OUR MISSION

MACQUARIE POWER AND INFRASTRUCTURE CORPORATION

ANNUAL REPORT 2010

MACQUARIE

With Macquarie Power and Infrastructure Corporation, investors can participate in the infrastructure asset class and benefit from the reliable, long-term cash flow that infrastructure businesses typically generate. Our portfolio includes gas cogeneration, wind, hydro, biomass and solar power generation facilities…and we intend to grow.

$0.66

per share annually

Macquarie Power and Infrastructure Corporation's dividend policy is to pay $0.055 per share monthly.

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Note: Effective January 1, 2011, Macquarie Power & Infrastructure Income Fund converted to a dividend-paying corporation named Macquarie Power and Infrastructure Corporation.

Cover photo courtesy of SunPower Corporation





Our mission is to build and responsibly manage a high quality portfolio of infrastructure businesses in Canada and internationally in order to deliver a superior total return to our investors through stable dividends and capital appreciation.



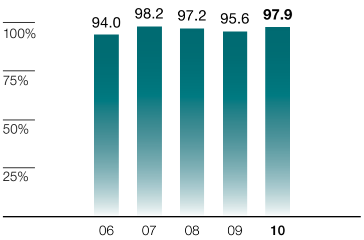


MPIC AT-A-GLANCE

Gas Cogeneration Power

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

Performance Highlights



Cardinal is highly efficient with a five-year average availability of 96.9%.

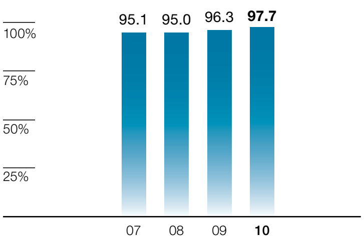
2011 Outlook

- Slightly higher revenue due to continuing escalation in the Direct Customer Rate
- Higher operating expenses due to planned maintenance and increased interim gas transportation rates of $2.24 per gigajoule (GJ) compared with $1.64 per GJ in 2010
- Lower EBITDA and FFO compared with 2010

Wind Power

With a capacity of 99 MW*, Erie Shores Wind Farm is one of the largest wind power facilities in Canada, representing approximately 2.5% of Canada's installed wind power capacity.

Performance Highlights



Erie Shores is a high quality facility with a four-year average availability of 96.0%.

2011 Outlook

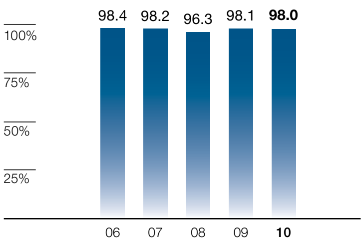
- Higher revenue due to the anticipated return to more typical wind conditions
- Annual long-term power production of approximately 248,000 MWh, subject to wind speed and density
- Lower operating costs contributing to higher EBITDA and FFO compared with 2010

* One wind turbine is owned by a landowner.

Hydro Power

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

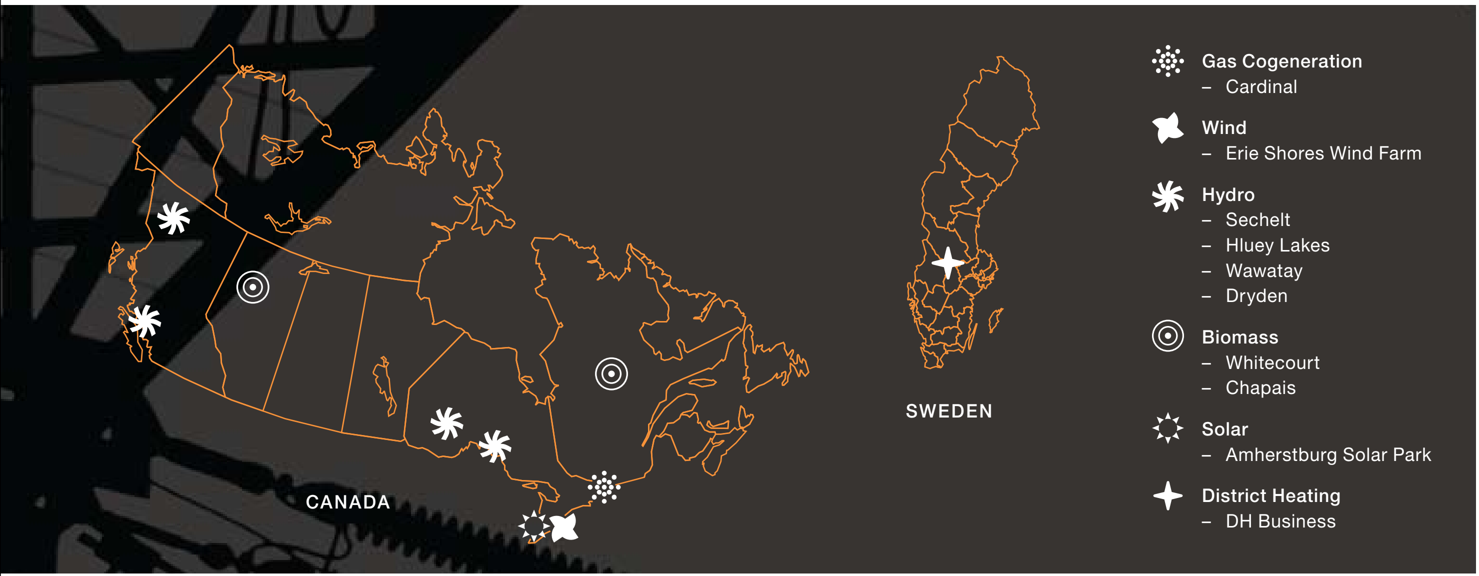
Performance Highlights



The hydro power facilities have a history of reliable performance with a five-year weighted average availability of 98.0%.

2011 Outlook

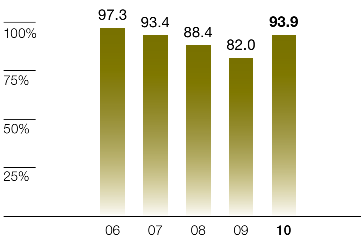
- Higher revenue due to the anticipated return to average long-term annual power production of approximately 166,000 MWh, subject to water flows
- Operating costs slightly lower than in 2010
- Higher EBITDA and FFO than in 2010



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.

Performance Highlights



Whitecourt has achieved a five-year average availability of 90.8%.

2011 Outlook

- Revenue in line with 2010, primarily reflecting planned outages for maintenance and continuing low merchant power prices
- Slightly higher operating expenses due to planned maintenance activities resulting in slightly lower EBITDA and FFO compared with 2010
- Continuing stable supply of wood waste

Solar Power

The 20 MW Amherstburg Solar Park is under construction. When completed, it will be one of the largest photovoltaic solar power facilities in Canada, capable of producing approximately 37,600 MWh of electricity annually.

Performance Highlights

- SunPower Corporation's solar panels deliver a conversion efficiency of approximately 19%
- Solar resources are typically less variable than other renewable energy resources such as wind
- The Amherstburg Solar Park will receive a fixed price of $420 per MWh of electricity generated

2011 Outlook

- Start of commercial operations in June 2011
- Six months of EBITDA and FFO contribution

District Heating

In December 2010, MPIC agreed to acquire a 33.3% equity interest in a portfolio of district heating businesses in Sweden.

Performance Highlights

- Enjoys a sustainable competitive advantage, including barriers to entry and exit
- Historically stable EBITDA margins
- Predictable annual maintenance capex

2011 Outlook

- Transaction expected to close in March 2011
- Investment expected to earn a stable cash yield‡ of approximately 8% per year over the 2011 to 2014 period**

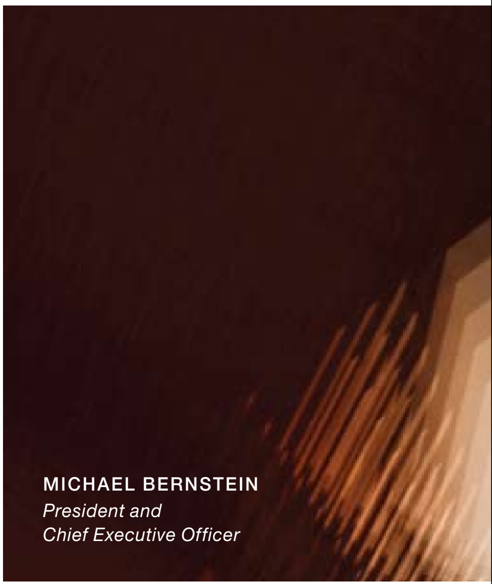
† MPIC also holds a minority debt and equity investment in a biomass facility in Chapais, Quebec.

‡ Unlevered.

**Actual contribution in 2011 will be less due to the timing of completion of the acquisition.

MESSAGE FROM THE CEO

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



Dear Fellow Shareholders,

Fiscal 2010 was a significant year for Macquarie Power and Infrastructure Corporation during which we delivered a total return to investors of approximately 46%, significantly outperforming the S&P/TSX Composite Index return of approximately 17%.

This performance reflected solid business results, the disciplined execution of our growth strategy and the broadening support of the investment community for our mission.

Several initiatives in 2010 have put MPIC on a path for sustained success.

First, we re-aligned our growth strategy to focus on core infrastructure categories. These categories include regulated, utility-like businesses and other core traditional infrastructure businesses that provide an essential service and feature a strong contractual framework. In keeping with this re-alignment, we realized the value of our investment in Leisureworld Senior Care for our investors, divesting our interest in March 2010 through a successful initial public offering of the business.

Second, we widened the scope of our growth strategy – and executed on it. During the year, we decided to actively look beyond Canada's borders for high quality investments. Additionally, we shifted our focus to include development-stage projects, particularly in the renewable energy space. Both categories of opportunity currently offer the potential for higher risk-adjusted rates of return.

Notably, we successfully pursued two businesses that are each expected to deliver steady, long-term cash flow and a total return within our targeted range.

In June, we acquired the Amherstburg Solar Park, a 20 MW solar photovoltaic power project that is being designed and built by SunPower, which will also operate the facility once the project reaches commercial operation in June 2011. This project features a strong contractual framework that minimizes the risks inherent in construction, operations and performance. It also expands our footprint in the attractive renewable energy sector.

In December, we announced an approximately $100-million investment to acquire a 33.3% interest in a portfolio of district heating operations centrally located in Sweden. We are making this investment alongside Macquarie European Infrastructure Fund II, a private unlisted infrastructure fund managed by a subsidiary of Macquarie Group Limited. District heating is an underground distribution system that delivers heat from a single facility to numerous buildings or industrial users within a community, making this business essential, core infrastructure. This acquisition will diversify our portfolio internationally and by infrastructure category and is anticipated to be completed in March 2011.

Third, we have a prudent capital structure and the flexibility to pursue additional growth opportunities. With the completion of a $69 million equity financing in late December, we have the financial muscle to advance our growth strategy. In addition, MPIC has grown in size and scale with our market capitalization increasing from approximately $300 million at the start of 2010 to about $500 million by year end.

MPIC delivered a total return to investors of approximately 46% in 2010.

Our vision is to be Canada's pre-eminent infrastructure company, making growth a major focus for our team in 2011. As you will read on pages eight and nine, the investment required to maintain, improve and build critical infrastructure in Canada and globally is staggering, which creates a sizable opportunity for MPIC.

Another continuing priority is to secure a new contract for our Cardinal gas cogeneration facility, which currently operates as a base load facility under a power purchase agreement (PPA) that expires in 2014. There is good reason to be optimistic about Cardinal's future, most likely as a peaking facility.

In November 2010, the Ontario Ministry of Energy directed the Ontario Power Authority (OPA) to undertake contract renegotiations with Ontario's non-utility generators (NUGs), including Cardinal. The directive clearly recognizes the important role of gas-fired generation in Ontario's future electricity supply mix and grid stability and requires the OPA to consider the energy and economic contribution of each NUG to industrial partners and the local community.

Cardinal is exceptionally well positioned for these negotiations given our significant role in the eastern Ontario electricity grid and our symbiotic relationship with Canada Starch Operating Company (Casco). The energy, compressed air and steam that we provide to Casco helps to maintain the competitiveness of its manufacturing operations, thereby supporting jobs for more than 200 employees and ensuring a customer for 700 local corn farmers. Together with Casco, we contribute to important local charitable causes and pay substantial property taxes that help to fund essential community services.

We have been working for more than a year to elevate Cardinal's prominence with key stakeholders and to shape a plan for the facility under a new contract, which includes an expansion and various efficiency improvements. We are delighted to have a strong partnership with Casco, and look forward to updating our shareholders in the months ahead on the status of our negotiations with the OPA.

Our work with Cardinal is a great example of the importance we place on preserving and improving the value of our existing portfolio. Other projects for 2011 include installing motorized systems in our turbines at Erie Shores that will support and ensure the safety of our employees while climbing up to the nacelles – a roughly 25-storey trek – to complete maintenance work. At Whitecourt, we are evaluating options to sell excess power along with renewable energy credits.

