099)	(1.024)	0.245	0.134	0.075	(0.049)	0.120	0.058
Cash flows from operating activities per Unit (Diluted)	0.051	0.234	0.575	0.228	(0.077)	0.073	0.476	(0.027)
Distributable cash per Unit (Diluted)	0.180	0.237	0.402	0.333	0.231	0.210	0.359	0.264
Distributions declared per Unit (Diluted) ⁽ⁱⁱ⁾	0.257	0.257	0.257	0.257	0.255	0.250	0.250	0.242

(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.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

Due to the acquisition of CPIF, there have been significant changes in the Fund's obligations and commitments since March 20, 2007, the date of the Fund's Annual Information Form. The following describes the more significant contractual obligations and commitments of the Fund as at September 30, 2007.

Unaudited (in thousands of dollars unless otherwise noted)	Effective Interest Rate	Maturing	As at Sept. 30, 2007	As at Dec. 31, 2006
Cardinal term loan (maturing May 16, 2011) (i)				
BA	4.83%	December 14, 2007	11,700	-
BA	5.57%	June 13, 2008	11,600	-
BA	5.31%	August 28, 2008	11,700	-
			35,000	35,000
CPOT credit facility (maturing June 26, 2010) (ii)				
BA	5.36%	October 29, 2007	12,600	-
BA	5.46%	October 29, 2007	3,500	-
BA	5.47%	October 29, 2007	40,700	-
BA	5.57%	October 29, 2007	11,200	-
			68,000	-
Erie Shores project debt (iii)				
Tranche A	5.96%	April 1, 2026	69,498	-
Tranche B	5.28%	April 1, 2016	7,072	-
Tranche C	5.05%	April 1, 2011	40,000	-
			116,570	-
			219,570	35,000
Less: Deferred financing fees				
CPOT credit facility (ii)			763	-
			218,807	35,000
Total Debt, net of deferred financing fees				
			2,738	-
Less: Current portion of long-term debt				
			216,069	35,000
Total long-term debt				

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Deferred financing fees amortized	58	-	62	-
Interest on debt	4,326	436	5,319	1,192
Total interest expense	4,384	436	5,381	1,192
Less: Interest income	(1,059)	(151)	(1,530)	(482)
Net interest expense	3,325	285	3,851	710

- i) Collateral for the Cardinal term loan facility is provided by a first ranking hypothec covering the assets of Cardinal. Utilization of the facility is subject to certain financial and non-financial covenants, including limits on the amount of leverage and the ratio of debt to capital, and a minimum interest coverage ratio. Advances under the facility are made in the form of BAs or prime rate loans. In the case of BAs, interest is charged at the BA rate plus a stamping fee based on Cardinal's ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses. In the case of prime rate loans, interest is charged at the bank's prime rate plus an applicable margin based on the same ratio.
- ii) CPOT has unsecured senior credit facilities in the amount of \$150,000 comprised of: (a) a \$75,000 three-year revolving loan ("Revolver"); and (b) a \$75,000 three-year term loan ("Term Loan Facility") (collectively the "CPOT credit facility"), of which \$51,900 has been advanced on the revolving facility and \$16,100 has been advanced on the term facility as of September 30, 2007. Under the credit facilities, CPOT is subject to certain financial and non-financial covenants, including limits on the ratio of debt to consolidated EBITDA and a minimum interest coverage ratio. Interest charged on any credit advances is based on the bank's prime rate or BAs plus an applicable margin based on the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses of a predefined group of the Fund's assets.
- iii) The Fund has a loan of \$116,570 non-recourse project financing for Erie Shores, consisting of: (a) a \$69,498 fully amortizing loan ("Tranche A"); (b) a \$7,072 fully amortizing loan ("Tranche B"); and (c) a \$40,000 interest only loan ("Tranche C"). This financing was borrowed by Erie Shores Wind Farm Limited Partnership and is secured only by Erie Shores, with no recourse to the Fund's other assets.

Capital Leases

The Fund has a number of capital leases with terms ranging from four to six years, expiring between 2008 and 2013 and bearing interest rates from 6.6% to 7.1%. For the period ended September 30, 2007, the Fund recorded principal repayments of \$63 and amortization on the lease obligation of \$25. The carrying value as of September 30, 2007 was \$795, of which \$195 was classified as a short-term liability.

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.

Lease

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.

Gas Swap Contracts

Cardinal generally performs its major maintenance activities during the April to July period, which affects the Fund's operating results during that period. To partially offset this seasonality, Cardinal sells the excess natural gas not consumed through gas swap contracts. Gas swap contracts are also used to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of the gas purchase contract. The

gas swap contracts require Cardinal to pay 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. The contracts cover the sale of gas for the seven-month period from April to October for each of the remaining contracts in 2007 and 2008.

RELATED PARTY TRANSACTIONS

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

The Manager entered into a Management Agreement with CPOT on terms similar to the agreements with Cardinal and LTC Holding LP. The agreement outlines payments for management services, incentive fees and cost reimbursement. Annual management fees are escalated annually by the Consumer Price Index.

During the nine months ended September 30, 2007, the Fund paid advisory fees in the amount of \$4,830 to an affiliate of Macquarie Bank Limited in connection with the acquisition of CPIF.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Management fees	435	266	977	790
Administrative fees	27	26	79	78
Incentive fees	(966)	(64)	677	887
Cost reimbursement	682	367	1,863 ⁽ⁱ⁾	1,049

(i) \$436 of this amount has been capitalized in connection with the acquisition of CPIF. The Manager receives reimbursement for cost of services provided to the Fund in relation to, but not limited to, regulatory, finance, rent and information technology.

RISKS AND UNCERTAINTIES

The Fund and its assets face various risks and uncertainties that could have an adverse impact on their businesses, operating results and financial condition, which could adversely affect the Fund's ability to pay distributions to its unitholders. The Fund attempts to mitigate the risks and uncertainties that may affect its performance through a process of identifying, assessing, reporting and managing risks of significance.

For an overview of the risks and uncertainties associated with the Fund's business, please refer to the "Risk and Uncertainties" section in the Fund's annual report for the fiscal year ended December 31, 2006 and the Fund's Annual Information Form dated March 20, 2007, 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.

ADDITIONAL RISKS RELATED TO POWER INFRASTRUCTURE

Operational Performance

The Fund's revenue is proportional to the amount of electrical energy generated by its assets. The facilities are subject to risks related to premature wear or failure, due to defects in design, material or workmanship, longer than anticipated down times for maintenance and repair, and the availability or constancy of fuel or natural resources, as applicable. These risks are partially mitigated by the proven nature of the technologies employed at each facility, regular maintenance and the design of the each facility.

The supply of gas required by Cardinal, a gas cogeneration facility, is contracted under a gas purchase agreement that expires on May 1, 2015. Similarly, the biomass facilities have long-term agreements in place with substantial forest product operations for the supply of wood waste. There can be no assurance that the long-term availability of such resources will remain unchanged.

The operational performance of the Fund's wind and hydro power facilities is dependent upon the levels of wind and water flows available. The wind power facilities may be affected by abnormal weather conditions or changing wind patterns. Similarly, the hydro power facilities may be significantly affected by hydrological conditions, such as low and high water flows within the watersheds on which the facilities are located.

Power Purchase Agreements

Most of the electricity that is generated by the Fund's facilities is sold to large utilities or creditworthy customers under long-term PPAs, which provide a specified rate for a defined period of time. Although most electricity generated by the facilities is sold pursuant to long-term PPAs, certain excess power capacity of certain of the facilities may be sold in the open market. As a result, distributions to unitholders depend, in part, upon prices paid for energy sold in the open market.

In addition, as PPAs expire there can be no assurance that the facilities will be able to renegotiate or enter into power supply contracts on terms that are commercially reasonable, if at all. If the facilities choose to bid the power they produce, there can be no assurance that the market price they will receive for the electricity so offered will exceed the marginal cost of operations.

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. There can be no assurance that Cardinal will be able to renegotiate the gas purchase agreement or enter into a new gas supply agreement 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, and as such, any service interruption may result in a significant reduction in distributable cash due to loss of production at the facility.

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 the Fund to losses that could occur under various circumstances, including the counterparty defaulting in respect of its obligations under the gas swap agreements, if the gas swap agreements provide an imperfect hedge, or in the event that the Fund's swap policies and procedures are not followed.

The Fund's biomass facilities have long-term contracts with substantial forest products companies to provide a stable supply of wood waste. Any interruption in supply could affect the ability of the biomass facilities to operate. The Fund's 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.

Default Under Credit Agreements

The Fund has credit agreements in place that contain a number of standard financial and other covenants.

Cardinal's credit agreement expires in 2011. Upon the acquisition of CPIF, the Fund assumed an existing credit agreement that had been established for non-recourse financing of Erie Shores. The Fund subsequently established a new credit agreement for CPOT which expires in 2010.

