OUR PLATFORM FOR SUCCESS

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
ANNUAL REPORT 2009

MACQUARIE

CONTENTS

MPT

Macquarie Power & Infrastructure Income Fund (MPT or the Fund) offers investors the opportunity to participate in the emerging infrastructure asset class. Our portfolio of assets includes gas cogeneration, wind, hydro and biomass power generation facilities that represent approximately 350 megawatts of installed capacity.

MACQUARIE

We intend to deliver a superior return to investors by building a diversified portfolio of essential infrastructure businesses.

We have the right platform in place to achieve that goal.

We invest in infrastructure, which is a distinct asset class with specific benefits for investors.

1

We invest in infrastructure

Infrastructure is the backbone of our economy and society. Our day-to-day lives intersect with infrastructure in many ways, from the roads we travel to the water we drink and the electricity that powers our homes and businesses.

The essential nature of the services delivered by infrastructure-based businesses means that there is consistent demand for them throughout the economic cycle.

In addition, infrastructure businesses operate in environments where there are high barriers to entry, such as planning restrictions, licence requirements or a regulatory or contractual framework. As a result, these businesses enjoy a long life, relatively low risk profile and strong competitive advantage that cannot be easily replicated. Moreover, infrastructure businesses typically generate defined cash flow that is linked to measures of economic growth, providing investors with a hedge against inflation.

Combined, these attributes result in predictable revenue and steady cash flow that is largely resistant to economic or market fluctuations. In fact, infrastructure businesses have historically demonstrated low volatility relative to the broader equity market. For investors, that means stable income and an attractive total return.

MPT's focus on essential infrastructure businesses enables us to offer investors a combination of high income, relative safety and capital growth.

Opposite page: The Cardinal gas cogeneration facility is staffed by 18 skilled employees, 10 of whom have worked at the plant since the start of operations in 1994.

Above: Cardinal is one of Ontario's largest non-utility electricity generators.

We preserve and optimize value

Assets alone do not deliver value. It takes active management to turn them into successful businesses.

Every year, we undergo a rigorous strategic planning process that includes identifying opportunities to improve our businesses. We work side by side with the management teams at our facilities to determine how we can further enhance the efficiency and quality of our operations. We also apply strong risk management principles and procedures to help preserve and maximize MPT's operational and financial performance.

In general, infrastructure businesses are physical assets that have long lives and are not subject to abrupt technological changes or rapid physical deterioration. Our power generation facilities run on robust and proven technology. Regular maintenance and strategic capital expenditures at each of our businesses helps to ensure that our facilities operate smoothly. Cardinal's active maintenance program, for example, has resulted in an outstanding performance record and a five-year average availability of 96.7%.

This active management approach supports the sustainability of our cash flow, which ensures distributions are reliable.

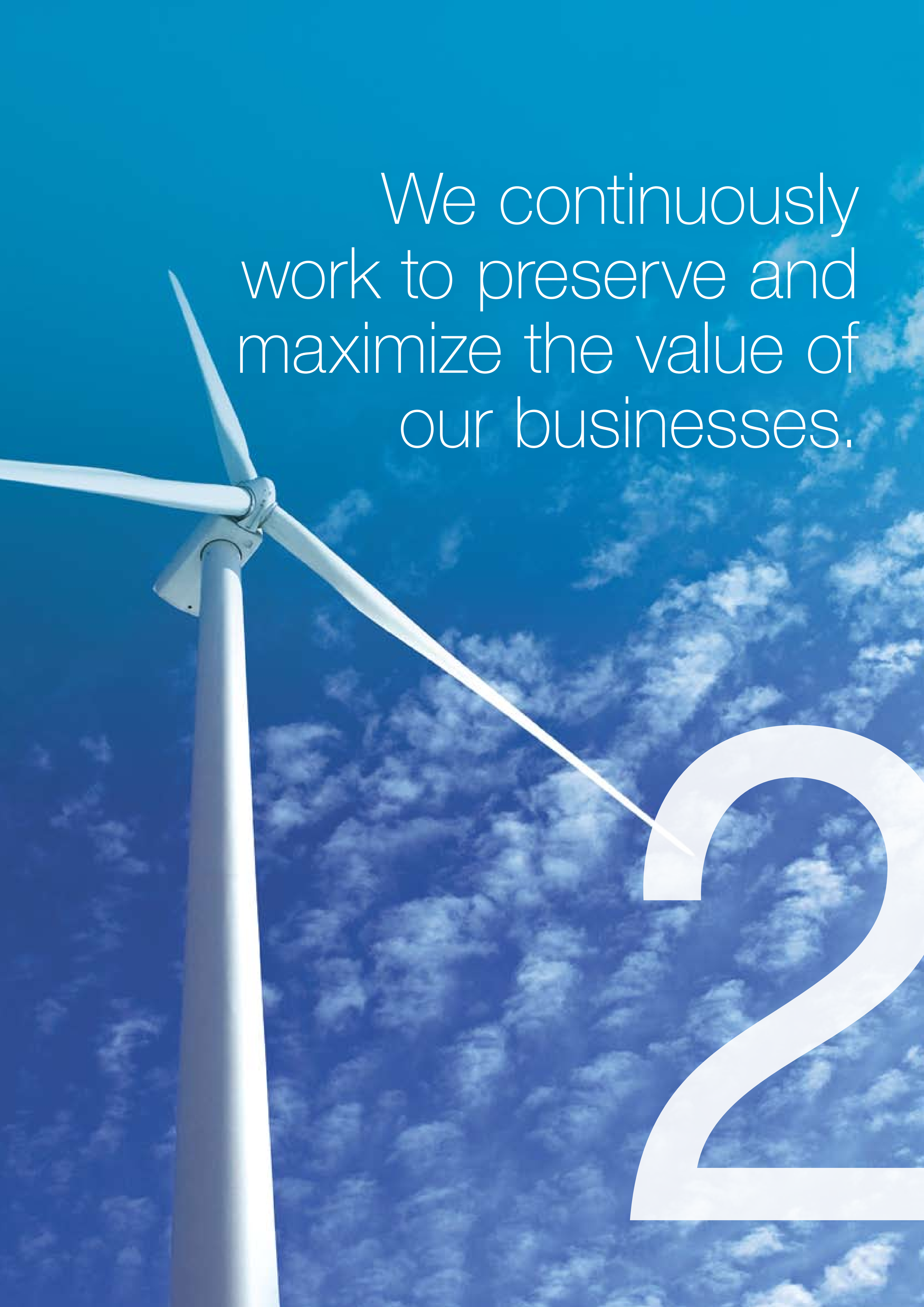
Our power facilities use proven technology and undergo regular maintenance.

Left: Erie Shores' 1.5 MW turbines are manufactured by General Electric. There are more than 14,000 GE 1.5 MW turbines in operation globally with more than 190 million operating hours.

Right: Wind power facilities are designed to last for 25 years or longer, providing green energy and other environmental benefits.

Opposite page: Wind turbines operate reliably in all kinds of wind and environmental conditions.

We continuously work to preserve and maximize the value of our businesses.



2

We are financially strong and conservatively capitalized.

3

We have financial strength

We seek to maintain a capital structure that is conservative relative to the risk profile of our businesses. Our goal is to match our cash flow with investment-grade debt, which helps to minimize financial risk.

Each business in our portfolio undergoes a detailed financial analysis to ensure that the debt level is appropriate for the businesses' operating environment and risk profile. Where there is debt at the business level, such as at Erie Shores Wind Farm, it is non-recourse to MPT, MPT's unitholders and MPT's other businesses.

As a result at year end, MPT had a healthy balance sheet, with cash and cash equivalents of approximately \$53 million.† Long-term debt was approximately \$192 million, including \$85 million drawn on our credit facility and about \$110 million in fixed-rate project debt for Erie Shores Wind Farm, of which \$40 million matures in 2011 with the remainder fully amortizing by 2026.

This profile gives us the flexibility to pursue growth opportunities that will allow us to diversify our portfolio, enhance our cash flow stability and create additional value for investors.

We have the discipline, focus and resources to develop MPT into Canada's leading infrastructure company.

Above top: The Whitecourt biomass facility was the first power generation facility in Canada to receive the federal government's EcoLogo™ designation, which recognizes high environmental standards.

Above: Hydro power facilities offset emissions from gas, coal, diesel and oil-fired power plants, thereby helping to reduce air pollution and address climate change.

Opposite page: Over the past 13 years, Cardinal has not lost any time due to injuries.

† *On January 11, 2010, the Fund used a portion of its available cash to redeem its 6.75% convertible debentures in the principal amount of \$38.9 million plus accrued interest.*

We are focused on growth

MPT continues to look for growth opportunities that will support our goal of delivering a superior total return to investors.

Our growth strategy encompasses both operating infrastructure businesses as well as selective development projects across a range of infrastructure categories. Geographically, our emphasis remains on Canada although we have access to investments elsewhere in North America and internationally.

Canada's national system of roads, bridges, water and wastewater services, electrical generation and grids, waste management services, public transportation and social infrastructure, including hospitals, courthouses and recreation centres, is estimated to have used almost 80% of its life expectancy. The investment required to repair and prevent this deterioration as well as to expand and build new infrastructure that will keep pace with Canada's demographic and economic growth is projected at more than $200 billion, which is a burden that governments cannot carry alone.

This theme is universal. Global infrastructure requirements for transport, energy, water and communications to 2030 are estimated at US$32 trillion.

Sustainable economic growth over the long term requires investment in new infrastructure and maintenance of existing infrastructure assets. This need for renewal is presenting attractive investment opportunities for MPT.

The need for infrastructure renewal is considerable and growing.

Above: In Canada, there are currently about 65 infrastructure projects at various stages of development being completed through public-private partnership (P3s), representing a value of about $36 billion.

Opposite page: About 60% of Canada's infrastructure is between 50 and 150 years old.

We will pursue growth opportunities that create value for investors.

4

We have leading expertise in infrastructure investment and management.

5

We have leading expertise

Macquarie manages more than $43 billion of equity in critical infrastructure businesses globally.

MPT is managed by a wholly-owned subsidiary of the Macquarie group (Macquarie), a diversified global financial services organization headquartered in Australia with a leading position in infrastructure financing and management.

Macquarie manages more than 110 infrastructure businesses across 25 countries. Every day, these businesses provide essential services to more than 100 million people, whether it is renewable energy, electricity, transport, drinking water, health care or telecommunications services.†

More than 1,000 staff are dedicated to identifying and pursuing new transactions while more than 500 staff are engaged in asset management, including a team of 25 in Canada.

For MPT, this means that we have access to deep operating expertise and a robust pipeline of potential investments in Canada and internationally.

Our relationship with Macquarie is a unique competitive advantage for MPT as we execute our strategy to diversify and grow our portfolio of essential infrastructure businesses.

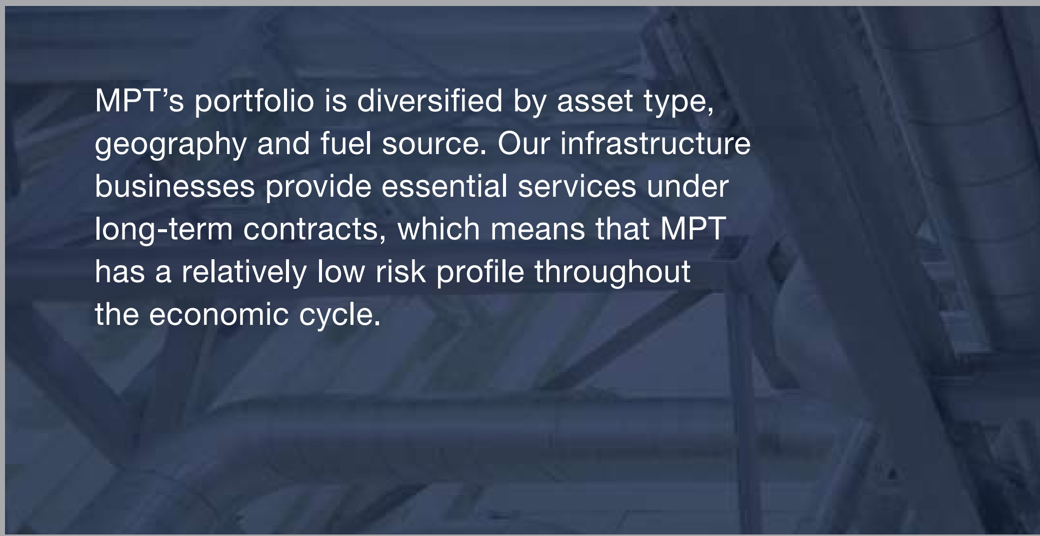
Left: Macquarie group has been active in P3s in Canada, including the Sea-to-Sky Highway Improvement Project in British Columbia.

Right: MPT has the financial flexibility to pursue selective development projects.

Opposite page: Macquarie's senior asset managers have decades of specialized asset management and hands-on operating expertise.

† *As at December 31, 2009.*

Fund Snapshot



MPT's portfolio is diversified by asset type, geography and fuel source. Our infrastructure businesses provide essential services under long-term contracts, which means that MPT has a relatively low risk profile throughout the economic cycle.

Gas Cogeneration Power

OUR ASSETS

Cardinal is a 156 MW gas cogeneration plant with a history of high availability and capacity.

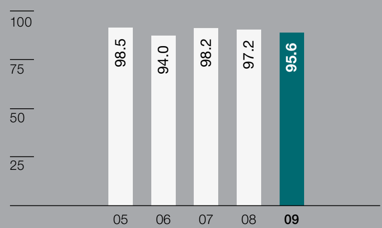
ESTIMATED DISTRIBUTABLE CASH CONTRIBUTION BY ASSET IN 2010

64%

WHAT WE EXPECT IN 2010

- Slightly higher revenue and cash flow
- Planned combustion inspection expected to require approximately five days of outage
- Continuing escalation in the Direct Customer Rate (DCR) expected to result in a higher power price under the facility's power purchase agreement (PPA)
- Higher gas transportation costs of approximately $1.64 per gigajoule (GJ)

CONTINUING RELIABLE PERFORMANCE



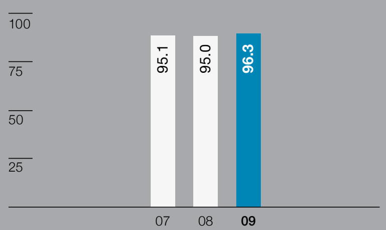
Cardinal is highly reliable, with a five-year average availability of 96.7%.

Wind Power

With a capacity of 99 MW†, Erie Shores Wind Farm is one of the largest wind power facilities in Canada, representing approximately 3% of Canada's installed wind power capacity.

17%

- Higher revenue and cash flow as a result of the expected return to historical wind patterns and improved availability
- Annual long-term power production of 249,800 MWh, subject to wind speed and density, which are highest during the fall and winter months
- Internalization of operations and maintenance function in July 2010 expected to result in one-time costs of approximately $800,000



Erie Shores has achieved a three-year average availability of 95.5%.

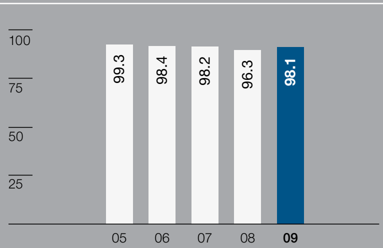
† *One 1.5 MW wind turbine is owned by a landowner.*

Hydro Power

Located in the Atlantic, Arctic and Pacific watersheds, MPT's four hydro facilities have a combined capacity of approximately 36 MW. All of these facilities are certified under the federal government's EcoLogo™ program.

11%

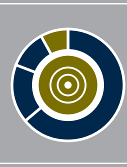
- Higher revenue and cash flow as a result of the expected return to historical hydrological conditions as well as price escalators within the facilities' PPAs
- Average long-term annual power production of 166,360 MWh, subject to water flows, which are typically strongest during the spring and fall months
- Lower capital expenditures across the facilities



MPT's hydro power facilities have a history of reliable performance, with a five-year weighted average availability of 98.1%.

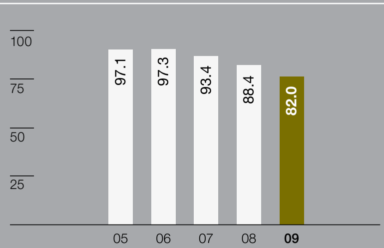
Biomass Power †

Whitecourt is a highly efficient, 25 MW wood waste-fired biomass power plant. It was the first power generating facility in Canada to be EcoLogo™ certified.



8%

- Higher revenue and cash flow, reflecting a return to historical availability of approximately 95% following extensive maintenance work in 2009
- Approximately $1 million in capital expenditures to support the continuing reliability of the plant
- Sufficient wood waste supply



Whitecourt has achieved a five-year average availability of 91.6%.

† *MPT also holds a minority debt and equity investment in a biomass facility in Chapais, Quebec.*

Letter from the Chairman

DEREK BROWN
Chairman of the Board of Trustees and Independent Trustee

I am pleased to say that MPT delivered stable distributions to unitholders in 2009, proving the resilience of our business in a difficult environment.

As you will read in this annual report, the Fund faced its share of challenges in 2009. These included an unplanned outage at Whitecourt for turbine repairs, and poor wind and hydrological conditions that resulted in lower than expected production at Erie Shores and the hydro power facilities.

Our ability to continue delivering the income our investors rely on reflects the inherent characteristics of MPT's infrastructure businesses, all of which operate in regulated or contractually defined marketplaces. It demonstrates the value of having a portfolio that is diversified by asset type, fuel source and geography. And it is a measure of our prudent capital structure and conservative, long-term management approach, which results in consistent operational excellence.

During the year, we enhanced the breadth of expertise on the Board with the appointment of V. James Sardo as an independent Trustee. Jim's significant operational and corporate governance expertise will complement our team's strengths as we work to build the long-term value of the Fund's portfolio.

The primary role of the Board of Trustees is to be accountable to the Fund and its unitholders. Our efforts are focused on providing leadership, defining direction and determining strategy. We are committed to the diligent, prudent execution of that strategy and working with management with the common goal of delivering a superior total return to unitholders.

The confidence of the investment community in the stability of the Fund's infrastructure businesses and our strategy for growth was notably reflected in 2009 in the successful refinancing of the Fund's credit facility as well as our convertible debenture issue. As we prepare to execute the Fund's conversion into a dividend-paying corporation for January 1, 2011, I am confident that MPT has a solid platform in place for continued success. We are well positioned to build on that foundation and to achieve size, scale and liquidity for our investors.

I would like to thank our unitholders for their continuing support and trust in MPT and the Board of Trustees. I also express my appreciation to the Trustees, MPT's management team and the employees at each of the Fund's businesses for their conscientiousness and dedication to achieving excellence. Collectively, we intend to reward your confidence.

Sincerely,

(signed)

Derek Brown
Chairman of the Board

Q&A

Our challenge is to preserve and improve the value of our existing assets while looking for opportunities to grow MPT's portfolio.

MICHAEL BERNSTEIN
President and Chief Executive Officer

MICHAEL SMERDON
Vice President, Chief Financial Officer and Secretary

Q: What did MPT accomplish in 2009?

A: Our focus this year was on strengthening our businesses, improving our financial flexibility and planning for the future. That included refinancing our credit facility and convertible debentures. We also completed our conversion analysis and established a new, sustainable distribution level of 66 cents per unit annually, starting in 2010. We expect this new distribution level to result in an average payout ratio of approximately 70% to 75% over a five-year period. As a result of the divestment of Leisureworld, we currently expect the 2010 payout ratio to be slightly above this range.

At the asset level, we completed incremental improvements that will support the long-term value of our businesses. At Erie Shores, we added a second interconnection to Hydro One's transmission line, which means that Erie Shores can now continue to deliver its power to Ontario's grid during periods of outage on either line. At the Sechelt hydro facility, we automated the storage and release of water into Sechelt Lake, an alpine lake that serves the facility. This will ensure a faster, more efficient response to changes in hydrological conditions. At Cardinal, we successfully completed our scheduled hot gas path inspection.

Although we were disappointed with the extended outage at Whitecourt, the turbine vibration issue has been fully resolved and the facility is now operating in line with its historical performance.

What is your vision for MPT and how do you intend to create value for unitholders?

A: MPT offers investors access to the emerging infrastructure asset class, which sets us apart. Infrastructure has features of both bonds and equities. Infrastructure businesses have a long-term investment horizon and provide stable cash flow, similar to bonds. But they have historically also provided equity-like returns with moderate volatility as well as upside growth potential.

In today's market, what matters most to investors is predictability. That is the core of our vision for MPT: to deliver an attractive and reliable income stream as well as capital growth over time.

While we have a strong portfolio, adding new assets to the mix is a priority in order to further diversify and extend our cash flow profile beyond 2014. We would like to see MPT achieve a billion-dollar market capitalization within a few years' time, which will help to improve liquidity for our investors. But we're not interested in growth for the sake of growth. We will only pursue those opportunities that meet our risk-return parameters and will make a meaningful contribution to long-term cash flow.

What infrastructure sectors are you focused on and why?

A: Our focus will be on core infrastructure business, primarily on utility-like assets, such as power generation, distribution or transmission, or water distribution. These assets tend to be regulated or contractually defined, so they're less volatile than other types of infrastructure assets. There are distinct risk and return profiles associated with each category of asset. That being said, user-pay assets with the right fundamentals — such as well-located toll roads or airports or ports — could play a role within our portfolio mix.

How secure is MPT's new distribution?

A: Based on our current portfolio and outlook, we believe that our new distribution is sustainable through

2014, which is when Cardinal's PPA expires. While Cardinal is a high quality plant and we remain confident that it has a long economic life, it is currently difficult to predict what the terms of a future contract may be. Cardinal currently represents more than half of our distributable cash, so that is why diversifying and growing our portfolio is a priority.

What is your outlook on the possibility and timing of a new PPA for Cardinal?

A: All non-utility generators (NUGs) in Ontario, including Cardinal, are facing PPA expiries over the next few years. Collectively, these facilities have played an important role in the reliability of Ontario's electricity supply. We believe that momentum is building for a directive to be issued by the Ontario Ministry of Energy and Infrastructure to the Ontario Power Authority in the first half of 2010, which will form the basis for renegotiation of NUG contracts. We have been working directly with our stakeholders to demonstrate Cardinal's value and economic contribution and as a member of the Association of Power Producers of Ontario to raise the profile of this important issue for Ontario's energy sector.

We believe that the broader market context supports NUG contract renewal. Many of Ontario's nuclear plants are reaching the end of their useful lives and coal-fired facilities are scheduled to be phased out by 2014. As more renewable power facilities are commissioned, gas-fired plants such as Cardinal will be vital to grid flexibility and stability. Moreover, Ontario currently has surplus base load generation, which is expensive for the province and for ratepayers. NUGs such as Cardinal can be reconfigured to run as peaking or intermediate facilities, which would help to alleviate some of Ontario's base load burden.

An important element for Cardinal is its relationship with its industrial host, Canada Starch Operating Company (Casco). Cardinal provides highly cost-effective steam and compressed air for use in Casco's manufacturing operations. Together, Cardinal and Casco provide about 230 jobs in the Cardinal region, pay substantial property taxes and have important relationships with vendors, suppliers and community organizations. Cardinal also supplies free heat to an adjacent public elementary school.

Why did you decide to divest of Leisureworld?

A. We continually assess the businesses in our portfolio so that we can create greater value for our investors. The decision we made in early 2010 to divest of our 45% interest in Leisureworld reflects the current favourable market conditions for senior care as well as investor appetite for yielding investments, which together represented an excellent opportunity for MPT to maximize the value of Leisureworld for our unitholders. Additionally, this initiative aligned with our greater focus on core infrastructure categories, such as power generation, electricity transmission or distribution, and utilities and transportation, which are the areas where we are currently seeing the highest potential growth opportunities for MPT.

What is MPT's growth strategy?

A: While we have a preference for operating assets and a bias towards yield, with a lower payout ratio and improved financial flexibility, we have a new ability to take on select development projects. Our approach to such projects will be to combine our financial and management skills and relationships with the expertise of a proven developer. A key challenge with development projects is construction risk, so we would typically look for a strong engineering and procurement contract to help mitigate that risk.

We also have a preference for wholly-owned assets, but are open to partnering or minority positions where they are accompanied by strong governance and board representation.

While our emphasis is on Canada, we are open to international opportunities, particularly as asset values in Canada remain high relative to opportunities elsewhere. Our international scope would be limited to OECD countries where the Macquarie group has a presence and where there is political and economic stability. Additionally, any opportunity must offer a higher return than a comparable opportunity in Canada.

What return do you target on your investments?

A: We typically look for a post-tax, levered return on our investments of between 10% and 14%. But our focus is fundamentally on striking the right risk-return balance on an asset-by-asset basis.

Our focus is primarily on core infrastructure categories such as power generation or transmission, utilities and transportation.

Where do you see the best growth opportunities for MPT?

A: Canada needs investment in infrastructure across the spectrum, which creates a breadth of potential opportunities for MPT. This theme is echoed in every OECD country.

In Canada, we have been actively looking at the renewable power sector. Ontario's *Green Energy Act* has created greater certainty for investors as well as attractive returns on development projects. This ensures favourable and guaranteed pricing for electricity generated by new renewable power projects — whether they are wind, hydro, biomass or solar.

Another area with strong potential for us is the public-private partnership sector. The private sector has long been active in the power and energy infrastructure sector in Canada. Over the past decade, for example, most of Canada's new power generation facilities have been developed — and are operated — by the private sector.