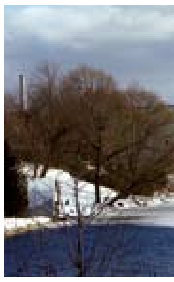
Our mission is to build and responsibly manage a high quality portfolio of infrastructure businesses in Canada and internationally in order to deliver a superior total return to our investors through a combination of stable dividends and capital appreciation. We bring a distinct competitive advantage to this task. Our senior executives have decades of experience in diverse infrastructure categories, including power generation and electric utilities, renewable energy, toll roads, bridges, sea ports and water utilities, to name just a few, and broad relationships across the infrastructure space.

Across our businesses, the deep relationships cultivated by our 60 employees with suppliers, customers, landowners and local communities help to enhance our competitive position and fulfil our responsibility to stakeholders. As detailed on pages 11 to 13, environmental and social responsibility is an integral element of our business strategy. It is also fundamental to sustained financial performance. Our people are paramount to the success of our business and we are deeply grateful for their commitment.

I would like to take this opportunity to thank our Board of Directors for its support and guidance over what has been a very busy and productive year. I also thank our shareholders for having confidence in our vision. We are working hard to transform that vision into reality, and appreciate your continuing support as we advance our strategy in 2011.

Sincerely,

Michael Bernstein
President and Chief Executive Officer



STRATEGIES TO ACHIEVE OUR MISSION

MPIC is committed to maximizing the value of its portfolio, delivering strong financial performance and achieving prudent growth.

1 Maximize and sustain the long-term value of our current businesses

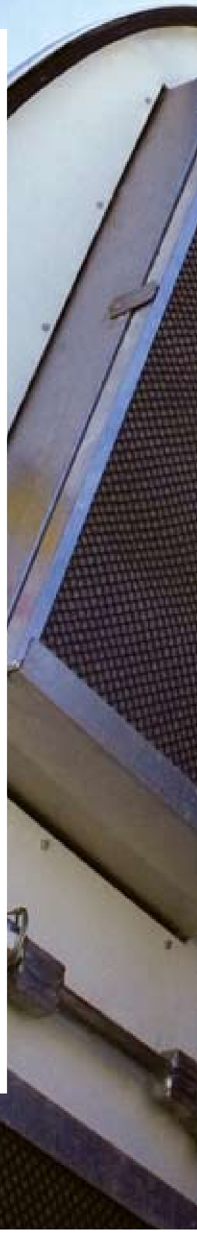
Our businesses undergo an annual strategic planning exercise to assess progress on achieving our goals, to identify and monitor relevant macroeconomic factors, and to determine how we can further improve the quality and efficiency of our operations. In addition, we carefully plan and budget for major maintenance and capital expenditures at each asset, which helps to sustain reliable performance and stable dividends to shareholders.

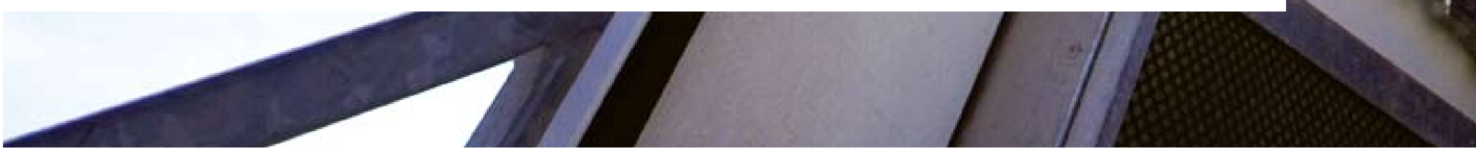
2 Deliver strong financial performance and maintain financial flexibility

Our infrastructure businesses provide essential services for which there is consistent demand throughout the economic cycle. They also operate within contractual frameworks or environments where they benefit from high barriers to entry, thereby ensuring a sustainable competitive advantage. Combined, these attributes result in predictable revenue and steady cash flow. This cash flow profile is matched by a conservative capital structure and with investment-grade debt, which helps to minimize financial risk.

3 Achieve prudent growth

We are cultivating a high quality portfolio of core infrastructure businesses in Canada and in OECD countries with the goal of delivering a superior total return to our investors. These opportunities could include power generation, electricity distribution and transmission, water distribution and transportation, such as roads or bridges, including through public-private partnerships.







We have the discipline, focus and resources to build Canada's pre-eminent infrastructure company.

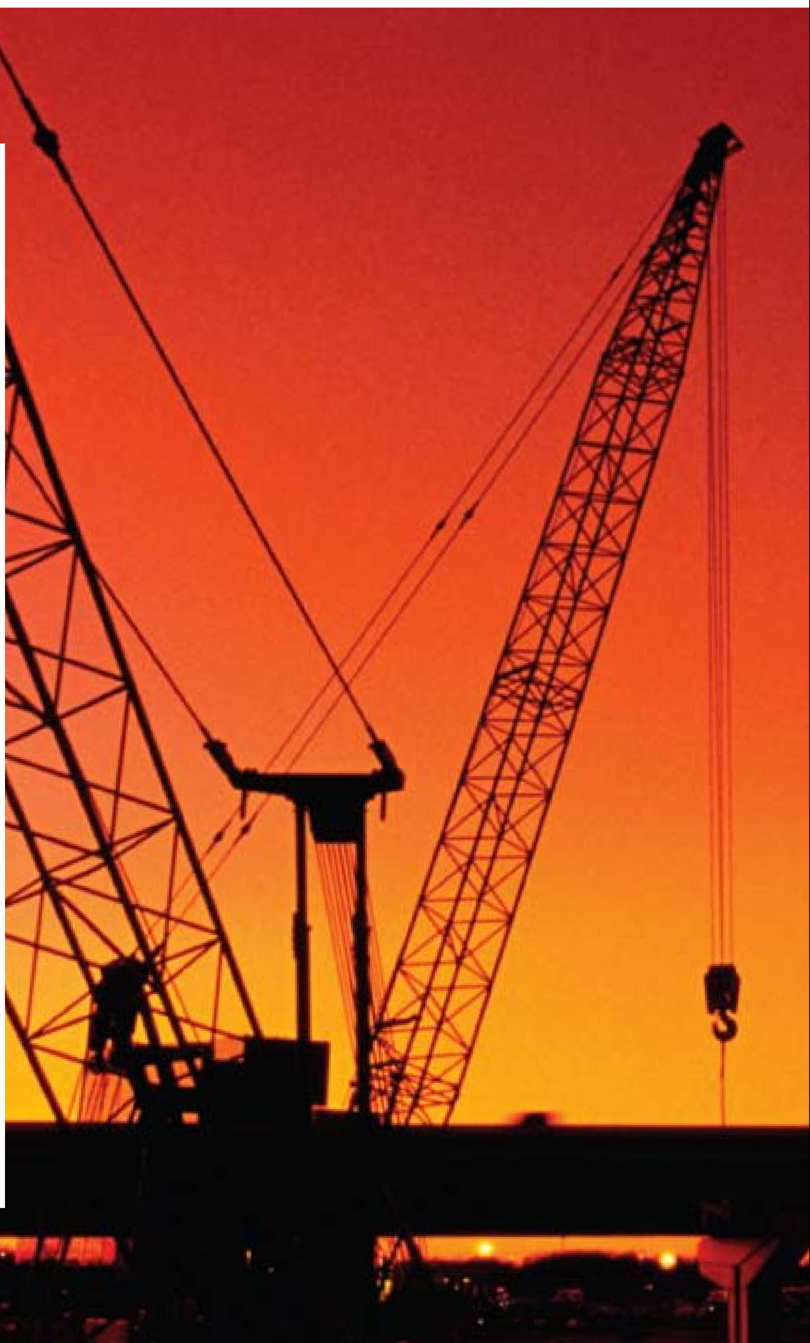
Top left to right: Cardinal's Siemens Westinghouse 501D5 gas turbine is a global fleet leader, achieving an annual average availability that is 3.2% higher than the availability attained by the other 501D5 turbines that report this data. There are 100 501D5 turbines in operation worldwide; Whitecourt is one of the largest biomass power facilities in Alberta; District heating is a core infrastructure business that offers stable cash flow.

Our growth strategy is guided by the following principles:

- Build scale with quality assets, either operating or development-stage projects
- Seek to diversify the portfolio by asset type, fuel source and geography
- Focus on wholly-owned assets but remain flexible to partnering opportunities that are accompanied by strong governance
- Typically target a long-term total return of 10% to 14% (post-tax, levered) on our investments

THE INFRASTRUCTURE OPPORTUNITY

Modern and efficient infrastructure is vital to the movement of goods, services and people, and to the quality and security of life that we enjoy. In fact, the condition of a country's infrastructure drives its economic productivity…or prevents it from reaching its full potential.



A role for the private sector

Canada's infrastructure is aging, including its 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. Approximately 31% of our infrastructure is between 40 and 80 years old and about 28% is between 80 and 100 years old. It is estimated that up to $400 billion is required to repair our aging infrastructure and to build for the future.

Infrastructure decay is a universal theme. Global infrastructure requirements for transport, energy, water and communications to 2030 are estimated at more than US$30 trillion.

This burden is too large for governments to bear alone, particularly with many facing significant deficits. At the same time, governments are striving to meet sustainability objectives, including environmental restoration and economic development, along with a plethora of competing priorities. Undoubtedly, the private sector has a vital role in improving and building new, more sustainable critical infrastructure: better roads; new, greener power generation facilities; higher quality and modern water systems; and more efficient public transportation.

Infrastructure businesses typically generate predictable revenue and steady cash flow, and have historically demonstrated low volatility relative to the broader equity market.

At left: Erie Shores Wind Farm hosted CanWEA's Global Wind Day celebration in 2010. Erie Shores makes an important contribution to Ontario's green energy mix, has created nine jobs and helps to stimulate local economic opportunities.

D-

Grade assigned to the quality of roads in the United States by the 2009 Report Card for America's Infrastructure.

$87B

is the amount the Ontario government's *Long-Term Energy Plan* calls for in energy investment over the next 20 years.

1.1%

of real GDP growth per year is at risk if Canada's current underinvestment in infrastructure continues.

Canadians that believe Canada's governments are unable to keep up with infrastructure requirements:

9 out of 10

50%

of Ontario's 700 water systems met all provincial regulations in 2008–2009.

Congested highways in the Greater Toronto Area are estimated to cost the local economy approximately:

$6B/year

OUR VALUES

Infrastructure is the backbone of our economy and society. Our day-to-day lives intersect with infrastructure in myriad ways, from the electricity that lights or heats our homes to the roads we travel or the public transit we take to work.

The physical nature of our infrastructure businesses and the essential profile of the services they provide mean that we necessarily have close ties to the communities in which our businesses operate. We provide power to regional electricity grids; provide employment in our facilities and work for local contractors, businesses and other vendors; and support community initiatives.

As we manage and grow our portfolio, it is a priority that we foster a positive culture that is respectful of our many stakeholders.

We are guided by the following values:

Integrity	In all we do, we act honestly, ethically and fairly, abiding by both the spirit and letter of our commitments and by our Code of Business Conduct and Ethics, which is posted on our website at www.macquarie.com/mgl/mpic/governance. We are accountable for our decisions and seek to communicate with transparency.
Commitment	We are committed to managing MPIC in the best interests of our investors, which includes acting as a responsible corporate citizen in the communities where our businesses operate.
Strive for profitability	We are committed to managing and growing our businesses profitably so that we can deliver an attractive total return to our investors.
Teamwork	As a team, we work cooperatively and constructively to build MPIC's business and share a focus on achieving optimal performance.
Highest standards	We strive for excellence, innovation and creativity in the management and growth of our businesses.
Fulfilment for our people	We foster a professional work environment where our people have the tools and resources to excel and be successful, and where they are recognized for their service and contributions.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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.

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

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**

  MPIC's due diligence process includes a review of a business' environmental as well as occupational health and safety (OH&S) 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 business maintains its own risk management system to manage its obligations and risks. MPIC's ability to control or influence these frameworks depends on our level of ownership or control and the regulatory framework that governs specific environmental and OH&S risks. Each business must report to the Board of Directors on risk management, which helps to ensure compliance with regulatory requirements as well as timely identification and resolution of issues.

- **Stakeholder reporting**

  MPIC reports annually to shareholders 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 businesses during the reporting period.

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

Key environmental and social responsibility factors

MPIC's key environmental 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. Our key social responsibility factors include occupational health and safety, recruitment and employment compliance, and community and stakeholder relations.

Initiatives at MPIC'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 2010, Cardinal's 18 employees received a total of 1,617 hours of safety and technical training, an average of 90 hours per employee. In 2010, there was no lost time due to injuries, extending the plant's 14-year record.