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. If the indebtedness under the credit agreements were to be accelerated, there could be no assurance that the assets of Cardinal, Erie Shores or CPOT would be sufficient to repay in full that indebtedness. There can be no assurance that Cardinal, Erie Shores or CPOT will 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. There can be no assurance that the Fund or its subsidiaries could refinance these credit agreements or obtain additional financing on commercially reasonable terms, if at all. Cardinal's and CPOT's credit agreement are, and future borrowings may be, at variable rates of interest, which exposes the Fund to the risk of increased interest rates. This factor may increase the sensitivity of distributable cash to interest rate variations.

Exchange Rates

A portion of the Fund's investments generate revenue in U.S. dollars. Changes in the value of the Canadian dollar relative to the U.S. dollar can, and will, impact the performance of the Fund in two ways — translational losses or gains, and transactional losses or gains. From period to period, the Fund must adjust the reported value of its foreign assets into Canadian dollars. This can result in translational foreign exchange losses or gains. These losses or gains are recorded on the income statement to reflect the corresponding adjustment to the book value of the assets from one reporting period to the next. While translational foreign exchange adjustments can have a significant impact on the Fund's reported net income, they have no impact on the actual cash flow generated by the Fund's operations. Because they do not affect cash flow,

the Fund's translational foreign exchange risks have not been hedged.

A transactional exchange loss or gain occurs when U.S. dollar income from the Fund's U.S. investment is converted into Canadian dollars. This creates a transactional foreign exchange adjustment that can impact cash flow. Transactional risk may be hedged to reduce the impact of a significant change in the Canadian dollar equivalent of income denominated in U.S. dollars. However, hedging will only shield against changes in the relative value of the Canadian dollar and the U.S. dollar for the duration of the hedging contract. If there is a long-term shift in the foreign currency exchange rate or if the Fund enters into imperfect currency hedging arrangements, this may have a direct and permanent impact on the U.S. dollar-denominated cash flow generated by the U.S. wind facilities.

Regulatory Regime and Permits

The performance of the Fund's facilities in part depends on a favourable regulatory climate. The regulatory regime in an applicable jurisdiction could be modified in a manner which adversely affects one or more of the facilities, including increases in taxes and permit fees. The failure to obtain all necessary approvals, licences or permits, including renewals or modifications could adversely affect the ability of the facilities to operate. The failure to operate the facilities in strict compliance with applicable regulations and standards may expose owners or operators of the facilities to claims, costs or possible enforcement actions. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance. Hydro facilities are highly regulated as water rights are generally owned by governments that reserve the rights to control water levels. Gas cogeneration and biomass facilities are subject to government regulations, including environmental regulations and/or approvals relating to the operations, biomass supply and wood ash disposal, as applicable. Erie Shores and the U.S. wind facilities are highly regulated, including regulations and/or approvals relating to birds, mammals and other animals and to noise. Government regulations and incentives currently have a favourable impact on wind facilities in Canada and many states in the United States. Should the current governmental incentives be modified, Erie Shores and/or the U.S. wind facilities may be adversely affected.

ADDITIONAL RISKS RELATED TO SOCIAL INFRASTRUCTURE

Government Regulation and Funding

In Ontario, all LTC homes must be licensed under applicable provincial legislation. Such licences are for a term of one year, but are routinely renewed each year unless there is a concern or complaint about the home. Therefore, these licences do not represent any guarantee of continued operation beyond the one-year term of the licence. While Leisureworld endeavours to ensure compliance with all regulatory requirements applicable to the Leisureworld homes, it is not unusual for stringent inspection procedures to identify deficiencies in operations. Should this occur, it is possible that Leisureworld may not be able to remedy such deficiencies within the time frames allowed.

The provincial regulation of LTC homes includes the control of LTC fees. The Province of Ontario also funds care, programs and support provided in LTC homes, and subsidizes accommodation costs for qualifying residents. As a result of increasing health care costs, the risk exists that funding agencies may in the future reduce the level of, or eliminate such fees, payments or subsidies. There can be no assurance that the current level of such fees, payments, and subsidies will be continued or that such fees, payments, and subsidies will increase commensurate with expenses. A reduction of such fees, payments or subsidies could have an impact on Leisureworld's business, operating results and financial condition, which could adversely affect the Fund's results and ability to pay distributions to unitholders. In addition, future government initiatives could encourage the oversupply of LTC beds in the province, causing a sustained decrease in average occupancy in LTC homes, which could have an impact on Leisureworld's business.

Bill 140, the *Long-Term Care Homes Act 2006*, received Royal Assent on June 4, 2007 although it is expected to take 12 to 18 months before it can be enacted into law due to the number of regulations that need to be drafted. The *Long-Term Care Homes Act* contains a number of new provisions that could impact the operations of the Leisureworld homes. Among the new provisions are licence term limits for LTC homes according to class from 15 to 25 years (currently, LTC licences have one-year terms subject to automatic renewal on an annual basis). As well, the Act provides that licences can be revoked in cases of non-compliance. Although many of its provisions are already in place at the Leisureworld homes, the *Long-Term Care Homes Act* could have an impact on Leisureworld's business.

Acquisition-Related Risks

On August 27, 2007, Leisureworld and its affiliates signed an agreement with a wholly-owned subsidiary of Counsel Corporation to acquire its portfolio of seven LTC homes for approximately \$67 million plus transaction and refurbishment costs. Counsel Corporation's portfolio of Class C homes includes 1,127 beds and is currently managed by Diversicare Canada Management Services Co., Inc. The acquisition is conditional upon regulatory approval from the MOHLTC. 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

Adoption of New Accounting Policies

As required by the Canadian Institute of Chartered Accountants ("CICA"), on January 1, 2007, the Fund adopted CICA Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges. The principal changes in the accounting for financial instruments and derivatives due to the adoption of these accounting standards are described below.

Section 1530, Comprehensive Income and Section 3251, Equity

Section 1530 introduces a new concept of Comprehensive Income, which consists of Net Income and Other Comprehensive Income ("OCI"). OCI represents changes in unitholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale and unrealized foreign currency translation gains. The Fund's comprehensive income includes its proportionate share of Leisureworld's OCI. OCI includes the effective portion of the change in fair value of designated cash flow hedges of Leisureworld less any amounts reclassified to interest and other expenses, net, in the period that the underlying hedged item is also recorded in interest and other expenses, net. Accumulated other comprehensive income ("AOCI") is included on the consolidated statement of financial position as a separate component of unitholders' equity.

Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation

Financial Assets and Financial Liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value on initial recognition and their subsequent measurement is dependent on their classification. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities. Loans and receivables and other liabilities are measured at amortized cost using the effective interest method. Available for sale ("AFS") and held for trading ("HFT") financial instruments are measured at their fair value with changes in fair value recognized through earnings (HFT) or OCI (AFS). The Fund has designated each of its significant categories of financial instruments outstanding as of January 1, 2007 as follows:

Cash and cash equivalents	Held-for-trading (HFT)
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Derivatives

Derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Except when designated as hedges, the change in fair value during the period is recognized in net income.

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for at fair value when their economic characteristics and risks are not closely related to those of the host contract. Changes in fair value are recognized in net income. The Fund selected May 1, 2004 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. The Fund has determined that its gas purchase contract contains embedded derivatives requiring separation and measurement at fair value. The features requiring separation include mitigation options and electricity indexing features.

Derivative Contracts and Embedded Derivatives

As noted above, the Fund records certain derivative contracts and embedded derivatives at fair value. The determination of fair value involves estimates of many factors, including long-term views of forward energy prices in illiquid markets.

Transaction Costs

The Fund has elected to net transaction costs related to financial instruments classified as available-for-sale, held to maturity and loans and receivables against the related balance and amortize them over the expected life of the instrument using the effective interest method. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as held-for-trading are expensed.

Section 3865, Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item.

The Fund and its wholly-owned subsidiaries do not have any contracts that have been designated as hedges for accounting purposes as at September 30, 2007 and January 1, 2007.

Determination of Fair Value

As described above, the new standards require some financial instruments to be presented at 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 which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair values may be determined in whole or in part from valuation techniques using non-observable market data or transaction process. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

Impact of Adopting New Standard

The prospective adoption of these new standards resulted in changes in the accounting and presentation for financial instruments and hedging relationships as well as the recognition of certain transition adjustments that have been recorded in opening cumulative earnings or opening accumulated other comprehensive income as described below. The standards are applied retroactively but presented prospectively and resulted in the following adjustment to the opening statement of financial position at January 1, 2007:

Statement of Financial Position Category	Increase/(Decrease)
Investment in Leisureworld	1,832
Opening accumulated comprehensive income	(1,832)
Electricity supply and gas purchase contracts	(11,216)
Embedded derivative asset	17,000
Embedded derivative liability	(23,396)
Opening cumulative earnings	17,612

Section 3862, Disclosure Requirements

Section 3862 provides guidance of additional required disclosures related to financial instruments. The Section provides guidance on what disclosure should be included in the financial statements related to items such as significance of financial instruments to the financial position and performance of the Fund and the nature and extent of risks associated with financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Fund plans to adopt this standard effective January 1, 2008. Management is evaluating the standard and its impact on the Fund's consolidated financial statements.