In the past five years, we have seen a shift in Canada and internationally towards greater private sector participation in areas that were previously the sole domain of governments. That includes building roads, water, hospitals, schools, transit systems and bridges through public-private partnerships. P3s typically have a low risk profile because they operate within a strong contractual framework. Because one partner on a P3 is the government, these projects tend to be accompanied by a high degree of stability and high credit ratings with a capital structure to match. The quality of this cash flow is what makes P3s a potentially excellent fit with MPT's investment mandate and portfolio mix.

Are you more likely to pursue smaller-sized acquisitions or is your preference for merger opportunities or transformational deals?

A: Given our current size, we are generally looking at deals where the equity investment would be in the range of $30 to $50 million. This means that smaller or mid-sized deals are the most realistic and easiest for us right now. But we are continuing to look for that transformational deal, too.

A key strategic advantage that we have is our relationship with the Macquarie group, which gives us access to a robust pipeline of potential investments, in Canada and internationally. It also means that we have the opportunity to co-invest alongside the Macquarie group or any other Macquarie-managed funds, which could enable us to participate in marquis transactions that would otherwise be too large for us.

Does MPT have the capacity to act on these opportunities?

A: Under our current credit facility, we have about $85 million available for growth opportunities. We also have the balance of proceeds from our convertible debenture issue and the divestment of Leisureworld.

In addition, we expect to accumulate cash annually due to our lower distribution level. So we have a strong balance sheet and access to approximately $150 million in capital for growth.

How is MPT positioned financially?

A: We have a strong balance sheet and conservative debt position relative to the low risk profile of our assets. We are also comfortably within the various covenants to which we must adhere under our Cardinal and CPOT credit facility. At year end, our consolidated total debt to EBITDA ratio under the Cardinal and CPOT facility was 1.98 times, well within the required 4:1 range. And our interest coverage ratio was 7.92 times, well above the requirement of not less than 3:1.

As a dividend-paying corporation, will MPT continue to be externally managed?

A: As a corporation, MPT will continue to be managed by the Macquarie group and to enjoy the benefits that we have historically derived from this relationship, including access to Macquarie's global expertise, professional resources, strategic relationships and proprietary deal flow. As the manager, we will ensure that our interests are aligned with those of investors and that the Fund has a strong governance framework, including a majority of independent trustees.

Our Governance Principles

MPT conducts its business and relationships with integrity, discipline, transparency and accountability. The Board of Trustees continuously assesses, adapts and seeks to strengthen MPT's governance structure as a matter of best practice.

The Board of Trustees is committed to its stewardship role with a 98% attendance rate at the 14 board meetings held in 2009.

MPT complies with all relevant governance requirements and policies of the various Canadian securities regulatory authorities. Evidence of our approach to governance includes:

- A five-person board that consists of four independent Trustees (as defined by applicable securities laws);
- Audit and Governance Committees that are each composed entirely of independent Trustees;
- Governance policies and procedures that apply equally to the individual assets in MPT's portfolio, which ensures consistency and reliability in reporting and risk management;
- A Code of Ethics that encourages and promotes a culture of ethical business conduct and must be followed by all Trustees, officers, employees, contractors and agents of MPT; and
- An annual evaluation of Board and Trustee effectiveness to ensure the Board is representing unitholders and fulfilling its oversight role in the most effective manner.

The Board's role is to support and challenge management's vision and strategy to ensure it is in the best interests of unitholders.

Additional information on governance at MPT is available online at: www.macquarie.com/mpt/governance.htm.

Board of Trustees

DEREK BROWN
Chairman and Independent Trustee

Mr. Brown was Professor of Finance (adjunct) at the University of Toronto from 1996 to 2005. Mr. Brown spent 26 years as a Vice President and Director of RBC Dominion Securities. From 1997 to 2003, he was a Commissioner of the Ontario Securities Commission. He currently serves as a Director of Sixty Split Corp. and SNP Corp. Mr. Brown is also a member of the finance committee of the Canadian Opera Foundation.

PATRICK J. LAVELLE
Independent Trustee

Mr. Lavelle is the Chairman and Chief Executive Officer of Patrick J. Lavelle and Associates, a strategic management consulting firm that he established in 1991. Mr. Lavelle currently serves as a Director of the Ontario Financing Authority and as a Trustee of Retrocom Mid-Market Real Estate Investment Trust. He was previously the Chairman and Chief Executive Officer of Unique Broadband Systems Inc., Chairman of Export Development Canada and Chairman of the Business Development Bank of Canada.

FRANÇOIS ROY
Independent Trustee

Mr. Roy is Vice-Principal (Administration and Finance) at McGill University, a position he has held since 2007. Mr. Roy serves on the Boards of the Caisse de dépot et placement du Québec, Transcontinental Inc. and SFK Pulp Income Fund. He has also served on the boards of several not-for-profit organizations, including the Montreal Museum of Fine Arts and the Canadian Centre for Architecture. From March 2000 to May 2003, Mr. Roy served as the Chief Financial Officer of Telemedia Corporation.

V. JAMES SARDO
Independent Trustee

Mr. Sardo is a Director of New Flyer Industries Inc. and Northstar Healthcare Inc. Previous directorships include: Hydrogenics Corporation; Countryside Power Income Fund, where he served as Chairman; UE Waterheater Income Fund; Custom Direct Income Fund; and SonnenEnergy Corp. From 2004 to 2005, Mr. Sardo served as interim Chief Executive Officer and a Director of Royal Group Technologies. He was formerly President, Canadian Operations of Moore Corporation Limited and President and Chief Executive Officer of SMK Speedy International Inc. He is also the former Chairman and Chief Executive Officer of Firestone Canada Inc. and the President of Firestone Industrial Products Company. He is a member of the Institute of Corporate Directors and holds the ICD.D designation.

STEPHEN MENTZINES
Manager-appointed Trustee

Mr. Mentzines is a Senior Managing Director of Macquarie Group Limited and is responsible for Macquarie's Capital Funds division in North America. He previously served as the division's global Chief Operating Officer with responsibility for developing and supporting new funds around the world. Mr. Mentzines joined Macquarie in 1998 and has more than 30 years of experience, including 20 years in the financial services and funds management industry. He is also Alternate Chair of Macquarie Infrastructure Company, which is listed on the New York Stock Exchange.

Our Responsibility to Stakeholders

The relatively low risk nature of MPT's assets is underpinned by respect for the environment, people and communities.

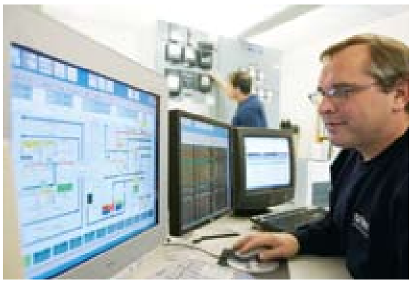
As physical assets that provide an essential service, our infrastructure businesses have an impact on resources such as water, energy and other raw materials as well as on our employees, customers, investors and the communities we serve. We endeavour to manage that impact responsibly.

In our view, compliance with regulatory obligations, including occupational health and safety (OHS) laws related to employees, contractors and visitors, is the minimum standard. Instead, we strive for best practices in environmental and social responsibility management. We manage these responsibilities throughout the investment process, which includes:

- **Review and evaluation of possible acquisitions.** MPT's due diligence process includes a review of an asset's environmental and OHS risk management as part of our assessment of the broader risk management framework. This includes the use of independent experts to identify issues and obligations related to the investment.
- **Ongoing management.** Each asset maintains its own risk management system to manage its obligations and risks. MPT's ability to control or influence these frameworks depends on our level of ownership or control and the regulatory framework that governs the specific environmental and OHS risks at the asset. Each asset must report to the Board of Trustees on risk management, which helps to ensure compliance with regulatory requirements as well as timely identification and resolution of issues.
- **Stakeholder reporting.** MPT reports annually to unitholders on environmental and social responsibility management. This includes a summary of our policies and key responsibilities as well as a statement on regulatory compliance by our assets during the reporting period.

As physical assets that provide an essential service, our infrastructure businesses have an impact that we endeavour to manage responsibly.

Our Wawatay facility features an engineered nursery channel and tailrace to support the river's local fish populations.



In 2009, Cardinal's 18 employees received a total of 1,403 hours of safety and technical training, an average of 78 hours per employee.

At the Sechelt facility, operating staff maintain a salmon spawning channel.

Key environmental and social responsibility factors

MPT's key environmental and social responsibility factors include resource use, dangerous goods and hazardous materials, gaseous emissions, noise, flora and fauna, heritage, waste storage and handling, environmental monitoring and reporting, occupational health and safety, recruitment and employment compliance, and community and stakeholder relations.

Initiatives at MPT's businesses

Across our businesses, workplace safety is a priority for all employees and contractors. We also seek to minimize our environmental footprint and to demonstrate our commitment to social responsibility.

Cardinal

Cardinal has a robust safety and technical training program and meets or exceeds the requirements of Ontario's Occupational Health and Safety Act. Cardinal's management team provides sessions on a variety of health and safety topics, reinforced by technical programs relevant to the responsibilities of each employee. In 2009, Cardinal's 18 employees received a total of 1,403 hours of safety and technical training, an average of 78 hours per employee. In 2009, there was no lost time due to injuries, extending the plant's 13-year record.

Cardinal's team is also dedicated to supporting the local community, offering financial support to *Cardinal in Bloom*, an annual beautification program that it initiated for the town of Cardinal that includes flower baskets and gardens tended by volunteers. Every year, Cardinal contributes to *Christmas is for Kids*, a holiday celebration for local children, and to the town's Community Festival Committee, which organizes annual Canada Day and Labour Day festivities. The facility supports local schools, providing two bursaries for high-achieving secondary school students as well as the Science and Technology Award at Benson Public School, to which the facility also donates computers and other educational tools, and provides free heat.

Erie Shores Wind Farm

Erie Shores conducts comprehensive safety training throughout the year and meets or exceeds the requirements of Ontario's Occupational Health and Safety Act. Erie Shores has three employees, who received a total of 68 hours of technical and safety training in 2009, or an average of approximately 23 hours of training per employee. Additionally, the plant holds regular safety meetings. GE Canada, which provides operations and maintenance services under contract through July 2010, is also focused on ensuring a safe work environment and holds weekly safety meetings for all workers on site. During the year, there was no lost time due to injuries.

Erie Shores complies with Ontario's Environmental Assessment Act, which provides for the protection and conservation of the environment, including land, air, wildlife, and social and economic considerations. As part of the site development process, Erie Shores underwent an environmental assessment that formed the basis for the design of the facility and placement of turbines to minimize environmental impact.

Canada has significant hydro power resources that can be developed in collaboration with local communities and in an environmentally responsible manner, such as the Sechelt hydro power facility.

In 2005, Sechelt was awarded the UNESCO International Hydropower Association Blue Planet prize, reflecting its social, environmental and technical excellence.

In 2009, Erie Shores, which has emerged as an important community attraction, contributed funding to the Municipality of Bayham's Wind Farm Interpretive Centre. The plant manager of Erie Shores serves on a working committee for this Centre and is active in the local business community, including as a member of the Otter Valley Chamber of Commerce. In addition, during the year Erie Shores held two off-site presentations and hosted 15 facility tours for industry associations, business groups and students. These tours are aimed at building and broadening knowledge of wind power in Canada and promoting the region's leadership in embracing wind power.

Hydro Power Facilities

MPT's hydro power facilities meet or exceed the requirements of the Occupational Health and Safety Acts in the provinces of Ontario and British Columbia, where the facilities are located. Operators at each of the sites undergo annual safety training on topics such as first aid and high voltage electricity. In 2009, operators received a total of 250 hours of training, an average of 23 hours per operator. There was no lost time due to injuries.

The hydro power facilities operate in accordance with provincial water management plans where applicable and strive to preserve the quality of the local environment. At the Sechelt facility, for example, operating staff maintain a salmon spawning channel installed in 1997 by ensuring a constant supply of water and removal of debris. Similarly, the Wawatay facility features an engineered nursery channel and tailrace to support the river's local fish populations.

All of MPT's hydro power facilities have earned the federal government's EcoLogo™ certification, evidence of their high environmental standards and contribution.

Whitecourt

Whitecourt meets or exceeds the requirements of Alberta's Occupational Health and Safety Act. Whitecourt's approach to health and safety is comprehensive and directed by a safety committee of representatives from various functional areas of the facility, such as operations, trucking and maintenance. In addition, employees undergo annual training on a range of topics from first aid, fall prevention and working in confined spaces to equipment maintenance and operation. In 2009, Whitecourt's 33 employees received a total of approximately 903 hours of training, an average of approximately 27 hours per employee. In 2009, there was no lost time due to injuries.

Chapais

The Chapais plant meets or exceeds the requirements of Quebec's Commission de la santé et de la sécurité du travail (CSST) and complies with the Environment Quality Act. In 2009, Chapais' 28 employees received approximately 379 hours of training, an average of 14 hours per employee. During the year, there was no lost time due to injuries.

Environmental and social responsibility regulatory requirements

MPT is not aware of any significant breaches of relevant environmental and social responsibility regulatory standards at any of its assets during the year ended December 31, 2009.

Management's Discussion and Analysis

Contents

About management's discussion and analysis

This Management's Discussion and Analysis ("MD&A") is designed to provide readers with an informed discussion of the activities and operating results of Macquarie Power & Infrastructure Income Fund ("MPT" or the "Fund") and its principal subsidiaries: 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"). As at March 2, 2010, the date of this MD&A, LTC Holding LP had an indirect 45% interest in Leisureworld Senior Care LP ("Leisureworld"). CPOT has an indirect 31.3% interest in one of the two classes of preferred shares of Chapais Électrique Limitée ("Chapais") and is also a lender to Chapais Énergie, Société en Commandite ("CHESEC"), the owner of the Chapais facility. The Fund accounts for its Leisureworld and Chapais investments using the equity method.

The MD&A is the responsibility of management and reflects events known to management as at March 2, 2010. The Board of Trustees carries out its responsibility for review of this disclosure principally through its audit committee, comprised entirely of independent Trustees. This MD&A is intended to complement MPT's audited consolidated financial statements and related notes for the year ended December 31, 2009 (collectively, the "financial statements"), which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). You are encouraged to review MPT's financial statements in conjunction with your review of this MD&A. Additional information relating to MPT, including MPT's Annual Information Form and Management Proxy Circular, is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Review ("SEDAR") at www.sedar.com.

All dollar amounts are in thousands of Canadian dollars unless otherwise specified.

Certain of the statements contained in this Annual Report are forward-looking and reflect management's expectations regarding the Fund's future growth, results of operations, performance and business based on information currently available to the Fund. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "estimate", "believe" or other similar words, and include, among other things, statements relating to "Fiscal 2009 Performance and Highlights", "Outlook" and "Climate Change and the Environment". These statements are subject to known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results. The forward-looking statements in this Annual Report are based on information currently available and what the Fund currently believes are reasonable assumptions, including the material assumptions for each of the Fund's assets set out in this MD&A under the heading "Outlook", as updated in subsequently filed Quarterly Financial Reports of the Fund (such documents are available on SEDAR). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include the assumption that the business and economic conditions affecting the Fund's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes and interest rates and that there will be no unplanned material changes to the Fund's facilities, equipment and contractual arrangements. Although the Fund believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including risks related to: operational performance; power purchase agreements; fuel costs and supply; contract performance; default under credit agreements; land tenure and related rights; regulatory regime and permits; force majeure; changes in federal tax rules for flow-through entities; other tax-related risks; variability of distributions; geographical concentration and non-diversification; dependence on the manager and potential conflicts of interest; insurance; environmental, health and safety regime; availability of financing; unitholder dilution; volatile market price for units; international financial reporting standards; nature of units; and unitholder liability. The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. These forward-looking statements reflect current expectations of the Fund as at the date of this Annual Report and speak only as at the date of this Annual Report. Except as may be required by applicable law, the Fund does not undertake any obligation to publicly update or revise any forward-looking statements.

The Fund is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that act or any other legislation. None of the entities noted in this Annual Report is an authorized deposit-taking institution for the purposes of the *Banking Act 1959* (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

Vision and key objective

MPT's Business

MPT is an unincorporated, open-ended limited purpose trust established by a declaration of trust dated March 15, 2004 as amended and restated on 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 as at March 2, 2010, the date of this MD&A, had an investment in social infrastructure through its 45% interest in Leisureworld, a provider of long-term care ("LTC").

MPT is managed by Macquarie Power Management Ltd. ("MPML" or the "Manager"), a wholly-owned subsidiary of Macquarie Group Limited ("MGL"), one of the world's largest and most experienced owners and managers of infrastructure and related assets in 25 countries.

MPT's power assets are diversified by fuel source and have a weighted average remaining Power Purchase Agreement ("PPA") term of approximately 10 years. Through its subsidiaries, MPT holds interests in the following infrastructure assets:

Asset/Facility	Percentage Ownership	Location	Net Installed Capacity (MW)	Utility/Electricity Purchaser	Expiry of PPA	Fuel Supply Contract Expiry
Gas Cogeneration						
Cardinal	100%	ON	156 MW	Ontario Electricity Financial Corporation ("OEFC")	2014	2015
Wind						
Erie Shores Wind Farm LP ("Erie Shores")	100%[i]	ON	99 MW	Ontario Power Authority ("OPA")	2026	n/a
Hydro						
Sechelt	100%	BC	16 MW	BC Hydro	2017	n/a
Hluey Lakes	100%	BC	3 MW	BC Hydro	2020	n/a
Wawatay	100%	ON	14 MW	OEFC	2042	n/a
Dryden[ii]	100%	ON	3 MW	OEFC	2020	n/a
Biomass						
Whitecourt Power LP ("Whitecourt")	100%	AB	25 MW	TransAlta Utilities Corp. ("TransAlta")	2014	2016
Chapais[iii]		QC	28 MW	Hydro Quebec	2015, with option to extend to 2020 under certain conditions	2015, with option to extend to 2020 under certain conditions

(i) One of the wind turbines is owned by a local landowner. Erie Shores maintains operational and managerial control of this wind turbine.
(ii) The Dryden facility is comprised of the Wainwright, Eagle River and McKenzie Falls hydro power stations.
(iii) The Fund has a 31.3% interest in one of the two classes of preferred shares of Chapais and holds a 24.8% interest in Tranche A and B debt and a 50% interest in Tranche C debt all issued by CHESEC.

Vision

MPT owns and operates essential infrastructure businesses. Infrastructure businesses provide services that meet critical, long-term community needs, such as power generation, electricity transmission, roads and transportation systems, water systems and health care. MPT is focused on regulated or contractually defined infrastructure assets, which enjoy a stronger competitive position and lower risk profile and typically generate stable cash flow throughout the economic cycle.

Figure 1: Infrastructure Categories

Highly regulated → Less regulated

Less competitive → More competitive

MPT's Focus

Social Infrastructure/ Public-Private Partnerships ("P3s")	Regulated Assets	User Pay Assets	Competitive Assets
• Courts • Hospitals • Schools	• Transmission and Distribution Assets • Water and Sewerage • Contracted Power	• Road • Rail • Airports • Ports	• Merchant Power • Energy Trading

Increasing Risk →

Key Objective

MPT's vision is to actively manage a high quality, growing portfolio of infrastructure businesses, with an emphasis on power infrastructure and a focus on opportunities in Canada and North America with the flexibility to invest internationally on a selective basis. Our objective is to provide unitholders with a superior return on their investment through an investment proposition that includes:

- A relatively low risk business model by virtue of the inherent characteristics of infrastructure businesses;
- A conservative capital structure that provides the flexibility for continuing growth and diversification of our portfolio, thereby extending MPT's cash flow profile; and
- A balance of continuing income through distributions as well as capital appreciation.

Fiscal 2009 performance and highlights

MPT delivered distributions to unitholders of $1.05 per unit in 2009. This represented a payout ratio of 106%, which reflected lower operating cash flow from each of the Fund's power generating assets during the year as well as higher net interest expense, which was partially offset by lower administrative expenses. Of the distributions declared payable to unitholders in 2009, approximately 45% were a return of capital and 55% were taxable income.

Lower operating cash flow in 2009 reflected outages at the Cardinal and Whitecourt facilities for maintenance work as well as lower production from our wind and hydro power facilities due to unfavourable weather conditions.

In 2009, we took a number of steps to strengthen the Fund's platform, including:

- The refinancing and extension of two of our credit facilities, which were scheduled to mature in June 2010 and May 2011, respectively. The Fund's new credit facility, in the aggregate amount of $182.5 million, matures in June 2012;
- The completion of a $50.0 million offering of 6.50% convertible unsecured debentures due December 31, 2016 ("2016 Debentures"). Subsequent to December 31, 2009 the underwriters exercised an over-allotment option to purchase an additional $7.5 million principal amount of the 2016 Debentures. The proceeds were primarily used to redeem the Fund's $38.9 million outstanding 6.75% convertible debentures due December 31, 2010 on January 11, 2010 with the balance earmarked for the Fund's general commercial purposes, including growth opportunities; and
- The establishment of a new, sustainable distribution policy of $0.055 per unit monthly or $0.66 per unit annually from $0.0875 per unit monthly or $1.05 per unit annually in 2009. This distribution level, based on the Fund's current portfolio, is expected to result in an average payout ratio of approximately 70% to 75% of distributable cash over a five-year period. As a result of the divestment of Leisureworld, we currently expect the 2010 payout ratio to be slightly above this range. Based on the Fund's current portfolio and outlook, management expects this distribution profile to be sustainable through 2014.

MPT ended the year in a strong financial position, with positive working capital of $17.0 million and cash and cash equivalents of $53.1 million, of which $42.5 million was not designated for general, major maintenance and capital expenditure reserve accounts. On January 11, 2010, the Fund fully redeemed its 6.75% convertible unsecured subordinated debentures that were coming due on December 31, 2010 with proceeds from the issuance of its $57.5 million offering of 6.50% convertible unsecured subordinated debentures due December 31, 2016. The total amount paid was equal to the principal outstanding of $38.9 million plus accrued interest. The Fund has no refinancing requirements in 2010 and remains in compliance with its debt covenants.

Strategy

MPT's strategic plan consists of three priorities:

- *Maximize and sustain the long-term value of our existing businesses.*
  Active asset management supports sustainable growth in cash flow. Every year, each of our businesses undergoes a strategic planning exercise to assess progress against goals and to determine how we can further improve the efficiency, quality and performance of our operations. We work closely with the management teams at each asset to optimize operating and financial performance, which includes applying strong risk management principles and procedures to safeguard MPT's performance.
- *Deliver strong financial performance and maintain financial flexibility.*
  MPT has a conservative capital structure. Each asset in our portfolio undergoes a detailed financial and sensitivity analysis to determine the appropriate debt level for the business based on its operating environment, cash flow and risk profile. Our goal is to match the cash flow of each asset with investment-grade debt, which helps to minimize financial risk.
- *Invest in new infrastructure businesses that will diversify and increase the value of our portfolio.*
  MPT seeks to diversify its portfolio through the acquisition of essential infrastructure assets. These could include electricity generation and distribution businesses, water or wastewater facilities, roads, hospitals and schools, among others, including investments through P3s. Our ability to execute on this priority depends on the availability of appropriate opportunities.

The Fund's growth strategy includes:

- A focus on regulated or contractually defined core infrastructure businesses, which typically generate stable cash flow throughout the economic cycle;
- An emphasis on operating businesses, although the Fund's shift to a corporate structure and lower payout ratio creates the potential to participate selectively in development projects;
- A preference to wholly own businesses with the flexibility to consider a minority position in quality businesses that are accompanied by a strong governance framework; and
- A continuing preference for Canadian businesses within a broader international mandate that could lead to opportunities in new geographic regions.

Key performance drivers

MPT's portfolio is diversified by asset type, fuel source and geographic location. Key performance drivers of the Fund's current portfolio include the following:

Consistent availability supports reliability of cash flow
Availability is the number of hours that a generating unit is capable of providing service, whether or not it is actually in service, as a percentage of total hours in the period.

MPT seeks to maximize the availability of its facilities through continuous monitoring of equipment, comprehensive maintenance programs and through supply contracts to ensure consistent access to fuel at Cardinal and Whitecourt.

MPT's power assets are characterized by generally high availability, which reflects the quality of plant operations and underlines the reliability of MPT's cash flow. The following table summarizes the five-year average availability at each of MPT's power assets:

	Cardinal	Erie Shores(i)	Whitecourt	Hydro Power Facilities
Five-year average availability	96.7%	95.5%	91.6%	98.1%

(i) Average availability at Erie Shores is a three-year average.

Markets and Growth Opportunities

Strong demand for power generation capacity
By 2020, the Canadian Electricity Association ("CEA") anticipates that about 20% of power generation facilities currently operating will be retired, resulting in the need for an additional 60,000 MW of generation capacity to meet both system demand, growth and plant replacement needs.

Need to strengthen transmission capability
The CEA estimates the combined public and private cost to meet Canada's supply shortfall and transmission challenges to be $150 billion over the next two decades.

Increasing investment needs and favourable policy environment for renewable energy
Canada's renewable energy industry is expected to expand significantly over the coming years, reflecting strong federal and provincial government support as well as plans to close 7,000 MW of coal generation plants in Ontario. Canada currently has 3,319 MW of installed wind power capacity. The Canadian Wind Energy Association forecasts that a minimum additional 12,000 MW of wind power could be commissioned by 2016 if existing provincial government targets are met.