Cardinal's team is also dedicated to supporting the local community, offering financial support to Cardinal in Bloom, an annual beautification program of flower baskets and gardens tended by volunteers, that it initiated for the town of Cardinal. 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 the United Way and 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.

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. During 2010, Erie Shores expanded its workforce from three to nine employees as we brought the O&M function in-house. Employees received a total of 599 hours of technical and safety training in 2010, an average of approximately 66 hours of training per employee. Additionally, the plant holds regular safety meetings. During the year, there was no lost time due to injuries.

Erie Shores also complies with Ontario's Environmental Assessment Act, which provides for the protection and conservation of the environment, including land, air and wildlife as well as 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.

In 2010, 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. Erie Shores hosted numerous site tours for students, politicians, media and other groups, and conducted several off-site presentations. Erie Shores also exhibited at the 2010 International Plowing Match, which was held in Elgin County where a portion of Erie Shores'

Our renewable power facilities collectively deliver enough green electricity to power the equivalent of approximately 60,000 households.

Left to right: The placement of the turbines at Erie Shores was designed to minimize environmental impact; Approximately 7% of Alberta's electricity is generated from renewable sources such as wind, hydro and biomass, making Whitecourt an important contributor to the province's renewable energy mix.

turbines are located, and served as the backdrop for the Canadian Wind Energy Association's Global Wind Day celebration. Through these tours and events, Erie Shores is helping to build and broaden knowledge of wind power in Canada while promoting the region's leadership in embracing wind power.

Hydro Power Facilities

Our 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 2010, operators received a total of 270 hours of training, an average of 30 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. Notably, the Wawatay facility was the first hydro project partnership in Ontario with a First Nation community. Members of the Pic River First Nation were involved in contracting and construction and are now employed in the continuing operation of the facility. Income from the project has helped the Pic River First Nation to finance a women's crisis centre, a youth centre, a recreation centre, cable television and high-speed internet services.

All of MPIC'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 with 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 2010, Whitecourt's 33 employees received a total of approximately 669 hours of training, an average of approximately 20 hours per employee. In 2010, Whitecourt recorded lost time due to an employee's repetitive strain injury. A plan is being implemented to improve operating practices and to minimize the potential for this injury to re-occur.

Whitecourt, together with its employees, has a history of community involvement, supporting health organizations, schools, children's sports teams and vital social services in the community of Whitecourt. In 2010, Whitecourt introduced an Employee Gift Matching program aimed at encouraging employee donations to charities and increasing the value of actual contributions.

Chapais

The Chapais plant meets or exceeds the requirements of Quebec's Commission de la santé et de la sécurité du travail and complies with the Environment Quality Act. In 2010, Chapais' 28 employees received approximately 208 hours of training, an average of 7.4 hours per employee. During the year, there was no lost time due to injuries.

Environmental and social responsibility regulatory requirements

MPIC is not aware of any significant breaches of relevant environmental and social responsibility regulatory standards at any of its businesses during the year ended December 31, 2010.

LETTER FROM THE CHAIRMAN OF THE BOARD

DEREK BROWN
Chairman of the Board of Directors

Dear Fellow Shareholders,

On January 1, 2011, Macquarie Power & Infrastructure Income Fund converted to a dividend-paying corporation named Macquarie Power and Infrastructure Corporation, marking the latest milestone in our company's evolution.

While the fundamentals of our business are unchanged, we believe that our new corporate structure will enable enhanced access to cost-effective capital, improve liquidity and provide greater flexibility to pursue growth opportunities, all of which ultimately strengthens our value proposition for shareholders.

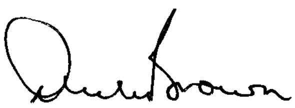
The Board of Directors is responsible for the stewardship of MPIC and is committed to this task. Strong corporate governance is essential to MPIC's performance. Effective governance enables prudent risk management and decision-making, which contribute to the continued growth of your investment in MPIC.

As this report highlights, 2010 was a productive year characterized by progress, growth and opportunity. As MPIC's business evolves, certain principles are immutable: integrity, discipline, transparency and accountability. These qualities are the cornerstones of any successful, enduring enterprise and they are deeply embedded in MPIC's corporate governance structure. They will continue to guide us as we pursue MPIC's mission, which is to build and responsibly manage a high quality portfolio that delivers a superior total return to our investors.

In the year ahead, the Board of Directors will continue to challenge and support management to build on past successes. We will continue to seek to strengthen MPIC and to work hard to reward the trust that shareholders have placed in us.

I would like to take this opportunity to thank the Directors, MPIC's management team and the employees at each of our businesses for their dedication to achieving results. Together, we deeply appreciate your continuing support.

Sincerely,



Derek Brown
Chairman of the Board of Directors

OUR GOVERNANCE PRINCIPLES

As MPIC's business evolves, certain principles are immutable: integrity, discipline, transparency and accountability.

The Board of Directors' mandate includes oversight and guidance of management to establish MPIC's strategy and objectives, approving significant decisions that affect MPIC and its results, monitoring MPIC's financial performance, setting the dividend policy and overseeing MPIC's stakeholder relationships and reporting obligations.

MPIC 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 Directors (as defined by applicable securities laws);
- Audit, Governance and Compensation Committees that are each composed entirely of independent Directors;
- Governance policies and procedures that apply equally to the individual businesses in MPIC'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 Directors, officers, employees, contractors and agents of MPIC; and
- An annual evaluation of the effectiveness of the Board and Directors to ensure the Board is fulfilling its oversight role in the most effective manner.

Additional information is available on our website at: www.macquarie.com/mpic in the Governance section.

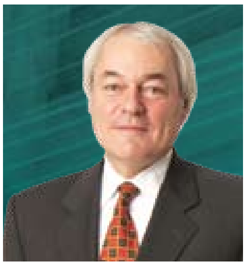
Board of Directors

Derek Brown
Independent Director and Chairman

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 Director

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 serves as Chairman of Retrocom Mid-Market Real Estate Investment Trust and is a Director of Catalyst Capital Group Inc. and of the Ontario Financing Authority. 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 R. Roy
Independent Director

Mr. Roy served as Vice-Principal (Administration and Finance) at McGill University from 2007 to 2010. Mr. Roy serves on the Boards of Caisse de dépôt et placement du Québec, Transcontinental Inc., Fibrek Inc. and Noranda Income Fund. He also serves on the boards of several not-for-profit organizations, including Canada's National Arts Centre Foundation and the Foundation of Greater Montreal. From March 2000 to May 2003, Mr. Roy was Chief Financial Officer of Telemedia Corporation.

V. James Sardo, ICD.D
Independent Director

Mr. Sardo is a Director of New Flyer Industries Inc. and Consolidated Thompson Iron Ore Mines Limited. Previous directorships include: Hydrogenics Corporation; Countryside Power Income Fund, where he served as Chairman; UE Waterheater Income Fund; Custom Direct Income Fund; SonnenEnergy Corp; and Northstar Healthcare Inc. 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, President and Chief Executive Officer of SMK Speedy International Inc., Chief Executive Officer of SNE Corporation and CEO and Director of Amre 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 Director

Mr. Mentzines is a Senior Managing Director of Macquarie Group Limited and is Vice Chairman of the Macquarie Infrastructure and Real Assets division in North America. He previously served as the division's Head of North America and prior to that as 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 21 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Legal Notice

This Annual Report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Macquarie Power and Infrastructure Corporation ("MPIC" or the "Corporation"), the investor or prospective investor should consider whether such investment is appropriate to their particular needs, objectives and financial circumstances and consult an investment advisor if necessary.

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.

Caution Regarding Forward-looking Statements

Certain of the statements contained in this Management's Discussion and Analysis ("MD&A") are forward-looking and reflect management's expectations regarding the Corporation's future growth, results of operations, performance and business based on information currently available to the Corporation. 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 "Asset Performance", "Risks and Uncertainties" 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 Corporation currently believes are reasonable assumptions, including the material assumptions for each of the Corporation's assets set out in this MD&A under the heading "Asset Performance" as updated in subsequently filed Quarterly Financial Reports of the Corporation (such documents are available on the Canadian Securities Administrators' System for Electronic Document Analysis and Review ("SEDAR") at www.sedar.com). 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 Corporation'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, that there will be no unplanned material changes to the Corporation's facilities, equipment or contractual arrangements, and that the Corporation's previously announced investment in the Swedish district heating business ("DH Business") will be completed as described in the Corporation's material change report dated December 21, 2010, which is available on SEDAR.

Although the Corporation 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: power infrastructure (operational performance; power purchase agreements; fuel costs and supply; contract performance; development risk; technology risk; default under credit agreements; land tenure and related rights; regulatory regime and permits; environmental, health and safety; climate change and the environment; and force majeure) and the Corporation (tax-related risks; variability and payment of dividends, which are not guaranteed; geographic concentration and non-diversification; dependence on Macquarie Power Management Ltd. ("MPML" or the "Manager") and potential conflicts of interest; insurance; environmental, health and safety regime; availability of financing; shareholder dilution; and the unpredictability and volatility of the common share price of the Corporation). There are also a number of risks related to the Corporation's proposed investment in the DH Business, including: general business risks inherent in the district heating business; geographic concentration; minority interest; government regulation; termination of supply and customer contracts; possible failure to complete the acquisition; enforcement of indemnities against the vendors of the DH Business; environmental health and safety liabilities; liability and insurance; and reliance on key personnel. There is also a risk that the DH Business may not achieve expected results.

For a more comprehensive description of these and other possible risks, please see the Corporation's Annual Information Form dated March 25, 2010 for the year ended December 31, 2009 as updated in subsequently filed Quarterly Financial Reports and other filings of the Corporation with the Canadian regulatory authorities. These filings are available on SEDAR. 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 Corporation as at the date of this MD&A and speak only as at the date of this MD&A. Except as may be required by law, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements.

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Introduction

Following changes in Canadian tax rules for specified investment flow-through entities, during 2010 Macquarie Power & Infrastructure Income Fund ("MPT" or the "Fund") undertook steps by way of a Plan of Arrangement (the "Arrangement") under the Business Corporations Act (British Columbia) to convert into a dividend-paying corporation (the "Conversion") named Macquarie Power and Infrastructure Corporation ("MPIC" or the "Corporation"), which includes its wholly-owned subsidiary, Macquarie Power Corp. ("MPC"). On November 15, 2010, unitholders of the Fund approved the Arrangement. On November 19, 2010, the Fund obtained the final order from the Supreme Court of British Columbia approving the Conversion. Upon completion of the Arrangement, effective January 1, 2011 MPIC became the owner, directly or indirectly, of the businesses owned by the Fund. Throughout this management's discussion and analysis ("MD&A"), MPIC and the Corporation are used to refer to both the historical operations of MPT as well as future operations of MPIC. Similarly, references to shareholders, shares, per share amounts and dividends are used interchangeably with unitholders, trust units, per unit amounts and distributions.

All amounts are in Canadian thousands of dollars unless otherwise indicated.

This MD&A summarizes the Corporation's consolidated operating results and cash flows for the year ended December 31, 2010 and the Corporation's financial position as at that date. This MD&A should be read in conjunction with the accompanying audited annual consolidated financial statements of the Corporation and notes thereto as at and for the year ended December 31, 2010. Additional information about the Corporation, including its Annual Information Form for the year ended December 31, 2010, quarterly financial reports of MPIC and other public filings of the Corporation, will be available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. The information contained in this MD&A reflects all material events up to March 10, 2011, the date on which this MD&A was approved by the Corporation's Board of Directors.

Non-GAAP Performance Measures Definitions

While the consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), this MD&A also contains figures that are performance measures not defined by GAAP. These non-GAAP performance measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. The Corporation believes that these indicators are important since they provide additional information about the Corporation's performance and cash generating capabilities and facilitate comparison of results over different periods. The non-GAAP measures used in this MD&A are defined below.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

Standardized EBITDA follows the customary definition of net income adjusted for interest expense, income tax expense (recovery), depreciation and amortization. Standardized EBITDA is provided to illustrate how adjusted EBITDA reconciles to net income on the Consolidated Statement of Operations.

Adjusted EBITDA

The Corporation uses adjusted EBITDA to measure the performance of its assets prior to the impact of financing costs, taxes and charges for depreciation and amortization. Adjusted EBITDA is calculated as revenue less operating expenses and administrative expenses plus interest and distributions received from non-controlled investments. Adjusted EBITDA is reconciled to net income by adjusting standardized EBITDA for unrealized gains and losses on derivatives, foreign exchange gains and losses, loss on debt extinguishment, equity accounted income and distributions from equity investments.

Funds From Operations ("FFO")

The Corporation uses FFO to measure the performance of its controlled and non-controlled assets net of financing costs. The Corporation defines FFO as adjusted EBITDA less interest paid plus principal received from loans receivable on equity investments.