Section 1535, Capital Disclosures

Section 1535 was recently issued. The section establishes standards for disclosing information about an entity's capital and how it is managed. It applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Fund plans to adopt this standard effective January 1, 2008. Management is evaluating the standard and its impact on the Fund's consolidated financial statements.

Use of Estimates

The Fund has adopted certain accounting policies that require the use of estimates and assumptions about matters that are uncertain at the time the estimates are made.

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

Impairment of Assets

Long-lived assets are reviewed for impairment during the second quarter of the fiscal year or when indications of impairment arise during the year. Management evaluates the operating and financial performance of its long-lived assets for potential impairment in accordance with Section 3063 "Impairment of Long-Lived Assets." If an asset is determined to be impaired, the asset is written down to its fair value. An impairment loss is recognized when the fair value of the asset is less than the carrying amount. Fair value is based on estimates of future cash flows. The determination of fair value requires management to make significant assumptions about future operating performance, market prices for natural gas and electricity, retirement costs and discount rates. The impairment review performed in 2007 continues to support the carrying value of the Fund's long-lived assets.

Asset Retirement Obligation

The Fund recognizes a liability for the present value of the expected future costs of retirement of the Cardinal plant. Expected values are probability weighted to deal with the risks and uncertainties inherent in the timing and amount of settlement of many asset retirement obligations. Expected values are discounted at the risk-free interest rate adjusted to reflect Cardinal's current credit standing. Determining asset retirement obligations requires estimating the life of the related asset and the costs of activities such as demolition, dismantling, restoration and remedial work based on present-day methods and technologies. These estimates are reviewed each fiscal year and adjusted prospectively if required.

Long-Term Investment

The Fund has significant influence over its investments in Leisureworld (45.0%) and Chapais (31.3%). The equity method of accounting is used to account for these investments. Under the equity method, the cost of the investment is adjusted by the Fund's proportionate share of operations and reduced by any distributions payable to the Fund.

Maintenance and Repairs

Routine maintenance, repairs and major overhaul costs are charged to the consolidated statement of operations in the period they are incurred.

Useful Life of the Capital Assets

Capital assets are amortized for accounting purposes over their estimated useful lives of three to 40 years. Management estimates useful life based on current facts and past experience, and takes into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand and the potential for technological obsolescence.

DISTRIBUTABLE CASH

The CICA has released interpretive guidance on distributable cash for income trusts and other flow-through entities that recommends standardized calculation and reporting of distributable cash. In July 2007, the Canadian Securities Administrators announced their amendments to National Policy 41-201 - Income Trusts and Other Indirect Offerings.

The OEFC is the Fund's primary customer which accounts for over 70% of revenue. The OEFC is billed once every month. As there are only 12 payments during the year, each payment has a significant impact on the Fund's working capital. According to the OEFC's billing schedule, each bill is to be paid by the 21st business day of the following month. However, the number of business days in a month varies depending on the timing of holidays or weekends. As a result, the OEFC may not pay a bill until the following month which could result in a situation where two invoices are paid in the same month. Such circumstances could cause significant fluctuation in working capital, distributable cash and payout ratio that is not reflective of the Fund's ongoing distributable cash or stability of operations.

DISCLOSURE 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 timeframes specified by such securities regulators.

The Fund's disclosure policy was approved by the Board of Trustees and adopted by the Fund in December 2005. The Board of Trustees, which is responsible for oversight of this policy, also developed structured operating routines involving senior management of the Fund's operating entities to enforce the importance of disclosure controls and procedures. The policy requires that information must be forwarded to the CEO and the CFO on a timely basis so they are able to make decisions regarding required external disclosures. This process, which management believes existed before 2005, has now been documented in the Fund's written operating procedures and is effective.

The CEO and CFO have concluded that the Fund's disclosure controls and procedures were effective as of September 30, 2007 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.

Changes in Internal Control over Financial Reporting

During the most recent period, there were no changes in the Fund's internal controls over financial reporting 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)

	September 30, 2007	December 31, 2006
Current Assets		
Cash and cash equivalents (note 5)	21,489	12,142
Accounts receivable	17,803	18,021
Inventory	1,075	191
Prepaid expenses and borrowing costs	3,050	1,634
Current portion of loans receivable (note 6)	624	-
Cash in escrow related to GRS (note 23)	5,876	-
	<u>49,917</u>	<u>31,988</u>
Loans receivable (note 6)	24,342	-
Long-term investments (note 7)	71,745	77,592
Capital assets (note 8)	431,295	134,603
Electricity supply and gas purchase contracts (note 8)	77,102	35,186
Embedded derivative asset (note 22)	14,760	-
Other assets (note 9)	425	-
Future income tax asset (note 15)	8,534	-
Goodwill	101,646	18,023
Total Assets	<u><u>779,766</u></u>	<u><u>297,392</u></u>
Current Liabilities		
Accounts payables and accrued liabilities	11,953	10,258
Distributions payable	4,290	2,579
Current portion of long-term debt (note 11)	2,738	-
Current portion of capital lease obligations (note 12)	195	-
Swap contracts at fair value (note 22)	338	-
Accounts payable and accrued liabilities related to GRS (note 23)	5,876	-
	<u>25,390</u>	<u>12,837</u>
Long-term debt (note 11)	216,069	35,000
Convertible debentures (note 13)	38,918	-
Levelization amounts (note 14)	18,585	-
Capital lease obligations (note 12)	600	-
Future income tax liability (note 15)	71,305	-
Embedded derivative liability (note 22)	14,810	-
Swap contracts at fair value (note 22)	595	1,507
Liability for asset retirement (note 16)	1,215	1,161
Electricity supply and gas purchase contracts (note 8)	7,045	-
Total Liabilities	<u>394,532</u>	<u>50,505</u>
Unitholders' Equity (notes 17 and 18)	<u>385,234</u>	<u>246,887</u>
Total Liabilities and Unitholders' Equity	<u><u>779,766</u></u>	<u><u>297,392</u></u>
Commitments and contingencies (note 21)		

See accompanying Notes to the Consolidated Financial Statements.

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

(Unaudited, in thousands of dollars)

	Unitholders' Capital	Class B Exchangeable Units	Accumulated Other Comprehensive (Loss) Income	Cumulative Earnings (Loss)	Total Comprehensive Income (Loss)	Cumulative Distributions	Total
Balance, December 31, 2006, as reported	253,476	35,500	-	24,017	24,017	(66,106)	246,887
Opening transitional adjustment on adoption of new accounting standards:							
Equity share of other comprehensive income of Leisureworld (note 4)	-	-	1,832	-	1,832	-	1,832
Fair value of embedded derivatives (note 4)	-	-	-	(17,612)	(17,612)	-	(17,612)
Adjusted balance, December 31, 2006	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
Trust unit issuance (net of issuance costs of \$400)	214,272	-	-	-	-	-	214,272
Trust unit redeemed	(1)	-	-	-	-	-	(1)
Net loss for the quarter ended June 30, 2007	-	-	-	(31,662)	(31,662)	-	(31,662)
Equity share of other comprehensive loss of Leisureworld	-	-	(51)	-	(51)	-	(51)
Distributions declared to Unitholders for the quarter ended June 30, 2007	-	-	-	-	-	(9,454)	(9,454)
Balance, June 30, 2007	467,747	35,500	1,730	(17,899)	(16,169)	(83,297)	403,781
Equity share of other comprehensive loss of Leisureworld (note 7)	-	-	(51)	-	(51)	-	(51)
Net income (loss) for the quarter ended September 30, 2007	-	-	-	(4,947)	(4,947)	-	(4,947)
Distributions declared to Unitholders for the quarter ended September 30, 2007	-	-	-	-	-	(12,882)	(12,882)
Trust unit redeemed	(667)	-	-	-	-	-	(667)
Balance, September 30, 2007	467,080	35,500	1,679	(22,846)	(21,167)	(96,179)	385,234

See accompanying Notes to the Consolidated Financial Statements.