Aging essential infrastructure requires significant investment in Canada and internationally
The cost to repair and rehabilitate municipal infrastructure in Canada, including water systems, waste management and social infrastructure, is estimated at approximately $123 billion. Approximately 60% of Canada's infrastructure is between 50 and 150 years old. Global infrastructure investment needs are estimated at US$600 to $700 billion annually, which represents approximately 1% to 2% of global gross domestic product.

Long-term power purchase agreements provide stable revenue
MPT's power generation assets have a sustainable competitive advantage through long-term PPAs that provide price certainty for a majority of the power generated by MPT's assets.

Approximately 99% of the net electricity generated by MPT's facilities is sold to major, creditworthy utilities such as the OEFC, OPA, BC Hydro and TransAlta under long-term PPAs. The remaining 1%, representing approximately 4 MW of net capacity at Whitecourt, is sold at the Alberta Power Pool spot price.

Under the PPAs, the customer is obligated to make monthly payments for electricity delivered, which contributes to the overall stability and predictability of MPT's revenue. The terms of MPT's PPAs help to ensure that revenue and cost escalation are matched. In addition, the PPAs for the Cardinal, Wawatay and Dryden facilities include higher rates during typically high production periods.

Long-term fuel supply contracts contribute to predictable margins
At Cardinal and Whitecourt, MPT manages fuel costs through long-term contracts that ensure stable and low-cost supply.

Cardinal's natural gas costs and the seasonal nature of the Canadian electricity market are managed through a long-term gas purchase contract with Husky Energy Marketing Inc. ("Husky Marketing") that expires in 2015. The purchase contract also includes a gas mitigation clause under which Cardinal has the option to sell excess natural gas not used in its operations.

Whitecourt requires 300,000 tonnes of wood waste fuel each year, of which a minimum 275,000 tonnes is currently supplied under a long-term agreement with Millar Western Industries Ltd. and Millar Western Pulp Ltd. (collectively, "Millar Western"). Millar Western is required to pay the full cost of replacement fuel for Whitecourt if it does not deliver the minimum quantity of wood waste.

Erie Shores has no fuel costs. Similarly, MPT's hydro assets have minimal direct costs, other than property taxes, water royalties or licence fees paid to government authorities or payments to First Nation communities.

Disciplined management of operating costs supports low variability of cash flow
MPT incurs maintenance expenditures to replace or add capital assets required to maintain the plants' current output capacity. All capital expenditures and major maintenance costs are planned for and funded by established reserve accounts to which funds are allocated regularly, which helps to support the low variability of MPT's distributable cash. At December 31, 2009, MPT's reserves for maintenance, capital and general expenditures totalled $10.6 million.

Each plant has an established maintenance program with an emphasis on routine and preventative maintenance, which helps to ensure the plants' continuing consistent performance.

Capability to deliver results

MPT is well positioned to generate reliable cash flow, execute its growth strategy and deliver a superior return to investors, reflecting the following attributes:

- MPT's infrastructure businesses operate in sectors where there are high barriers to entry and generate predictable cash flow throughout the economic cycle;
- MPT's operations generate sufficient cash flow to fund capital expenditures, maintenance activities and distributions to unitholders;
- Following the redemption of the Fund's 6.75% convertible debentures and proceeds from the divestment of its 45% interest in Leisureworld, MPT has approximately $150 million in cash and credit facilities to pursue appropriate growth opportunities. Further, we expect to accumulate cash annually as a result of our lower distribution level;
- MPT is managed by MPML, a wholly-owned subsidiary of MGL. MGL is a global leader in infrastructure acquisition, funding and management (see Figure 2). MGL has more than 1,000 advisory professionals who source infrastructure investment opportunities and more than 500 infrastructure asset management professionals. This market presence and proven, specialized expertise gives MPT valuable insight into the financing and management of infrastructure assets as well as access to potential investment opportunities, in Canada and internationally;
- MPT's strong professionalism and rigorous risk management practices underpin all activities and growth initiatives, thereby helping to safeguard MPT's performance and unitholders' interests; and
- MPT is governed by a five-member Board of Trustees, comprised of four independent Trustees, as defined by applicable securities laws. The Board of Trustees supports and challenges management's vision and strategy to ensure that it is in the best interests of unitholders.

Figure 2:
Select Infrastructure Businesses Managed by Macquarie†

Gas Distribution	+7.5 million households
Water Services	+11.1 million households
Electricity Distribution	+4.1 million households
Rail	+47.0 million passengers per annum
Ports	+3.0 million standard container units handled per annum
Toll Roads	+2.0 million cars per day

† As at September 30, 2009, with adjustments for businesses no longer managed at December 31, 2009.

Consolidation and comparison of operating results

The following discussion and analysis compares the actual results of the Fund as at and for the year ended December 31, 2009 with the results as at and for the year ended December 31, 2008. All amounts have been expressed in thousands of Canadian dollars unless otherwise stated.

Selected consolidated financial and operating information of the Fund

($000s except for trust units and per trust unit amounts)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008 (Restated)
Revenue	**148,384**	153,186
Income before the following:	**21,262**	26,080
Unrealized gain (loss) on swap contracts	**4,664**	(4,228)
Unrealized gain (loss) on embedded derivative instruments	**(4,381)**	9,841
Net interest expense	**(15,118)**	(12,911)
Impairment of goodwill	**–**	(43,279)
Equity accounted income from long-term investments	**1,842**	94
Foreign exchange gain (loss)	**23**	(54)
Loss on debt extinguishment	**(351)**	–
Gain on sale of capital assets	**–**	10
Income (loss) before income taxes	**7,941**	(24,447)
Income tax recovery (expense)	**3,318**	(2,087)
Net income (loss)	**11,259**	(26,534)
Basic and diluted net income (loss) per Unit	**0.226**	(0.531)
Cash flows from operating activities	**38,040**	50,516
Per Unit	**0.762**	1.011
Distributable cash[(i)]	**49,627**	52,243
Per Unit	**0.994**	1.046
Distributions declared to Unitholders	**52,414**	52,454
Per Unit[(ii)]	**1.050**	1.050
Payout ratio[(iii)]	**106%**	100%
Basic and diluted weighted average number of trust units and Class B exchangeable units outstanding ("Units")	**49,918**	49,960
Total assets	**706,597**	737,387
Total long-term liabilities	**347,139**	383,516
Sale of electricity (MWh)[(iv)]	**2,035,557**	2,084,376
Sale of steam (klbs)	**693,844**	719,453
Average total occupancy	**98.5%**	98.4%
Average private occupancy	**95.9%**	92.9%

(i) See Distributable Cash for a reconciliation of distributable cash to cash flows from operating activities for the year. 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) The sale of electricity for the year ended December 31, 2009 included full production from Chapais of 220,032 MWh (2008 – 221,401 MWh). The Fund accounts for its investment in Chapais using the equity method; therefore, Chapais' operating results do not impact the Fund's revenue for the year.

Revenue

Revenue for the year ended December 31, 2009 was $148,384 compared with $153,186 in the prior year. The decrease reflected a 2.3% decrease in power generation primarily as a result of major maintenance outages at Whitecourt and Cardinal, lower water flows at the hydro power facilities and lower wind speed at Erie Shores in the year. Revenue was also affected by Direct Customer Rate ("DCR") adjustments of $1,257 received from the OEFC in 2008, while in 2009 the Fund paid a net DCR adjustment of $57. The rate that Cardinal receives from the OEFC is escalated annually by the DCR, which represents the fully delivered cost of electricity for industrial customers and includes the cost of the commodity, transmission and all other related charges. Since the final DCR for any given year may not be available until after year end, a provisional DCR is calculated at the beginning of each year and an interim DCR is calculated as of June 30 each year. This results in DCR adjustments in any given year which effectively represents true-up of revenue from the OEFC.

Income Before the Following

Income before unrealized gains and losses on swap contracts and embedded derivatives, net interest expense, impairment of goodwill, income or loss from equity accounted investments, foreign exchange, loss on debt extinguishment, gain on sale of capital assets and income taxes for the year ended December 31, 2009 was $4,818 lower than in the same period last year.

The decrease for the year reflected lower net operating cash flows from each of the power facilities, partially offset by lower administrative expenses. Operating expenses increased as a result of higher major maintenance expenses at Whitecourt due to turbine repairs and at Cardinal as a result of a scheduled hot gas path inspection. These expenses were partially offset by lower gas transportation costs at Cardinal and lower operations and maintenance management fees at Whitecourt. Administrative expenses for the year were lower primarily due to lower business development expenses and a lower incentive fee. Cost reimbursement expenses also decreased as a result of a higher portion of the cost reimbursement expenses being capitalized in the current year.

The following table summarizes major administrative expense categories for the year:

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Management fees	**1,784**	1,765
Administrative fees	**110**	108
Cost reimbursement[(i)]	**2,503**	3,245
Incentive fees	**737**	1,602
Other administrative expenses	**2,961**	4,262
Administrative expenses	**8,095**	10,982

(i) The cost reimbursement expense for the year ended December 31, 2009 excluded $469 of cost reimbursement that was capitalized as deferred charges and deferred financing fees in the current year and included $50 of cost reimbursement that was capitalized to deferred charges in the prior year and expensed in the current year. 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

The fair value of the Fund's swap contracts was recorded on the consolidated statement of financial position as at December 31, 2009. Since these swap contracts are not designated for hedge accounting, the movement in the fair value of these contracts was reflected in the consolidated statement of operations as follows:

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Unrealized gain on gas swap contracts	**1,614**	1,025
Unrealized gain (loss) on interest rate swap contracts	**3,050**	(5,253)
Total unrealized gain (loss) on swap contracts	**4,664**	(4,228)

The unrealized gain on the gas swap contracts in the year reflected lower forward gas prices as well as favourable movements in foreign exchange compared with the prior year, partially offset by swap settlements in the year.

During the fourth quarter, the Fund renegotiated its interest rate swap contracts to extend the maturity dates to June 29, 2012 in order to match the maturity of the Fund's new credit facility, which was refinanced in May 2009. Under the amended interest rate swap contracts, the Fund will pay a lower fixed rate, in exchange for the then current three-month floating rate interest on a notional amount of $85,000, until the new maturity date. The unrealized gain on the interest rate swap contracts reflected the lower fixed rates on the amended swap contracts and settlements in the year, partially offset by a longer term in the swap contracts.

Unrealized Gain (Loss) on Embedded Derivative Instruments

The fair value of the Fund's embedded derivative instruments was recorded on the consolidated statement of financial position as at December 31, 2009. The movement in the fair value of these embedded derivatives was reflected in the consolidated statement of operations as follows:

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Unrealized gain (loss) on embedded derivative asset	**(4,522)**	2,674
Unrealized gain on embedded derivative liability	**141**	7,167
Total unrealized gain (loss) on embedded derivative instruments	**(4,381)**	9,841

The unrealized loss on the embedded derivative asset reflected changes in foreign exchange and assumptions in DCR forecast, partially offset by updated assumptions reflecting a more favourable profit sharing arrangement under Cardinal's amended gas purchase contract. The movement in the fair value of the embedded derivative liability for the year reflected the change in valuation date and changes in counterparty credit risks.

Net Interest Expense

Net interest expense was $15,118 compared with $12,911 in the prior year. In May 2009, the Fund refinanced two of its credit facilities under CPOT and Cardinal into a new joint credit facility. Higher net interest expense reflected higher stamping and commitment fees under the new facility and lower interest income due to lower prevailing interest rates and a lower average cash balance. This was partially offset by lower borrowings compared with the prior year.

Equity Accounted Income (Loss) from Long-term Investments

The Fund has an indirect 45% interest in Leisureworld and an indirect 31.3% interest in one of the two classes of preferred shares of Chapais, each of which are accounted for using the equity method. Included in the consolidated statement of operations for the year ended December 31, 2009 is the equity accounted income of $1,842 (2008 – loss of $62) from Leisureworld and $nil from Chapais (2008 – income of $156).

Loss on Debt Extinguishment

In connection with the refinancing of the two credit facilities under CPOT and Cardinal in May 2009, the Fund expensed $351 of deferred financing fees that related to the previous CPOT credit facility.

Income Taxes

Future income tax assets and liabilities are recognized on the Fund's consolidated statement of financial position based on temporary differences between the accounting and tax bases of existing assets and liabilities that are expected to reverse after 2010. For the year ended December 31, 2009, the Fund recorded a future income tax recovery of $3,350 (2008 – expense of $2,097) on the consolidated statement of operations in respect of these assets and liabilities.

Cash Flows from Operating Activities

Cash flows from operating activities for the year decreased by $12,476 compared with the prior year. The decrease was primarily due to lower net operating cash flows from each of the assets for the reasons described above, higher net interest expense and changes in working capital, partially offset by lower administrative expenses in the year.

Distributable Cash and Payout Ratio

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

The nature of power infrastructure assets requires scheduled maintenance programs to optimize 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 can cause significant fluctuations in working capital, distributable cash and payout ratio that are not reflective of the Fund's ongoing distributable cash or stability of operations.

For the year ended December 31, 2009, distributions to unitholders exceeded distributable cash. In any given period, the amount of distributions declared may exceed the net income of the Fund as a result of net releases from major maintenance accounts and non-cash charges, most significantly, amortization and non-cash movements in future income taxes, swap contracts, and embedded derivative balances. Except for allocations to capital expenditure and major maintenance reserve accounts, the Fund does not retain additional amounts for these movements as they do not require periodic investments to maintain existing levels of activity. For the year ended December 31, 2009, total distributable cash exceeded cash flows from operating activities as a result of distributions received from Leisureworld.

($000s except for trust units and per trust unit amounts)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Cash flows from operating activities	**38,040**	50,516
Maintenance of productive capacity:		
Release from major maintenance reserve account	**7,593**	3,400
Allocation to major maintenance reserve account	**(2,470)**	(2,225)
Allocation to capital expenditure reserve account	**(954)**	(850)
	42,209	50,841
Other adjustments:		
Scheduled repayment of debt	**(2,811)**	(2,431)
Scheduled receipt of loans receivable	**713**	641
Distributions received from Leisureworld	**10,350**	10,350
Changes in working capital	**(834)**	(7,158)
Distributable cash for the year(i)	**49,627**	52,243
Per Unit	**0.994**	1.046
Distributions declared to Unitholders	**52,414**	52,454
Per Unit(ii)	**1.050**	1.050
Payout ratio(iii)	**106%**	100%
Basic and diluted weighted average number of Units outstanding	**49,918**	49,960

(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 year ended December 31, 2009, distributable cash was $49,627 compared with $52,243 in the prior year. The Fund declared distributions to unitholders of $52,414 (2008 – $52,454), representing a payout ratio of 106% (2008 – 100%). The higher payout ratio for the year reflected higher net interest expense and lower operating cash flows from each of the assets, partially offset by lower administrative expenses, while distributions for the year were maintained at the same level.

Highlights by operating segment

The discussion and analysis of the Fund's summarized results is organized by its two operating segments: power infrastructure (gas cogeneration, wind, hydro and biomass) and social infrastructure.

	Year ended Dec 31, 2009			Year ended Dec 31, 2008 (Restated)		
($000s unless otherwise noted)	**Power**	**Social**	**Total**	Power	Social	Total
Revenue	**148,384**	**–**	**148,384**	153,186	–	153,186
Operating expenses	**90,326**	**–**	**90,326**	87,217	–	87,217
Contribution margin[(i)]	**58,058**	**–**	**58,058**	65,969	–	65,969
Interest income on loans receivable[(ii)]	**720**	**–**	**720**	793	–	793
Depreciation and amortization on capital assets	**20,865**	**–**	**20,865**	21,085	–	21,085
The Fund's pro rata share of equity accounted income (loss)	**–**	**1,842**	**1,842**	156	(62)	94
Sale of electricity (MWh)[(iii)]	**2,035,557**	**–**	**2,035,557**	2,084,376	–	2,084,376
Sale of steam (klbs)	**693,844**	**–**	**693,844**	719,453	–	719,453
Average total occupancy	**–**	**98.5%**	**98.5%**	–	98.4%	98.4%
Average private occupancy	**–**	**95.9%**	**95.9%**	–	92.9%	92.9%

(i) Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.
(ii) The Fund's interest income consists of interest earned on Chapais loans. This amount is included in net interest expense on the consolidated statement of operations.
(iii) The sale of electricity for the year ended December 31, 2009 includes full production from Chapais of 220,032 MWh (2008 – 221,401 MWh). The Fund accounts for its investment in Chapais using the equity method; therefore, Chapais' operating results do not impact the Fund's revenue for the year.

Power Infrastructure

The power infrastructure segment includes gas cogeneration, wind, hydro and biomass power generation assets.

Gas Cogeneration Power Operations:

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008 (Restated)
Revenue	**102,281**	102,540
Operating expenses	**70,650**	68,047
Contribution margin[(i)]	**31,631**	34,493
Depreciation and amortization on capital assets	**7,824**	7,839
Sale of electricity (MWh)	**1,251,909**	1,259,737
Sale of steam (klbs)	**693,844**	719,453

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

Cardinal's revenue for the year ended December 31, 2009 was 0.3% lower than the prior year reflecting lower DCR adjustments and lower production, partially offset by continued increases in power prices and higher gas mitigation revenue. Cardinal received $1,257 of DCR adjustments in 2008 from the OEFC, while in 2009 it paid a net adjustment of $57. Revenue from gas mitigation was $244 higher than in the prior year. The plant achieved an availability of 95.6% (2008 – 97.2%) and a capacity factor of 94.7% (2008 – 94.9%), with 374 hours (2008 – 240 hours) of outage and 430 hours (2008 – 504 hours) of curtailment. During curtailment, the facility continues to operate but at less than capacity. Cardinal curtails production from time to time during maintenance activities, periods where the spot market price of gas is favourable or when requested by the OEFC. The increase in outage hours in the year reflected a hot gas path inspection that was conducted in April 2009, which took 303 hours to complete. Steam revenue of $1,088 (2008 – $1,108) decreased in the year as a result of lower steam requirements by Canada Starch Operating Company ("CASCO"). Higher operating expenses reflected higher major maintenance expense due to the hot gas path inspection as well as prior period rate adjustments from Union Gas Limited of $256, partially offset by lower gas transportation charges.

Wind Power Operations:

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Revenue	**22,573**	24,660
Operating expenses	**5,476**	5,437
Contribution margin(i)	**17,097**	19,223
Depreciation and amortization on capital assets	**8,276**	8,293
Sale of electricity (MWh)	**232,296**	253,927

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

Erie Shores' revenue and production were 8.5% lower than in the prior year. Production decreased as a result of a lower average wind speed in the year. The facility achieved an availability of 96.3% (2008 – 95.0%) and capacity factor of 26.8% (2008 – 29.2%). Operating expenses were fairly consistent with the prior year.

Hydro Power Operations:

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Revenue	**12,318**	12,705
Operating expenses	**3,512**	3,443
Contribution margin(i)	**8,806**	9,262
Depreciation and amortization on capital assets	**2,178**	2,174

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

Sale of electricity (MWh) Asset/Facility	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Sechelt	**75,556**	80,656
Hluey Lakes	**6,868**	6,842
Wawatay	**58,136**	52,364
Dryden	**20,114**	22,921
Sale of electricity	**160,674**	162,783

Revenue and production at the hydro power facilities were 3.0% and 1.3% lower, respectively, than in the prior year, due to lower water flows, particularly at the Sechelt facility as a result of drier conditions in British Columbia. This was partially offset by higher production at the Wawatay facility reflecting significantly higher precipitation in the fourth quarter. The facilities achieved an overall weighted average availability of 98.1% (2008 – 96.3%) and a capacity factor of 51.4% (2008 – 51.9%), with 3,828 hours of outage (2008 – 1,017 hours). The higher outage hours were primarily driven by turbine rehabilitation work conducted at the Dryden facility's Wainwright station, which is a 1 MW station. Operating expenses were fairly consistent with the prior year.

Biomass Power Operations:

($000s unless otherwise noted)	**Year ended Dec 31, 2009** Whitecourt	Chapais	Total Biomass	Year ended Dec 31, 2008 Whitecourt	Chapais	Total Biomass
Revenue	**11,212**	**–**	**11,212**	13,281	–	13,281
Operating expenses	**10,688**	**–**	**10,688**	10,290	–	10,290
Contribution margin(i)	**524**	**–**	**524**	2,991	–	2,991
Interest income on loans receivable	**–**	**720**	**720**	–	793	793
Depreciation and amortization on capital assets	**2,587**	**–**	**2,587**	2,779	–	2,779
The Fund's pro rata share of equity accounted income	**–**	**–**	**–**	–	156	156

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

Sale of electricity (MWh) Asset/Facility	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Whitecourt	**170,646**	186,528
Chapais	**220,032**	221,401
Sale of electricity(i)	**390,678**	407,929

(i) The sale of electricity for the year ended December 31, 2009 includes full production from Chapais of 220,032 MWh (2008 – 221,401 MWh). The Fund accounts for its investment in Chapais using the equity method; therefore, Chapais' operating results do not impact the Fund's revenue for the year.

Whitecourt

For the year ended December 31, 2009, Whitecourt's revenue and production were 15.6% and 8.5% lower, respectively, due to major maintenance work that was required to address a higher than normal vibration in the turbine. The facility operated at an availability of 82.0% (2008 – 88.4%) and a capacity factor of 81.5% (2008 – 88.0%), reflecting 1,579 hours (2008 – 1,059 hours) of outage. Revenue was also reduced by a lower average Alberta Power Pool price of $47.85 per MWh (2008 – $87.95 per MWh) as approximately 13.5% of the plant's production was sold into the Alberta Power Pool this year. Operating expenses were 3.9% higher than in the same period last year, as a result of the increased major maintenance activities, partially offset by lower management fees following the termination of the operations and maintenance agreement in January 2009.

Chapais

The Chapais facility operated at an availability of 93.8% (2008 – 93.4%), reflecting 554 hours (2008 – 588 hours) of outage. The plant achieved a capacity factor of 89.7% (2008 – 90.0%). As a result, Chapais' production was slightly lower compared with the same period last year.

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

Leisureworld is currently the third largest provider of long-term care in Ontario. The composition of Leisureworld's LTC portfolio as at December 31, 2009 by structural classification was as follows:

Beds by Class(i)	Number of Beds	Percentage of Portfolio
New or A	2,260	52.4%
B	299	6.9%
C	1,755	40.7%
Total	4,314	100.0%

(i) All of Leisureworld's Class A homes are designated as new homes and qualify for capital funding of up to $10.35 per day, per bed. These 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.

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

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Revenue	**267,979**	248,732
Operating and administrative expenses	**234,540**	219,332
Net income (loss)	**4,093**	(188)
The Fund's pro rata share of equity accounted income (loss)	**1,842**	(62)
Distributions paid to the Fund	**10,350**	10,350
Average total occupancy	**98.5%**	98.4%
Average private occupancy	**95.9%**	92.9%

For the year ended December 31, 2009, Leisureworld generated revenue of $267,979 compared with $248,732 in the prior year. The $19,247 increase primarily reflected a 3.9% increase in government funding, including other special initiative funding, as well as increased occupancy of private accommodation. Operating and administrative expenses were also higher due to increases in staff and operating costs. Net income for the year ended December 31, 2009 was $4,093 compared with a net loss of $188 in the prior year. The variance was mainly due to higher income from operations and an unrealized gain on an interest rate swap contract, partially offset by higher depreciation and interest charges in the year.

Contribution margin

Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Contribution margin can be defined as revenue net of direct operating expenses. Contribution margin provides useful information that may assist investors in assessing the operational performance of the Fund's underlying assets and their contribution to the Fund's financial results.

The following provides a reconciliation of contribution margin from income before income taxes for the year ended December 31, 2009:

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Income (loss) before income taxes	**7,941**	(24,447)
Unrealized (gain) loss on swap contracts	**(4,664)**	4,228
Unrealized (gain) loss on embedded derivative instruments	**4,381**	(9,841)
Net interest expense	**15,118**	12,911
Impairment of goodwill	**–**	43,279
Equity accounted income from long-term investments	**(1,842)**	(94)
Foreign exchange (gain) loss	**(23)**	54
Loss on debt extinguishment	**351**	–
Gain on sale of capital assets	**–**	(10)
	21,262	26,080
Add back:		
Administrative expenses	**8,095**	10,982
Depreciation and amortization	**28,701**	28,907
Contribution margin	**58,058**	65,969

Liquidity and financial resources

The Fund's power infrastructure assets have PPAs in place which help to enhance revenue certainty. This results in relatively stable demand through the business cycle and mitigates some of the liquidity risk and uncertainties inherent in the current economic environment.

In May 2009, the Fund refinanced the CPOT and Cardinal credit facilities into a joint credit facility following a $25,000 repayment on the CPOT facility. The new facility extends the maturity of the Fund's floating rate debt at CPOT and Cardinal from June 2010 and May 2011, respectively, to June 2012. The Fund also subsequently amended its interest rate swap contracts to match the maturity date of the new credit facility.

As at December 31, 2009, the following funds were available under the new credit facility:

Credit Facility ($000s unless otherwise noted)	Credit Limits	Amounts Authorized or Drawn	Available
Term	141,875	85,000	56,875
Revolver(i)	40,625	12,533	28,092

(i) Amounts authorized or drawn under the Revolver reflect three letters of credit totalling $2,533 for Erie Shores and a $10,000 unsecured guarantee provided to the lenders under the Tranche C loan for Erie Shores.