Distributable Cash and Payout Ratio

The Corporation uses distributable cash as a supplemental measure of financial performance. Distributable cash is derived from cash flows from operating activities, which is a GAAP measure contained in the Consolidated Statement of Cash Flows. It is adjusted for changes in the reserve accounts, non-discretionary receipts and payments, and distributions from non-controlled investments. In addition, changes in working capital (the movement in trade-related current assets and liabilities, excluding cash) are excluded as management believes they should not be considered in a period calculation intended to demonstrate the degree to which cash flows from earnings support the financial obligations of the Corporation. Payout ratio is then calculated as the proportion of distributable cash declared as distributions.

The Corporation also reports distributable cash per share, which the Corporation defines as distributable cash divided by the weighted average number of shares and Class B exchangeable units outstanding during the reporting period.

Strategic Overview

Performance Overview

MPIC's Business

On January 1, 2011, Macquarie Power & Infrastructure Income Fund converted to a dividend-paying corporation named Macquarie Power and Infrastructure Corporation, which is the successor entity of the Fund. MPIC 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, and water systems. These businesses typically benefit from some form of barrier to entry and other competitive advantages that provide stability in cash flows and predictable operating margins. Through its subsidiaries, MPIC currently owns, operates and has investments in power infrastructure, including gas cogeneration, wind, hydro, biomass and solar power generating facilities. In December, MPIC agreed to acquire a 33.3% equity interest in a Swedish district heating business. This transaction is expected to close in March 2011.

Performance Highlights

For the year ended December 31, 2010, MPIC generated higher revenue than in 2009, primarily reflecting higher power rates at the Cardinal gas cogeneration ("Cardinal") facility. Total electricity production for the year was also higher compared with 2009 due to fewer maintenance outages at both the Cardinal and Whitecourt biomass power ("Whitecourt") generating facilities.

Adjusted EBITDA from MPIC's core businesses increased by 10.7% in 2010 over 2009, reflecting the underlying strength and quality of our portfolio.

MPIC's fiscal 2010 financial results were significantly affected by the sale of Leisureworld Senior Care LP ("Leisureworld" or "LSCLP") in the first quarter of the year and the fact that the proceeds had not yet been re-invested. Adjusted EBITDA, FFO and distributable cash were lower than in 2009 due to the lower Leisureworld distributions as well as higher non-recurring administrative costs and project costs related to the corporate conversion and reorganization and the transition to International Financial Reporting Standards ("IFRS"). These costs were only partially offset by lower fees paid to the Manager. FFO also reflected the impact of increased interest expense due to the higher principal amount outstanding on MPIC's convertible debentures and higher interest on the MPC-Cardinal credit facility.

During the year, MPIC delivered monthly distributions to shareholders equal to an annual amount of $0.66 per share.

Key accomplishments during the year included:

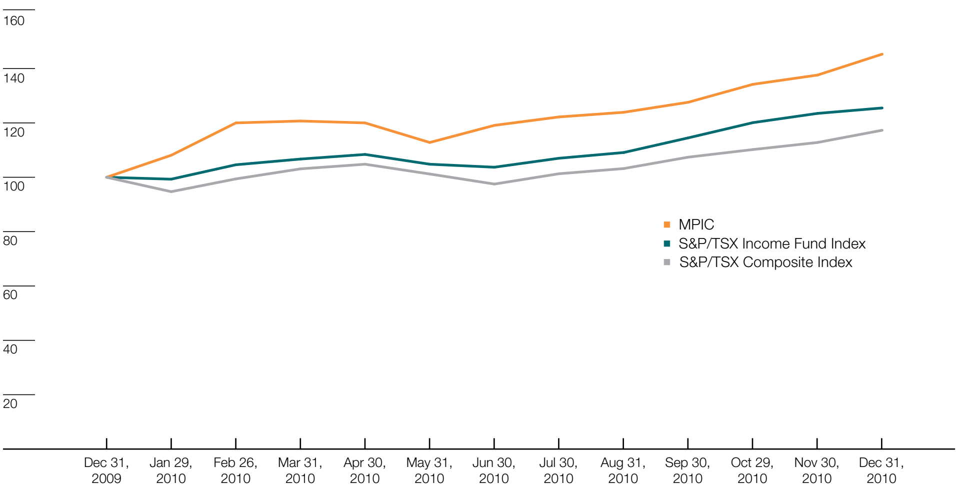
- Divesting our 45% interest in Leisureworld, thereby re-focusing our portfolio on core infrastructure sectors.
- Acquiring the Amherstburg Solar Park project, currently under construction, thereby further diversifying MPIC's renewable power mix. The Amherstburg Solar Park is expected to achieve commercial operations in June 2011.
- Entering into an agreement to acquire a 33.3% equity interest in a district heating business located in Sweden alongside Macquarie European Infrastructure Fund II ("MEIF II"), which is acquiring the remaining 66.7% equity interest. The transaction is expected to close in March 2011.
- Completing a $69-million equity financing in December 2010, reflecting the support of the investment community for our strategy and providing us with the flexibility to pursue additional growth opportunities.

Left to right: When completed, the Amherstburg Solar Park will be one of the largest solar power facilities in Canada, capable of producing approximately 37,600 MWh of electricity annually; Our investment in the Swedish district heating business will provide an attractive return and diversify our portfolio internationally.

- Advancing our strategy to secure a new contract for Cardinal to replace its current power purchase agreement ("PPA") that expires in 2014. This strategy included meeting with key stakeholders and policymakers and working closely with Cardinal's industrial host to develop a plan for the future of the facility following 2014.
- Completing the Fund's conversion to Macquarie Power and Infrastructure Corporation on January 1, 2011. We expect this new corporate structure to enable enhanced access to cost-effective capital, improve liquidity and provide greater flexibility to pursue growth opportunities.

We ended the year in a strong financial position with cash and cash equivalents of $131.4 million, of which $119.9 million was not designated for general, major maintenance and capital expenditure reserves. Cash and cash equivalents as at December 31, 2009 were $53.1 million.

Total Return



46%

Total return delivered to MPIC's investors in 2010

vs.

17%

Total return delivered by S&P/TSX Composite Index

Strategy

Mission and Vision

MPIC's mission is to build and responsibly manage a high quality portfolio of infrastructure businesses in Canada and internationally in order to deliver a superior total return to our investors through stable dividends and capital appreciation. Our vision is to be the pre-eminent infrastructure company in Canada.

Strategies to Achieve Our Vision

In support of its long-term vision, MPIC employs three core strategies that guide decision-making:

Maximize and sustain the long-term value of our existing businesses.

Active asset management supports sustainable growth in cash flow. Each of our assets undergoes an annual 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 MPIC's performance. In addition, each business follows a comprehensive, planned maintenance program, which contributes significantly to the long-term value of the business.

Deliver strong financial performance and maintain financial flexibility.

Our goal is to maintain a conservative capital structure. As at December 31, 2010, MPIC's debt to capitalization ratio was 38.5% compared with 49.9% at the end of 2009. 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 business with investment-grade debt, which helps to minimize financial risk.

Achieve prudent growth.

MPIC seeks to grow and diversify its portfolio through the acquisition of core infrastructure businesses. These could include electricity generation and distribution businesses, water or wastewater facilities, roads, hospitals and schools, among others, including investments through public-private partnerships (“P3s”). MPIC’s growth strategy includes:

- An international scope encompassing Canada as well as countries that are members of the Organization for Economic Cooperation and Development (“OECD”) offering a stable political, regulatory and economic environment;
- A focus on regulated or contractually defined core infrastructure businesses, which typically generate stable cash flow throughout the economic cycle;
- A blend of operating businesses as well as development opportunities that offer an appropriate risk-adjusted rate of return; and
- A preference for wholly-owned businesses with the ability to take a minority position where we are protected by a strong governance framework.

MPIC’s strategy is reviewed annually by its Board of Directors.

Targeted Infrastructure Categories for MPIC

Highly regulated → Less regulated

Strong competitive advantage → More competitive environment

Target Assets for MPIC

Social Infrastructure/P3s	Regulated Assets	User-Pay Assets	Competitive Assets
• Courts • Hospitals • Schools • Police & Other Government	• Transmission & Distribution Assets • Water & Sewerage • Contracted Power	• Road • Rail • Airports • Ports	• Merchant Power • Energy Trading
	• District heating: favourable utility-like characteristics with user-pay dimension		

Increasing Risk →

10%–14%

The total return (post-tax, levered) MPIC typically targets on its investments

Each business follows a comprehensive maintenance program. Every six years, Cardinal completes major maintenance requiring approximately 20 days of outage, during which the gas turbine is fully inspected.

Market Fundamentals

Effective infrastructure is essential to supporting economic growth and to ensuring a high quality of life. Globally, infrastructure investment requirements are significant and growing. At the same time, the impact of the recent global financial crisis and growing public debt may force governments to examine alternative funding models to maintain and improve critical infrastructure, which could include P3s and privatizations.

Significant infrastructure investment is required in Canada and internationally

The OECD estimates that US$2 trillion per year will need to be invested over the period to 2030 to meet global requirements for basic infrastructure such as electricity, transportation and water. Nearly 30% of Canada's infrastructure is between 80 to 100 years old. It is estimated that approximately $400 billion is required to plug Canada's infrastructure deficit.

Strong demand for power infrastructure investment

The Canadian Electricity Association ("CEA") anticipates that the combined public and private cost to meet Canada's electricity supply shortfall and transmission challenges will be approximately $150 billion over the next two decades. Additionally, the International Energy Agency ("IEA") forecasts a 21% increase in electricity generation in Canada by 2025. The United States' projected electric utility investment needs could be as high as US$1.5 trillion by 2030. Globally, the IEA anticipates that power sector infrastructure requirements amount to about $26 trillion over this same period with about half of this investment occurring in OECD countries.

Increasing investment needs and favourable policy environment for renewable energy

Canada's renewable energy industry, including wind and solar power, is expected to expand significantly over the coming years, reflecting strong federal and provincial government support as well as the Province of Ontario's plan to close 7,000 megawatts ("MW") of coal-fired generation plants.

Canada currently has approximately 4,000 MW of installed wind power capacity. The Canadian Wind Energy Association believes that if current provincial targets or plans are achieved, Canada could reach 12,000 MW of installed capacity by June 2016 and 18,000 MW by 2020. In Ontario, the provincial government's Long-Term Energy Plan calls for 10,700 MW of renewable energy (excluding hydro) capacity by 2018 up from the approximately 1,500 MW of renewable energy capacity that is currently installed.

According to the Canadian Solar Industries Association, total installed solar photovoltaic capacity in Canada, approximately 87% of which was delivering electricity to the grid, reached approximately 66 MW in 2009 and could reach between 9,000 MW and 15,000 MW by 2025.

Growing public support for private sector investment in infrastructure

There are currently approximately 145 P3 projects at various stages underway in Canada, mostly involving hospitals, health care, courthouses, corrections facilities and transportation. The market for public-private partnerships is expected to continue to grow in Canada, with wastewater, energy and transit demanding more investment. A study conducted by the Canadian Council for Public-Private Partnerships in late 2010 showed that 88% of Canadians believe governments are unable to keep up with infrastructure requirements and that 65% believe the private sector should work with governments to deliver critical infrastructure.

Possible privatization of infrastructure businesses

Many OECD countries are grappling with significant debt and budget deficits and facing increased borrowing costs, which challenges the ability of governments to improve and build critical infrastructure. A shift towards privatization is already underway in Europe and there is the potential for a similar pattern to emerge in other markets.

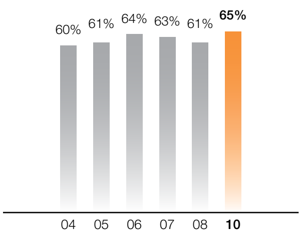
79%

of the total service life of Canada's public infrastructure has been used up

US$2 trillion

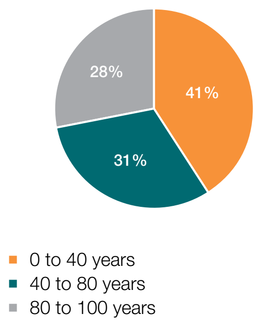
Amount of investment needed per year over the period to 2030 to meet global requirements for basic infrastructure

History of Canadians' support for private sector involvement in improving and investing in critical infrastructure



Note: survey not conducted in 2009.
Source: The Canadian Council for Public-Private Partnerships

Age of Canada's Infrastructure in Years



Source: Federation of Canadian Municipalities

Key Performance Drivers

Key performance drivers of MPIC's portfolio include the following:

Consistent availability supports reliability of cash flow

Availability is the number of hours that a generating unit is capable of generating electricity, whether or not it is actually generating electricity, as a percentage of total hours in the period. Our power businesses are characterized by high availability, which reflects the quality of plant operations and underlines the reliability of MPIC's cash flow. MPIC 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.