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, in thousands of dollars)

	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine months Ended September 30, 2007	Nine months Ended September 30, 2006
Revenue	30,432	20,356	80,988	64,318
Costs and expenses				
Operating costs	18,248	13,690	49,216	44,674
Administrative expenses	1,310	1,319	5,185	4,889
Depreciation and amortization	6,495	3,135	12,179	9,395
	26,053	18,144	66,580	58,958
	4,379	2,212	14,408	5,360
Unrealized gain on swap contracts (note 22)	345	678	727	1,811
Unrealized gain (loss) on embedded derivative instruments (note 22)	(5,467)	-	6,346	-
Foreign exchange loss	(1,239)	-	(1,311)	-
Net interest expense (note 11)	(3,325)	(285)	(3,851)	(710)
Equity accounted loss from long-term investments (note 7)	(202)	(353)	(2,134)	(2,076)
Income (loss) before income taxes	(5,509)	2,252	14,185	4,385
Current income tax expense	(4)	-	(4)	-
Future income tax (expense) recovery (note 15)	566	-	(43,433)	-
Net income (loss)	(4,947)	2,252	(29,252)	4,385
Basic and diluted weighted average number of trust units and Class B exchangeable units outstanding ("Unit")	50,052,413	30,048,386	37,156,092	30,048,387
Basic income (loss) per Unit	(0.099)	0.075	(0.787)	0.146

See accompanying Notes to the Consolidated Financial Statements.

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, in thousands of dollars)

	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine months Ended September 30, 2007	Nine months Ended September 30, 2006
Cash flows from operating activities:				
Net income (loss)	(4,947)	2,252	(29,252)	4,385
Add back:				
Depreciation and amortization	6,495	3,135	12,179	9,395
Unrealized gain on swap contracts	(345)	(678)	(727)	(1,811)
Unrealized loss (gain) on embedded derivative instruments	5,467	-	(6,346)	-
Foreign exchange loss	1,176	-	1,248	-
Future income tax expense (recovery)	(566)	-	43,433	-
Amortization of prepaid interest	611	436	1,451	1,138
Premium on convertible debentures	158	-	158	-
Unpaid interest on levelization amounts	211	-	211	-
Amortization of deferred costs	50	-	62	-
Accretion of asset retirement liability	18	18	54	36
Equity accounted loss from long-term investments	202	353	2,134	2,076
Non-cash changes in working capital				
Decrease (increase) in accounts receivable	(5,119)	(6,989)	8,189	3,310
Decrease (increase) in inventory	(2)	(16)	32	(34)
Increase in prepaid expenses	(2,210)	(1,293)	(2,218)	(1,622)
Decrease in accrued interest on loans receivable	549	-	515	-
(Decrease) increase in accounts payables and accrued liabilities	(4,315)	479	(9,154)	(2,682)
Total cash flows from operating activities	(2,567)	(2,303)	21,969	14,191
Cash flows from investing activities:				
Repayment on loans receivable	146	-	146	-
Net cash acquired on acquisition	-	-	14,133	-
Transaction costs paid from acquisition	-	-	(13,233)	-
Distributions received from long-term investments	2,588	2,588	7,762	7,763
Investment in capital assets	(114)	(131)	(165)	(689)
Total cash flows from investing activities	2,620	2,457	8,643	7,074
Cash flows from financing activities:				
Trust unit issuance costs	-	-	(400)	-
Proceeds from debt issuance	16,300	-	72,075	-
Debt repayment	(5,560)	-	(45,777)	-
Redemption of convertible debentures	(15,961)	-	(15,961)	-
Redemption of units	(667)	-	(667)	-
Repayment of lease obligations	(57)	-	(63)	-
Repayment of levelization amounts	-	-	(19)	16
Distributions paid to former CPIF Unitholders	-	-	(2,090)	-
Distributions paid to Unitholders	(12,889)	(7,587)	(28,363)	(22,486)
Total cash flows from financing activities	(18,834)	(7,587)	(21,265)	(22,470)
Increase (decrease) in cash and cash equivalents	(18,781)	(7,433)	9,347	(1,205)
Cash and cash equivalents, beginning of period	40,270	17,966	12,142	11,738
Cash and cash equivalents, end of period	21,489	10,533	21,489	10,533
Supplemental information:				
Interest paid	3,327	565	4,184	1,341

See accompanying Notes to the Consolidated Financial Statements.

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 plant 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 of September 30, 2007, 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 Chapais Électrique Limitée ("Chapais").

Macquarie Power Management Ltd. ("MPML" or the "Manager") is an indirect wholly-owned subsidiary of Macquarie Bank Limited, 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. ACQUISITION

On June 27, 2007, the Fund acquired all the issued and outstanding trust units of CPIF through a unit-for-unit exchange whereby the Fund issued 0.5581 trust units in exchange for each unit of CPIF. The Fund has designated April 18, 2007 as the effective date in determining the value of the consideration given for accounting purposes. This is the date on which the support agreement between the Fund and CPIF was agreed and executed. Direct and incremental costs in the amount of \$16,367 were incurred by the Fund in connection with the acquisition and have been capitalized as part of the cost of the transaction. The Fund has accounted for the transaction using the purchase method, with earnings from CPIF operations included in the consolidated financial statements. The purchase price has been preliminarily allocated to net assets acquired as follows:

Net asset acquired	
Cash	14,133
Cash in escrow related to GRS	6,796
Accounts receivable and other	8,487
Inventory	915
Prepaid expenses	650
Loans receivable	26,359
Other long-term investments	2,370
Capital assets	305,591
Power purchase agreements	56,500
Other assets	425
Goodwill	83,623
Accounts payable and accrued liabilities	(9,804)
Accounts payable and accrued liabilities related to GRS	(6,796)
Convertible debentures	(54,721)
Long-term debt	(157,447)
Levelization amounts	(18,393)
Future income tax	(19,338)
Capital lease obligations	(858)
Interest rate swap contract	(153)
Power purchase agreements	(7,300)
	<u>231,039</u>
Consideration	
Issuance of units (20,006,674 at \$10.73 per unit)	214,672
Acquisition costs	16,367
	<u>231,039</u>

Goodwill in the amount of \$83,623 has been recognized as the difference between the preliminary estimate of fair value of assets and liabilities acquired and the consideration paid. The purchase price allocation is based on the best information available as at the reporting date and was adjusted during the quarter to better reflect the fair value of net assets as at June 27, 2007. The final allocation of purchase price to the fair value of net assets acquired is in progress and pending receipt of the final valuation report.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), using the same accounting policies as were used for the audited consolidated financial statements for the year ended December 31, 2006, except for, the accounting pronouncements described below, which were adopted effective January 1, 2007. These unaudited consolidated financial statements may not contain all the disclosures required by GAAP for annual financial statements and should be read in conjunction with the audited consolidated financial statements and the notes thereto included. These unaudited consolidated financial statements should be read in conjunction with the Annual Information Form, dated March 20, 2007, which is filed electronically on SEDAR at www.sedar.com.

In addition to the Fund, these consolidated financial statements include the assets and liabilities and results of operations of the Trust, Cardinal Power Inc., ("Cardinal GP"), Cardinal, MPT LTC Holding Ltd. ("LTC GP"), and LTC Holding LP, and CPOT, all of which are 100% owned subsidiaries of the Fund. The Fund accounts for these investments using the consolidation method of accounting. All intercompany balances and transactions have been eliminated upon consolidation.

The Fund, through its wholly owned subsidiaries uses the equity method to account for its interest in Leisureworld and Chapais.

Revenue Recognition

Revenue derived from the sale of electricity, power and steam is recognized when delivered to the customer and priced in accordance with the provisions of the applicable power and steam sales agreements. Certain Power Purchase Agreements ("PPA") provide for an electricity rate adjustment, which is updated periodically both for the current and prior periods. The Fund accounts for such adjustments in the period when the adjustments are determinable. Revenue derived from power sales of Whitecourt Power LP to the Power Pool of Alberta in excess of the volume as stipulated in the PPA is recorded at the average power pool rate for the month in which the electrical power is delivered.

Use of Estimates

The financial information contained in these consolidated financial statements has been prepared in accordance with GAAP, which require the Manager to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results could differ from the estimates and the differences could be significant.

Loans Receivable

Interest bearing financial assets, including the loan receivable from Caithness Western Wind Holdings LLC, ("U.S. Wind Loan"), intended to be held to maturity, are carried at amortized cost. Interest on the U.S. Wind Loan receivable is recognized on an effective yield basis using the effective interest method.

Long-term Investment

The Fund has significant influence over its investment in Leisureworld (45.0%) and Chapais (31.3%). The equity method of accounting is used to account for these investments. Under the equity method, the cost of the investment is adjusted by the Fund's proportionate share of operations and reduced by any distributions payable to the Fund.

Capital Assets

Capital assets have been recognized at cost of acquisition and are included in the consolidated statement of financial position. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Property, plant and equipment	20 to 40 years
Mobile equipment and vehicles	5 years
Equipment and furniture	3 to 8 years

Direct costs incurred related to the construction of assets and betterments that materially extend the life of the assets are capitalized.

Maintenance and Repairs

Routine maintenance, repairs and major overhaul costs are charged to the consolidated statement of operations in the period they are incurred.

Impairment of Assets

The Fund evaluates the operating and financial performance of its long-lived assets for potential impairment in accordance with The Canadian Institute of Chartered Accountants ("CICA") Accounting Recommendation Section 3063 "Impairment of Long-Lived Assets." If an asset is determined to be impaired, the asset is written down to its fair value. The Fund reviews the fair value of long-lived assets in the second quarter of each fiscal year or as indicators of impairment arise.