In December 2009, the Fund issued $50,000 of new convertible unsecured subordinated debentures with a maturity date of December 31, 2016 (“2016 Debentures”). The underwriters subsequently exercised an over-allotment option to purchase an additional $7,500 principal amount of the debentures on January 5, 2010, bringing the aggregate gross proceeds of the offering to $57,500. Of this amount, $38,918 was used to redeem the Fund’s existing 6.75% convertible debentures with a maturity date of December 31, 2010 (“2010 Debentures”) on January 11, 2010. The refinancing effectively extended the maturity of the Fund’s convertible debentures that were coming due on December 31, 2010 to 2016, reducing interest costs on the debentures from 6.75% to 6.50% and providing the Fund with additional capital for future growth opportunities.

The following table summarizes the Fund’s capitalization position as of December 31, 2009:

	Dec 31, 2009		Dec 31, 2008	
($000s unless otherwise noted)	**Fair Value**	**Book Value**	Fair Value	Book Value
Long-term debt	**192,941**	**192,403**	227,379	222,681
Capital lease obligations	**367**	**367**	555	555
Convertible debentures(i)	**89,437**	**81,655**	35,026	38,918
Levelization amounts	**21,166**	**21,166**	19,581	19,581
Total debt	**303,911**	**295,591**	282,541	281,735
Unitholders’ equity(ii)	**304,980**	**293,015**	239,124	325,631
Total capitalization	**608,891**	**588,606**	521,665	607,366
Debt to capitalization	**49.9%**	**50.2%**	54.2%	46.4%

(i) The fair value and book value of the convertible debentures as at December 31, 2009 included the 2010 Debentures and excluded the $7,500 over-allotment issue.

(ii) The fair value of Unitholders’ equity reflected the Fund’s market capitalization as at December 31, 2009 based on a unit price of $6.11 (2008 - $4.79) and units outstanding of 49,914,927 (2008 – 49,921,584 units). Units outstanding include Class B exchangeable units which as at December 31, 2009 were 3,249,390 (2008 – 3,249,390 units). The book value of unitholders’ equity included the equity portion of the Fund’s convertible debentures of $4,736 (2008 – $nil) as of December 31, 2009.

The Fund expects to meet all of its obligations in 2010 and to make distributions to unitholders from cash flows generated from operating activities. At December 31, 2009, the Fund had positive working capital of $16,962 (2008 – $51,874). Unrestricted cash and short-term investments totalled $53,121 (2008 – $51,904), of which $42,532 (2008 – $34,803) was not designated for major maintenance, capital expenditure or general reserves. Of this amount, $38,918 has been earmarked for the redemption of the Fund’s 2010 Debentures.

($000s unless otherwise noted)	**Dec 31, 2009**	Dec 31, 2008
Major maintenance reserve	**4,668**	9,791
Capital expenditure reserve	**921**	2,310
General reserve	**5,000**	5,000
Total reserve accounts	**10,589**	17,101
Other cash and cash equivalents	**42,532**	29,716
Total cash and cash equivalents	**53,121**	46,817
Short-term investments	**–**	5,087
Total cash and short-term investments	**53,121**	51,904

With the continued funding of major maintenance and capital expenditure reserves, the Fund believes it has more than sufficient funds to meet all anticipated major maintenance and capital requirements in 2010.

Related party transactions

Under the terms of the various administration and management agreements for each of the Fund, the Trust, Cardinal, LTC Holding LP and CPOT, the Fund makes payments to the Manager for administrative and management services, incentive fees and cost reimbursement.

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

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Management fees	**1,784**	1,765
Administrative fees	**110**	108
Incentive fees	**737**	1,602
Cost reimbursement(i)	**2,922**	3,267
	5,553	6,742

(i) $469 of cost reimbursement for the year ended December 31, 2009 was capitalized in deferred charges and deferred financing fees. 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.

In June 2009, the Fund paid advisory fees in the amount of $913 to a subsidiary of MGL in connection with the refinancing of the CPOT and Cardinal credit facilities. These costs have been capitalized as deferred financing fees and netted against long-term debt in the consolidated statement of financial position as at December 31, 2009.

With respect to the Fund's issuance of convertible debentures in December 2009, an underwriter fee of $245 was paid to a subsidiary of MGL, as a member of the syndicate. These costs have been capitalized as deferred financing fees and netted against the equity and liability portion of the convertible debentures in the consolidated statement of financial position as at December 31, 2009.

The Fund has gas swap agreements with an affiliate of MGL to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of Cardinal's gas purchase contract for the seven-month period from April to October for each of the years from 2010 to 2011. The gas swap contracts require Cardinal to pay variable payments to MGL based on 436,814 MMBtu of gas at the then market rate of natural gas in exchange for receiving payments based on 436,814 MMBtu of gas at a fixed price per MMBtu. These transactions are carried out under normal arm's length commercial terms.

Seasonality

Since Cardinal has a long-term PPA with the OEFC and a gas purchase contract with Husky Marketing, 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 higher power rates during the six-month period from October to March (and lower rates from April to September), which is reflected in the variations in quarterly results.

In addition, Cardinal and Whitecourt generally perform their 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 in the market. Exposure to fluctuations in the market prices of gas from the sales of surplus gas has been partially hedged with 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 flow of the respective watersheds. During the spring and autumn periods, water flows are generally greater than during the winter and summer periods.

As with the Cardinal PPA, 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 (and lower rates from April to September).

The PPA with Hydro Quebec 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 Quebec pays an additional capacity premium. This could result in fluctuations in equity accounted income (loss) from long-term investments, 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 with Hydro Quebec may result in fluctuations in revenue and net income during the year.

The Fund maintains reserve accounts and free cash flow in order to offset the seasonality and other factors that may impact electricity production. Management expects that the reserve accounts and free cash flow will be sufficient to maintain monthly distributions to unitholders in 2010.

Supplemental quarterly information

Selected Consolidated Financial and Operating Information of the Fund

($000s except for trust units and per trust unit amounts) For the quarters ended	**Dec 31, 2009**	**Sept 30, 2009**	**Jun 30, 2009**	**Mar 31, 2009**	Dec 31, 2008	Sept 30, 2008	Jun 30, 2008	Mar 31, 2008
Revenue	**42,795**	**32,731**	**32,603**	**40,255**	42,190	32,434	34,862	43,700
Net income (loss)	**11,501**	**(587)**	**(1,752)**	**2,097**	(36,560)	3,811	826	5,389
Cash flows from operating activities	**9,504**	**5,972**	**9,255**	**13,309**	9,836	8,549	17,240	14,891
Distributable cash(i)	**16,142**	**8,305**	**10,225**	**14,955**	14,705	9,839	11,201	16,498
Distributions declared to Unitholders	**13,103**	**13,103**	**13,104**	**13,104**	13,106	13,114	13,117	13,117
Basic and diluted net income (loss) per Unit	**0.230**	**(0.012)**	**(0.035)**	**0.042**	(0.732)	0.076	0.017	0.108
Cash flows from operating activities per Unit	**0.190**	**0.120**	**0.185**	**0.267**	0.197	0.171	0.345	0.298
Distributable cash per Unit	**0.323**	**0.166**	**0.205**	**0.300**	0.294	0.197	0.224	0.330
Distributions declared per Unit(ii)	**0.262**	**0.262**	**0.262**	**0.262**	0.262	0.262	0.262	0.262

(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.

Revenue for the fourth quarter was $42,795 compared with $42,190 in the same period last year. The increase reflected higher production primarily as a result of fewer outage hours at Cardinal and Whitecourt as well as higher water flows at the Wawatay, Sechelt and Hluey Lakes facilities. Additionally, Cardinal benefited from higher power prices as a result of continued increases in the DCR. These factors were partially offset by lower production at Erie Shores due to lower wind speeds than in the same period last year.

Net income for the fourth quarter was $11,501 compared with a net loss of $36,560 in the same period last year. The variance was primarily due to a $43,279 impairment loss of goodwill taken in 2008 combined with higher net operating cash flows, lower administrative expenses and a higher future income tax recovery in the current quarter, partially offset by higher net interest expense.

Distributable cash for the fourth quarter was $16,142 compared with $14,705 in the same period last year. The Fund declared distributions to unitholders of $13,103 (Q4 2008 – $13,106), representing a payout ratio of 81% (Q4 2008 – 89%) for the quarter. The lower payout ratio primarily reflected higher net operating cash flows, particularly at Cardinal, Whitecourt and the hydro power facilities combined with lower administrative expenses, while distributions were maintained at the same level.

Subsequent events

On January 5, 2010, in connection with the Fund's issuance of $50,000 of 6.50% convertible unsecured subordinated debentures due December 31, 2016, the underwriters exercised an over-allotment option to purchase an additional $7,500 principal amount of the 2016 Debentures. This increases the aggregate gross proceeds of the offering to $57,500. On January 11, 2010, the Fund fully redeemed its 6.75% convertible unsecured subordinated debentures that were coming due on December 31, 2010 with proceeds from the issuance of the 2016 Debentures. The total amount paid was equal to the principal outstanding of $38,918 plus accrued interest.

On February 12, 2010, the Fund, together with Macquarie International Infrastructure Fund Limited, announced that it is considering the divestiture of its interests in Leisureworld, by way of an initial public offering ("IPO"). Accordingly, Leisureworld Senior Care Corporation ("LSCC"), a newly formed corporation, has filed a preliminary prospectus with the Canadian securities regulatory authorities for the proposed IPO. The net proceeds from the offering will be used to acquire 100% of the ownership interests in Leisureworld. As at and for the year ended December 31, 2009, the following amounts have been recorded on the Fund's consolidated financial statements in respect of its investment in Leisureworld:

($000s unless otherwise noted)	
Consolidated statement of financial position	
Long-term investments	54,186
Future income tax asset	174
Future income tax liability	10,895
Consolidated statement of unitholders' equity	
Ending cumulative loss	(2,991)
Ending accumulated comprehensive income	190
Consolidated statement of operations and comprehensive income	
Equity accounted income from long-term investments	1,842
Equity share of other comprehensive income of Leisureworld	482
Consolidated statement of cash flows	
Equity accounted income from long-term investments	1,842
Investment in Leisureworld	(6,750)
Transaction costs paid from acquisition	(46)
Distributions received from long-term investments	10,350

Outlook

Management anticipates that MPT will continue to perform reliably in 2010, reflecting the quality and breadth of its portfolio and the predictability of its critical infrastructure businesses.

MPT's portfolio is diversified by asset type, geography and fuel source, which contributes to the stability of MPT's cash flow. Approximately 64% of MPT's distributable cash in 2010 is expected to be generated by Cardinal; 17% by Erie Shores; 11% by the hydro facilities; and 8% by MPT's biomass plants. This diversity mitigates the seasonal impact of wind and hydrological conditions on MPT's performance.

As a result, MPT expects to maintain stable distributions to unitholders of $0.66 per unit in 2010. The Fund currently intends to execute its conversion into a dividend-paying corporation in December 2010.

Cardinal

We expect revenue at Cardinal in 2010 to be higher than in 2009 due to less scheduled maintenance work and the continuing escalation in the DCR (see Figure 3), which results in a higher power price under Cardinal's PPA. Cardinal will conduct a combustion inspection in the second quarter of 2010, which typically requires about five days of outage. We anticipate that higher power rates and increased production compared with 2009 will offset the impact of higher gas transportation rates, which are currently expected to increase from $1.19 per gigajoule in 2009 to approximately $1.64 per gigajoule in 2010. As a result, we expect that cash flow from this facility will be slightly higher than in 2009.

Figure 3: Ontario Electricity Pricing Factors

(in cents per kilowatt hour)	2002 Final	2003 Final	2004 Final	2005 Final	2006 Final	2007 Final	2008 Final	Second 2009 Interim(iii)	Provisional 2010(iii)
Total Market Cost(i)	6.1121	6.0820	6.0428	7.2217	6.6721	6.7143	6.9483	7.8202	7.8202
Direct Customer Rate(ii)	5.8272	5.9597	6.0790	6.4410	6.6377	6.8616	6.8616	7.1608	7.1608
Percentage Increase over Prior Year	n/a	2.27%	2.00%	5.95%	3.05%	3.37%	–%	4.36%	–%

(i) Total Market Cost refers to the total market cost of electricity to industrial customers.
(ii) Direct Customer Rate is calculated based on the three-year average of the Total Market Cost of electricity to industrial customers.
(iii) The OEFC is required to calculate and publish the final DCR (2009) when the final market data is available and the interim DCR (2010) within 60 days of the end of the previous half-year period.

Erie Shores

We expect revenue and cash flow at Erie Shores to be slightly higher based on the expectation of normal wind patterns as well as enhanced availability resulting from improvements made at the facility in 2009. Erie Shores' annual long-term production target is 249,800 MWh. At the end of July, Erie Shores will internalize operations and maintenance ("O&M") following the expiry of its existing O&M contract with GE Canada, which is expected to result in lower operating costs over time. As a result of the internalization, we expect Erie Shores to incur approximately $800,000 in one-time expenses and capital expenditures primarily related to building up an inventory of spare parts as well as end-of-contract inspections.

Hydro Power Facilities

We expect revenue and cash flow from the hydro power facilities to be higher based on the expectation of improved hydrological conditions as well as price escalators in the facilities' PPAs. The average long-term annual production of the hydro power facilities is 166,360 MWh. Capital expenditures across the facilities are expected to be significantly lower than in 2009. Value enhancement projects at the hydro power facilities planned for 2010 include upgrading the SCADA (Supervisory Control and Data Acquisition) software systems at Hluey Lakes and Wawatay. These systems monitor the facilities' operations to collect the operational and technical data required to improve operational efficiency.

Whitecourt

We expect revenue and cash flow at Whitecourt to be significantly higher in 2010 than in 2009. We anticipate that Whitecourt will achieve an availability factor of approximately 95% in 2010, which is in line with its historical performance. Whitecourt's turbine is expected to operate reliably until the facility's next scheduled major maintenance inspection in 2016. We are planning approximately $1 million in capital expenditures for 2010, including the replacement of the facility's boiler feedwater pumps and air compressor, which will support Whitecourt's continuing reliability. We currently expect Whitecourt to have a continuing stable and adequate supply of wood waste fuel in 2010.

The Fund

We expect higher administrative and interest costs in 2010 than in 2009. Administrative costs are expected to be higher due to the process of converting the Fund to a dividend-paying corporation, the implementation of International Financial Reporting Standards, and increased business development activity as we pursue our growth strategy. Increased interest costs in 2010 will reflect higher rates on our credit facility as well as the higher principal amount outstanding on the convertible debentures. Despite these costs, we expect slightly increased cash flow overall in 2010 compared with 2009.

Contractual obligations and other commitments

The following describes the significant contractual obligations and commitments of the Fund as at December 31, 2009:

Long-term Debt

($000s unless otherwise noted)	Interest Rate	Maturity	**Dec 31, 2009**	Dec 31, 2008
Credit facility(i)	2.97% – 2.99%	June 29, 2012	**85,000**	–
Cardinal credit facility(i)	1.22% – 1.38%	May 16, 2011	**–**	35,000
CPOT credit facility(i)	1.46% – 1.63%	June 26, 2010	**–**	75,000
Erie Shores project debt(ii)				
Tranche A	5.96%	April 1, 2026	**64,629**	66,873
Tranche B	5.28%	April 1, 2016	**5,551**	6,249
Tranche C	5.05%	April 1, 2011	**40,000**	40,000
			110,180	113,122
			195,180	223,122
Less: Deferred financing fees			**(2,777)**	(441)
Total debt, net of deferred financing fees			**192,403**	222,681
Less: Current portion of long-term debt			**(3,117)**	(2,942)
Total long-term debt			**189,286**	219,739

(i) In May 2009, the Fund refinanced two of its credit facilities under CPOT and Cardinal into a combined facility in the amount of $182,500, consisting of: (a) a $141,875 term facility ("Term"); and (b) a $40,625 revolving facility ("Revolver"), of which $85,000 has been advanced on the Term and $nil was advanced on the Revolver as at December 31, 2009. As a result of the refinancing, the Fund capitalized $3,450 of loan origination, legal and advisory fees and expensed $351 of deferred financing fees in connection with the previous CPOT facility. Advances under the new credit facility are made in the form of a series of Bankers' Acceptances ("BA") and prime rate loans. Interest paid on BAs are based on the then current BA rate plus an applicable margin ("stamping fee") based on the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses ("EBITDA"). Collateral for the facility is provided by first ranking security interest covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to certain non-financial and financial covenants including limits on the consolidated total debt/consolidated EBITDA ratio and interest coverage ratio.

(ii) The Fund has a loan of $110,180 non-recourse project financing for Erie Shores, consisting of: (a) a $64,629 fully amortizing loan ("Tranche A"); (b) a $5,551 fully amortizing loan ("Tranche B"); and (c) a $40,000 interest only loan ("Tranche C"). This financing was borrowed by Erie Shores and is secured only by Erie Shores. CPOT has an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan to Erie Shores. Interest on the facility is fixed as presented above.

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

($000s unless otherwise noted) Year of Repayment	Credit Facility	Erie Shores Project Debt	Total
2010	–	3,117	3,117
2011	–	43,302	43,302
2012	85,000	3,497	88,497
2013	–	3,705	3,705
2014	–	3,925	3,925
Thereafter	–	52,634	52,634
Total	85,000	110,180	195,180

($000s unless otherwise noted)	**Dec 31, 2009**	Dec 31, 2008
Interest on long-term debt	**11,106**	10,688
Interest on other liabilities(i)	**4,162**	3,941
Deferred financing fees amortized	**781**	259
Total interest expense	**16,049**	14,888
Less: Interest income	**(931)**	(1,977)
Net interest expense	**15,118**	12,911

(i) Other liabilities includes the Fund's levelization amounts and convertible debentures.

Swap Contracts

As at December 31, 2009, Cardinal and CPOT had various interest rate swap contracts to mitigate interest rate risk on a notional amount of $85,000 on their combined credit facility. Under each agreement, Cardinal and CPOT will pay a fixed rate in return for a floating rate equal to the then current three-month BA rate.

During the fourth quarter of 2009, the Fund renegotiated the swap contracts that were coming due in June 2010 and May 2011 in order to match the maturity of the new credit facility at Cardinal and CPOT. Under the amended swap contracts, Cardinal and CPOT will pay a lower fixed rate, in exchange for the then current three-month floating rate interest on the same notional amount and for a longer term until June 29, 2012. Based on the amended swap contracts, the effective interest rates on $85,000 of the Fund's floating rate debt are as follows:

Maturity Date	Notional Amount	Swap Fixed Rate	Stamping Fee(i)	Effective Interest Rate
June 29, 2012	11,700	3.12%	2.50%	5.62%
June 29, 2012	5,300	3.13%	2.50%	5.63%
June 29, 2012	18,000	3.13%	2.50%	5.63%
June 29, 2012	10,000	2.28%	2.50%	4.78%
June 28, 2010(ii)	40,000	3.07%	2.50%	5.57%
	85,000			

(i) The stamping fee represents the current applicable margin that is paid on advances from the joint credit facility at Cardinal and CPOT.
(ii) The Fund has a forward start swap to hedge the interest on a notional $40,000 from June 28, 2010 to June 29, 2012 at a fixed rate of 2.14%.

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

Cardinal has gas swap contracts for the seven-month period from April to October in the years 2010 to 2011. Each fiscal year, these contracts require Cardinal to make payments to the counterparties based on 436,814 MMBtu of gas at the then market rate of natural gas in exchange for receiving payments based on 436,814 MMBtu of gas at a fixed price per MMBtu.

None of the swap contracts above have been designated for hedge accounting.

Convertible Debentures

At December 31, 2009, the Fund's consolidated statement of financial position included two convertible debentures that remained outstanding. The Fund's 6.75% convertible unsecured subordinated debentures had an outstanding principal amount of $38,918, with a maturity date of December 31, 2010. These debentures were convertible into trust units of the Fund at the option of the holder at a conversion price of $18.28 per trust unit. Interest was paid semi-annually in arrears on June 30 and December 31 in each year and computed on the basis of a 365-day year. On January 11, 2010, the Fund fully redeemed these debentures for a principal amount of $38,918 plus accrued interest.

On December 22, 2009, the Fund issued $50,000 of new convertible unsecured subordinated debentures with a maturity date of December 31, 2016. The underwriters subsequently exercised an over-allotment option to purchase an additional $7,500 principal amount of the debentures on January 5, 2010, bringing the aggregate gross proceeds of the offering to $57,500. These debentures bear an interest rate of 6.50% per annum payable semi-annually in arrears on June 30 and December 31 each year commencing on June 30, 2010. They are convertible into trust units of the Fund at the option of the holder at a conversion price of $7.00 per trust unit.

Levelization Amounts

As at December 31, 2009, the Fund has a levelization liability of $21,166 (2008 – $19,581), relating to payments received from the OEFC in excess of the base rate as set out under the PPA for the Wawatay hydro power facility. In accordance with the PPA, the OEFC is required to make monthly guaranteed payments as well as variable payments based on actual electricity production. To the extent that these payments exceed the revenue recorded in a given month, the Fund records an increase in the levelization amounts. To the extent that these payments were less than the revenue recorded, the Fund records a reduction in the levelization amounts. Interest on the levelization amounts is accrued at a prescribed variable rate, which currently approximates 7.17% per annum.

Leases

Cardinal leases 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.

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

The Fund has capital leases expiring between 2010 and 2012 and bearing interest rates from 6.6% to 7.0%.

The following table summarizes total principal and interest payments on the Fund's capital leases for the next three years:

($000s unless otherwise noted) Year of Repayment	Annual Payment	Interest	Principal
2010	141	22	119
2011	133	13	120
2012	133	5	128
Total	407	40	367

Electricity Supply Contracts

The Fund's power facilities have PPAs that expire between 2014 and 2042 to sell substantially all electricity produced at its facilities, less the amount of electricity consumed in the operation of the facilities, to creditworthy customers including government agencies. Rates of power sales are fixed in the PPAs and most include escalation clauses.

Energy Savings Agreement

Under the terms of an energy savings agreement between Cardinal and CASCO, Cardinal is required to sell up to 723 million pounds of steam per year to CASCO for its plant operations. The energy savings agreement matures on January 31, 2015, but may be extended by up to two years at the option of Cardinal.

Wood Waste Supply Agreement

The Whitecourt biomass facility has a long-term agreement with Millar Western to ensure an adequate supply of wood waste. The agreement expires in 2016.

Gas Purchase Contract

Cardinal has a long-term purchase agreement for natural gas that expires on May 1, 2015. The minimum purchase commitment for natural gas under the agreement is 9,289,104 MMBtu per year through to expiration in 2015, which is equivalent to 80% of the contract maximum.

Operations and Management Agreements

CPOT has an operations and management agreement with Regional Power Inc. ("Regional") to operate and maintain the hydro power facilities, expiring on November 30, 2011 with automatic renewal terms. Regional is paid a monthly management fee and is eligible for an annual incentive fee.

Under a fixed-price service and maintenance agreement that expires on July 25, 2010, General Electric Canada provides operating and management services to Erie Shores. Under a separate agreement, General Electric Company provides Erie Shores with a four-year revenue reimbursement and performance warranty expiring July 25, 2010.

Guarantees

As at December 31, 2009, the Fund had an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan to Erie Shores. This guarantee may be reduced from time to time by an amount equal to 75% of any releases from the escrow accounts established upon CPOT's disposition of Gas Recovery Systems, LLC ("GRS") prior to the acquisition of CPOT by the Fund, in excess of a certain amount. At December 31, 2009, there had been no reduction in the guarantee amount.

The Fund also provides three guarantees relating to CPOT's former investment in GRS. As at December 31, 2009, no claims had been made on these guarantees.

Climate change and the environment

The Fund's assets are subject to a complex and increasingly stringent environmental, health and safety regime, which includes environmental laws, regulations and guidelines at the federal, provincial and local levels. As the Fund's gas cogeneration and biomass power generation businesses emit carbon dioxide ("CO_2"), the Fund must also comply with emerging federal and provincial requirements, including programs to offset emissions. The Fund complies, in all material respects, with current federal, provincial and local environmental legislation and guidelines.

Federal Requirements

Greenhouse Gases

On March 10, 2008, the Canadian federal government released a broad framework for the regulation of greenhouse gas emissions and air pollution entitled *Turning the Corner: Taking Action to Fight Climate Change*, in which it established the structure of greenhouse gas (“GHG”) targets and compliance mechanisms for the years 2010 to 2020. In 2009, the Canadian federal government indicated that this proposed framework will be redesigned to reflect a common North American approach to GHG management, including the implementation of a cap-and-trade system and targets that are consistent with GHG reduction targets established by the United States (“U.S.”). On January 30, 2010, the federal environment minister announced a new target to reduce GHG emissions 17% from 2005 emission levels by 2020, matching the target in proposed U.S. climate change legislation. This target will be adjusted to reflect any changes to the final target established by the U.S. The federal government’s previous target under the *Turning the Corner* framework called for a 20% reduction in GHG emissions from 2006 levels.