Long-term PPAs provide stable revenue

Our power generation facilities have a sustainable competitive advantage through long-term PPAs that provide price certainty for a majority of the power generated by our facilities. The weighted average remaining PPA term is approximately 9.3 years.

Approximately 99% of the net electricity generated by our facilities is sold to major, creditworthy utilities such as the Ontario Electricity Financial Corporation ("OEFC"), Ontario Power Authority ("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 MPIC's revenue. The terms of these 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, MPIC 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 gas contract also includes a 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 Wind Farm ("Erie Shores") has no fuel costs. Similarly, our hydro power facilities 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

We incur maintenance expenditures to replace or add capital assets required to maintain the facilities' current output capacity. All capital expenditures and major maintenance costs are planned for and funded by established reserves to which funds are allocated annually.

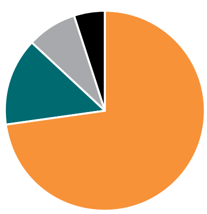
Each facility has an established maintenance program with an emphasis on routine and preventive maintenance, which helps to ensure the plants' continuing consistent availability and long life.

Five-year Average Availability

Cardinal	96.9%
Erie Shores*	96.0%
Whitecourt	90.8%
Hydro Power Facilities	98.0%

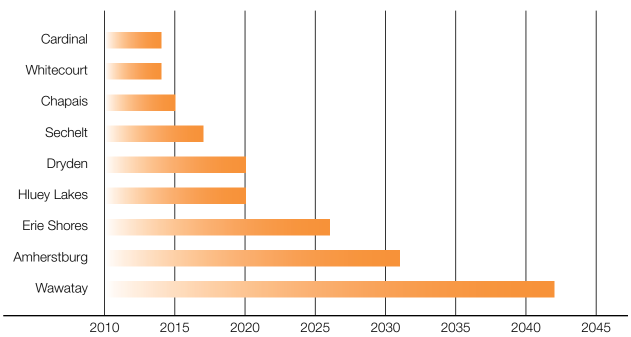
* Erie Shores commenced operations in June 2006.

Percentage of Revenue by Counterparty



OEFC	73%
OPA	14%
TransAlta	8%
BC Hydro	5%

PPA Expiry Dates



Capability to Deliver Results

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

- Our infrastructure businesses operate in sectors where there are high barriers to entry and generate predictable cash flow throughout the economic cycle;
- Our operations generate sufficient cash flow to fund capital expenditures, maintenance activities and dividends to shareholders;
- Strong professionalism and rigorous risk management practices underpin all of MPIC's activities and growth initiatives, thereby helping to safeguard MPIC's performance and shareholders' interests; and
- MPIC is governed by a five-member Board of Directors, composed of four independent Directors (as defined by applicable securities laws). The Board of Directors sets MPIC's vision and strategy in the best interests of shareholders.

Subsequent Events

Refinancing of Erie Shores Wind Farm Debt

On March 10, 2011, MPIC substantially agreed to terms regarding a refinancing to extend the maturity of Tranche C of the Erie Shores' non-recourse project financing loan. Under the refinancing, Erie Shores' Tranche C loan will be repaid and replaced with a new term loan in the amount of $40,000, which is fully amortizing and matures April 1, 2026. By April 1, 2011, the interest rate on the term loan will be fixed at 290 basis points over the relevant benchmark.

Acquisitions

On June 23, 2010, MPIC, through a wholly-owned subsidiary, acquired Helios Solar Star A-1 partnership ("Helios"), for total consideration of $4,235 composed of nominal cash consideration paid to SunPower Corporation ("SunPower") and transaction costs of $4,235.

On closing, MPIC, through Helios, entered into a fixed-price engineering procurement and construction ("EPC") agreement with SunPower for the design and construction of the Amherstburg Solar Park ("Amherstburg"). The approximate $130,000 project cost will primarily be funded by a syndicate of lenders with approximately $26,100 of additional equity to be contributed by MPIC at the start of commercial operations, which is estimated to be in June 2011. Once completed, SunPower will operate the project under a 20-year operations and maintenance contract. Energy generated by the facility will be sold by Helios to the OPA under the Province of Ontario's Renewable Energy Standard Offer Program ("RESOP") at a guaranteed price of 420 dollars per MWh for the next 20 years. Helios is the supplier under the RESOP contracts with the OPA and leases the land where the project is being constructed. For the first two years of commercial operations, SunPower will financially support the performance of the facility at the expected production.

On December 12, 2010, MPIC entered into an agreement to acquire a 33.3% indirect interest in a portfolio of district heating operations (the "DH Business") centrally located in Sweden from subsidiaries of Fortum Corporation (collectively, "Fortum"), for approximately $100,000. The remaining 66.7% interest in the DH Business will be acquired by MEIF II, a private unlisted infrastructure fund managed by a subsidiary of MGL. The transaction is expected to close in March 2011. MPIC currently expects to satisfy its portion of the purchase price through its existing cash resources and credit facility.

Results of Operations

Overview

During 2010, MPIC generated lower adjusted EBITDA, FFO and distributable cash than in 2009 primarily due to lower distributions from Leisureworld resulting from MPIC's sale of its 45% investment in the business in March 2010. In addition, MPIC's operating expenses were higher due to fuel expenses at the Cardinal facility, which were partially offset by lower maintenance expenses at Whitecourt from fewer outages.

Administrative expenses were also higher due to non-recurring costs to convert to a corporation, to reorganize the corporate structure and to adopt IFRS. Interest expense increased due to a higher principal amount outstanding on MPIC's 6.50% convertible debentures due December 31, 2016 (the "2016 Debentures") compared with the previous 6.75% convertible debentures (the "2010 Debentures") and a higher interest rate on the MPC-Cardinal credit facility (formerly the CPOT-Cardinal credit facility).

Offsetting these factors was higher revenue at Cardinal, Whitecourt and the hydro power facilities. Higher power rates at Cardinal and increased availability at Cardinal and Whitecourt were the major factors leading to higher revenue. This was offset by lower revenue at the Erie Shores due to lower wind speeds in 2010.

Revenue

	For the year ended	
($000s)	**Dec 31, 2010**	Dec 31, 2009
Electricity sales	**154,611**	144,289
Steam sales	**1,140**	1,088
Gas sales	**2,761**	3,007
	158,512	148,384

Total revenue in 2010 was $10,128, or 6.8%, higher than in 2009. Revenue growth was attributable to higher total electricity production and higher power rates at Cardinal arising from an increase in the Direct Customer Rate ("DCR"). Total electricity production for 2010 was 1,840,441 megawatt hours ("MWh") compared with 1,815,802 MWh for 2009. Higher production in 2010 was attributable to higher availability and capacity factors at the Cardinal and Whitecourt facilities due to fewer maintenance outages than in 2009.

Cardinal produces steam that is sold to Canada Starch Operating Company Inc. ("Casco") for use in its manufacturing processes. During the year, sales of steam were $52, or 4.8%, higher than in 2009. The increase in steam sales was attributable to increased demand from Casco in 2010.

Natural gas that is not used by Cardinal to produce electricity is sold through a mitigation arrangement with Cardinal's gas supplier. During 2010, gas sales were $246, or 8.2%, lower than in 2009. Gas sales were lower because Cardinal conducted less maintenance work in 2010 and consequently had higher fuel consumption, thereby reducing the amount of gas available for sale. Higher realized gas prices partially offset these factors.

Costs and Expenses

	For the year ended	
($000s)	**Dec 31, 2010**	Dec 31, 2009
Operating expenses	**94,407**	90,326
Administrative expenses	**12,555**	8,095
Depreciation on capital assets	**20,639**	20,886
Amortization on intangible assets	**7,834**	7,815
	135,435	127,122

Total costs and expenses increased by $8,313, or 6.5%, over 2009. Operating expenses increased by $4,081, or 4.5%, over 2009. Administrative expenses were $4,460 higher primarily due to non-recurring costs for corporate conversion, reorganization and IFRS implementation.

Operating Expenses

	For the year ended	
($000s)	**Dec 31, 2010**	Dec 31, 2009
Fuel expenses	**68,898**	61,003
Maintenance costs	**8,898**	13,847
Labour	**7,831**	7,314
Other operating expenses	**8,780**	8,162
	94,407	90,326

Fuel expenses represented 73.0% and 67.5% of total operating expenses in 2010 and 2009, respectively, and were almost entirely attributable to Cardinal. Fuel expenses grew by $7,895, or 12.9%, reflecting a higher TransCanada Pipelines Limited ("TCPL") gas transportation toll and increased fuel prices. The volume of fuel consumed at Cardinal increased by 1.9%.

Maintenance costs in 2010 were $4,949, or 35.7%, lower than in 2009 primarily because fewer major maintenance outages occurred in 2010. In addition, the internalization of the operating and maintenance ("O&M") responsibilities at Erie Shores during July 2010 further reduced maintenance costs.

Labour expenses increased by $517, or 7.1%, in 2010 from a year ago. Higher labour costs primarily reflected annual salary and wage increases and the addition of six new employees at Erie Shores resulting from the internalization of O&M during the year.

Other operating expenses increased $618, or 7.6%, over 2009. Other operating expenses include insurance, property tax, materials and utilities.

Administrative Expenses

($000s)	For the year ended Dec 31, 2010	Dec 31, 2009
Manager fees	**5,193**	5,163
Business development	**464**	538
Other administrative expenses	**6,898**	2,394
	12,555	8,095

Macquarie Power Management Ltd., the Manager of MPIC, is an indirect, wholly-owned subsidiary of MGL. Manager fees are incurred under various management agreements and an administration agreement between the Manager and MPIC. Manager fees during 2010 were $30, or 0.6%, higher than in 2009. Fees paid to the Manager, including management and administrative fees, cost reimbursement and incentive fees, are described under Related Party Transactions on page 46.

Business development expenses are third-party advisor costs incurred for potential acquisitions by MPIC that are no longer under consideration. These expenses decreased $74, or 13.8%, in 2010 from 2009. The decline in expenses, despite ongoing business development initiatives, reflected the types of transactions considered, the degree of external assistance required and the stage of the various projects under consideration. Costs attributed to the acquisition of Amherstburg and the DH business have been capitalized and are therefore not included in these costs.

Other administrative expenses generally include legal, audit and investor relations functions, the costs of maintaining a public company as well as legal and other professional fees. This category increased by $4,504, or 188.1%, during 2010 due in large part to the costs for corporate conversion, reorganization and IFRS adoption.

During 2010, the Corporation incurred an unusual amount of expenses for projects that were substantially complete during the year and therefore will not materially impact performance in 2011. Listed below are external costs associated with the major projects from 2010.

($000s)	For the year ended Dec 31, 2010	Dec 31, 2009
Corporate conversion and reorganization	**3,516**	524
IFRS conversion	**106**	36
	3,622	560

Other Income and Expenses

($000s)	For the year ended Dec 31, 2010	Dec 31, 2009
Interest income	**948**	931
Interest expense	**(19,209)**	(16,049)
Equity accounted income	**3,332**	1,842
Unrealized gain (loss) on derivatives	**(17,858)**	283
Foreign exchange gain (loss)	**(19)**	23
Loss on debt extinguishment	**–**	(351)
	(32,806)	(13,321)

Interest Income

MPIC primarily earns interest income from its investment in debt issued by Chapais Énergie, Société en commandite ("CHESEC"), the owner of the Chapais facility, and on its cash resources. Interest income was $17, or 1.8%, higher in 2010. Interest of $638 was earned on the CHESEC debt, reflecting an $82 reduction due to amortization of the outstanding balance. This amount was offset by higher bank interest in 2010 attributable to the larger cash balance.

Interest Expense

During 2010, interest expense was $3,160, or 19.7%, higher than in 2009. The increase was due to an additional $18,582 of principal outstanding for most of 2010 on MPIC's 2016 Debentures since the December 22, 2009 new issue. Higher rates on the MPC-Cardinal credit facility since the May 2009 refinancing also contributed to the higher interest expense in 2010.

Equity Accounted Income

Equity income arises from MPIC's share of income on its interests in long-term investments where MPIC has significant influence but not control. MPIC held an equity accounted investment of 45% in Leisureworld, an indirect interest, which included income from Leisureworld up to March 22, 2010 when Macquarie Long-Term Care LP ("MLTCLP") sold its holding to Leisureworld Senior Care Corporation ("LSCC") by way of an initial public offering ("IPO"). Under the terms of the IPO, MLTCLP received 958,649 shares of LSCC that, along with $3,200 of cash, are subject to a holdback arrangement until March 23, 2011. In December 2010, MLTCLP sold the shares for net proceeds of $9,729 of which MPIC's portion was $4,378. The remaining $12,195 in cash held by MLTCLP is expected to be distributed to MPIC and Macquarie International Infrastructure Fund Limited ("MIIF") following expiry of the holdback arrangement.