Contracts

Electricity supply and gas purchase contracts are separately identifiable intangible assets. The assets are presented in the consolidated statement of financial position, and were recorded at their fair value at the date of acquisition. The fair value of the contracts originally acquired is amortized over their useful lives using the straight-line method.

Goodwill

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

Asset Retirement Obligation

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

Exchangeable Securities

The Fund has applied the recommendations of the Emerging Issues Committee (EIC) of the CICA who issued an Abstract of Issues Discussed No. 151, Exchangeable Securities by Subsidiaries of Income Trusts (EIC-151), which provides guidance on the presentation of exchangeable securities issued by a subsidiary of an income trust. In order to be presented as equity, the exchangeable securities must have distributions that are economically equivalent to distributions on units issued directly from the Fund and the exchangeable securities must also ultimately be exchanged for units of the Fund. The LP units issued by a subsidiary of the Fund meet the above criteria and, accordingly, have been presented as equity.

Income Taxes

Under the terms of the Income Tax Act (Canada) (the "Tax Act"), Cardinal and LTC Holding LP, as partnerships, are not subject to income taxes. Their income is allocated to and included in computing the income of its partners, who are Cardinal GP, LTC GP and the Trust. Under the terms of the Tax Act, the Fund and the Trust are not generally subject to income taxes to the extent their taxable income and taxable capital gains are distributed to Unitholders.

Through the acquisition of CPIF, the Fund indirectly acquired a number of incorporated entities, including Whitecourt Power Corp., Clean Power Income Fund (Alberta) Inc., PEET Canadian Holdings Inc., PEET U.S. Holdings Inc., Erie Shores Wind Farm General Partner Inc., 2073991 Ontario Inc. and CPOT Holdings Corp., that are subject to corporate income taxes as computed under the Tax Act or U.S. Internal Revenue Code, as applicable, and are accounted for in accordance with the CICA Handbook Section 3465.

With the exception of the entities listed above, none of the Fund, the Trust or CPOT will be subject to income taxes in 2007. Accordingly, no provision for current income taxes has been recorded by the Fund or the Trust or CPOT.

On October 31, 2006, the Government of Canada announced a Tax Fairness Plan that proposed changes to the way income trusts are taxed. Under legislation that was passed on June 22, 2007, the Fund has adopted the liability method of tax allocation, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities expected to reverse after 2011 using the substantively enacted tax rates.

Variable Interest Entities

CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"), provides guidance for applying the principles in CICA Handbook Section 1590, "Subsidiaries," to those entities defined as Variable Interest Entities ("VIEs"), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack either voting control, an obligation to absorb expected losses, or the right to receive residual returns. AcG-15 requires consolidation of VIEs by the primary beneficiary. The primary beneficiary is defined as the party that has exposure to the majority of a VIE's expected losses and/or residual returns. The Fund has determined that it is the primary beneficiary of its power generating investments as at September 30, 2007 and should continue to consolidate.

Basic and Diluted Income Per Unit

Basic and diluted income per unit is established by dividing net income, by the weighted average number of trust units and Class B exchangeable units outstanding (Units) during the quarter. Units are excluded from the computation of diluted net income per share if their effect is anti-dilutive.

4. NEW ACCOUNTING PRONOUNCEMENTS

As required by the CICA, on January 1, 2007, the Fund adopted Handbook Sections 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. The principal changes in the accounting for financial instruments and derivatives due to the adoption of these accounting standards are described below.

Section 1530, Comprehensive Income and Section 3251, Equity

Section 1530 introduces the concept of Comprehensive Income, which consists of Net Income and Other Comprehensive Income ("OCI"). OCI represents changes in Unitholders' equity during a period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale and unrealized foreign currency translation gains. The Fund's comprehensive income includes its proportionate share of Leisureworld's OCI. OCI includes the effective portion of the change in fair value of designated cash flow hedges of Leisureworld less any amounts reclassified to interest and other expenses, net, in the period that the underlying hedged item is also recorded in interest and other expenses, net. Accumulated other comprehensive income ("AOCI") is included on the consolidated statement of financial position as a separate component of Unitholders' equity.

Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation

Financial Assets and Financial Liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification

depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments. The standards require that all financial assets be classified either as held-for-trading ("HFT"), available-for-sale ("AFS"), held-to-maturity, loans and receivables or other liabilities. Loans and receivables and other liabilities are measured at amortized cost using the effective interest method. AFS and HFT financial instruments are measured at their fair value with changes in fair value recognized through earnings (HFT) or OCI (AFS). The Fund has designated each of its significant categories of financial instruments outstanding as of January 1, 2007 as follows:

Cash and cash equivalents	Held-for-trading (HFT)
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Derivatives

Derivatives are carried at fair value and are reported as assets when they have a positive fair value and liabilities when they have a negative fair value. Except when designated as hedges, the change in fair value during the period is recognized in the consolidated statement of operations. At September 30, 2007 and December 31, 2006, the Fund's derivatives include its gas swap contracts (see note 22). At September 30, 2007, the Fund's derivatives also include an interest rate swap assumed from the CPIF acquisition.

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for at fair value when their economic characteristics and risks are not closely related to those of the host contract. The Fund selected May 1, 2004 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. The Fund has determined that Cardinal's gas purchase contract contains embedded derivatives requiring separation and measurement at fair value. The features requiring separation include mitigation options and electricity indexing.

Transaction Costs

The Fund has elected to defer and amortize transaction costs related to financial instruments classified as available-for-sale, held-to-maturity and loans and receivables and amortize them over the expected life of the instrument using the effective interest method. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as held-for-trading are expensed.

Section 3865, Hedges

Section 3865 specifies the criteria that must be satisfied in order for hedge accounting to be applied and the accounting for each of the permitted hedging strategies: fair value hedges and cash flow hedges. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item.

The Fund does not have any contracts that have been designated as hedges for accounting purposes as at September 30, 2007.

Determination of Fair Value

As described above, the new standards require some financial instruments to be presented at 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, which refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. For certain derivatives, fair values may be determined in whole or in part from valuation techniques using non-observable market data or transaction process. A number of factors such as bid-offer spread, credit profile and model uncertainty are taken into account, as appropriate, when values are calculated using valuation techniques.

Impact of Adopting New Standard

The prospective adoption of these new standards resulted in changes in the accounting and presentation for financial instruments and hedging relationships as well as the recognition of certain transition adjustments that have been recorded in opening cumulative earnings or opening AOCI as described below. The adoption of the new standards, applied retroactively but presented prospectively, resulted in the following adjustment to the opening consolidated statement of financial position at January 1, 2007:

Consolidated Statement of financial position Category	Debit/(Credit)
Investment in Leisureworld	1,832
Opening accumulated comprehensive income	(1,832)
Electricity supply and gas purchase contracts	(11,216)
Embedded derivative asset	17,000
Embedded derivative liability	(23,396)
Opening cumulative earnings	17,612

Section 3862, Disclosure Requirements

Section 3862 provides guidance of additional required disclosures related to financial instruments. The Section provides guidance on what disclosure should be included in the financial statements related to items such as significance of financial instruments to the financial position and performance of the Fund and the nature and extent of risks associated with financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Fund plans to adopt this standard effective January 1, 2008. Management is evaluating the standard and its impact on the Fund's consolidated financial statements.

Section 1535, Capital Disclosures

Section 1535 was recently issued. The section establishes standards for disclosing information about an entity's capital and how it is managed. It applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Fund plans to adopt this standard effective January 1, 2008. Management is evaluating the standard and its impact on the Fund's consolidated financial statements.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise highly liquid investments with original maturities of less than 90 days. As at September 30, 2007 and December 31, 2006, cash and cash equivalents included the following:

Unaudited (in thousands of dollars unless otherwise noted)	September 30, 2007	December 31, 2006
Major maintenance reserve	10,767	2,219
Capital expenditure reserve	2,555	1,055
General reserve	5,000	3,000
Total reserve accounts	18,322	6,274
Other cash and cash equivalents	3,167	5,868
Total cash and cash equivalents	21,489	12,142

6. LOANS RECEIVABLE

As a result of the acquisition of CPIF, the Fund recorded at fair value loans receivable in the amount of \$24,966 for the period ended September 30, 2007, consisting of the following:

Unaudited (in thousands of dollars unless otherwise noted)	Interest Rate	Maturity Date	September 30, 2007
Chapais loans receivable			
Tranche A	10.789%	December 1, 2015	7,840
Tranche B	4.910%	December 1, 2015	562
Tranche C (i)	0.000%	December 1, 2015	-
			8,402
U.S. Wind Loan (ii)	11.500%	September 30, 2024	16,564
			24,966
Less: current portion			624
Total long-term loans receivable			24,342

- (i) The Tranche C loan has no principal payments until Tranches A and B principal amounts are fully repaid. Any outstanding principal on Tranche C is payable on the maturity date (December 1, 2015).
- (ii) From March 31, 2022, the principal of the U.S. Wind Loan will be amortized over the balance of its term in accordance with an amortization schedule set out in the U.S. Wind Loan agreement. In addition, the Fund has the ability, at the maturity of the senior debt on the six windpower facilities, to convert its subordinated debt facility into 35% of the equity of the project portfolio based on the fair value of the operations at that time.