The approach outlined in the *Turning the Corner* framework was designed to provide an incentive for high-efficiency cogeneration. This would be achieved by treating the baseline for cogeneration as equal to the emission levels if the electricity and heat were produced separately. For the heat component, the baseline would be equivalent to a stand-alone conventional boiler at 80% efficiency. For the electricity component, the baseline intensity would be that of natural gas combined cycle generation, or 0.418 tonne per MWh, with no requirement for further reduction. All current equipment at Cardinal is designed to produce emissions below these applicable standards. There has been no indication whether the anticipated revisions to the federal climate change framework will include a similar incentive for cogeneration.

As part of the *Turning the Corner* framework, on June 29, 2008, the federal government released its *Credit for Early Action Program*, which was designed to recognize and provide a limited number of carbon credits to certain facilities that took steps to reduce their GHG emissions between 1992 and 2006 and that would likely find themselves subject to mandatory greenhouse gas reductions. Credits would be available for reductions of CO_2, methane and nitrous oxide (“NOx”), among other gases. The Fund has determined that no projects carried out at its facilities during this period of time are eligible to earn credits under the *Credit for Early Action Program*. There has been no indication whether the anticipated revisions to the federal climate change plan will include a similar program for early action.

In a step towards establishing a domestic carbon market, the Canadian federal government announced an offset credit program for GHG emissions in June 2009. Two draft guides published in the *Canada Gazette* on June 12, 2009 set out the proposed offset program rules and guidance for both offset project proponents and verification bodies. The final version of these proposed rules and guidance, together with the *Guide for Protocol Developers* (a draft of which was published in the *Canada Gazette* on August 9, 2008), have yet to be issued. The Canadian federal government has stated that Canadian offset program rules, federal regulations and enforcement mechanisms will be reviewed to ensure they are comparable with any U.S. climate change legislation that is eventually implemented. In the U.S., the *American Clean Energy and Security Act of 2009* (“ACES”) was passed by the U.S. House of Representatives on June 26, 2009. The ACES sets out the framework for a U.S. cap-and-trade system, energy efficiency initiatives and incentives for the development of clean energy technologies. In order for the ACES to become law, it must next pass the U.S. Senate where similar legislation is currently stalled in Senate committees. If the Senate passes a bill, the differences between the ACES and Senate bill would need to be reconciled, with the final bill passed by both houses, before it can be signed into law. A new climate bill is expected to be introduced in the Senate in early 2010.

Numerous design details of the Canadian federal government’s proposed framework are yet to be released and the coordination of this approach with provincial plans has not yet been negotiated. As mentioned above, the Canadian federal framework is expected to be made consistent with any climate change legislation that is implemented in the U.S. As a result, at this time the Fund cannot estimate the full impact of this framework on its operations. However, the Fund’s exposure to evolving GHG regulations is mitigated by various clean technology initiatives and a growing portfolio of renewable power generation facilities, which could create viable GHG offset credits provided that the Fund’s assets meet the applicable eligibility requirements under the proposed federal offset program.

Other Air Pollutants

Concurrently, the Canadian federal government is developing a parallel framework for managing air pollutant emissions such as NOx, sulphur oxides, volatile organic compounds and particulate matter. A draft proposal, known as the *Comprehensive Air Management System* (“CAMS”), was put forward in 2009 as an alternative to the *Turning the Corner* framework. The purpose of the CAMS proposal, which is currently under consultation, is to provide a national framework for regulating industrial emissions of air pollutants. The federal government is working with the provinces/territories, industry and non-governmental organizations to finalize the CAMS proposal, however there is no indication of when this proposal will be finalized and approved. Specific caps on pollutants for each sector, including electricity generation, are being contemplated under the CAMS proposal but these would not likely come into effect before 2015. Until emission standards and compliance mechanisms for these air pollutants are announced, the Fund cannot estimate the impact of such standards and compliance mechanisms on its operations.

Provincial Requirements

Alberta

Whitecourt complies with Alberta's *Specified Gas Emitters Regulation*, which sets GHG intensity limits for all facilities in Alberta that emitted equal to or greater than 100,000 tonnes of GHG emissions in CO_2 equivalent units.

Ontario

Ontario legislation that came into effect in 2004 introduced a cap-and-trade system with respect to NOx emissions. Under this system, facilities subject to the legislation receive a maximum yearly emission compliance limit, which may be achieved by source emission control or reduction, or by trading NOx allowances. For 2009, Cardinal received 679 tonnes of NOx allowances based on actual generation in 2007. Cardinal expects to retire 374 tonnes of NOx allowances for 2009, leaving a cumulative allowance balance of 3,879 tonnes. NOx emissions from Cardinal's existing generating equipment fall below the levels mandated by legislation.

Ontario's *Climate Action Plan*, which was released in August 2007, sets out GHG emission reduction targets of 6% by 2014 and 15% by 2020 from 1990 levels across a range of sectors, including electricity generation.

On June 2, 2008, the Ontario and Quebec governments announced a memorandum of understanding on a regional cap-and-trade system to reduce GHG emissions. Further, on July 18, 2008, the Ontario government announced that it had joined the Western Climate Initiative ("WCI"), an organization that also includes British Columbia ("B.C."), Quebec, Manitoba and seven U.S. states. The WCI seeks to develop regional strategies to address climate change, including setting an overall regional goal to reduce GHG emissions and the design of a market-based mechanism to help achieve the reduction goal. The WCI released draft design recommendations for its regional cap-and-trade program (the "WCI Program") in September 2008. The WCI Program limits the use of offsets as a compliance mechanism to 49% of total emission reductions from 2012 to 2020. The existence of the WCI Program is expected to increase liquidity for carbon instruments across its member jurisdictions and create potential opportunities for eligible Fund assets to generate offset credits.

As a member of the WCI, Ontario will implement a cap-and-trade system as part of its strategy to reduce GHG emissions. The Ontario government has indicated that once the WCI cap-and-trade system begins trading as anticipated on January 1, 2012, Ontario's trading system will be linked to the WCI system. On December 3, 2009, Ontario's legislature passed the *Environmental Protection Amendment Act (Greenhouse Gas Emissions Trading)*, which allows Ontario's program to link to other systems in North America and abroad. The Ontario government has indicated that by mid-2010, the necessary groundwork will be laid for implementing its cap-and-trade system in 2012.

Finally, a discussion paper issued by the Ontario government in June 2009, entitled *Moving Forward: A Greenhouse Gas Cap-and-Trade System for Ontario*, suggests that the most likely threshold for the electricity sector will be 25,000 tonnes of CO_2 per year. The Cardinal facility may be captured by Ontario's proposed cap-and-trade regime as it emits in excess of 100,000 tonnes of CO_2 per year.

British Columbia

The B.C. provincial government introduced legislation in April 2008 to create a cap-and-trade system for GHG. This enabling legislation provides the framework for the province to participate in the WCI's cap-and-trade system. The details of B.C.'s cap-and-trade system will be developed in conjunction with the WCI Program.

The details of the above noted regulations and the impact on emitting entities have not yet been determined. Moreover, it is not yet clear how these initiatives would coordinate with federal and other provincial plans. As a result, at this time the Fund cannot estimate the impact of these regulations on its operations.

Risks and uncertainties

The Fund, its subsidiaries and the facilities in which they have invested face a number of risks and uncertainties, including the risk factors set out below 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 unitholders. For a more comprehensive description of these and other possible risks such as: risks associated with changes in federal tax rules for flow-through entities, other tax-related risks, variability of distributions, unitholder dilution, volatile market prices for units, international financial reporting standards, nature of units and unitholder liability, please see the Fund's Annual Information Form dated March 25, 2010 for the year ended December 31, 2009 and other filings with Canadian securities regulators. These filings are available on SEDAR at www.sedar.com.

The Manager analyzes all risks associated with the Fund's operations and business goals, which include:

- Identifying internal and external risk exposures;
- Quantifying and qualifying risks to determine and rate the frequency and potential financial, regulatory or reputational impact of each risk;
- Developing a risk management strategy that includes continuous compliance with obligations;
- Implementing policies and procedures for managing each risk;
- Monitoring and testing compliance frequently;
- Reporting exceptions as necessary, remedying them and taking steps to prevent the risk of re-occurrence;
- Maintaining systems and records to ensure the ongoing integrity of the process; and
- Annually reviewing controls for completeness and effectiveness.

We seek to reduce the likelihood of a risk event occurring, and to reduce the significance of the consequence if an event occurs. Our risk controls include the following core components:

Policies

MPT's governance policies and procedures apply equally to the individual assets within the portfolio, which ensures consistency and reliability in risk management and reporting. Employees are trained in respect of the policies and procedure to be followed and compliance with applicable regulations, policies and procedures is regularly reviewed. The Fund's Code of Ethics defines ethical business conduct and must be followed by all Trustees, officers, employees, contractors and agents of MPT.

Operational Risk Assessment

All of the Fund's businesses complete an annual operational risk self-assessment, which applies a formal process to identifying, ranking, mitigating and monitoring risks. Over time, such processes typically lead to continuous improvement of controls, which results in lower residual risk.

Environmental, Health and Safety

MPT's assets must adhere to complex and stringent environmental, health and safety laws. Our view is that compliance with regulatory obligations, including occupational health and safety laws related to employees, contractors and visitors, is the minimum standard. Rather, the Fund strives for best practices in environmental, health and safety management.

Risks Related to our Business

Operational Performance

MPT's revenue is proportional to the amount of electricity generated by its facilities. These facilities could be negatively affected by premature wear or failure, defects in design, material or workmanship, or longer than anticipated down times for maintenance and repair.

We manage these risks by:

- Operating the facilities within defined and proven operating standards;
- Performing regular and comprehensive routine and preventative maintenance; and
- Employing technologies that are proven.

The operational performance of Erie Shores and the hydro power facilities depends on wind speed, density, and water flows, respectively. The location of the hydro power facilities in their different watersheds helps to mitigate this risk.

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 that provide a specified rate for a defined period of time. Additionally, the excess power capacity of some of the facilities may be sold in the open market, where prices paid for energy can vary. As a result, distributions to unitholders depend in part on prices paid for energy in the open market.

As PPAs expire, the facilities may not be able to renegotiate or enter into power supply contracts, or to do so on terms that are commercially reasonable. If the facilities choose to sell the power they produce on the open market, the market price may not exceed the marginal cost of operations for periods of time.

Fuel Costs and Supply

The natural gas that Cardinal uses in its operations is supplied under a gas purchase agreement that expires on May 1, 2015. When this agreement expires, Cardinal will have to renegotiate the agreement or enter into a new gas supply agreement, and may not be able to do so on comparable terms, if at all. Cardinal also depends on the transportation of natural gas to the facility. Any disruption in this service could affect the facility's production. In addition, any increase in the gas transportation rate, which is regulated by the National Energy Board, could result in higher operating costs.

Cardinal has gas swap agreements to mitigate the effect of gas price fluctuations on the net proceeds that it receives for natural gas sold in excess of its requirements. These gas swap agreements could expose MPT to losses that could occur under various circumstances, such as the counterparty defaulting on its obligations under the agreements or if the agreements provide an imperfect hedge in the event that the Fund's swap policies and procedures are not followed.

Whitecourt and Chapais have long-term contracts with substantial forest products companies to provide a majority of their wood waste fuel requirements. When these fuel supply agreements expire, MPT will have to renegotiate the agreements or enter into new fuel supply agreements, and may not be able to do so, or to do so on comparable terms. If this supply is interrupted, the ability of the biomass facilities to operate could be affected. There can be no assurance as to the supply or price of wood waste available on the open market at the time of expiry of the supply agreements. Furthermore, the fuel needs to be transported to the biomass power facilities, so any disruption in the supply of wood waste or an increase in transportation costs could negatively affect production.

A portion of the wood waste fuel requirements for each of the biomass power facilities is obtained at spot prices from local suppliers, which means that the availability and price of such fuel could vary.

The wind and hydro facilities have no fuel costs but rely on the availability and constancy of wind and water resources, which could vary due to abnormal weather conditions. These include changing wind patterns and high and low water flows, respectively.

Contract Performance
The amount of distributable cash available for distribution to unitholders depends on the facilities' customers, suppliers and other parties fulfilling their contractual obligations. This includes the OEFC under various PPAs, Husky Marketing under the Cardinal gas purchase agreement, and Millar Western under its wood waste supply agreement for Whitecourt. If these parties are unable or fail to meet contractual commitments, the business, operating results and financial condition of one or more of the power facilities could be negatively affected.

Default Under Credit Agreements
As described elsewhere in this MD&A, consolidated financial statements and notes to the consolidated financial statements, MPT has credit agreements that contain a number of standard financial and other covenants.

A failure by Cardinal, CPOT or Erie Shores to comply with their obligations under these credit agreements could result in a default, which, if not cured or waived, could result in the termination of distributions and permit acceleration of the relevant indebtedness. If this acceleration was to occur, there can be no assurance that the assets of Cardinal, CPOT and Erie Shores would be sufficient to repay that indebtedness, or that sufficient cash flow will be generated to pay outstanding indebtedness or to fund other liquidity needs.

In addition, there can be no assurance that the Fund or its subsidiaries will be able to refinance these credit agreements or obtain additional financing on commercially reasonable terms, if at all. Borrowing under the Fund's credit agreement may be at variable rates of interest, which exposes the Fund to the risk of increased interest rates.

Land Tenure and Related Rights
The facilities' operations depend on various land tenure and resource access rights. If any of these rights are successfully challenged, or if they cannot be renewed or renegotiated on acceptable and commercially reasonable terms upon expiry, the affected facility will likely be unable to continue to operate. In these circumstances, there can be no assurance that the Fund or its subsidiaries will have or be able to obtain the necessary financial resources to pay for required restoration and remediation works.

Regulatory Regime and Permits
The performance of the Fund's facilities depends in part on a favourable regulatory climate. The Fund's ability to pay distributions could be affected by changes in the regulatory regime in an applicable jurisdiction. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance. The failure to obtain, maintain, or renew all necessary licences, permits or government approvals could adversely affect the facilities' ability to operate. All of the Fund's facilities are highly regulated. If a facility fails to comply with applicable regulations and standards, the Fund may become subject to claims, costs or enforcement actions.

The following summarizes key regulatory considerations for each of our facilities:

Facility	*Regulatory Consideration*
Cardinal	• Subject to environmental regulations, including GHG emission standards and/or approvals related to operations
Erie Shores	• Subject to regulations and/or approvals related to birds, mammals and other animals, and to sound • Government regulations and incentives currently have a favourable impact on wind power facilities in Canada. Modifications to these incentives could negatively affect Erie Shores.
Hydro power facilities	• Water rights generally owned by governments and government agencies reserve the right to control water levels
Whitecourt	• Subject to environmental regulations, including GHG emission standards and/or approvals related to operations, including biomass supply and wood ash disposal

Force Majeure
The occurrence of a significant event that disrupts the ability of Cardinal, Erie Shores, the hydro power facilities and the biomass facilities to produce or sell power for an extended period, including events that preclude existing customers from purchasing power, could have a material negative impact on distributable cash. A significant portion of the events giving rise to force majeure are mitigated by the Fund's contractual arrangements, diversified asset base and applicable insurance programs.

Geographic Concentration and Non-diversification
Cardinal, Erie Shores, and the Wawatay and Dryden hydro power facilities, representing more than 73% of the Fund's distributable cash in 2009, are located in the Province of Ontario. If Ontario was to generally experience a decline in financial performance as a result of changes in local or regional economic conditions, or an adverse change in the regulatory environment, the market value of these facilities, the income they generate and the overall financial performance of the Fund could be negatively affected.

Dependence on the Manager and Potential Conflicts of Interest
The Manager directly, or indirectly through its operating subsidiaries, makes, subject to the approval of the Board of Trustees, decisions relating to MPT, the Trust, and the businesses of the assets. The assets also depend on the Manager, through the administration agreements and the management agreements, for administrative and management services.

The Manager, its affiliates, employees or agents and other funds and vehicles managed by affiliates of the Manager may be engaged or invested, directly or indirectly, in a variety of other companies or entities involved in owning, managing, advising on or being otherwise engaged in the power business or other infrastructure businesses. The management agreements, the administration agreement, the Trust's Declaration of Trust, and the Fund's Declaration of Trust contain provisions that outline the procedures to be followed should a conflict of interest arise. In some circumstances, such conflicts may result in the Fund or its subsidiaries engaging persons other than the Manager to provide services in respect of certain acquisitions or investments.

Insurance
The Fund maintains insurance coverage in respect of potential liabilities and the accidental loss of value of their assets from risks deemed appropriate by the Board of Trustees. Not all risks are covered by insurance. Insurance coverage may not be consistently available on an economic basis. There can be no assurance that insurance proceeds received by the Fund for any loss or damage will be fully adequate to compensate for potential losses incurred.

Environmental, Health and Safety
MPT's assets are subject to a complex and increasingly stringent environmental, health and safety regulatory regime, which includes environmental, health and safety laws.

As such, the operation of the facilities carries an inherent risk of environmental, health and safety liabilities (including potential civil actions, compliance or remediation orders, fines and other penalties), which may result in the facilities being involved from time to time in administrative and judicial proceedings related to such matters.

None of the Fund's assets, to the Fund's or the Manager's knowledge, has been notified of any such civil or regulatory action in regard to their operations. However, it is not possible to predict with certainty what position a regulatory authority may take regarding matters of non-compliance with environmental, health and safety laws. Changes in such laws, or more aggressive enforcement of existing laws, could lead to material increases in unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, capital expenditures, restrictions or delays in the facilities' activities.

The primary environmental risks associated with the operation of the hydro power facilities include possible dam failure, which results in upstream or downstream flooding, and equipment failure which results in oil or other lubricants being spilled into the waterway. In addition, the operation of a hydro power facility may cause the water in the associated waterway to flow faster or slower, which could result in water flow issues that impact fish population, water quality and potential increases in soil erosion around a dam facility.

The primary environmental risks associated with the operation of Erie Shores include potential harm to the local migratory bird population, harm to the local bat population as well as concerns over sound levels and visual 'harm' to the scenic environment around the wind facility.

The primary environmental risks associated with the operation of Cardinal, Whitecourt and Chapais include potential air quality and emissions issues, soil contamination resulting from oil spills, issues around the storage and handling of chemicals used in normal operations, and the storage of wood waste fuel on site. The Fund's procedures, in place to prevent and minimize any impact of the foregoing, meet generally acceptable industry practices. As such, the Fund does not believe that it engages in the improper discharge of emissions, untreated water, chemicals or oil at these facilities.

The Fund completes facility inspections to monitor and mitigate the above risks, and ensures that each facility is in compliance with its regulatory requirements. To mitigate the risk of administrative sanctions and to minimize safety risks to employees and contractors, the Fund works continuously with all employees to ensure the development and implementation of a progressive safety culture within all operations. The Fund has safety committees within each operating unit and has dedicated staff to ensure existing safety programs are continuously improved.

Availability of Financing
In recent years, global financial conditions and market events have increased volatility and resulted in tightening of credit that has reduced available liquidity and overall economic activity. There can be no assurance that debt or equity financing will be available and available on acceptable terms or, together with internally-generated funds, will be sufficient to meet or satisfy the Fund's objectives or requirements. The inability of the Fund to access sufficient capital on acceptable terms could have a material adverse effect on the Fund's business, prospects, distribution paying capability and financial condition and ability to pursue further enhancement opportunities or acquisitions.

Critical accounting policies and estimates

The audited consolidated financial statements have been prepared in accordance with GAAP. The significant accounting policies are described in note 2 to the consolidated financial statements. The critical accounting policies and estimates are detailed below:

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

The Manager makes significant accounting estimates that could be material to the consolidated financial statements in the application of the following accounting policies:

Fair Value Measurements
Fair value 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 observable prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These techniques 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 processes. 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.

Estimates of fair value are made in the valuation of certain financial instruments, asset retirement obligations and also in determining the fair value of net assets acquired in a business combination. These estimates are based on assumptions that are sensitive to change, which may have a significant impact on the valuations performed.

Carrying Values of Capital and Other Long-lived Assets
Impairment reviews of the carrying value of capital and other long-lived assets require management to make estimates of fair value, undiscounted future cash flows and business performance.

Future Income Taxes
The determination of the future income tax balances of the Fund requires the Manager to make estimates of the reversal of existing temporary differences between the accounting and tax bases of assets and liabilities in future periods.

Adoption of New Accounting Policies
On January 1, 2009, the Fund adopted two new standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"): Section 3064, Goodwill and Intangible Assets and Section 1000, Financial Statement Concepts.

Section 3064, Goodwill and Intangible Assets, clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset and as a result, certain costs previously capitalized are expensed as incurred. Section 1000, Financial Statement Concepts was also amended to provide consistency with the new standard. Management has determined that the adoption of these sections had no material impact on the Fund's consolidated financial statements as at January 1, 2009.

During the first quarter of 2009, the CICA issued Emerging Issues Committee Abstract 173 ("EIC 173") Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparties in determining the fair value of financial assets and liabilities. The Fund has elected to utilize the "in exchange" approach, which uses the derivative's stand-alone mark-to-market value in the calculation of the credit risk adjustment and excludes the effect of the master netting agreements between the Fund and the counterparties. This abstract must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009.

The adoption of this new standard resulted in the following adjustments to the opening consolidated statement of financial position and consolidated statement of unitholders' equity as at January 1, 2009:

($000s unless otherwise noted) Consolidated statement of financial position	Debit (Credit)
Swap contracts at fair value, net	516
Embedded derivative asset	(1,777)
Embedded derivative liability	1,491
Long-term investments	88
Future income tax liability	3,038

($000s unless otherwise noted) Consolidated statement of unitholders' equity	(Credit)
Opening cumulative earnings	(3,287)
Opening accumulated comprehensive income (loss)	(69)

In September 2009, the CICA amended Section 3862, Financial Instruments – Disclosures ("Section 3862") to adopt the amendments recently issued by the International Accounting Standards Board ("IASB") to International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7"), in March 2009. These amendments are applicable to publicly accountable enterprises that have applied Section 3862. The amendments were made to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009, with early adoption permitted. To provide relief for preparers, and consistent with IFRS 7, the CICA decided that an entity need not provide comparative information for the disclosures required by the amendments in the first year of application. The Fund has applied these amendments in the annual consolidated financial statements as at December 31, 2009.

Change in Accounting Policies

In January 2009, Cardinal amended its gas purchase agreement with Husky Marketing. Under the new agreement, Cardinal will benefit from a more favourable profit sharing arrangement on net proceeds from gas mitigation. As a result, Cardinal may increase the facility's curtailment activities in order to capitalize on favourable spot market prices for gas. Accordingly, the Fund has changed its accounting policy to record net proceeds from gas mitigation as revenue, rather than previously as a reduction in operating expenses. The change in accounting policy has been applied retroactively with no impact on the Fund's net income or cumulative earnings other than the following change in classification on the consolidated statement of operations:

($000s unless otherwise noted)	Year ended Dec 31, 2008 As reported	Year ended Dec 31, 2008 Restated
Revenue	150,423	153,186
Operating expenses	84,454	87,217

New Pronouncements

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the CICA amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments are not expected to have a significant impact on the Fund's accounting of its financial instruments.

Section 1582, Business Combinations

The CICA has issued accounting standard Section 1582, Business Combinations ("Section 1582") to replace the former Section 1581, Business Combinations. The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2011. The Fund is currently evaluating the impact of this standard on its consolidated financial statements and will begin application of this standard effective January 1, 2011.

Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interest

The CICA has issued two accounting standards: Section 1601, Consolidated Financial Statements ("Section 1601") and Section 1602, Non-controlling Interest ("Section 1602") to replace the former Section 1600, Consolidated Financial Statements and establish a new section for accounting for non-controlling interest in a subsidiary subsequent to a business combination. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Fund is currently evaluating the impact of these standards on its consolidated financial statements and will begin application of these standards effective January 1, 2011.

International Financial Reporting Standards ("IFRS")

In 2005, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to be converged with IFRS. In February 2008, the AcSB confirmed that the use of IFRS will be required by January 1, 2011 with appropriate comparative data from the prior year for all Canadian publicly accountable enterprises. Under IFRS, there are significantly more disclosure requirements. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are differences in accounting policy that must be addressed.

MPT commenced its IFRS conversion project in 2008 by establishing a formal project governance structure and a detailed conversion plan. The governance structure includes a working group, led by finance management as well as a steering committee consisting of senior management, finance, operations, legal and investor relations staff. Progress reports are being provided to senior management and the audit committee of the Fund's Board of Trustees on a regular basis.

MPT's conversion plan consists of three phases: diagnostic, design and implementation. As of December 31, 2009, management completed the diagnostic phase and substantially completed the design phase. Major differences between Canadian GAAP and IFRS relevant to the Fund are being reviewed and key accounting policy choices are being identified and considered. Management is making a detailed assessment of the impact of the required changes on the existing accounting systems and internal controls and the potential magnitude of the financial statement adjustments. The Fund is now approaching the end of the second phase of the conversion project, which involves the selection of IFRS policies and transition elections and the quantification of the impact of IFRS on the Fund's consolidated financial statements. Currently, the working group is reviewing options to address business process changes as the Fund intends to do parallel internal reporting during 2010.

At this time, management has determined that the differences with the highest potential impact on the Fund's consolidated financial statements include the treatment of capital assets and major maintenance, the Class B exchangeable units, accounting for embedded derivatives and the initial adoption of IFRS under the provision of IFRS 1, First-time Adoption of IFRS.