During 2010, MPIC received $2,541 of distributions from Leisureworld compared with $10,350 in 2009. For 2010, MPIC reported equity income of $3,332 compared with $1,842 in 2009. Equity income in 2010 included $3,079 of net gains recognized from the sale of MPIC's indirect interest in Leisureworld and $253 of dividends received from LSCC since March 23, 2010. In 2009, equity income reflected MPIC's portion of the net income of Leisureworld. For MPIC's equity interest in Chapais Électrique Limitée ("CHEL"), no income has been recorded on the investment since its acquisition in 2007. MPIC does not expect to earn any future equity accounted income from this investment.

Unrealized Gain (loss) on Derivatives

MPIC enters into derivative contracts to mitigate the economic impact of the fluctuations in interest rates and the price of natural gas. MPIC has also separately valued embedded derivatives within its gas purchase agreement. MPIC does not use hedge accounting for any of its derivative financial instruments, which are recorded at their fair value on the Consolidated Statement of Financial Position with changes in fair value between reporting periods reported as unrealized gains (losses) in the Consolidated Statement of Operations.

The unrealized gain (loss) on derivatives on the Consolidated Statement of Operations is composed of:

	For the year ended	
($000s)	**Dec 31, 2010**	Dec 31, 2009
Interest rate swap contracts		
Unrealized gain on derivative assets	**1,014**	–
Unrealized gain (loss) on derivative liabilities	**(5,808)**	3,050
	(4,794)	3,050
Gas swap contracts		
Unrealized gain (loss) on derivative assets	**(213)**	1,614
	(5,007)	4,664
Embedded derivative contracts		
Unrealized (loss) on embedded derivative asset	**(8,806)**	(4,522)
Unrealized gain (loss) on embedded derivative liability	**(4,045)**	141
	(12,851)	(4,381)
Total unrealized (loss) gain on derivatives	**(17,858)**	283

The net unrealized loss of $17,858 on derivatives during the year was primarily due to the embedded derivative contracts along with the new Amherstburg interest rate swap. The decline in the fair value of the embedded derivative contracts was primarily due to an increase in the projected DCR along with decreases in natural gas spot and forward prices, which are determined at a regional gas interconnection, storage and trading hub in southwest Ontario (the Union Gas Dawn facility).

Income Taxes

MPIC calculates future income taxes in accordance with Canadian GAAP, which requires that future income tax assets and liabilities be recognized using the expected tax rate in the year the timing difference is projected to reverse, under the assumption that the existing organizational structure will continue beyond the current fiscal year. As MPIC converted from an income fund to a dividend-paying corporation on January 1, 2011, the provision for future income taxes may not accurately reflect the future tax obligations of MPIC after conversion.

For 2010, MPIC recorded a total income tax recovery of $21,298, of which future income tax accounted for $21,306 of the recovery on the Consolidated Statement of Operations. The increase of $17,956 from the future income tax recovery of $3,350 in 2009 was primarily due to the removal of income tax assets and liabilities relating to Leisureworld following sale of the Corporation's interest on March 23, 2010, along with the fair value adjustments in derivatives and interest rate swaps and the reversal of $1,072 of valuation allowance on non-capital tax loss carry-forwards, which are now considered more likely than not to be utilized.

Adjusted EBITDA

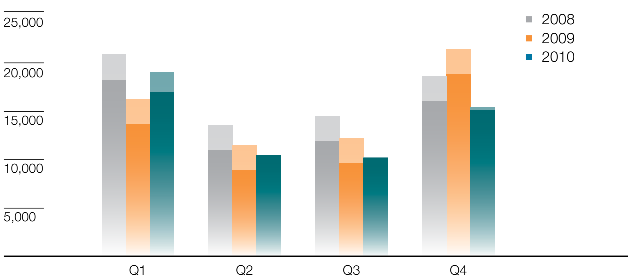
In addition to the preceding analysis for the components of net income, MPIC's management evaluates operational performance through various non-GAAP measures defined on page 18 of this report. Adjusted EBITDA measures earnings from MPIC's assets excluding any non-recurring and non-cash items. The derivation of adjusted EBITDA from net income as reported in the Consolidated Statement of Operations is shown in the table below:

	For the year ended	
($000s)	**Dec 31, 2010**	Dec 31, 2009
Net income	**11,569**	11,259
Depreciation and amortization	**28,473**	28,701
Interest expense	**19,209**	16,049
Income tax recovery	**(21,298)**	(3,318)
Standardized EBITDA	**37,953**	52,691
Unrealized (gains) losses on derivatives	**17,858**	(283)
Foreign exchange (gains) losses	**19**	(23)
Loss on debt extinguishment	**–**	351
Equity accounted income from long-term investments	**(3,332)**	(1,842)
Distributions from equity investments	**2,541**	10,350
Adjusted EBITDA	**55,039**	61,244

Adjusted EBITDA for 2010 was $6,205 lower than in 2009, representing a decrease of 10.1%. The reduction primarily resulted from a $7,809 decrease in equity investment distributions due to the sale of the Leisureworld investment in 2010 as well as a $8,541 increase in operating and administrative expenses due to higher fuel costs and expenses for corporate conversion, reorganization and IFRS conversion. Offsetting these factors was revenue growth of $10,128.

The chart illustrates the trend in adjusted EBITDA against historical periods with and without the distributions from Leisureworld. Excluding Leisureworld, MPIC's adjusted EBITDA improved consistently on a year-over-year basis from the fourth quarter of 2009 up to the fourth quarter of 2010 when MPIC incurred substantial one-time corporate conversion and reorganization costs of $1,975.

Adjusted EBITDA ($000s)



Note: Lighter shades refer to adjusted EBITDA attributable to Leisureworld.

Funds From Operations

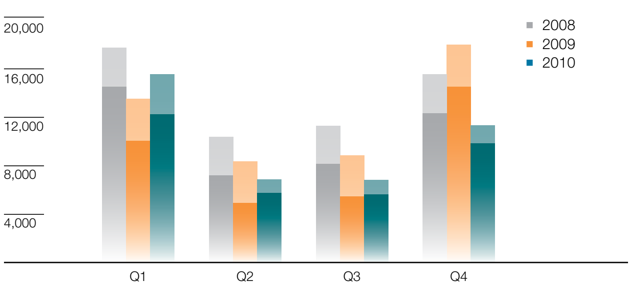
MPIC uses the non-GAAP measure of funds from operations to evaluate cash generated from MPIC's assets after interest costs on debt. FFO is calculated by adding principal receipts from loans receivable to adjusted EBITDA and then deducting interest paid. The derivation of FFO starting from adjusted EBITDA is shown in the table below:

	For the year ended	
($000s)	**Dec 31, 2010**	Dec 31, 2009
Adjusted EBITDA	**55,039**	61,244
Receipts from loans receivable	**794**	713
Interest paid	**(15,794)**	(13,814)
Funds from operations	**40,039**	48,143

FFO for 2010 was $8,104 lower than in 2009, representing a decrease of 16.8%. The reduction was primarily due to a $6,205 decrease in adjusted EBITDA due to the factors explained in the previous section. Additionally, interest paid increased by $1,980, reflecting a higher convertible debenture balance since the new issue in December 2009 as well as higher interest on the MPC-Cardinal facility since a refinancing in May 2009.

The chart illustrates the year-over-year trend in FFO since 2008 with and without the Leisureworld distributions. Including Leisureworld, the chart depicts the reduction in FFO due to the sale of Leisureworld. Excluding Leisureworld, MPIC's FFO improved consistently on a year-over-year basis from the fourth quarter of 2009 up to the fourth quarter of 2010 when MPIC incurred $1,975 in one-time corporate conversion and reorganization costs.

Funds From Operations ($000s)



Note: Lighter shades refer to FFO attributable to Leisureworld.

Distributable Cash and Payout Ratio

Distributable cash is a supplemental measure commonly used to assess the degree to which cash flows from operating activities support distributions to the shareholders of MPIC. Similar to adjusted EBITDA and FFO, the calculation of distributable cash reconciles to net income and adjusts for various non-cash items. In addition to adjustments in the EBITDA and FFO calculations, the distributable cash calculation also takes into consideration the maintenance of productive capacity, for which cash is set aside for major maintenance and capital additions. Distributable cash also adjusts for principal repayments of loans payable and receivable as well as certain non-cash items.

The payout ratio measures the proportion of distributable cash that was declared as dividends during the year. The derivation of distributable cash from cash flows from operating activities as reported in the Consolidated Statement of Cash Flows and the calculation of the payout ratio are shown in the table below:

	For the year ended	
($000s except per share amounts)	**Dec 31, 2010**	Dec 31, 2009
Cash flows from operating activities	**30,556**	38,040
Maintenance of productive capacity:		
Release from major maintenance reserve	**2,788**	7,593
Allocation to major maintenance reserve	**(2,578)**	(2,470)
Allocation to capital expenditure reserve	**(1,635)**	(954)
	29,131	42,209
Other adjustments:		
Scheduled repayment of debt	**(2,025)**	(2,811)
Scheduled receipt of loans receivable	**794**	713
Distributions received from Leisureworld	**2,541**	10,350
Changes in working capital	**6,299**	(834)
Distributable cash	**36,740**	49,627
Distributions	**33,475**	52,414
Distributable cash per share	**$0.732**	$0.994
Distributions declared per share	**$0.66**	$1.05
Payout ratio	**91%**	106%

Distributable cash for 2010 was $12,887, or 26%, lower than in 2009. Distributions of $0.66 and $1.05 in 2010 and 2009, respectively, resulted in a payout ratio of 91% in 2010 compared with 106% last year. The payout ratio reflected both lower distributable cash during 2010 and MPIC's revised distribution policy, effective January 2010, to distribute $0.66 per share to shareholders on an annual basis.

Distributable cash was affected by similar factors as adjusted EBITDA and FFO described above. Specifically, distributable cash was lower in 2010 because of a $7,809 decline in distributions received from Leisureworld, a $4,081 increase in operating expenses, a $4,460 increase in administrative expenses and a $3,160 increase in interest expense offset by $10,128 of revenue growth. In addition, distributable cash was lower because allocations to the capital expenditure reserve increased by $681.

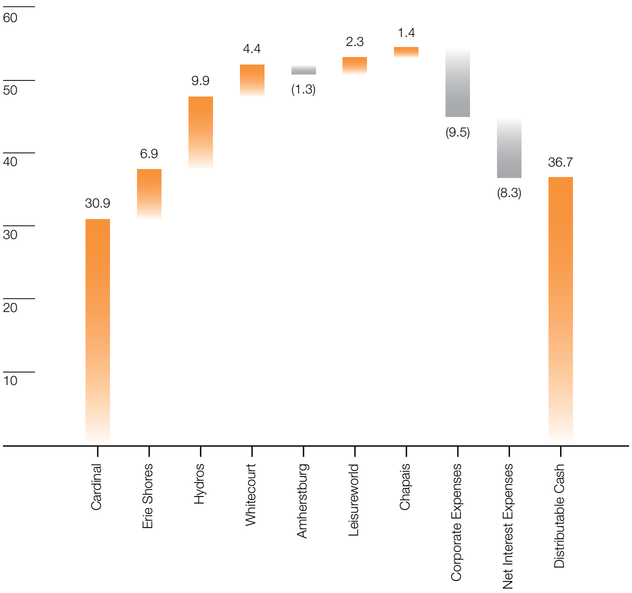
In any given period, distributable cash may exceed the net income of MPIC as a result of adjustments allocated to or from major maintenance accounts and other non-cash charges, including, most significantly, amortization and non-cash movements in future income taxes, swap contracts and embedded derivative balances.

For major maintenance and capital expenditures, distributable cash is reduced in the period in which amounts are allocated to the reserve and distributable cash is increased when there is a release from the major maintenance reserve. As a result, except for these allocations, MPIC does not retain additional amounts for the maintenance of productive capacity as it does not require periodic investments to maintain existing levels of operating capability. The nature of power infrastructure assets requires scheduled maintenance programs to optimize efficiency and operating life. MPIC has reserves that are funded based on planned requirements. Cash from these reserves is released to meet maintenance and capital expenditures as required. Adjustments for scheduled receipts and payments are made according to MPIC's investment and financing decisions regarding ongoing commitments.