Upon the acquisition of CPIF, the Fund recorded Chapais and the U.S. Wind Loan receivable at their fair value of \$8,548 and \$17,810, respectively, which was below book value based on the preliminary purchase price allocation. As at September 30, 2007, the principal amount outstanding under the Chapais loans receivable was \$14,023 and under the U.S. Wind Loan was US \$17,850.

Included in accounts receivable is accrued interest on the loans receivable with respect to the U.S. Wind Loan and Chapais facilities in the amount of \$nil and \$71, respectively.

7. LONG-TERM INVESTMENTS

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

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Year Ended December 31, 2006
Leisureworld		
Opening balance	72,218	90,643
Equity accounted loss for the period	(102)	(2,701)
Equity share of other comprehensive income	(51)	-
Distributions received in the period	(2,588)	(10,350)
Ending balance	69,477	77,592
Chapais		
Opening balance	2,368	-
Equity accounted loss for the period	(100)	-
Ending balance	2,268	-
Total	71,745	77,592

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Unaudited (in thousands of dollars unless otherwise noted)	Nine Months Ended September 30, 2007	Year Ended December 31, 2006
Leisureworld		
Opening balance	77,592	90,643
Transitional adjustments – January 1	1,832	-
Equity accounted loss for the period	(2,032)	(2,701)
Equity share of other comprehensive income	(153)	-
Distributions received in the period	(7,762)	(10,350)
Ending balance	69,477	77,592
Chapais		
Opening balance	-	-
CPIF acquisition	2,370	-
Equity accounted loss for the period	(102)	-
Ending balance	2,268	-
Total	71,745	77,592

8. CAPITAL ASSETS AND ELECTRICITY SUPPLY AND GAS PURCHASE CONTRACTS

Capital assets	Cost	Accumulated Depreciation	Quarter Ended	Year Ended
			September 30, 2007 Net Book Value	December 31, 2006 Net Book Value
Opening balance	460,810	(24,586)	436,224	141,006
Purchases	114	-	114	783
Increase to asset retirement obligation	-	-	-	555
Depreciation	-	(5,043)	(5,043)	(7,741)
Ending balance	460,924	(29,629)	431,295	134,603

Electricity supply and gas purchase contracts	Cost	Accumulated Amortization	Quarter Ended	Year Ended
			September 30, 2007 Net Book Value	December 31, 2006 Net Book Value
Opening balance	89,200	(10,404)	78,796	39,986
Amortization	-	(1,694)	(1,694)	(4,800)
Ending balance	89,200	(12,098)	77,102	35,186

Electricity supply and gas purchase contracts	Cost	Accumulated Amortization	Quarter Ended	Year Ended
			September 30, 2007 Net Book Value	December 31, 2006 Net Book Value
Opening balance	(7,300)	11	(7,289)	-
Amortization	-	244	244	-
Ending balance	(7,300)	255	(7,045)	-

9. OTHER ASSETS

This amount relates to advances paid as per a net profit interest agreement entered into by CPOT and the Ojibway of Pic River First Nation (“Pic River FN”) relating to the Wawatay facility prior to the acquisition. Under the terms of the agreement, the Pic River FN is entitled to 10.0% of net profits from the Wawatay facility each year. The Pic River FN is paid in advance at \$25 per year. As at September 30, 2007, the Fund and the previous owners have advanced an aggregate of \$425.

10. BANK CREDIT FACILITY

As of September 30, 2007, the Fund had a \$15,000 operating line available under the Cardinal credit facility, and three standby letters of credit totalling \$2,533 under the CPOT credit facility for the Erie Shores Wind Farm Limited Partnership (“Erie Shores”).

There is no amount outstanding on the operating line at September 30, 2007. At maturity, the Cardinal facility can be replaced by a facility with similar terms and conditions and for successive periods of 364 days. Collateral for the facility is provided by a first ranking hypothec covering the assets of Cardinal. The use of the

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facility is subject to certain financial and non-financial covenants. Advances under the facility are made in the form of banker's acceptances ("BAs") or prime rate loans.

The Erie Shores standby letters of credit are comprised of a \$1,980 standby letter of credit in favour of the Ontario Power Authority under its PPA, a \$550 standby letter of credit in favour of SunLife for Erie Shores' Operating and Maintenance Reserve Account under Erie Shores' project debt provisions and a \$3 standby letter of credit guarantee in favour of the Independent Electricity System Operator.

As at September 30, 2007, there is \$nil amount drawn under any of these credit facilities.

11. LONG-TERM DEBT

Unaudited (in thousands of dollars unless otherwise noted)	Effective Interest Rate	Maturing	As at Sept. 30, 2007	As at Dec. 31, 2006
Cardinal term loan (maturing May 16, 2011) (i)				35,000
BA	4.83%	December 14, 2007	11,700	-
BA	5.57%	June 13, 2008	11,600	-
BA	5.31%	August 28, 2008	11,700	-
			35,000	35,000
CPOT credit facility (maturing June 26, 2010) (ii)				
BA	5.36%	October 29, 2007	12,600	-
BA	5.46%	October 29, 2007	3,500	-
BA	5.47%	October 29, 2007	40,700	-
BA	5.57%	October 29, 2007	11,200	-
			68,000	-
Erie Shores project debt (iii)				
Tranche A	5.96%	April 1, 2026	69,498	-
Tranche B	5.28%	April 1, 2016	7,072	-
Tranche C	5.05%	April 1, 2011	40,000	-
			116,570	-
			219,570	35,000
Less: Deferred financing fees				
CPOT credit facility (ii)			763	-
			218,807	35,000
Less: Current portion of long-term debt			2,738	-
Total long-term debt			216,069	35,000

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Deferred financing fees amortized	58	-	62	-
Interest on debt	4,326	436	5,319	1,192
Total interest expense	4,384	436	5,381	1,192
Less: Interest income	(1,059)	(151)	(1,530)	(482)
Net interest expense	3,325	285	3,851	710

- i) Collateral for the Cardinal term loan facility is provided by a first ranking hypothec covering the assets of Cardinal. Utilization of the facility is subject to certain financial and non-financial covenants, including limits on the amount of leverage and the ratio of debt to capital, and a minimum interest coverage ratio. Advances under the facility are made in the form of BAs or prime rate loans. In the case of BAs, interest is charged at the BA rate plus a stamping fee based on Cardinal's ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses. In the case of prime rate loans, interest is charged at the bank's prime rate plus an applicable margin based on the same ratio.
- ii) CPOT has unsecured senior credit facilities in the amount of \$150,000 comprised of: (a) a

- \$75,000 three-year revolving loan ("Revolver"); and (b) a \$75,000 three-year term loan ("Term Loan Facility") (collectively the "CPOT credit facility"), of which \$51,900 has been advanced on the revolving facility and \$16,100 has been advanced on the term facility as of September 30, 2007. Under the credit facilities, CPOT is subject to certain financial and non-financial covenants, including limits on the ratio of debt to consolidated EBITDA and a minimum interest coverage ratio. Interest charged on any credit advances is based on the bank's prime rate or BAs plus an applicable margin based on the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses of a predefined group of the Fund's assets.
- iii) The Fund has a loan of \$116,570 non-recourse project financing for Erie Shores, consisting of: (a) a \$69,498 fully amortizing loan ("Tranche A"); (b) a \$7,072 fully amortizing loan ("Tranche B"); and (c) a \$40,000 interest only loan ("Tranche C"). This financing was borrowed by Erie Shores Wind Farm Limited Partnership and is secured only by Erie Shores, with no recourse to the Fund's other assets.

12. CAPITAL LEASE

The Fund has a number of capital leases with terms ranging from four to six years, expiring between 2008 and 2013 and bearing interest rates from 6.6% to 7.1%. For the period ended September 30, 2007, the Fund recorded principal repayment of \$63 and amortization on the lease obligation of \$25. The carrying value as of September 30, 2007 is \$795, of which \$195 is classified as short-term liability.

13. CONVERTIBLE DEBENTURES

The Fund has 6.75% convertible unsecured subordinated debentures ("the Debentures") outstanding due on December 31, 2010. On August 2, 2007, the Fund purchased \$15,803 principal amount of debentures which were put by the debenture holders for a total of \$16,057, including accrued interest. As of September 30, 2007, total principal amount outstanding on the debentures was \$38,918. During the quarter, the Fund accrued interest on the Debentures in the amount of \$660. The Debentures are convertible into trust units of the Fund at the option of the holder at a conversion price of \$18.28 per trust unit. Interest is paid semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2004 and computed on the basis of a 365-day year.