Throughout the project, the working group has attended and will continue to participate in various IFRS conversion and technical training sessions to ensure a smooth transition. Management will continue to review all proposed and continuing projects of the IASB to determine their impact on the Fund, and will continue to invest in training and resources throughout the transition period to facilitate a timely and meaningful conversion.

Non-GAAP performance measures

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

Distributable cash represents the cash available to the unitholders that MPT has generated in any given period. It is based on cash flows from operating activities, the GAAP measure reported in MPT's consolidated statement of cash flows, and adjusted for changes in the reserve accounts, working capital, non-discretionary receipts and payments, and distributions received from Leisureworld. Payout ratio is defined as distributions declared as a percentage of distributable cash. There is no GAAP measure comparable to payout ratio. Contribution margin can be defined as revenue net of direct operating expenses.

The CICA has released interpretive guidance on distributable cash for income trusts and other flow-through entities that recommend 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.

Controls and procedures

The Fund's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on behalf of the Fund's Board of Trustees, are required by various of 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 the Canadian Securities Administrators' Multilateral Instrument 52-109 ("MI 52-109"), and that they have evaluated the effectiveness of these controls and procedures in the applicable period. Disclosure controls are those controls and other procedures that are designed to provide reasonable assurance that relevant information that the Fund is required to disclose is recorded, processed and reported within the time frames specified by such securities regulators.

The CEO and CFO have concluded that the Fund's disclosure controls and procedures were effective as at December 31, 2009 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.

Internal Controls Over Financial Reporting

The Fund's management, under the supervision of and with the participation of the CEO and CFO, has designed internal controls over financial reporting, as defined in MI 52-109. The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of the Fund's financial reporting, in accordance with GAAP, focusing in particular on controls over information contained in the audited annual and unaudited interim consolidated financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

There were no changes made in the Fund's internal controls over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

As at December 31, 2009, the Fund's management has assessed the effectiveness of the Fund's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. Based on this assessment, management has determined that the Fund's internal control over financial reporting was effective as at December 31, 2009.

Management's responsibility for financial statements

The consolidated financial statements are the responsibility of the Manager of Macquarie Power & Infrastructure Income Fund and have been approved by the Fund's Board of Trustees. These consolidated financial statements have been prepared by the Manager in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgments. Financial information contained elsewhere in this annual report is consistent with the consolidated financial statements. Macquarie Power & Infrastructure Income Fund maintains a system of internal controls that are designed to provide reasonable assurance that the financial records are reliable and accurate and form a proper basis for the preparation of financial statements.

The Board of Trustees of Macquarie Power & Infrastructure Income Fund appointed an Audit Committee which is comprised entirely of independent Trustees. The Audit Committee reviews the consolidated financial statements with the Manager and the external auditors before the consolidated financial statements are submitted to the Board of Trustees for approval.

The independent auditors, PricewaterhouseCoopers LLP, have examined the consolidated financial statements in accordance with Canadian GAAP. The independent auditors' responsibility is to express an opinion on the consolidated financial statements. The auditors' report outlines the scope of their examination and sets forth their opinion on the consolidated financial statements. The following report of PricewaterhouseCoopers LLP outlines the scope of their examination and their opinion on the consolidated financial statements.

(signed)

Michael Bernstein
President and Chief Executive Officer

(signed)

Michael Smerdon
Vice President, Chief Financial Officer and Secretary

Toronto, Canada
March 2, 2010

Independent auditors' report

To the Unitholders of Macquarie Power & Infrastructure Income Fund
We have audited the consolidated statements of financial position of Macquarie Power & Infrastructure Income Fund as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed PricewaterhouseCoopers LLP)

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 2, 2010

Consolidated statement of financial position

($000s unless otherwise noted)	**Dec 31, 2009**	Dec 31, 2008
Current Assets		
Cash and cash equivalents (notes 3 and 19)	**53,121**	46,817
Restricted cash (notes 19 and 21)	**2,304**	–
Short-term investments (note 3)	**–**	5,087
Accounts receivable	**16,128**	18,309
Inventory	**246**	211
Prepaid expenses	**3,525**	2,421
Current portion of loans receivable (note 4)	**794**	713
Current portion of swap contracts at fair value (note 19)	**1,026**	369
Deferred charges	**3,075**	99
Cash in escrow related to GRS (note 20)	**3,186**	6,088
	83,405	80,114
Loans receivable (note 4)	**6,105**	6,899
Long-term investments (note 5)	**54,186**	55,328
Capital assets (note 6)	**396,172**	413,527
Intangible assets (note 7)	**140,866**	150,315
Embedded derivative asset (note 19)	**14,093**	20,392
Swap contracts at fair value (note 19)	**1,383**	181
Future income tax asset (note 12)	**10,387**	10,631
Total Assets	**706,597**	737,387
Current Liabilities		
Accounts payable and accrued liabilities (note 17)	**15,425**	12,657
Distributions payable	**4,368**	4,368
Current portion of long-term debt (note 9)	**3,117**	2,942
Current portion of convertible debentures (note 10)	**38,918**	–
Current portion of capital lease obligations (note 8)	**119**	188
Current portion of swap contracts at fair value (note 19)	**1,310**	1,997
Accounts payable and accrued liabilities related to GRS (note 20)	**3,186**	6,088
	66,443	28,240
Long-term debt (note 9)	**189,286**	219,739
Convertible debentures (note 10)	**42,737**	38,918
Levelization amounts (note 11)	**21,166**	19,581
Capital lease obligations (note 8)	**248**	367
Future income tax liability (note 12)	**76,234**	82,866
Embedded derivative liability (note 19)	**4,859**	6,491
Swap contracts at fair value (note 19)	**1,284**	3,918
Liability for asset retirement (note 13)	**3,171**	1,848
Electricity supply and gas purchase contracts (note 7)	**8,154**	9,788
Total Liabilities	**413,582**	411,756
Unitholders' Equity (notes 14 and 15)	**293,015**	325,631
Total Liabilities and Unitholders' Equity	**706,597**	737,387

Commitments and contingencies (note 18)
Subsequent events (note 23)

See accompanying notes to the consolidated financial statements.

Consolidated statement of unitholders' equity

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Unitholders' Capital		
Opening balance	**466,697**	467,006
Trust units redeemed (note 14)	**(35)**	(309)
Ending balance	**466,662**	466,697
Class B Exchangeable Units	**35,500**	35,500
Equity Portion of Convertible Debentures (note 10)	**4,736**	–
Accumulated Other Comprehensive Income (loss)		
Opening balance – as reported	**(361)**	1,628
Adjustment due to adoption of new standards (note 2)	**69**	–
Opening balance – restated	**(292)**	1,628
Equity share of other comprehensive income (loss) of Leisureworld (note 5)	**482**	(1,989)
Ending balance	**190**	(361)
Cumulative Earnings		
Opening balance – as reported	**(14,703)**	11,831
Adjustment due to adoption of new standards (note 2)	**3,287**	–
Opening balance – restated	**(11,416)**	11,831
Net income (loss) for the year	**11,259**	(26,534)
Ending balance	**(157)**	(14,703)
Total Cumulative Comprehensive Income (loss)	**33**	(15,064)
Cumulative Distributions		
Opening balance	**(161,502)**	(109,048)
Distributions declared to Unitholders for the year (note 15)	**(52,414)**	(52,454)
Ending balance	**(213,916)**	(161,502)
Total Unitholders' Equity	**293,015**	325,631

See accompanying notes to the consolidated financial statements.

Consolidated statement of operations

($000s except for trust units and per trust unit amounts)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008 (Restated – note 2)
Revenue	**148,384**	153,186
Costs and Expenses		
Operating expenses	**90,326**	87,217
Administrative expenses	**8,095**	10,982
Depreciation and amortization	**28,701**	28,907
	127,122	127,106
	21,262	26,080
Unrealized gain (loss) on swap contracts (note 19)	**4,664**	(4,228)
Unrealized gain (loss) on embedded derivative instruments (note 19)	**(4,381)**	9,841
Net interest expense (notes 9 and 19)	**(15,118)**	(12,911)
Impairment of goodwill	**–**	(43,279)
Equity accounted income from long-term investments (note 5)	**1,842**	94
Foreign exchange gain (loss)	**23**	(54)
Loss on debt extinguishment (note 9)	**(351)**	–
Gain on sale of capital assets	**–**	10
Income (loss) before income taxes	**7,941**	(24,447)
Income tax recovery (expense)		
Current	**(32)**	10
Future	**3,350**	(2,097)
Total income tax recovery (expense) (note 12)	**3,318**	(2,087)
Net Income (loss)	**11,259**	(26,534)
Basic and diluted weighted average number of trust units and Class B exchangeable units outstanding (“Unit”)	**49,918**	49,960
Basic and diluted net income (loss) per Unit	**0.226**	(0.531)

Consolidated statement of comprehensive income

($000s unless otherwise noted)	**Year ended Dec 31, 2009**	Year ended Dec 31, 2008
Net income (loss)	**11,259**	(26,534)
Equity share of other comprehensive income (loss) of Leisureworld (note 5)	**482**	(1,989)
Total comprehensive income (loss)	**11,741**	(28,523)

See accompanying notes to the consolidated financial statements.

Consolidated statement of cash flows

($000s unless otherwise noted)	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Cash flows from operating activities:		
Net income (loss)	**11,259**	(26,534)
Add back:		
Depreciation and amortization	**28,701**	28,907
Unrealized (gain) loss on swap contracts (note 19)	**(4,664)**	4,228
Unrealized (gain) loss on embedded derivative instruments (note 19)	**4,381**	(9,841)
Impairment of goodwill	**–**	43,279
Equity accounted income from long–term investments (note 5)	**(1,842)**	(94)
Gain on sale of capital assets	**–**	(10)
Future income tax (recovery) expense	**(3,350)**	2,097
Unpaid interest on levelization amounts	**1,454**	972
Loss on debt extinguishment (note 9)	**351**	–
Amortization of deferred financing costs (note 9)	**781**	259
Accretion of asset retirement obligations (note 13)	**135**	95
Non–cash changes in working capital:		
Decrease in accounts receivable	**2,181**	7,207
Decrease (increase) in inventory	**(35)**	54
Decrease (increase) in prepaid expenses	**(1,104)**	2,627
Decrease (increase) in deferred charges	**(2,976)**	343
Increase (decrease) in accounts payable and accrued liabilities	**2,768**	(3,073)
Total cash flows from operating activities	**38,040**	50,516
Cash flows from investing activities:		
Proceeds from sale (purchase) of short–term investments (note 3)	**5,087**	(5,087)
Investment in Leisureworld (note 5)	**(6,750)**	–
Proceeds from sale of capital assets	**–**	10
Transaction costs paid from acquisition (note 5)	**(46)**	–
Receipt from loans receivable	**713**	641
Distributions received from long–term investments (note 5)	**10,350**	10,350
Investment in capital assets	**(2,343)**	(1,251)
Total cash flows from investing activities	**7,011**	4,663
Cash flows from financing activities:		
Proceeds from (repayment of) long–term debt	**(27,942)**	25,000
Transaction costs paid on debt issuance	**(5,995)**	(2,778)
Proceeds from issuance of convertible debentures (note 10)	**50,000**	–
Redemption of units (note 14)	**(35)**	(309)
Repayment of capital lease obligations (note 8)	**(188)**	(181)
Repayment of levelization amounts	**131**	347
Increase in restricted cash (note 21)	**(2,304)**	–
Distributions paid to Unitholders	**(52,414)**	(52,375)
Total cash flows from financing activities	**(38,747)**	(30,296)
Increase in cash and cash equivalents	**6,304**	24,883
Cash and cash equivalents, beginning of year	**46,817**	21,934
Cash and cash equivalents, end of year	**53,121**	46,817
Supplemental information:		
Interest paid	**13,636**	11,845
Taxes paid	**32**	7

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

($000s except for Trust Units and per Trust Unit amounts)

Note 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 a 100% interest in Cardinal Power of Canada, L.P. ("Cardinal"). 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. The Fund indirectly owns the CPIF investments through a 100% interest in Clean Power Operating Trust ("CPOT"), which includes an indirect 31.3% interest in one of the two classes of preferred shares of Chapais Électrique Limitée ("Chapais") and a subordinated debt interest in Chapais Énergie, Société en Commandite ("CHESEC"), a subsidiary of Chapais.

Macquarie Power Management Ltd. ("MPML" or the "Manager") is an indirect wholly-owned subsidiary of Macquarie Group Limited ("MGL"), an Australian public company listed on the Australian Securities 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 Cardinal, MPT LTC Holding LP ("LTC Holding LP"), and CPOT in accordance with management agreements.

Note 2. Summary of significant accounting policies

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

Basis of Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Fund as at December 31, 2009 and 2008 and for all periods presented, have been included.

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, MPT LTC Holding Ltd., 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 interests in Leisureworld and Chapais.

The seasonality of wind speed and density, water flows, major maintenance cycle and pricing provisions within the power purchase agreements ("PPA") with the Ontario Electricity Financial Corporation ("OEFC") 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.

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 PPAs 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 ("Whitecourt") 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. Cardinal has a profit sharing arrangement with Husky Energy Marketing Inc. ("Husky Marketing") to sell excess gas not used in its operations in the market. Net proceeds from gas mitigation are recognized as revenue when delivery has taken place and at the prevailing market price of gas.

Loans Receivable

The Fund has interest bearing financial assets that consist of a series of loans receivable from Chapais. These financial assets are carried at amortized cost on the consolidated statement of financial position and are intended to be held to maturity.

Long-term Investments

The Fund has significant influence over its investment in Leisureworld and Chapais. 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 net income and other comprehensive income and reduced by any distributions payable to the Fund.

Deferred Charges

Deferred charges include bid costs. Bid costs are expensed as incurred, until such time that it is more likely than not that a bid will be successful. At the time when success is deemed to be more likely than not, bid costs are deferred until the closing of the transaction at which time they are capitalized to the cost of the investment or recovered from the investment.

Capital Assets

Capital assets have been recognized at the 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 35 years
Mobile equipment and vehicles	five to 15 years
Equipment and furniture	three to eight years
Computer software	three to five years

Direct costs incurred relating 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 as an expense in the period they are incurred.

Impairment of Long-lived 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") 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 when events or circumstances arise that would indicate a potential impairment.

Contracts and Water Rights

Electricity supply and gas purchase contracts and water rights 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 and water rights originally acquired are amortized over their estimated useful lives using the straight-line method. The useful lives of the intangible assets are as follows:

Electricity supply and gas purchase contracts	eight to 20 years
Water rights	10 to 35 years

Asset Retirement Obligations

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. A reassessment of the expected costs associated with these liabilities is performed annually in the second quarter of each year. The liability accretes until the date of expected settlement of the retirement obligations.

Exchangeable Securities

The Fund applies Emerging Issues Committee Abstract number 151 Exchangeable Securities Issued by Subsidiaries of Income Trusts, 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 limited partnership 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)* ("Tax Act"), Cardinal, LTC Holding LP, Clean Power LP, Whitecourt, and Erie Shores Wind Farm LP ("Erie Shores"), as partnerships, are not subject to income taxes. Their income is allocated to and included in computing the income of its partners 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., and PEET U.S. Holdings Inc., that are subject to corporate income taxes as computed under the Tax Act or the U.S. Internal Revenue Code, as applicable, and are accounted for in accordance with CICA Section 3465, Income Taxes.

With the exception of the entities listed above, the Fund, the Trust and CPOT will not be subject to income taxes in 2009. 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 will be required to pay taxes starting in 2011. The Fund has adopted the liability method of tax allocation, whereby future tax assets and liabilities have been recorded based on differences between the financial reporting and tax bases of assets and liabilities expected to reverse after 2010 using the substantively enacted tax rates that will be in effect when the differences are expected to reverse.

Leisureworld, in which the Fund holds an indirect 45% equity interest, is not publicly traded, and as such, is not expected to be affected by the provisions of *Bill C-52, Budget Implementation Act, 2007*, which received Royal Assent on June 22, 2007, and calls for the taxation of specified investment flow-through ("SIFT") entities commencing January 1, 2011. However, there may be a possible technical interpretation of the legislation under which Leisureworld could be viewed as a SIFT. Management does not believe this to be the intent of the legislation and one of the proposed technical amendments to the legislation released on December 20, 2007 supports the fact that Leisureworld is not a SIFT. Accordingly, Leisureworld has not recorded any future income taxes on differences between the financial reporting and tax bases of Leisureworld assets and liabilities.

As Leisureworld is organized as a limited partnership, its tax attributes flow through to the Fund and the Fund has recorded its share of Leisureworld's future tax assets and liabilities expected to reverse after 2010 in its consolidated statement of financial position.

Variable Interest Entities
CICA Accounting Guideline 15, Consolidation of Variable Interest Entities ("AcG-15"), provides guidance for applying the principles in CICA 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 the power generating assets owned by the Fund as at December 31, 2009 and should continue to consolidate.

Going Concern
CICA Section 1400.08A, General Standards of Financial Statement Presentation, requires that an entity assess and disclose the entity's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis in accordance with GAAP.

Basic and Diluted Income per Unit
Basic income per unit is established by dividing net income by the weighted average number of trust units and Class B exchangeable units. Diluted income per unit is computed in a similar manner as the basic income per unit but reflects the dilutive effect of convertible debenture units. Units are excluded from the computation of diluted net income per unit if their effect is anti-dilutive. The convertible debenture units are anti-dilutive as at December 31, 2009.

Comprehensive Income
Other comprehensive income ("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 as a component in the consolidated statement of unitholders' equity.

Financial Instruments

Financial Assets and Financial Liabilities
The Fund's financial assets and financial liabilities have been classified based on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments. Loans and receivables and other liabilities are measured at amortized cost using the effective interest method. Held-for-trading ("HFT") financial instruments are measured at their fair value with changes in fair value recognized in the consolidated statement of operations. The Fund has designated each of its significant categories of financial instruments outstanding as at December 31, 2009 as follows:

Designation	*Significant Categories*
HFT	• Cash and cash equivalents • Restricted cash • Short-term investments • Cash in escrow related to GRS
Loans and receivables	• Accounts receivable • Loans receivable
Other liabilities	• Accounts payable and accrued liabilities • Distributions payable • Accounts payable and accrued liabilities related to GRS • Long-term debt • Convertible debentures • Levelization amounts • Capital lease obligations

Derivatives
The Fund's 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 the consolidated statement of operations. At December 31, 2009, the Fund's derivatives include gas swap contracts and interest rate swap contracts (see note 19).

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 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 indexing features.

Transaction Costs
Transaction costs relating to financial instruments classified as loans and receivables and other liabilities are deferred and amortized 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 HFT are expensed.

Hedges
The Fund does not have any derivatives that have been designated as hedges for accounting purposes as at December 31, 2009.

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

The Manager makes significant accounting estimates that could be material to the consolidated financial statements in the application of the following accounting policies:

Fair Value Measurements
Fair value 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 observable prices are not available, fair values are determined by using valuation techniques that refer to observable market data. These techniques 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 processes. 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.

Estimates of fair value are made in the valuation of certain financial instruments, asset retirement obligations and also in determining the fair value of net assets acquired in a business combination. These estimates are based on assumptions that are sensitive to change, which may have a significant impact on the valuations performed.

Carrying Values of Capital and Other Long-lived Assets
Impairment reviews of the carrying value of capital and other long-lived assets require management to make estimates of fair value, undiscounted future cash flows and business performance.

Future Income Taxes
The determination of the future income tax balances of the Fund requires the Manager to make estimates of the reversal of existing temporary differences between the accounting and tax bases of assets and liabilities in future periods.

Adoption of New Accounting Standards
On January 1, 2009, the Fund adopted two new standards that were issued by the CICA: Section 3064, Goodwill and Intangible Assets and Section 1000, Financial Statement Concepts.

Section 3064, Goodwill and Intangible Assets, clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset and as a result, certain costs previously capitalized are expensed as incurred. Section 1000, Financial Statement Concepts was also amended to provide consistency with the new standard. Management has determined that the adoption of these sections had no material impact on the Fund's consolidated financial statements as at January 1, 2009.

During the first quarter of 2009, the CICA issued Emerging Issues Committee Abstract number 173 ("EIC 173") Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. EIC 173 requires that a company take into account its own credit risk and the credit risk of its counterparties in determining the fair value of financial assets and liabilities. The Fund has elected to utilize the "in exchange" approach, which uses the derivative's stand-alone mark-to-market value in the calculation of the credit risk adjustment and excludes the effect of the master netting agreements between the Fund and the counterparties. This abstract must be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009.

The adoption of this new standard resulted in the following adjustments to the opening consolidated statement of financial position and consolidated statement of unitholders' equity as at January 1, 2009:

Consolidated statement of financial position	Debit (Credit)
Swap contracts at fair value, net	516
Embedded derivative asset	(1,777)
Embedded derivative liability	1,491
Long-term investments	88
Future income tax liability	3,038

Consolidated statement of unitholders' equity	(Credit)
Opening cumulative earnings	(3,287)
Opening accumulated comprehensive income (loss)	(69)

In September 2009, the CICA amended Section 3862, Financial Instruments – Disclosures ("Section 3862") to adopt the amendments recently issued by the International Accounting Standards Board ("IASB") to International Financial Reporting Standard 7, Financial Instruments: Disclosures ("IFRS 7"), in March 2009. These amendments are applicable to publicly accountable enterprises that have applied Section 3862. The amendments were made to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and about the liquidity risk of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009, with early adoption permitted. To provide relief for preparers, and consistent with IFRS 7, the CICA decided that an entity need not provide comparative information for the disclosures required by the amendments in the first year of application. The Fund has applied these amendments in the annual consolidated financial statements as at December 31, 2009. Refer to note 19 for details.

Change in Accounting Policies

During the first quarter of 2009, Cardinal amended its gas purchase agreement with Husky Marketing. Under the new agreement, Cardinal will benefit from a more favourable profit sharing arrangement on net proceeds from gas mitigation. As a result, Cardinal may increase the facility's curtailment activities in order to capitalize on favourable spot market prices for gas. Accordingly, the Fund has changed its accounting policy to record net proceeds from gas mitigation as revenue, rather than previously as a reduction in operating expenses. The change in accounting policy has been applied retroactively with no impact on the Fund's net income or cumulative earnings other than the following change in classification on the consolidated statement of operations:

	Year ended Dec 31, 2008 As reported	Year ended Dec 31, 2008 Restated
Revenue	150,423	153,186
Operating expenses	84,454	87,217

New Pronouncements

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the CICA amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The amendments are not expected to have a significant impact on the Fund's accounting of its financial instruments.

Section 1582, Business Combinations

The CICA has issued accounting standard Section 1582, Business Combinations ("Section 1582") to replace the former Section 1581, Business Combinations. The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2011. The Fund is currently evaluating the impact of this standard on its consolidated financial statements and will begin application of this standard effective January 1, 2011.

Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interest

The CICA has issued two accounting standards: Section 1601, Consolidated Financial Statements ("Section 1601") and Section 1602, Non-controlling Interest ("Section 1602") to replace the former Section 1600, Consolidated Financial Statements and establish a new section for accounting for non-controlling interest in a subsidiary subsequent to a business combination. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Fund is currently evaluating the impact of these standards on its consolidated financial statements and will begin application of these standards effective January 1, 2011.

Note 3. Cash and cash equivalents and short-term investments

Cash and cash equivalents are comprised of highly liquid investments with original maturities of 90 days or less. As at December 31, 2008, the Fund had short-term investments with a principal amount of $5,000 plus accrued interest. This was subsequently sold in the first quarter of 2009. Total cash and short-term investments have been designated as follows:

	Dec 31, 2009	Dec 31, 2008
Major maintenance reserve	**4,668**	9,791
Capital expenditure reserve	**921**	2,310
General reserve	**5,000**	5,000
Total reserve accounts	**10,589**	17,101
Other cash and cash equivalents	**42,532**	29,716
Total cash and cash equivalents	**53,121**	46,817
Short-term investments	**–**	5,087
Total cash and short-term investments	**53,121**	51,904

Note 4. Loans receivable

As at December 31, 2009, the Fund has loans receivable from Chapais with a principal amount of $12,520 (2008 – $13,232). There are three tranches to the loans, bearing interest ranging from 0% to 10.8%. Upon acquisition of CPIF, the Fund recorded these loans at their fair value of $8,548, which was below face value. Included in accounts receivable is accrued interest on the loans receivable in the amount of $57 for the year ended December 31, 2009 (2008 – $63).