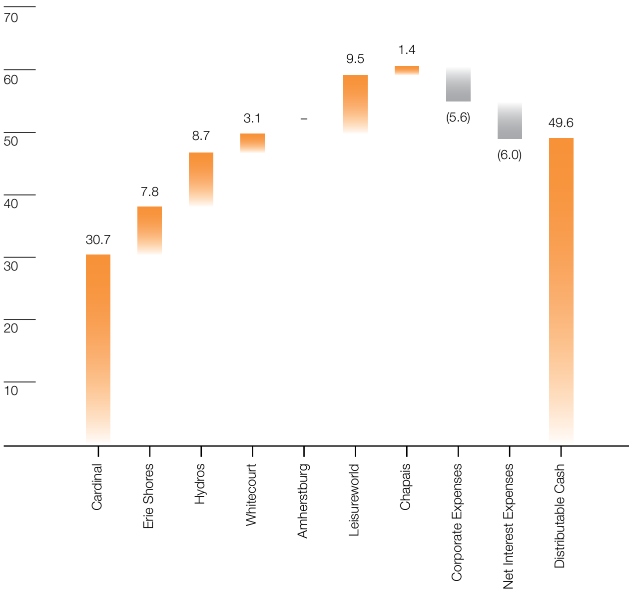
MPIC calculates and measures distributable cash excluding changes in working capital. MPIC's primary customers are billed monthly. As there are only 12 payments each year, the timing of each payment has a significant impact on MPIC's working capital. Monthly payments are received at month end or on the 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 working capital to fluctuate. As a result, working capital has been excluded from the calculation of distributable cash and payout ratio.

The following chart illustrates the distributable cash that was contributed by each of MPIC's assets in 2010 and 2009. As noted above, the major changes from 2009 related to the Leisureworld distributions and the additional MPIC-related expenses for project, business development and net interest expense.

Distributable Cash Composition for 2010 ($ millions)



Distributable Cash Composition for 2009 ($ millions)



Financial Position Review

Overview

As at December 31, 2010, MPIC had strong working capital of $42,441 and $131,440 of unrestricted cash resources. This liquidity provides MPIC with abundant resources for committed and future acquisitions as well as a reserve for ongoing capital expenditures and other financial obligations.

MPIC's debt to capitalization ratio (as defined on page 33) decreased to 38.5% from 49.9% at the end of 2009. The lower ratio was attributable to the $69,000 of new capital raised through a private placement in December 2010 as well as the increase in the value of existing shares offset by $31,000 of funds advanced for Amherstburg project debt. As at December 31, 2010, management believes MPIC was well capitalized for current operations and future business development opportunities and was within all debt covenants.

Liquidity

Working Capital

($000s)	**Dec 31, 2010**	Dec 31, 2009
Cash and cash equivalents	**131,440**	53,121
Restricted cash	**7,575**	5,490
Accounts receivable	**21,696**	16,128
Other assets	**4,485**	6,846
Current portion of loans receivable	**884**	794
Current portion of derivative contract assets	**1,918**	1,026
Current assets	**167,998**	83,405
Accounts payable and accrued liabilities	**28,894**	22,979
Current portion of derivative contract liabilities	**2,505**	1,310
Loan payable	**49,200**	–
Current portion of capital lease obligation	**120**	119
Current portion of long-term debt	**44,838**	42,035
Current liabilities	**125,557**	66,443
Working capital	**42,441**	16,962

MPIC had a working capital balance of $42,441 as at December 31, 2010, $25,479 higher than in the prior year. Working capital is net of the $49,200 loan payable from MPIC to MLTCLP arising from the sale of Leisureworld that is expected to be settled by a non-cash distribution from MLTCLP. Please refer to page 37 of this report. Furthermore, working capital was also net of $40,000 related to the current portion of the Erie Shores project debt, which management intends to refinance in early 2011.

Cash and Cash Equivalents

MPIC's cash and cash equivalents and restricted cash were as follows:

($000s)	Dec 31, 2010	Dec 31, 2009
Major maintenance reserve	4,458	4,668
Capital expenditure reserve	2,118	921
General reserve	5,000	5,000
Total reserves	11,576	10,589
Cash and cash equivalents, not in reserves	119,864	42,532
Cash and cash equivalents	131,440	53,121
Restricted cash	7,575	5,490
	139,015	58,611

The cash and cash equivalents balance was $131,440, of which $119,864 was not designated for major maintenance, capital expenditures or general reserves. Cash and cash equivalents were $78,319 higher than on December 31, 2009, above historical levels due to the private placement on December 22, 2010 for $69,000 before issue costs of $3,751 and due to the surplus cash remaining from the sale of MPIC's indirect investment of Leisureworld on March 23, 2010. The 2009 cash and cash equivalents balance was affected by $38,918, as the 2016 Debentures were issued in December 2009, but the 2010 Debentures were redeemed in January 2010. MPIC invests its excess cash in short-term, high quality money market instruments.

Restricted cash includes the debt service reserve, cash in an escrow related to the a legacy obligation of CPIF, which arose prior to the Corporation's acquisition, a $4,000 cash-backed letter of credit issued during the construction of Amherstburg along with $500 of funds on deposit. This letter of credit was the primary reason for the increase in restricted cash.

Cash Flow

During 2010, MPIC's cash and cash equivalents balance increased by $78,319 compared with $6,304 in 2009. The details of the increase are described in the Consolidated Statement of Cash Flows and are summarized as follows:

	For the year ended	
($000s)	Dec 31, 2010	Dec 31, 2009
Operating activities	30,556	38,040
Investing activities	(24,418)	7,011
Financing activities (excluding dividends to shareholders)	105,656	13,667
Dividends to shareholders	(33,475)	(52,414)
Change in cash and cash equivalents	78,319	6,304

38.5%

MPIC's debt to capitalization ratio as at December 31, 2010

MPIC has significant financial flexibility to pursue additional acquisition opportunities, including operating assets as well as development projects such as the Amherstburg Solar Park.

Operating activities reflect cash received from revenues less expenses as well as adjustments for non-cash items, including changes in working capital. During 2010, cash flow from operating activities declined primarily because MPIC incurred $3,160 in higher interest expense and a working capital decrease of $7,133 from changes in the timing of payments.

Cash from investing activities reflect income from and monies invested by MPIC in business acquisitions or capital assets. During 2010, MPIC's investment in capital assets increased by $23,080 primarily due to ongoing construction expenses for Amherstburg. In addition, MPIC received $7,809 less in distributions from Leisureworld due to the divestment in March 2010.

Cash from financing activities includes proceeds received from capital raised through the issuance of shares of MPIC, proceeds from the issuance or repayment of debt and dividends to shareholders of MPIC. During 2010, MPIC received $69,000 before issue costs of $3,751 from the issuance of shares, $49,200 in proceeds from the sale of Leisureworld in the form of a loan payable and $31,000 under the construction facility for Amherstburg. MPIC also repaid $38,918 of convertible debentures, which matured in December 2010, and paid $33,475 of dividends to shareholders compared with $52,414 in 2009.

Capital Structure

MPIC defines and manages its capital structure as shareholders' equity and long-term debt, both the current and non-current portion, and measures its capitalization ratio based on the fair values of long-term debt and shareholders' equity. The following table shows MPIC's capitalization ratio using fair values compared to the ratio calculated using the carrying values reported in MPIC's consolidated financial statements:

	Dec 31, 2010		Dec 31, 2009	
($000s)	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
MPC-Cardinal credit facility	**85,000**	**85,000**	85,000	85,000
Erie Shores project debt	**106,197**	**107,063**	107,941	110,180
Amherstburg project debt	**31,000**	**31,000**	–	–
Convertible debentures (1)	**61,311**	**48,875**	89,437	83,946
Levelization amounts	**23,714**	**23,714**	21,166	21,166
Deferred financing fees	**–**	**(5,556)**	–	(5,068)
Total long-term debt	**307,222**	**290,096**	303,544	295,224
Shareholders' equity (1) (2)	**489,927**	**340,594**	304,980	293,015
Total capitalization	**797,149**	**630,690**	608,524	588,239
Debt to capitalization	**38.5%**	**46.0%**	49.9%	50.2%

(1) The fair value of MPIC's convertible debentures as at December 31, 2010 was based on a market price of $115.20 and debentures outstanding of $53,221 aggregate principal amount. As at December 31, 2009, the fair value of MPIC's 2010 and 2016 Debentures was based on a market price of $100.05 and $101.00, respectively, and debentures outstanding of $38,918 and $50,000 aggregate principal amount, respectively. The carrying value of the equity portion of MPIC's convertible debentures of $5,057 as at December 31, 2010 (December 31, 2009 – $4,736) was excluded from total debt and included as part of shareholders' equity.

(2) The fair value of shareholders' equity reflected the Corporation's market capitalization as at December 31, 2010 based on a share price of $8.22 (December 31, 2009 – $6.11) and shares outstanding of 59,601,851 (December 31, 2009 – 49,914,927 shares). Shares outstanding include Class B exchangeable units of MPT LTC Holding LP, subsidiary of MPIC, of which there were 3,249,390 outstanding at December 31, 2010 (December 31, 2009 – 3,249,390 units).

MPC-Cardinal Credit Facility

The composition of the MPC-Cardinal credit facility is as follows:

($000s)	Commitment	Drawn	Letters of credit (1)	Guarantee	Remaining available credit
December 31, 2010					
Term facility ("Term")	141,875	(85,000)	–	(10,000)	46,875
Revolving facility ("Revolver")	40,625	–	(40,625)	–	–
	182,500	(85,000)	(40,625)	(10,000)	46,875
December 31, 2009					
Term facility ("Term")	141,875	(85,000)	–	(10,000)	46,875
Revolving facility ("Revolver")	40,625	–	(2,533)	–	38,092
	182,500	(85,000)	(2,533)	(10,000)	84,967

(1) Three letters of credit totalling $2,533 have been authorized under the Revolver for Erie Shores and one for $38,092 has been authorized against MPIC's equity commitment for Amherstburg.

A $10,000 unsecured guarantee was provided by MPC, a subsidiary of MPIC, to the lenders under the Tranche C loan to Erie Shores. Advances under the credit facility are made in the form of a series of bankers' acceptances ("BAs") and prime rate loans. Interest paid on BAs is based on the then current BA rate plus an applicable margin ("stamping fee") based on the ratio of consolidated total debt to consolidated EBITDA. Collateral for the facility is provided by first ranking security interest covering the assets of MPC, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to and is in compliance with certain non-financial and financial covenants, including limits on the consolidated total debt to consolidated EBITDA ratio and interest coverage ratio.

Erie Shores Project Debt

Erie Shores has a loan of $107,063 in non-recourse project financing consisting of: (a) a $62,248 fully amortizing loan ("Tranche A") maturing April 1, 2026; (b) a $4,815 fully amortizing loan ("Tranche B") maturing April 1, 2016; and (c) a $40,000 interest-only loan ("Tranche C") maturing April 1, 2011. This project debt was borrowed by Erie Shores and is secured by the assets of Erie Shores. MPC has provided an unsecured guarantee in the amount of $10,000 to Erie Shores, lenders in respect of the Tranche C loan. MPIC expects to refinance the Tranche C upon maturity in 2011.

Amherstburg Project Debt

On June 23, 2010, a subsidiary of MPIC, Helios, entered into a credit agreement with a consortium of lenders in conjunction with the acquisition of Amherstburg. Under the terms of the credit agreement, there is a project construction facility and a term facility. During project development, Helios will make draws under the construction facility to finance work as it is completed on the project. All interest accruing on the construction facility during development will be capitalized to the outstanding balance of the debt. Upon completion of the construction, the outstanding balance of the construction facility will be converted into the term facility. Helios has entered into a swap to convert its floating interest rate obligations under the credit agreement to a fixed rate. The effective interest rate of the debt is 7.32%. As at December 31, 2010, Helios had made $31,000 in draws under the credit agreement.

Convertible Debentures

In December 2009, MPIC issued $50,000 of 6.50% convertible unsecured subordinated debentures with a maturity date of December 31, 2016. On January 5, 2010, the underwriters exercised an over-allotment option to purchase an additional $7,500 principal amount of the 2016 Debentures, bringing the aggregate gross proceeds of the offering to $57,500. Of this amount, $38,918 plus accrued interest was used to fully redeem MPIC's existing 6.75% convertible debentures on January 11, 2010. The refinancing effectively extended the maturity of MPIC's convertible debentures from December 31, 2010 to December 31, 2016, reducing the interest rate on the debentures from 6.75% to 6.50% and providing MPIC with additional capital for future growth opportunities. Interest on the 2016 Debentures is payable semi-annually in arrears on June 30 and December 31. The 2016 Debentures are convertible into shares of MPIC at the option of the holder at a conversion price of $7.00 per share.

During the year, 611,281 of MPIC shares were issued as a result of conversions by certain holders of convertible debentures. Accordingly, the liability portion and equity portion of the convertible debentures were reduced by $3,721 and $407, respectively.

Levelization Amounts

As at December 31, 2010, MPIC had a levelization liability of $23,714 (December 31, 2009 – $21,166) 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 these payments exceed the revenue recorded in a given month, MPIC records an increase in the levelization amounts. To the extent these payments are less than the revenue recorded, MPIC records a reduction in the levelization amounts. Interest on the levelization amounts is accrued at a prescribed variable rate, which currently approximates 6.94% per annum.