14. LEVELIZATION AMOUNTS

The levelization liability relates to guaranteed and variable payments received from the OEFC in excess of the pre-agreed base rate as set out under the Wawatay and Dryden hydro facilities' PPAs.

In accordance with the PPA relating to the Wawatay facility, the power purchaser, OEFC, makes guaranteed monthly cash payments over the period to July 2012. In addition, the PPA requires OEFC to make variable cash payments based on actual electricity production. In accordance with the PPA relating to Dryden, the guaranteed monthly cash payments made by OEFC ended in October 2005. As there was still a balance outstanding under the Levelization amount, payments will be made based on actual generation up to 100% of the target generation per the PPA at a variable rate. To the extent that the variable cash payments are less than the revenue recorded, based on the established rate disclosed in the Dryden PPA (the "Base Rate"), the Fund will record a reduction in the Levelization amount. After the Levelization amount is eliminated, payments under the Dryden PPA will be based on actual generation at the Base Rate.

The Fund and the previous owners of Wawatay and Dryden have recorded a liability ("Levelization amount") to the extent that the sum of the guaranteed payments and the variable cash payments received from OEFC, with respect to each of the PPAs, exceeded the revenue recorded by CPOT and the previous owners, based on the relative Base Rate. To the extent that revenue recorded by CPOT exceeds the sum of the guaranteed payments and the variable cash payments received from OEFC, the Levelization amounts will be reduced.

The Levelization amounts recorded on the consolidated statement of financial position include interest accrued at a variable rate, which currently approximates 7.52% per annum. Included in the Levelization amounts, as at September 30, 2007, is accumulated accrued interest of \$8,171. As at September 30, 2007, the levelization amounts associated with the Wawatay and the Dryden facilities are \$18,127 and \$458, respectively.

Repayment of the Levelization amounts and accrued interest is made through reduced cash payments from OEFC based on lower rates for the purchase of power below the Base Rate discussed above, once the guaranteed payments described above cease. Once the Levelization amounts are eliminated, cash payments will be based on the base rates set out in the respective PPAs and will equal the revenue recorded.

15. FUTURE INCOME TAX

On October 31, 2006, the Canadian federal government announced tax proposals pertaining to taxation of distributions paid by income trusts and changes to the personal tax treatment of trust distributions that will be applicable starting in 2011. Currently, the Fund does not pay income tax as long as distributions to Unitholders exceed the amount of the Fund's income that would otherwise be taxable. The new legislation results in a two-tiered tax structure similar to that of corporations whereby the taxable portion of distributions will be subject to income tax payable by the Fund at a rate of 31.5%, while taxable Canadian Unitholders will receive the favourable tax treatment on distributions currently applicable to qualifying dividends.

On June 22, 2007, the government's proposal was passed into law. The impact of this new legislation resulted in the Fund recognizing a future income tax recovery of \$566 in the quarter (YTD expense - \$43,433). Future income tax assets and liabilities have been recognized on temporary differences between the accounting and tax bases of existing assets and liabilities as follows:

Future income tax assets	September 30, 2007
Loss carryforwards	16,151
Unrealized foreign exchange differences on loans receivable	1,868
Debt retirement	3,042
Levelization amounts	4,856
Deferred gains	314
Financial instruments	143
Total	26,374
Less: valuation allowance	(17,840)
Future income tax assets	8,534

Future income tax liabilities	September 30, 2007
Capital assets	(51,488)
Loan premium and deferred financing costs	(156)
Intangible assets	(19,593)
Other	(68)
Future income tax liabilities	(71,305)

16. LIABILITY FOR ASSET RETIREMENT

The Fund recognizes a liability for the future retirement obligations associated with the Cardinal plant. The carrying value of these obligations is based on estimated cash flows of \$2,100 required to settle the obligations in present day costs. The timing of settlement is based on probability weighted scenarios ranging in time from 2014 to 2023. A 2.0% inflation rate is assumed to estimate the cash flows in the future, and a credit-adjusted risk-free rate of 6.2% is used to discount the future cost of the liability.

An assessment of the fair value of this liability is performed annually. As at the date of the last assessment, June 30, 2007, the expected present value of the retirement obligations was \$1,197 and confirmed that the estimates used and obligations recorded continue to be appropriate and reasonable. This amount is included as a liability on the consolidated statement of financial position and accretes until the date of expected settlement of the retirement obligations. Total accretion taken in the quarter was \$18.

17. UNITS ISSUED BY THE FUND

An unlimited number of units may be issued by the Fund pursuant to its trust indenture. Each unit is transferable and represents a Unitholder's proportionate undivided beneficial ownership interest in any distributions from the Fund including distributions of net income, net realized capital gains or other amounts. Each unit also entitles the Unitholder to a share in the net assets of the Fund in the event of termination or

wind-up. All units have equal rights and privileges. The units are not subject to future calls or assessments and entitle the Unitholder to one vote for each unit held at all meetings of Unitholders. Units do not have conversion, retraction or pre-emptive rights, and are redeemable at any time on demand by Unitholders at an amount equal to the lesser of:

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

The total amount payable in cash by the Fund in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed \$50 (provided that such limitation may be waived at the discretion of the trustees of the Fund). During the quarter, 74,390 units were redeemed by Unitholders in accord with the conditions set out above. In total, 46,731,229 units were outstanding as at September 30, 2007 (December 31, 2006 - 26,798,995).

The Fund has also issued 3,249,390 Class B exchangeable units. Each exchangeable unit is exchangeable into one unit of the Fund. The Class B exchangeable units are eligible to receive distributions under the same terms and conditions as units of the Fund.

The holders of the Class B exchangeable units cannot acquire any additional units of the Fund (other than pursuant to the exchange of the Class B exchangeable units or pursuant to a distribution reinvestment plan, if the Fund should implement such a plan) without the consent of the Fund until the 10th anniversary of the Acquisition Closing Date. Each Class B exchangeable unit will convert into units of the Fund on the 10th anniversary of the Acquisition Closing Date unless converted earlier at the option of the Unitholders. The Class B exchangeable Unitholders cannot sell more than 5% of the aggregate outstanding trust units in any four-month period and are not eligible to vote with any units they receives on exchange of their Class B exchangeable units until they, together, hold 1% or less of the aggregate outstanding units.

18. DISTRIBUTIONS TO UNITHOLDERS

Distributions to Unitholders are paid one month in arrears. Prior to the April 2007 distribution payment, distributions were paid on the last business day of each month. Beginning with the April 2007 distribution payment, in order to facilitate a distribution reinvestment plan introduced in that month, distributions are paid on the first business day following the 14th of each month. The following distributions have been declared to Unitholders, including Class B exchangeable units, for the quarter ended September 30, 2007:

Period of distribution	Date of payment	Amount declared	Amount declared (per unit) ⁽ⁱ⁾
July 1 to 31, 2007	August 15, 2007	4,296	0.08583
August 1 to 31, 2007	September 17, 2007	4,296	0.08583
September 1 to 30, 2007	October 15, 2007	4,290	0.08583
Quarter ended September 30, 2007		12,882	0.25749

(i) Amounts declared (per unit) are rounded for presentation purposes

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

19. 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 has two reportable segments:

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- Power infrastructure, which consists predominantly of the Fund's investment in Cardinal and the power infrastructure assets acquired from CPIF located in Canada and the United States. Income from the United States is limited to interest earned on the U.S. Wind Loan.
- Social infrastructure, which consists of the Fund's 45% indirect ownership of Leisureworld within Canada.

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

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

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007				Quarter Ended September 30, 2006			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	30,432	-	-	30,432	20,356	-	-	20,356
Net Income	(1,894)	(102)	(2,951)	(4,947)	3,199	(353)	(594)	2,252
Total Assets	577,726	69,477	132,563	779,766	216,458	80,805	1,154	298,417

Unaudited (in thousands of dollars unless otherwise noted)	Nine Months Ended September 30, 2007				Nine Months Ended September 30, 2006			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	80,988	-	-	80,988	64,318	-	-	64,318
Net Income	22,568	(2,032)	(49,788)	(29,252)	9,066	(2,076)	(2,605)	4,385
Total Assets	577,726	69,477	132,563	779,766	216,458	80,805	1,154	298,417

20. 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.

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.

During the nine months ended September 30, 2007, the Fund paid advisory fees in the amount of \$4,830 to an affiliate of Macquarie Bank Limited in connection with the acquisition of CPIF.

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended	Quarter Ended	Nine Months Ended	Nine Months Ended
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Management Fees	435	266	977	790
Administrative Fees	27	26	79	78
Incentive Fees	(966)	(64)	677	887
Cost Reimbursement ⁽ⁱ⁾	682	367	1,863 ⁽ⁱ⁾	1,049

(i) \$436 of this amount has been capitalized in connection with the acquisition of CPIF. 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.