	Dec 31, 2009	Dec 31, 2008
Chapais loans receivable	**6,899**	7,612
Less: Current portion	**(794)**	(713)
Total long-term loans receivable	**6,105**	6,899

The following table summarizes total principal payments due on the Chapais loans receivable in the next five years and thereafter:

Year	Repayment Amount
2010	794
2011	884
2012	984
2013	1,096
2014	1,220
Thereafter	7,542
Total	12,520

Note 5. Long-term investments

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

		Dec 31, 2009	Dec 31, 2008
Leisureworld			
Opening balance – as reported		**55,328**	67,584
Adjustment due to adoption of new standards (note 2)		**88**	–
Opening balance - restated		**55,416**	67,584
Equity accounted income (loss)		**1,842**	(62)
Equity share of other comprehensive income (loss)		**482**	(1,989)
Investment in Leisureworld		**6,750**	–
Transaction costs paid		**46**	–
Equity share of future income taxes (note 12)		**–**	145
Distributions received		**(10,350)**	(10,350)
Ending balance		**54,186**	55,328
Chapais			
Opening balance		**–**	(156)
Equity accounted income		**–**	156
Ending balance		**–**	–
Total	**54,186**	55,328	

Note 6. Capital assets

	Dec 31, 2009			Dec 31, 2008		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Land	**235**	**–**	**235**	235	–	235
Computer software	**136**	**(66)**	**70**	136	(34)	102
Equipment and vehicles	**3,555**	**(1,664)**	**1,891**	3,273	(987)	2,286
Property and plant	**469,036**	**(75,060)**	**393,976**	465,787	(54,883)	410,904
Total	**472,962**	**(76,790)**	**396,172**	469,431	(55,904)	413,527

Note 7. Intangible assets and liabilities

Electricity supply and gas purchase contracts (asset)	Dec 31, 2009 Cost	Accumulated Amortization	Net Book Value	Dec 31, 2008 Cost	Accumulated Amortization	Net Book Value
Opening balance	**101,902**	**(21,398)**	**80,504**	101,902	(14,081)	87,821
Depreciation and amortization	**–**	**(7,327)**	**(7,327)**	–	(7,317)	(7,317)
Ending balance	**101,902**	**(28,725)**	**73,177**	101,902	(21,398)	80,504

Electricity supply and gas purchase contracts (liability)	Dec 31, 2009 Cost	Accumulated Amortization	Net Book Value	Dec 31, 2008 Cost	Accumulated Amortization	Net Book Value
Opening balance	**(12,257)**	**2,469**	**(9,788)**	(12,257)	839	(11,418)
Depreciation and amortization	**–**	**1,634**	**1,634**	–	1,630	1,630
Ending balance	**(12,257)**	**4,103**	**(8,154)**	(12,257)	2,469	(9,788)

Water rights	Dec 31, 2009 Cost	Accumulated Amortization	Net Book Value	Dec 31, 2008 Cost	Accumulated Amortization	Net Book Value
Opening balance	**73,018**	**(3,207)**	**69,811**	73,018	(1,090)	71,928
Depreciation and amortization	**–**	**(2,122)**	**(2,122)**	–	(2,117)	(2,117)
Ending balance	**73,018**	**(5,329)**	**67,689**	73,018	(3,207)	69,811

Note 8. Capital lease obligations

The Fund has capital leases with terms ranging from four to six years, expiring between 2010 and 2012 and bearing interest rates from 6.6% to 7.0%. For the year ended December 31, 2009, the Fund repaid $188 (2008 – $181) on the capital leases. The carrying value of the capital leases as at December 31, 2009 was $367 (2008 – $555), of which $119 (2008 – $188) is classified as a short-term liability.

The following table summarizes total principal and interest payments on the Fund's capital leases for the next three years:

Year of Repayment	Annual Payment	Interest	Principal
2010	141	22	119
2011	133	13	120
2012	133	5	128
Total	407	40	367

Note 9. Long-term debt

	Interest Rate	Maturity	Dec 31, 2009	Dec 31, 2008
Credit facility(i)	2.97% – 2.99%	June 29, 2012	**85,000**	–
Cardinal credit facility(i)	1.22% – 1.38%	May 16, 2011	**–**	35,000
CPOT credit facility(i)	1.46% – 1.63%	June 26, 2010	**–**	75,000
Erie Shores project debt(ii)				
Tranche A	5.96%	April 1, 2026	**64,629**	66,873
Tranche B	5.28%	April 1, 2016	**5,551**	6,249
Tranche C	5.05%	April 1, 2011	**40,000**	40,000
			110,180	113,122
			195,180	223,122
Less: Deferred financing fees			**(2,777)**	(441)
Total debt, net of deferred financing fees			**192,403**	222,681
Less: Current portion of long-term debt			**(3,117)**	(2,942)
Total long-term debt			**189,286**	219,739

(i) In May 2009, the Fund refinanced two of its credit facilities under CPOT and Cardinal into a combined facility in the amount of $182,500, consisting of: (a) a $141,875 term facility ("Term"); and (b) a $40,625 revolving facility ("Revolver"), of which $85,000 has been advanced on the Term and $nil was advanced on the Revolver as at December 31, 2009. As a result of the refinancing, the Fund capitalized $3,450 of loan origination, legal and advisory fees and expensed $351 of deferred financing fees in connection with the previous CPOT facility. Advances under the new credit facility are made in the form of a series of Bankers' Acceptances ("BA") and prime rate loans. Interest paid on BAs are based on the then current BA rate plus an applicable margin ("stamping fee") based on the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses ("EBITDA"). Collateral for the facility is provided by first ranking security interest covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to certain non-financial and financial covenants including limits on the consolidated total debt/consolidated EBITDA ratio and interest coverage ratio.

(ii) The Fund has a loan of $110,180 non-recourse project financing for Erie Shores, consisting of: (a) a $64,629 fully amortizing loan ("Tranche A"); (b) a $5,551 fully amortizing loan ("Tranche B"); and (c) a $40,000 interest only loan ("Tranche C"). This financing was borrowed by Erie Shores and is secured only by Erie Shores. CPOT has an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan to Erie Shores. Interest on the facility is fixed as presented above.

As at December 31, 2009, Cardinal and CPOT have various interest rate swap contracts to mitigate interest rate risk on a notional amount of $85,000 on their combined credit facility. Under each agreement, Cardinal and CPOT will pay a fixed rate in return for a floating rate equal to the then current three-month BA rate.

During the fourth quarter of 2009, the Fund renegotiated the swap contracts that were coming due in June 2010 and May 2011 in order to match the maturity of the new credit facility at Cardinal and CPOT. Under the amended swap contracts, Cardinal and CPOT will pay a lower fixed rate, in exchange for the then current three-month floating rate interest on the same notional amount and for a longer term until June 29, 2012. Based on the amended swap contracts, the effective interest rates on $85,000 of the Fund's floating rate debt are as follows:

Maturity Date	Notional Amount	Swap Fixed Rate	Stamping Fee(i)	Effective Interest Rate
June 29, 2012	11,700	3.12%	2.50%	5.62%
June 29, 2012	5,300	3.13%	2.50%	5.63%
June 29, 2012	18,000	3.13%	2.50%	5.63%
June 29, 2012	10,000	2.28%	2.50%	4.78%
June 28, 2010(ii)	40,000	3.07%	2.50%	5.57%
	85,000			

(i) The stamping fee represents the current applicable margin that is paid on advances from the joint credit facility at Cardinal and CPOT.
(ii) The Fund has a forward start swap to hedge the interest on a notional $40,000 from June 28, 2010 to June 29, 2012 at a fixed rate of 2.14%.

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

Year of Repayment	Credit Facility	Erie Shores Project Debt	Total
2010	–	3,117	3,117
2011	–	43,302	43,302
2012	85,000	3,497	88,497
2013	–	3,705	3,705
2014	–	3,925	3,925
Thereafter	–	52,634	52,634
Total	85,000	110,180	195,180

	Dec 31, 2009	Dec 31, 2008
Interest on long-term debt	**11,106**	10,688
Interest on other liabilities[(i)]	**4,162**	3,941
Deferred financing fees amortized	**781**	259
Total interest expense	**16,049**	14,888
Less: Interest income	**(931)**	(1,977)
Net interest expense	**15,118**	12,911

(i) Other liabilities includes the Fund's levelization amounts and convertible debentures.

Note 10. Convertible debentures

The Fund's consolidated statement of financial position included two convertible debentures that remained outstanding at December 31, 2009. The Fund's 6.75% convertible unsecured subordinated debentures ("2010 Debentures") with a maturity date of December 31, 2010 were classified as short-term. These debentures were convertible into trust units of the Fund at the option of the holder at a conversion price of $18.28 per trust unit. Interest was paid semi-annually in arrears on June 30 and December 31 in each year and computed on the basis of a 365-day year. As at December 31, 2009, the total principal amount and accrued interest outstanding on the 2010 Debentures was $38,918 (2008 – $38,918) and $nil (2008 – $nil), respectively. During the year, total interest expense on the 2010 Debentures was $2,627 (2008 - $2,627). On January 11, 2010, the Fund fully redeemed these debentures for a principal amount of $38,918 plus accrued interest.

On December 22, 2009, the Fund issued $50,000 of 6.50% convertible unsecured subordinated debentures with a maturity date of December 31, 2016 ("2016 Debentures"). The underwriters subsequently exercised an over-allotment option to purchase an additional $7,500 principal amount of the debentures on January 5, 2010, bringing the aggregate gross proceeds of the offering to $57,500. Total transaction costs incurred in connection with the issuance of the 2016 Debentures in December 2009 was $2,545. These debentures bear an interest rate of 6.50% per annum payable semi-annually in arrears on June 30 and December 31 of each year commencing on June 30, 2010. They are convertible into trust units of the Fund at the option of the holder at a conversion price of $7.00 per trust unit. As at December 22, 2009, the fair value of the conversion option of the debentures was $4,990. The carrying value of the conversion option as at December 31, 2009 of $4,736 on the consolidated statement of unitholders' equity reflected the fair value at inception net of its pro rata share of the transaction costs. During the year, total interest expense on the 2016 Debentures was $80 (2008 – $nil).

Note 11. Levelization amounts

As at December 31, 2009, the levelization liability relates to payments received from the OEFC in excess of the base rate as set out under the PPA for the Wawatay hydro power facility. In accordance with the PPA, the OEFC is required to make monthly guaranteed payments as well as variable payments based on actual electricity production. To the extent that these payments exceed the revenue recorded in a given month, the Fund records an increase in the levelization amounts. To the extent that these payments were less than the revenue recorded, the Fund records a reduction in the levelization amounts.

As at December 31, 2009, the levelization amounts recorded on the consolidated statement of financial position were $21,166 (2008 – $19,581) including accrued interest of $9,584 (2008 – $8,577). Interest on the levelization amounts is accrued at a prescribed variable rate, which currently approximates 7.17% per annum.

Note 12. Future income taxes

On June 22, 2007, the government's tax proposals pertaining to taxation of distributions paid by income trusts and changes to the personal tax treatment of trust distributions were passed into law. Applicable starting in 2011, the taxable portion of distributions will be subject to income tax by the Fund while taxable Canadian unitholders will receive the favourable tax treatment on distributions currently applicable to qualifying dividends. For the year ended December 31, 2009, the Fund recognized a future income tax recovery of $3,350 (2008 – expense of $2,097). The future tax recovery arose primarily due to the reduction in the future provincial SIFT rates during 2009.

The tax effect of temporary differences is as follows:

Future income tax asset	**Dec 31, 2009**	Dec 31, 2008
Capital loss carry-forwards	**13,958**	15,602
Loan premium and deferred financing costs	**685**	634
Non-capital loss carry-forwards	**8,318**	9,084
Debt retirement	**2,540**	2,742
Levelization amounts	**4,047**	4,374
Deferred gains	**174**	189
Asset retirement obligations	**793**	517
Capital assets	**833**	884
Intangible assets	**1,054**	1,290
Financial instruments	**261**	–
Total	**32,663**	35,316
Less: Valuation allowance(i)	**(22,276)**	(24,685)
Future income tax asset	**10,387**	10,631

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

Future income tax liability	**Dec 31, 2009**	Dec 31, 2008
Capital assets	**(40,227)**	(40,636)
Intangible assets	**(34,242)**	(37,997)
Equity investments	**(163)**	(130)
Loan premium and deferred financing costs	**(183)**	(211)
Financial instruments	**(1,419)**	(3,892)
Future income tax liability	**(76,234)**	(82,866)

As of December 31, 2009, certain entities consolidated into the Fund have accumulated aggregate non-capital and capital losses of approximately $25,823 and $110,637 (2008 – $27,210 non-capital loss and $110,635 capital loss), respectively that may be used to reduce taxable income in the future. The non-capital losses include $20,692 (2008 – $24,992) deductible under U.S. tax.

These tax loss carry-forwards expire as follows:

$5,131 non-capital losses	2025 – 2029 deductible under Canadian tax
$20,692 non-capital losses	2023 – 2027 deductible under U.S. tax
$110,637 capital loss	no expiry date

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

	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Income (loss) before income taxes	**7,941**	(24,447)
Income tax payable at 46.41%	**3,685**	(11,346)
Reversal of goodwill impairment	**–**	20,086
Income tax related to Leisureworld acquisition	**–**	(145)
Income distributed to Unitholders	**(3,685)**	(8,740)
Impact of tax post-2010	**4,434**	1,918
Impact of tax rate movements	**(7,910)**	–
Other	**158**	314
Total income tax (recovery) expense	**(3,318)**	2,087

Note 13. Liability for asset retirement

The Fund recognizes a liability for the future retirement obligations associated with its Cardinal, Erie Shores and hydro power facilities. The carrying value of these obligations is based on probability weighted scenarios and estimated cash flows ranging from $nil to $3,542 required to settle these obligations in present day costs (2008 – $nil to $2,513). The timing of expected settlement dates range from 2014 to 2042. Inflation rates assumed to estimate the cash flows in the future range from 1.7% to 2.0%. A credit-adjusted risk-free rate ranging from 5.5% to 5.9% is used to discount the future cost of these liabilities.

An assessment of the expected costs associated with these liabilities is performed annually in the second quarter of each year or more frequently if events or changes in circumstances warrant a reassessment. As at the date of the last assessment, June 30, 2009, an adjustment of $1,188 (2008 – $278) was recorded to increase the asset retirement obligation liability to its new estimate of $3,171 (2008 – $1,848). Total accretion of $135 (2008 – $95) has been taken in the year ended December 31, 2009 in the consolidated statement of operations and will continue until the date of expected settlement of the retirement obligations.

Note 14. 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 prior 10 days; and

(ii) 100% of the closing price of the units on the redemption date.

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 year ended December 31, 2009, 6,657 units (2008 – 50,245 units) were redeemed for a total cost of $35 (2008 – $309). In total, 46,665,537 units remain outstanding as at December 31, 2009 (2008 – 46,672,194 units). In addition, LTC Holdings LP had 3,249,390 Class B exchangeable units outstanding as at December 31, 2009 (2008 – 3,249,390 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) without the consent of the Fund until the 10th anniversary of the Acquisition Closing Date of October 18, 2005. 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 receive on exchange of their Class B exchangeable units until they, together, hold 1% or less of the aggregate outstanding units.

Note 15. Distributions to Unitholders

Distributions to Unitholders are paid monthly in arrears on or about the 15th day of each month or on the next closest business day. Total distributions declared to Unitholders, including Class B exchangeable units, for the year ended December 31, 2009 were $52,414 (2008 – $52,454). Any income of the Fund that is applied to cash redemptions of units or is otherwise unavailable for cash distribution may 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.

Note 16. 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. Each reportable segment has similar economic characteristics based on the nature of the products or services, type of customers, method of distributing their products or services and regulatory environment. The performance of these segments is evaluated by the Manager primarily on revenue, net income and operating cash flows.

The Fund operates in one geographic segment, Canada, and has two reportable segments:

(i) Power infrastructure, which consists of the Fund's investments in gas cogeneration, wind, hydro and biomass power assets; and

(ii) Social infrastructure, which consists of the Fund's 45% indirect ownership of Leisureworld.

	Year ended Dec 31, 2009				Year ended Dec 31, 2008			
	Power	**Social**	**Fund**	**Total**	Power	Social	Fund	Total
Revenue	**148,384**	**–**	**–**	**148,384**	153,186	–	–	153,186
Net income (loss)	**13,527**	**1,014**	**(3,282)**	**11,259**	(15,008)	(1,226)	(10,300)	(26,534)
Total assets	**606,818**	**54,532**	**45,247**	**706,597**	672,305	55,384	9,698	737,387
Additions to capital assets	**2,343**	**–**	**–**	**2,343**	1,202	–	49	1,251
Depreciation and amortization of capital assets	**20,865**	**–**	**21**	**20,886**	21,085	–	18	21,103
Net interest expense	**12,750**	**–**	**2,368**	**15,118**	10,284	–	2,627	12,911
Future income tax recovery (expense)	**193**	**–**	**3,157**	**3,350**	98	–	(2,195)	(2,097)
Current income tax recovery (expense)	**(26)**	**–**	**(6)**	**(32)**	15	–	(5)	10

Note 17. Related party transactions

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

MPML also earns 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 reasonable costs and expenses incurred in carrying out such services as approved by the independent Trustees.

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

	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Management fees	**1,784**	1,765
Administrative fees	**110**	108
Incentive fees	**737**	1,602
Cost reimbursement[(i)]	**2,922**	3,267
	5,553	6,742

(i) $469 of cost reimbursement for the year ended December 31, 2009 was capitalized in deferred charges and deferred financing fees. 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.

As at December 31, 2009, $1,573 (2008 – $2,449) of amounts payable to MPML was included in accounts payable and accrued liabilities on the consolidated statement of financial position.

In June 2009, the Fund paid advisory fees in the amount of $913 to a subsidiary of MGL in connection with the refinancing of the CPOT and Cardinal credit facilities. These costs have been capitalized as deferred financing fees and netted against long-term debt in the consolidated statement of financial position as at December 31, 2009.

With respect to the Fund's issuance of convertible debentures in December 2009, an underwriter fee of $245 was paid to a subsidiary of MGL, as a member of the syndicate. These costs have been capitalized as deferred financing fees and netted against the equity and liability portion of the convertible debentures in the consolidated statement of financial position as at December 31, 2009.

The Fund has gas swap agreements with an affiliate of MGL to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of Cardinal's gas purchase contract for the seven-month period from April to October for each of the years from 2010 to 2011. The gas swap contracts require Cardinal to pay variable payments to MGL based on 436,814 MMBtu of gas at the then market rate of natural gas in exchange for receiving payments based on 436,814 MMBtu of gas at a fixed price per MMBtu. These transactions were carried out under normal arm's length commercial terms.

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

Note 18. Commitments and contingencies

The Fund, either directly or indirectly through its subsidiaries, has entered into various contracts and commitments as at December 31, 2009 as described below:

Swap Contracts

Cardinal has gas swap contracts for the seven-month period from April to October in the years 2010 to 2011. Each fiscal year, these contracts require Cardinal to make payments to the counterparties based on 436,814 MMBtu of gas at the then market rate of natural gas in exchange for receiving payments based on 436,814 MMBtu of gas at a fixed price per MMBtu.

Cardinal and CPOT have various interest rate swap contracts to mitigate interest rate risk on a notional amount of $85,000 on their combined credit facility. Under each agreement, Cardinal and CPOT will pay a fixed rate in return for a floating rate equal to the then current three-month BA rate. The terms of the contracts are as follows:

Counterparty	Notional Amount	Maturity Date	Fixed Rate
Cardinal	11,700	June 29, 2012	3.12%
Cardinal	5,300	June 29, 2012	3.13%
CPOT	18,000	June 29, 2012	3.13%
CPOT	10,000	June 29, 2012	2.28%
CPOT	40,000	June 28, 2010	3.07%
CPOT(i)	40,000	June 29, 2012	2.14%

(i) This is a forward start swap to hedge the interest from June 28, 2010, the maturity of the existing interest rate swap, to June 29, 2012.

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

None of the swap contracts above have been designated for hedge accounting.

Electricity Supply Contracts

The Fund's power facilities have PPAs that expire between 2014 and 2042 to sell substantially all electricity produced at its facilities, less the amount of electricity consumed in the operation of the facilities, to creditworthy customers including government agencies. Rates of power sales are fixed in the PPAs and most include escalation clauses.

Energy Savings Agreement
Under the terms of an energy savings agreement between Cardinal and Canada Starch Operating Company ("CASCO"), Cardinal is required to sell up to 723 million pounds of steam per year to CASCO for its plant operations. The energy savings agreement matures on January 31, 2015, but may be extended by up to two years at the option of Cardinal.

Wood Waste Supply Agreement
The Whitecourt biomass facility has a long-term agreement with Millar Western Industries Ltd. and Millar Western Pulp Ltd. (collectively, "Millar Western") to ensure an adequate supply of wood waste. The agreement expires in 2016.

Gas Purchase Contract
Cardinal has a long-term purchase agreement for natural gas that expires on May 1, 2015. The minimum purchase commitment for natural gas under the agreement is 9,289,104 MMBtu per year through to expiration in 2015, which is equivalent to 80% of the contract maximum.

Leases
Cardinal leases 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.

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

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

Under a fixed-price service and maintenance agreement that expires on July 25, 2010, General Electric Canada provides operating and management services to Erie Shores. Under a separate agreement, General Electric Company provides Erie Shores with a four-year revenue reimbursement and performance warranty expiring July 25, 2010.

Guarantees
As at December 31, 2009, the Fund has an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan to Erie Shores. This guarantee may be reduced from time to time by an amount equal to 75% of any releases from the escrow accounts established upon the disposition of Gas Recovery Systems, LLC ("GRS"), in excess of a certain amount. At December 31, 2009, there had 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 Renewable Group LLC ("Fortistar") for the period commencing on the sale of GRS to Fortistar on September 15, 2006. As at December 31, 2009 no claims had been made on these guarantees.

Note 19. Financial instruments

Financial instruments primarily consist of cash and cash equivalents, restricted cash, short-term investments, cash in escrow related to GRS, accounts receivable, loans receivable, accounts payable and accrued liabilities, distributions payable, long-term debt, accounts payable and accrued liabilities related to GRS, convertible debentures, levelization amounts, capital lease obligations and gas and interest rate swap contracts. The Fund also has embedded derivatives on one of its commodity contracts.

Financial Instruments Designated as Held-for-trading

Cash and Cash Equivalents, Restricted Cash, Short-term Investments and Cash in Escrow Related to GRS
The Fund invests its cash, restricted cash and cash in escrow balances in financial instruments of highly rated financial institutions and government securities with original maturities of 90 days or less.

Loans and Receivables

Accounts Receivable

The Fund's accounts receivable consist of trade and interest receivable recorded at fair value. A substantial portion of the Fund's accounts receivable is from the OEFC and the associated credit risks are deemed to be minimal.

Loans Receivable

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

Other Liabilities

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

The Fund's accounts payable and accrued liabilities and distributions payable are short-term liabilities with carrying values that approximate their fair values. As at December 31, 2009, the Fund has recorded accounts payable and accrued liabilities relating to GRS equal to the amount that was held in escrow.

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

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

Financial Instruments Classified as Held-for-trading

Swap Contracts

The Fund has gas and interest rate swap contracts outstanding as at December 31, 2009. Total amounts recorded in respect of these contracts are as follows:

The Fund's gas swap contracts effectively fix some of the revenue derived from the sales of excess gas. These contracts mitigate exposure to natural gas price fluctuations from sales of excess natural gas in the years 2010 and 2011. The estimated asset with respect to the gas swap contracts as at December 31, 2009 was $2,131 (2008 – $550), of which $1,026 (2008 – $369) is short-term. They do not meet the effectiveness criteria for hedge accounting and accordingly, changes in the fair value of the contracts are reflected in the consolidated statement of operations.

The Fund has an interest rate swap contract on a notional amount of $20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. Under this contract, the Fund will pay a fixed rate of 5.63% for a period of five years following the maturity of the Erie Shores project debt from December 1, 2011 to December 1, 2016. In return, the Fund will receive a floating rate equal to the then current three-month BA rate. As at December 31, 2009, the estimated liability with respect to the interest rate swap was $1,076 (2008 – $2,793).

The Fund has interest rate swap contracts on a notional amount of $85,000 to mitigate its interest rate risk on the Cardinal and CPOT credit facility until maturity. Under each agreement, the Fund will pay a fixed rate in return for a floating rate equal to the then current three-month BA rate. Since these swap contracts have not been designated for hedge accounting, their fair values are reported in the consolidated statement of operations for the year ended December 31, 2009. At December 31, 2009, the Fund recorded a liability of $1,518 (2008 – $3,122) of which $1,310 (2008 – $1,997) is short term and a non-current asset of $278 (2008 – $nil).

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

	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Unrealized gain on gas swap contracts	**1,614**	1,025
Unrealized gain (loss) on interest rate swap contracts	**3,050**	(5,253)
Total unrealized gain (loss) on swap contracts	**4,664**	(4,228)

Embedded Derivatives

The Fund has determined that its gas purchase contract contains embedded derivative features, which include mitigation options and electricity indexing features requiring separation and measurement at fair value. At December 31, 2009, the embedded derivative asset and liability that have been recorded at fair value were $14,093 (2008 – $20,392) and $4,859 (2008 – $6,491), respectively. Changes in the fair value of these financial instruments during the year have been recorded in the consolidated statement of operations as follows:

	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Unrealized gain (loss) on embedded derivative asset	**(4,522)**	2,674
Unrealized gain on embedded derivative liability	**141**	7,167
Total unrealized gain (loss) on embedded derivative instruments	**(4,381)**	9,841

Determination of Fair Value

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

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

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

The carrying value of the Fund's capital leases approximates fair value.

The fair value of the Fund's floating rate debt and levelization amounts approximate carrying values. The fair value of the Fund's fixed rate debt is determined through the use of a discounted cash flow analysis using relevant risk-free bond rates. The fair value of the Fund's convertible debentures is obtained through multiplying the current market debenture price as per the Toronto Stock Exchange by the number of convertible units outstanding as at period end.

The fair value of the Fund's gas swap contracts fluctuates with changes in market interest rates and prices for natural gas. Therefore, a forward gas price and interest rate curve was used in a discounted cash flow analysis to determine their fair value. The fair value of the Fund's interest rate swap contracts fluctuates with changes in market interest rates. For the year ended December 31, 2009, a discounted cash flow analysis based on a forward interest rate curve was used to determine their fair value. The determination of the fair value of the Fund's embedded derivatives requires the use of option pricing models involving significant judgment based on management's estimates and assumptions.

The following table provides a comparison of carrying and estimated fair value for each classification of financial instrument as at December 31, 2009:

	Dec 31, 2009		Dec 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial instruments designated as held-for-trading:				
Cash and cash equivalents	**53,121**	**53,121**	46,817	46,817
Restricted cash	**2,304**	**2,304**	–	–
Short-term investments	**–**	**–**	5,087	5,087
Cash in escrow related to GRS	**3,186**	**3,186**	6,088	6,088
	58,611	**58,611**	57,992	57,992
Loans and receivables:				
Accounts receivable	**16,128**	**16,128**	18,309	18,309
Loans receivable	**6,899**	**8,708**	7,612	8,462
	23,027	**24,836**	25,921	26,771
Other liabilities:				
Accounts payable and accrued liabilities	**(15,425)**	**(15,425)**	(12,657)	(12,657)
Distributions payable	**(4,368)**	**(4,368)**	(4,368)	(4,368)
Capital lease obligations	**(367)**	**(367)**	(555)	(555)
Long-term debt(i)	**(192,403)**	**(192,941)**	(222,681)	(227,379)
Levelization amounts	**(21,166)**	**(21,166)**	(19,581)	(19,581)
Convertible debentures(ii)	**(81,655)**	**(89,437)**	(38,918)	(35,026)
Accounts payable and accrued liabilities related to GRS	**(3,186)**	**(3,186)**	(6,088)	(6,088)
	(318,570)	**(326,890)**	(304,848)	(305,654)
Financial instruments classified as held-for-trading:				
Gas swap contracts	**2,131**	**2,131**	550	550
Interest rate swap contracts, net	**(2,316)**	**(2,316)**	(5,915)	(5,915)
Embedded derivative asset	**14,093**	**14,093**	20,392	20,392
Embedded derivative liability	**(4,859)**	**(4,859)**	(6,491)	(6,491)
	9,049	**9,049**	8,536	8,536

(i) The carrying value of long-term debt as at December 31, 2009 has been presented as net of deferred financing fees of $2,777 (2008 – $441).

(ii) The carrying value of convertible debentures as at December 31, 2009 has been presented as net of deferred financing fees of $2,273 (2008 – $nil) and excluded the equity portion of the debentures of $4,736 (2008 – $nil).

In September 2009, the CICA amended Section 3862, Financial Instruments – Disclosures to enhance disclosures about fair value measurements, including the relative reliability of the inputs used in those measurements, and their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of the Fund's financial instruments that have been recorded at fair value as at December 31, 2009, within the fair value hierarchy:

	Financial assets at fair value as at Dec 31, 2009			
	Level 1	Level 2	Level 3	Total
Gas swap contracts	–	2,131	–	2,131
Embedded derivative asset	–	–	14,093	14,093
	–	2,131	14,093	16,224

	Financial liabilities at fair value as at Dec 31, 2009			
	Level 1	Level 2	Level 3	Total
Interest rate swap contracts, net	–	(2,316)	–	(2,316)
Embedded derivative liability	–	–	(4,859)	(4,859)
	–	(2,316)	(4,859)	(7,175)

The fair value for the gas swap contracts, classified as Level 2, was derived using a discounted cash flow model that considers various observable inputs including time to maturity, forward gas prices, foreign exchange curves and credit spreads. The fair value for the interest rate swap contracts, classified as Level 2, was derived using a discounted cash flow model that considers various observable inputs including time to maturity, forward interest rates and credit spreads.

Due to the lack of observable market quotes on the Fund's embedded derivatives, their fair values, classified as Level 3, were derived using complex valuation models that rely on a combination of observable and unobservable inputs, including time to maturity, forward gas prices and volatility, foreign exchange curves, credit spreads, estimates on gas volumes and sales, fixed and variable gas transportation costs and a forecasted Direct Customer Rate ("DCR") curve based on historical averages. Changes in one or a combination of these estimates may have a significant impact on the fair value of the embedded derivatives given the volume of gas and length of contract involved. As new information becomes available, management may choose to revise these estimates and, in particular, where there is an absence of reliable observable market data.

The following table reconciles the Fund's Level 3 fair value measurements from December 31, 2008 to December 31, 2009:

	Fair value measurements using Level 3 inputs	
	Embedded derivative asset	Embedded derivative liability
Balance as at December 31, 2008	20,392	(6,491)
Adjustment in opening cumulative earnings (note 2)	(1,777)	1,491
Adjusted balance as at December 31, 2008	18,615	(5,000)
Unrealized gain (loss) included in net income	(4,522)	141
Balance as at December 31, 2009	14,093	(4,859)

Income and Expenses from Financial Instruments

	Year ended Dec 31, 2009	Year ended Dec 31, 2008
Financial instruments designated as held-for-trading:		
Interest income on cash and short-term investments(i)	211	1,184
Loans and receivables:		
Interest income from loans receivable(i)	720	793
Other liabilities:		
Interest expense on long-term debt(i)(ii)	(11,887)	(10,947)
Interest expense on levelization amounts(i)	(1,454)	(1,314)
Interest expense on convertible debentures(i)	(2,708)	(2,627)
Financial instruments classified as held-for-trading:		
Unrealized gain on gas swap contracts	1,614	1,025
Unrealized gain (loss) on interest rate swap contracts	3,050	(5,253)
Unrealized gain (loss) on embedded derivative asset	(4,522)	2,674
Unrealized gain on embedded derivative liability	141	7,167

(i) Net interest expense for the year ended December 31, 2009 of $15,118 (2008 – $12,911) includes interest income from loans receivable and cash balances, offset by interest expense on long-term debt, levelization amounts and convertible debentures.
(ii) Interest expense on the long-term debt for the year ended December 31, 2009 includes amortization of deferred financing fees of $781 (2008 – $259).

Nature and Extent of Risks Arising from Financial Instruments

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

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

Market Risk

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

(i) Commodity price risk

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

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

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

(ii) Interest rate risk

Interest rate risk arises as the fair value of future cash flows from a financial instrument can fluctuate because of changes in market interest rates. The Fund is exposed to interest rate risk on its floating rate debt and levelization amounts. Currently, the Fund has interest rate swap contracts on a notional amount of $105,000 to mitigate some of the risks associated with its long-term debt.

(iii) Foreign currency exchange risk

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

Credit Risk

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

The Fund deposits its cash and holds its short-term investments with reputable financial institutions, with a credit rating of R1 or higher, and therefore management believes the risk of loss to be remote.

Credit risk concentration with respect to trade receivables is limited due to the Fund's customer base being predominantly government authorities. As at December 31, 2009, 63.3% (2008 – 55.3%) of the Fund's trade receivables relate to sales to the OEFC. Since the OEFC is a government authority, management does not believe there to be significant credit risk. As at December 31, 2009, the maximum exposure with respect to receivables from the OEFC was $10,201 (2008 – $10,087) and there are no accounts receivable that are past due.

The Fund has loans receivable from Chapais maturing in 2015. The Fund carries these loans receivable at amortized cost, having originally recorded them at fair value at acquisition. During the year, the Fund has recorded an allowance of $178 (2008 – $178) relating to interest receivable on Tranche B of the Chapais loans receivable as no interest payments have been received to date. As at December 31, 2009, the carrying value of the loans receivable was below their fair value.

The Fund's swap agreements could expose it to losses under certain circumstances, such as the counterparty defaulting on its obligations under the swap agreements or if the swap agreements provide an imperfect hedge. Counterparties to the Fund's interest rate and gas swap contracts are major financial institutions that have been accorded investment grade ratings by a primary rating agency, therefore management believes there to be low credit risks associated with its swap contracts.

Liquidity Risk

Liquidity risk is the risk that the Fund may encounter difficulties in meeting obligations associated with financial liabilities and commitments. The Fund has the following financial liabilities in place relating to the power infrastructure facilities: the Cardinal and CPOT credit agreement (expires in 2012), the Erie Shores credit agreement (expires in 2026) and two convertible debentures (expires in 2010 and 2016, respectively). These financial liabilities contain a number of standard financial and other covenants.

A failure by Cardinal, Erie Shores or CPOT to comply with their obligations in these credit agreements could result in a default, which, if not cured or waived, could result in the termination of distributions by these facilities and permit acceleration of the relevant indebtedness.

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

(i) Generate sufficient cash flow from operations or that future distributions will be available in amounts sufficient to pay outstanding indebtedness, or to fund any other liquidity needs; or

(ii) Refinance these credit agreements or obtain additional financing on commercially reasonable terms, if at all. The credit agreement under Cardinal and CPOT is, and future borrowings may be, at variable rates of interest, which exposes the Fund to the risk of increased interest rates.

The contractual maturities of the Fund's financial liabilities as at December 31, 2009 are as follows:

Financial Liabilities	Within one year	One year to five years	Beyond five years	Total
Accounts payable and accrued liabilities	15,425	–	–	15,425
Distributions payable	4,368	–	–	4,368
Capital lease obligations	119	248	–	367
2010 Debentures – 6.75%	38,918	–	–	38,918
2016 Debentures – 6.50%	–	–	50,000	50,000
Levelization amounts(i)	–	–	21,166	21,166
Swap contracts				
Interest rate swap on Cardinal credit facility	343	116	–	459
Interest rate swap on CPOT credit facility	997	117	–	1,114
Interest rate swap on ESWF project debt	–	1,134	404	1,538
Long-term debt				
Joint credit facility	–	85,000	–	85,000
Erie Shores project debt				
Tranche A	2,381	11,067	51,181	64,629
Tranche B	736	3,361	1,454	5,551
Tranche C	–	40,000	–	40,000
	63,287	141,043	124,205	328,535

(i) Repayments of the levelization amounts vary based on the production levels at the Wawatay facility.

Sensitivity Analysis

Section 3862 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of changes in market variables (commodity prices, interest rates and foreign exchange rates) to the Fund's financial position and performance as a result of changes in the fair value of cash flows associated with the Fund's financial instruments. The sensitivity analysis provided below discloses the effect on profit or loss for the year ended December 31, 2009, assuming that a reasonably possible change in the relevant risk variable has occurred during the year and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data.

The sensitivity analysis has been prepared based on December 31, 2009 balances and on the basis that the balances, the ratio of fixed to floating rates of debt and derivatives, the proportion of energy contracts that are financial instruments and the proportion of financial instruments in foreign currencies in place at December 31, 2009 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments under Section 3855.

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

		Interest Rate Risk		Foreign Exchange Rate Risk	
Year ended Dec 31, 2009	**Carrying Amount**	**- 0.5% Income**	**+ 0.5% Income**	**- 10% Income**	**+ 10% Income**
Financial Assets:					
Cash, cash equivalents and restricted cash(i)	55,425	(277)	277	–	–
Cash in escrow related to GRS(ii)	3,186	(16)	16	319	(319)
Financial Liabilities:					
Long-term debt(iii)	195,180	425	(425)	–	–
Interest rate swap contracts, net(iv)	2,316	(1,403)	1,410	–	–
Accounts payable and accrued liabilities related to GRS(ii)	3,186	16	(16)	(319)	319

(i) Cash, cash equivalents and restricted cash include deposits at call, which are at floating interest rates.
(ii) Cash in escrow and accounts payable and accrued liabilities related to GRS are denominated in US dollars.
(iii) Long-term debt includes $85,000 of floating rate debt. Carrying value of long-term debt excludes deferred financing fees of $2,777.
(iv) As at December 31, 2009, the Fund has interest rate swap contracts on a notional amount of $105,000 to mitigate interest rate risk on the Cardinal and CPOT credit facility and some of the refinancing risk associated with the Erie Shores project debt. These swaps are recorded at fair value based on the use of a forward interest rate curve.

		Natural Gas Price Risk		DCR Risk	
Year ended Dec 31, 2009	**Carrying Amount**	**- 10% Income**	**+ 10% Income**	**- 1% Income**	**+ 1% Income**
Financial Assets:					
Embedded derivative asset(i)	14,093	(2,949)	3,061	501	(484)
Gas swap contracts(ii)	2,131	557	(556)	–	–
Financial Liabilities:					
Embedded derivative liability(i)	4,859	–	–	6,228	(6,408)

(i) The Fund has recorded an embedded derivative asset and liability relating to the gas mitigation option and electricity indexing features of Cardinal's gas purchase contract at fair value. The determination of fair value of these financial instruments requires the use of a number of variables including forward gas and DCR curves.
(ii) The Fund has gas swap contracts to mitigate its exposure to natural gas price fluctuations from sales of excess gas in the years from 2010 to 2011. The gas swap contracts are recorded at fair value based on the use of a forward gas curve.

Note 20. Cash in escrow and liabilities related to GRS

As at December 31, 2009, the Fund has cash in escrow and liabilities related to GRS of $3,186 (2008 – $6,088). This amount represents the remaining net proceeds that were deposited into an escrow account for ongoing legacy issues regarding GRS operations, following the sale of CPIF's investment in GRS in 2006. The only significant issue outstanding at this time relates to a dispute surrounding the methodology used by one of GRS's customers, Commonwealth Edison Co. ("Commonwealth"), to calculate the rate under the PPA. The amount that remains in escrow represents the maximum exposure to the Fund relating to this issue. These escrowed funds, or a portion thereof, will be payable if certain conditions are met. In addition, should the dispute be resolved fully in 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 December 31, 2009 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, the maximum amount payable under the CVR will increase. The CVRs represent the right to receive an amount equal to 80% of the remaining amounts in escrow and any refunds received from Commonwealth, after reduction for certain claims and costs and after specified adjustments.

Note 21. Capital disclosure

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

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

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

The Board of Trustees of the Fund reviews the level of distributions paid to Unitholders on a quarterly basis. During the fourth quarter of 2009, the Fund revised its distribution policy. Effective January 2010, distributions to Unitholders decreased from $1.05/unit on an annualized basis to $0.66/unit. Over time, this lower distribution will provide the Fund with more flexibility and resources to pursue growth opportunities.

As at December 31, 2009, the Fund is in compliance with all financial and non-financial covenants on its credit facility. Collateral for the facility is provided by a first ranking hypothec covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". As at December 31, 2009, the carrying value of the assets of the restricted group exceed total amounts drawn on the facility. The Erie Shores project debt is secured only by the assets of Erie Shores, with no recourse to the Fund's other assets. As at December 31, 2009, the carrying value of the assets of Erie Shores exceeds the total amount of project debt. Under the agreement, Erie Shores is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as operating income to debt service. As at December 31, 2009, the debt service coverage ratio was at a level that would require funding of a debt service reserve account in an amount equal to the next three-month's principal and interest payments, which for the quarter ending March 31, 2010, will be $2,304. The Fund has recorded this amount as restricted cash on the consolidated statement of financial position as at December 31, 2009.

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

Note 22. Economic dependence and credit risk

For the year, approximately 69.7% and 13.7% (2008 – 68.9% and 14.7%) of the Fund's revenue was derived from the sale of electricity to the OEFC and Ontario Power Authority ("OPA"), respectively. Approximately 63.3% (2008 – 55.3%) of the accounts receivable balance was due from the OEFC and 15.3% (2008 – 18.3%) was due from the OPA relating to electricity sales.

For the year, approximately 64.3% (2008 – 65.0%) of the Fund's operating expenses were from the purchase of gas from Husky Marketing under its gas purchase contract. Approximately 33.6% (2008 – 48.3%) of the trade payables and accrued liabilities are payable to Husky Marketing relating to gas purchases.

Note 23. Subsequent events

On January 5, 2010, in connection with the Fund's issuance of $50,000 of 6.50% convertible unsecured subordinated debentures due December 31, 2016, the underwriters exercised an over-allotment option to purchase an additional $7,500 principal amount of the 2016 Debentures. This increases the aggregate gross proceeds of the offering to $57,500. On January 11, 2010, the Fund fully redeemed its 6.75% convertible unsecured subordinated debentures that were coming due on December 31, 2010 with proceeds from the issuance of the 2016 Debentures. The total amount paid was equal to the principal outstanding of $38,918 plus accrued interest.

On February 12, 2010, the Fund, together with Macquarie International Infrastructure Fund Limited, announced that it is considering the divestiture of its interests in Leisureworld, by way of an initial public offering ("IPO"). Accordingly, Leisureworld Senior Care Corporation ("LSCC"), a newly formed corporation, has filed a preliminary prospectus with the Canadian securities regulatory authorities for the proposed IPO. The net proceeds from the offering will be used to acquire 100% of the ownership interests in Leisureworld. As at and for the year ended December 31, 2009, the following amounts have been recorded on the Fund's consolidated financial statements in respect of its investment in Leisureworld:

Consolidated statement of financial position	
Long-term investments	54,186
Future income tax asset	174
Future income tax liability	10,895
Consolidated statement of unitholders' equity	
Ending cumulative loss	(2,991)
Ending accumulated comprehensive income	190
Consolidated statement of operations and comprehensive income	
Equity accounted income from long-term investments	1,842
Equity share of other comprehensive income of Leisureworld	482
Consolidated statement of cash flows	
Equity accounted income from long-term investments	1,842
Investment in Leisureworld	(6,750)
Transaction costs paid from acquisition	(46)
Distributions received from long-term investments	10,350

Note 24. Proposed plan of arrangement

On September 29, 2009, the Board of Trustees of the Fund announced its intention to seek Unitholder approval for the reorganization of the Fund into a corporate structure that is expected to occur prior to January 1, 2011. It is anticipated that the current Unitholders of the Fund will exchange their units for shares in the proposed corporate entity on a one-for-one, tax-free basis. It is also anticipated that Class B Exchangeable units of MPT LTC Holding LP will become exchangeable on a one-for-one basis into shares of the new corporate entity rather than units of the Fund.

Distribution policy

Macquarie Power & Infrastructure Income Fund distributes its available distributable cash to unitholders through monthly cash distributions. Distributions are generally declared each month, approximately eight business days prior to the last business day of the month. Unitholders of record on the last business day of that month are entitled to the distribution. Distribution payments are made on or about the 15th or next business day of the following month.

MPT's distribution policy is determined and evaluated periodically by the Fund's Board of Trustees. Information about MPT's historical distributions per unit is available at www.macquarie.com/mpt.

Distribution Reinvestment Plan ("DRIP")

MPT's DRIP offers unitholders a convenient, affordable way to increase their investment in MPT without incurring commissions, service charges or brokerage fees. To be eligible to participate in the DRIP, a unitholder must be a Canadian resident and the beneficial holder of one or more units held in the account of a Canadian Depository for Securities (CDS) participant, such as a Canadian broker or investment advisor. Unitholders who are residents in jurisdictions outside of Canada may participate only if permitted by the laws of the jurisdiction in which they reside. For more information about MPT's DRIP, please visit our website at www.macquarie.com/mpt or contact:

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Department
T: 1 (800) 564 6253

Funds Management Policy

Macquarie Group Limited applies a governance framework to its managed funds' activities, including MPT.

The framework addresses the fact that the interests of MGL may at times conflict with the interests of investors in MGL-managed funds. Therefore, additional safeguards have been adopted to ensure that investors are protected.

The key elements of the framework are:

- Related party transactions between managed funds and Macquarie entities are clearly identified and governed by rules requiring that they be undertaken on arm's length terms.
- Only independent directors or trustees can make decisions about transactions that involve MGL or its affiliates as counterparties. MGL-appointed directors or trustees do not vote on related party matters.
- All related party transactions are tested by reference to market standards. In particular, fee schedules and mandate terms and conditions are subject to third-party expert review.
- There is a separate division of MGL that is dedicated to MGL's fund management business. Staff members of Macquarie Capital Funds serve the interests of shareholders and the boards of the funds.
- Discrete operating systems and physical barriers create a separation, or wall, between the fund management business and other parts of MGL.

Glossary

Annual long-term average production
An average production figure based on the actual electricity production of a facility since the start of full operations.

Availability
The number of hours that a generating unit is capable of providing service, whether or not it is actually in service, as a percentage of total hours in the period.

Base load facility
A facility that is normally operated to take the entire minimum load of a system. A base load facility produces electricity at an essentially constant rate and runs continuously.

Biomass energy
Biomass energy is generated by the burning of biomass (wood waste) in a boiler that produces high-pressure steam. The steam is introduced into a steam turbine where it flows over a series of turbine blades, causing the turbine to rotate. The turbine is connected to an electric generator that produces electricity.

Capacity
The net amount of electricity generated by a generating unit as a percentage of the total possible generation over the period.

Cogeneration
The simultaneous production of electricity and thermal energy in the form of heat or steam from a single fuel source.

Consumer Price Index (CPI)
An indicator of inflation that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food and transportation.

Contribution margin
Revenue net of direct operating expenses. This measure helps investors to assess the operational performance of the Fund's underlying assets.

Curtailment
A period during which a facility continues to operate but at less than capacity.

Direct Customer Rate (DCR)
The rate set by the OEFC based on a three-year average of the total market cost of electricity to industrial customers.

Distributable cash
Cash flows from operating activities after removing changes in working capital and reflecting the impacts of cash taxes, releases from maintenance reserves, allocations to major maintenance and capital expenditure reserves, non-discretionary payments and receipts, and distributions from Leisureworld.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

Hydro power
Hydro power facilities convert the natural flow of water into electricity. The amount of electricity that a hydro power facility can produce depends on the quantity of water passing through a turbine and on the height from which the water falls.

Hydrology
The effect of precipitation and evaporation upon the occurrence and distribution of water in streams, lakes, and on or below the land surface.

Intermediate facility
The range from base load to a point between base load and peak.

Kilowatt (kW)
This commercial unit of electric power refers to 1,000 watts of electrical power (total amount of power needed to light 10 100-watt light bulbs).

Megawatt (MW)
1,000 kilowatts.

Megawatt hour (MWh)
This is a measure of energy production or consumption equal to one million watts produced or consumed in one hour (total amount of power required to light 10,000 100-watt light bulbs).

MMBtu
A unit of heat equal to one million British thermal units. A British thermal unit is used to measure the quantity of heat, as defined by the quantity of energy necessary to raise the temperature of one pound of water by one degree Fahrenheit.

Outage
A period of time when a plant does not produce any electricity.

Glossary (continued)

Payout ratio
Declared distributions to unitholders as a percentage of distributable cash.

Peaking facility
A facility that is reserved for operation during the hours of highest daily, weekly or seasonal loads.

Power Purchase Agreement (PPA)
An agreement to purchase electricity at a specified rate for a defined period of time.

Return of capital
A return from an investment that is not considered income for tax purposes.

Total return
The return on an investment, including income from distributions, as well as unit price appreciation or depreciation, over a given time period.

Watershed
A drainage basin where water from rain or snow melt drains downhill into a body of water, such as a river, lake, reservoir, wetland, sea or ocean. The drainage basin includes both the streams and rivers that convey the water as well as the land surfaces from which water drains into those channels.

Watt
The scientific unit of electric power.

Wind energy
The wind generates electricity by making use of wind turbines that face the prevailing wind direction. When the wind blows, large rotor blades on the wind turbines are rotated, generating energy that is then converted to electricity.

Yield
Yield refers to the amount that MPT pays out to its unitholders in the form of distributions. It is calculated by taking the amount of distributions paid per unit over the course of a year and dividing by the unit's average price over the same time period.

Macquarie Power & Infrastructure Income Fund

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Visit our website at www.macquarie.com/mpt for information about MPT's assets and to access investor materials, including annual and quarterly financial reports, and recent news and investor presentations.

Stay up-to-date on MPT's news and events by joining our email list at mpt@macquarie.com.

Annual and Special Meeting of Unitholders

Tuesday, June 29, 2010
11 a.m. ET
Chairman's Boardroom
One King West Hotel
1 King Street West
Toronto, Ontario

Quarterly Unit Trading Summary

Quarter	**Q409**	**Q309**	**Q209**	**Q109**	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Low (Intraday)	**5.62**	**5.37**	**5.00**	**4.15**	3.95	5.51	8.02	7.90	8.35	9.17	10.30	10.03
Low (Daily Close)	**5.68**	**5.76**	**5.07**	**4.29**	4.00	5.82	8.11	7.95	8.50	9.50	10.31	10.18
Close	**6.11**	**5.81**	**6.78**	**5.09**	4.79	6.30	8.20	8.53	9.43	10.05	10.52	10.66
High (Intraday)	**6.60**	**6.86**	**6.95**	**6.25**	6.30	8.20	8.99	9.50	10.05	11.00	11.38	11.96
High (Daily Close)	**6.57**	**6.81**	**6.92**	**6.12**	6.19	8.15	8.93	9.50	10.05	10.78	11.37	11.90
Volume (Average Daily)	**139,272**	**123,348**	**109,636**	**127,012**	150,761	101,392	96,293	87,832	77,893	168,081	155,410	55,128
Volume (Total Quarterly)	**8,634,868**	**7,770,947**	**6,907,077**	**7,874,770**	9,497,967	6,387,715	6,162,764	5,445,563	4,907,286	10,421,049	9,790,829	3,528,217

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Why invest in MPT?

- Our infrastructure assets generate long-term cash flow linked to measures of economic growth, providing investors with a hedge against inflation
- MPT has a relatively low risk profile throughout the economic and market cycle
- We have the financial strength and flexibility to further diversify the size and increase the value of our portfolio