21. COMMITMENTS AND CONTINGENCIES

Electricity Supply Contracts

Cardinal has entered into an agreement to sell all electricity produced at its facility, less the amount of electricity consumed in the operation of the facility, to the OEFC until December 31, 2014. Rates for power sales at other facilities are generally 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 gas equivalent to 80% of the contract maximum.

Gas Swap Contracts

Cardinal has entered into gas swap contracts to hedge itself against fluctuations in the price of excess gas sold under the gas mitigation clause of the gas purchase agreement. The gas swap contracts effectively require 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 two years ending on October 31, 2008. As at September 30, 2007, the contracts cover the period from October 1, 2007 to October 31, 2007 and from April 1, 2008 to October 31, 2008.

Lease

Cardinal leases a portion of the site on which the facility is located from Canada Starch Operating Company Inc. ("CASCO"). Under the lease, Cardinal pays nominal rent. The lease expires concurrently with the energy savings agreement between CASCO and Cardinal. The energy savings agreement currently expires on January 31, 2015 but can be extended by mutual agreement. All other lease commitments have been disclosed in Note 12.

Operations and Management Agreements

The Fund, through CPOT, has an Operations and Management agreement with Regional Power Inc. ("Regional") to operate and maintain the hydro facilities. The agreement has an initial 10-year term that expires on November 30, 2011 (the "Initial Term"), and is automatically renewable for two additional five-year terms (each a "Renewal Term") unless at the end of the Initial Term or the first Renewal Term, as the case may be, Regional provides CPOT with written notice to the contrary 180 days prior to the expiry of the Initial Term or the first Renewal Term, respectively, subject to certain performance targets being met. Regional is to be paid a monthly management fee of \$38, subject to annual adjustments for changes in the Consumer Price Index. Commencing in 2002 and for the Initial Term, if actual operating cash flows from the hydro facilities exceed a predetermined reference cash flow in any year, Regional will also be entitled to incentive fees of 50% of any excess, to a maximum of \$50. If actual operating cash flows from the hydro power generating facilities are less than the predetermined reference cash flow in any year, Regional will pay CPOT 50% of the shortfall, to a maximum of \$25. An amount equal to 50% of any additional shortfall, up to a maximum amount of \$25 will be set off against any future incentive fees.

The Fund, indirectly through CPOT, has an Operations and Management Agreement with Probyn Whitecourt Management Inc. ("PWMI") to operate and maintain the Whitecourt biomass facility. The agreement has an initial 10-year term that expires on November 30, 2011 (the "Initial Term"), and is automatically renewable for two additional five-year terms (each a "Renewal Term") unless at the end of the Initial Term or the first Renewal Term, as the case may be, PWMI provides the Fund with written notice to the contrary 180 days prior to the expiry of the Initial Term or the first Renewal Term, respectively, subject to certain performance targets being met. PWMI receives a monthly management fee of \$33, subject to annual adjustments for changes to the Consumer Price Index. Commencing in 2002 and for the Initial Term, PWMI's contract specifies annual incentives and penalties, to a maximum of 50% of any excess or shortfall in the Whitecourt facility's actual operating cash flow, compared with a predetermined reference cash flow for the year. The penalty clause sets the maximum annual cash payment to the Fund at \$100, with any remaining penalty carried forward against future years' performances.

The Fund indirectly has a management agreement with Probyn Power Services Inc. to operate and maintain the Chapais biomass facility until November 30, 2011. Payments in respect of this agreement totalled \$63 for the period ended September 30, 2007. The Fund's respective interest in these amounts was \$21.

The Fund indirectly has a management service contract with Stapletonprice.com Limited to operate and maintain Erie Shores. The contract has been extended to and expires on February 28, 2007 and stipulates that Stapletonprice.com receives a monthly management fee of \$41.

Wood Waste Supply Agreement

In the ordinary course of business, the Whitecourt biomass facility has entered into long-term agreements to ensure an adequate supply of wood waste. The agreements expire in 2014.

Hydro Power Lease Agreement

The Fund is indirectly a party to hydro power lease agreements with the Provinces of Ontario and British Columbia in respect of lands, lands under water and water rights necessary for the operation of its hydro power generating facilities. The payments 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.

Guarantees

As at September 30, 2007, the Fund has an unsecured guarantee in the amount of \$10,000 to the lenders under the Tranche C loan to Erie Shores discussed in Note 11 (iii). 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 GRS (see Note 23), in excess of a certain amount. At September 30, 2007, there has been no reduction in the guarantee amount.

From the date of CPOT's investment in GRS on October 31, 2002, it provided three guarantees relating to the former investment in GRS. Two of these were in favour of a municipality, guaranteeing GRS's obligations under the relevant PPAs with the municipality. The other guarantee was in favour of a lessor of one of the sites upon which one of GRS's projects operated, guaranteeing GRS's obligations under the relevant lease. The municipality and the lessor both have policies of not relieving guarantors from their guarantees for periods in which they were invested in the underlying projects. CPOT has received indemnification from Fortistar Renewables Group LLC ("Fortistar") for the period commencing on the sale of GRS to Fortistar on September 15, 2006. No claims have been made on these guarantees.

22. FINANCIAL INSTRUMENTS

Financial instruments consist primarily of temporary cash investments, accounts receivable, loans receivable, current and long-term liabilities, gas swap and interest rate swap contracts and embedded derivatives.

The Fund invests its cash balances in financial instruments of highly rated financial institutions and government securities.

A substantial portion of the Fund's trade receivables are from the OEFC and the associated credit risks are deemed to be limited. The Fund's loans receivable are measured at amortized cost using the effective interest method with a fair value that approximates its carrying value as the coupon rate on the loan approximates the market rate at inception.

The fair value of the Fund's long-term debt changes as interest rates change. The fair value of this floating rate debt approximates its carrying value. The Fund's convertible debentures, including capitalized transaction costs, and levelization amounts are recorded at amortized cost using the effective interest method.

As of September 30, 2007, the Fund recorded a liability of \$933 in relation to its gas and interest rate swap contracts, of which \$338 is classified as short term.

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 volumes in 2007 and 2008. They do not meet the effectiveness criteria for hedge accounting and accordingly, the fair value of these contracts has been reflected in these consolidated financial statements. As at September 30, 2007, the estimated liability to the Fund was \$405 (December 31, 2006 - liability of \$1,507).

The Fund has an interest rate swap contract in respect to \$20,000 to mitigate some of the refinancing risk associated with the Erie Shores Wind Farm ("Erie Shores") project debt. Under the contract, the Fund will pay a fixed rate of 5.5% for a period of five years following the maturity of the five-year loan. In return, the Fund will be paid a floating rate equal to the then current three-month Bankers' Acceptance rate. Any changes in the fair value of this contract are reported in the consolidated statement of operations. As of

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September 30, 2007, the estimated liability to the Fund was \$528 (December 31, 2006 - \$nil).

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Unrealized gain on gas swap contracts	603	678	1,102	1,811
Unrealized loss on interest rate swap contract	(258)	-	(375)	-
Total unrealized gain on swap contracts	345	678	727	1,811

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. The fair value of these embedded derivatives requires 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, fixed and variable gas transportation costs. Changes in one or a combination of these estimates can have a significant impact on the fair value of the embedded derivative given the volume of gas and length of contract involved. As new information becomes available, the Manager may choose to revise these estimates and in particular where there is an absence of reliable observable market data.

As at September 30, 2007, the embedded derivative asset and liability that have been recorded at fair value are \$14,760 and \$14,810, respectively. Changes in the fair value of these financial instruments have been recorded in the consolidated statement of operations for the period as follows:

Unaudited (in thousands of dollars unless otherwise noted)	Quarter Ended September 30, 2007	Quarter Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Unrealized gain (loss) on embedded derivative asset	(3,077)	-	(2,240)	-
Unrealized gain (loss) on embedded derivative liability	(2,390)	-	8,586	-
Total unrealized gain (loss) on embedded derivative instruments	(5,467)	-	6,346	-

23. DISCONTINUED OPERATIONS

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 Company, 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 September 30, 2007. 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 September 30, 2007 because realization by the Fund has not been 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.

24. ECONOMIC DEPENDENCE

For the quarter, approximately 74.4% (Q3 2006 – 98.9%) of the Fund's revenue was derived from the sale of electricity to the OEFC. Approximately 83.8% (September 30, 2006 – 97.4%) of the accounts receivable balance was due from the OEFC relating to electricity sales.

For the quarter, approximately 69.7% (Q3 2006 – 90.8%) of the Fund's operating costs were from the purchase of gas from Husky Energy Marketing Inc. ("Husky") under a long-term gas purchase contract. Approximately 40.6% (September 30, 2006 – 51.1%) of the trade payables and accrued expenses are payable to Husky relating to gas purchases.

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 20, 2007.

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.

WEBSITE:

www.macquarie.com/mpt