Shareholders' Equity

Shareholders' equity is the core of MPIC's capital structure and is composed of the following:

($000s)	**Dec 31, 2010**	Dec 31, 2009
Shareholders' capital	**536,016**	466,662
Class B exchangeable units	**35,500**	35,500
Equity portion of convertible debentures	**5,057**	4,736
Accumulated other comprehensive income	**–**	190
Cumulative earnings (deficit)	**11,412**	(157)
Cumulative dividends	**(247,391)**	(213,916)
Total shareholders' equity	**340,594**	293,015

MPIC is authorized to issue an unlimited number of common shares, as well as preferred shares equal to 50% of the outstanding common shares. The change in shareholders' capital was as follows:

	Dec 31, 2010		Dec 31, 2009	
($000s, except number of shares)	**Shares**	**Amount**	Shares	Amount
Opening balance	**46,665,537**	**466,662**	46,672,194	466,697
Shares issued (1)	**9,079,250**	**65,249**	–	–
Conversion of convertible debentures	**611,281**	**4,128**	–	–
Shares redeemed	**(3,607)**	**(23)**	(6,657)	(35)
Ending balance	**56,352,461**	**536,016**	46,665,537	466,662

(1) On December 22, 2010, MPIC closed a private placement financing (the "Offering") of 9,079,250 shares at a price of $7.60 per share for gross proceeds of approximately $69,000 before issue costs of $3,751. The net proceeds of the Offering will be used by MPIC for acquisitions and for general purposes.

(2) $4,128 of the 2016 Debentures were converted into shares of MPIC, which is net of $152 of transaction costs incurred in connection with the issuance the 2016 Debentures.

MPIC also has outstanding 3,249,390 Class B exchangeable units issued by a subsidiary entity that were issued at the time Leisureworld was acquired. The Class B exchangeable units are eligible to receive distributions under the same terms and conditions as shares of MPIC. The Class B exchangeable units may be converted at the option of the unitholder into one share of MPIC up to October 18, 2020, which was extended by five years as part of MPIC's corporate conversion.

The equity portion of the convertible debentures pertains to the convertible debentures issued in December 2009 and the over-allotment issued in January 2010 that mature in December 2016. Cumulative earnings (deficit) are the aggregate of MPIC's net income since MPIC was formed. Cumulative dividends are the aggregate of cash paid to shareholders and Class B exchangeable unitholders since formation of MPIC.

Capital Expenditure Program

MPIC invested $35,850 in capital expenditures and $2,788 in major maintenance during the year. Below is the breakdown of the investment by asset:

	Dec 31, 2010		Dec 31, 2009	
($000s)	**Capital**	**Major Maintenance**	Capital	Major Maintenance
Amherstburg	**34,535**	**–**	–	–
Erie Shores Wind Farm	**506**	**–**	391	–
Hydros	**313**	**304**	1,408	–
Whitecourt	**420**	**1,179**	693	3,240
Cardinal	**76**	**1,305**	2	4,353
	35,850	**2,788**	2,494	7,593

The construction of Amherstburg progressed as expected during 2010 and makes up the majority of the capital expenditures during the year. Progress towards the commercial operation date and budgeted costs are in line with MPIC's projections. MPIC continues to monitor and work closely with the parties involved in the development and construction of the facility. All of the other capital projects were completed on budget and without significant delays.

The major maintenance expenditures during the year were completed during planned downtime and without significant budget deviations.

Derivative Financial Instruments

The fair value of these contracts as reported on MPIC's Consolidated Statement of Financial Position was:

	Dec 31, 2010	Dec 31, 2009
Derivative contract assets		
Gas swap contracts	1,918	2,131
Interest rate swap contracts	1,292	278
Embedded derivatives	5,287	14,093
	8,497	16,502
Current portion of derivative contract assets	(1,918)	(1,026)
	6,579	15,476
Derivative contract liabilities		
Interest rate swap contracts	8,402	2,594
Embedded derivatives	8,904	4,859
	17,306	7,453
Current portion of derivative contract liabilities	(2,505)	(1,310)
	14,801	6,143

Gas Swap Contracts

Cardinal has a natural gas swap contract for the seven-month period from April to October in 2011 (2009 – two contracts existed with identical terms described herein). The contract requires Cardinal to make payments to the counterparties based on 62,402 MMBtu (436,814 MMBtu) of gas at the then market rate of natural gas in exchange for receiving payments based on 62,402 MMBtu of gas at a fixed price per MMBtu.

Interest Rate Swap Contracts

For the MPC-Cardinal credit facility, MPIC holds five interest rate swap contracts, all of which mature in June 2012, to mitigate interest rate risk on a notional amount of $85,000, representing the total amount drawn under the credit facility. Under each contract, MPIC pays a fixed rate in return for a floating rate equal to the then current three-month BA rate. These interest rate swaps effectively convert MPIC's floating rate obligations to a fixed rate as shown in the table below:

Maturity Date	Notional Amount	Swap Fixed Rate	Stamping Fee[1]	Fixed Rate
June 29, 2012	11,700	3.12%	3.00%	6.12%
June 29, 2012	5,300	3.13%	3.00%	6.13%
June 29, 2012	18,000	3.13%	3.00%	6.13%
June 29, 2012	10,000	2.28%	3.00%	5.28%
June 29, 2012	40,000	2.14%	3.00%	5.14%
	85,000	2.56%	3.00%	5.56%

(1) The stamping fee represents the current applicable margin that is paid on advances from the MPC-Cardinal credit facility.

MPC also has a forward interest rate swap contract on a notional amount of $20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. Under the contract, MPC 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, MPC will be paid a floating rate equal to the then current three-month BA rate.

On June 23, 2010, upon the acquisition of Amherstburg, MPIC entered into an interest rate swap contract to mitigate the interest rate risk on the project debt. The notional amount of the interest rate swap, initially zero, increases as the construction facility used to finance the development of the project increases until June 2011, at which time the notional amount reaches $96,200. As at December 31, 2010, the notional amount was $35,803. Once the project is completed and Helios begins making payments on the debt, the notional amount of the interest rate swap will decrease as the outstanding balance on the debt amortizes.

MPIC has exposure to market risk, credit risk and liquidity risk from its use of financial instruments. Refer to Note 9 (Risk Management) in the consolidated financial statement for more details on MPIC's exposure to these risks.

Loan Payable

In March 2010, MPIC divested of its equity interest in Leisureworld, held by MLTCLP, through an IPO of LSCC. MPIC received its proportionate share of the initial net cash proceeds from MLTCLP in the form of a loan payable for $49,200. The loan is non-interest bearing and payable on demand and had principal outstanding as at December 31, 2010 of $49,200. Management expects the loan to be settled by way of a non-cash distribution from MLTCLP.

Future Income Taxes

Future income tax assets and liabilities are recognized on MPIC'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.

As of December 31, 2010, MPIC had the following future income tax balances:

($000s)	**Dec 31, 2010**	Dec 31, 2009
Future income tax assets	**33,963**	32,663
Less: valuation allowance	**(20,346)**	(22,276)
	13,617	10,387
Future income tax liabilities	**(59,238)**	(76,234)
	(45,621)	(65,847)

The increase in future income tax assets of $3,230 was primarily attributable to the increase in the temporary difference from financial instruments, mainly the interest rate swap on Amherstburg project debt.

The valuation allowance results primarily from capital and non-capital loss carry-forwards and fluctuates with the change in these balances. During the fourth quarter of 2010, MPIC reduced the valuation allowance by $1,072 as a result of the amalgamation of Whitecourt Power Corp. with MPC on January 1, 2011. This will allow non-capital loss carry-forwards of $4,286 to be used.

Future income tax liabilities declined $16,996 to $59,238 primarily because of the reduction in the temporary difference in capital assets. The reduction of $14,919 in the tax-effected temporary difference in capital assets was due to the sale of Leisureworld on March 23, 2010 as the corresponding temporary differences were removed from the future income taxes once the investment was sold.

An additional $1,079 of future tax liability was recognized on the acquisition of Helios from SunPower through the purchase equation.

Contractual Obligations

As at December 31, 2010, MPIC's outstanding contractual obligations are due in the following periods:

($000s)	Within one year	One year to five years	Beyond five years	Total
MPC-Cardinal credit facility	–	85,000	–	85,000
Erie Shores project debt	43,302	15,282	48,479	107,063
Amherstburg project debt	1,536	16,877	12,587	31,000
Convertible debentures	–	–	53,221	53,221
Levelization amounts	–	8,419	15,295	23,714
	44,838	125,578	129,582	299,998
Capital lease obligations	120	129	–	249
Operating leases	348	1,393	3,463	5,204
Purchase obligations	35,001	94,784	573	130,358
Amherstburg EPC	98,803	–	–	98,803
Total contractual obligations	179,110	221,834	133,618	534,612

Long-term debt is discussed as a part of the Capital Structure section on page 33 of this MD&A.

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.

A subsidiary of MPIC 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 power 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.

MPIC has a capital lease expiring in 2012 and bearing an interest rate of 7.0%.

Purchase Obligations

MPIC entered into contractual commitments in the normal course of business. These contracts include the Amherstburg agreements, natural gas purchase contracts, wood waste supply agreements, operations and maintenance agreements, and guarantees.

Amherstburg Agreements

During the second quarter of 2010, Helios entered into various agreements as part of the acquisition and construction of Amherstburg. These agreements included: an EPC agreement with SunPower for the construction of the project estimated at $130,000 with a completion date of June 2011; a credit agreement with a lending consortium to finance the project during construction and after completion with a maximum capacity of $96,200; and an O&M agreement with SunPower for when the project is producing electricity.

Electricity Supply Contracts

MPIC's power facilities have PPAs that expire between 2014 and 2042 to sell substantially all electricity that is produced, less the amount of electricity consumed in the facilities' operations, 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 manufacturing operations. The energy savings agreement matures on December 31, 2014 but may be extended by up to two years at Cardinal's option.

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.

Wood Waste Supply Agreement

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

Operations and Management Agreements

A subsidiary of MPIC has an O&M agreement with Regional Power OPCO 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.

Guarantees

As at December 31, 2010, MPC 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 in excess of a certain amount from the escrow accounts established by Clean Power Income Fund ("CPIF"). At December 31, 2010, there had been no reduction in the guarantee amount.

MPIC also provides three guarantees relating to CPIF's legacy obligation. As at December 31, 2010, no claims had been made on these guarantees.

There have been no other significant changes to the specified contractual obligations that are outside the ordinary course of business. MPIC is not engaged in any off-balance sheet financing transactions.

Asset Performance

Gas Cogeneration Power: Cardinal

Performance Highlights

($000s unless otherwise noted)	For the year ended Dec 31, 2010	Dec 31, 2009
Revenue	**110,614**	102,281
Operating and administrative expenses	**(77,424)**	(72,146)
Adjusted EBITDA	**33,242**	30,336
FFO	**31,846**	28,628
Electricity production (MWh)	**1,262,347**	1,251,909
Steam production (KLbs)	**721,649**	693,844
Fuel consumption (MMBtu)	**10,625,645**	10,431,855
Capacity factor	**95.4%**	94.7%
Availability	**97.9%**	95.6%

Performance Review

During 2010, Cardinal's revenue increased $8,333, or 8.1%, over 2009, reflecting higher electricity rates and fewer outage hours resulting in higher plant availability and capacity. Accordingly, adjusted EBITDA and FFO improved by 9.6% and 11.2%, respectively, over 2009.

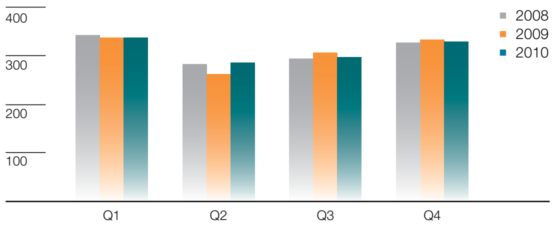
Electricity production increased by 0.8% as availability was higher in 2010. Steam production increased by 4% due to higher demand from Casco.

Fewer outages also resulted in higher operating and administrative expenses than in 2009 due to increased consumption of fuel and higher gas transportation costs of $1.64 per gigajoule ("GJ") during 2010 compared with $1.19 per GJ in 2009.

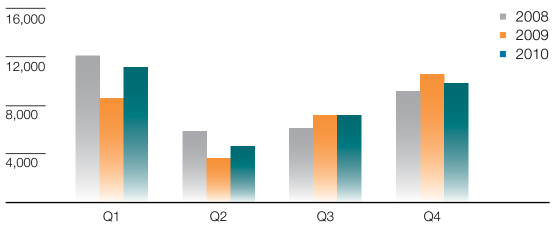
Outlook

Revenue in 2011 is expected to be higher than in 2010 due to the continuing escalation in the DCR, which results in a higher power price under Cardinal's PPA. The increase in revenue will be partially offset by planned maintenance activities, including a combustion inspection and additional maintenance work, resulting in an anticipated seven days of outage in the second quarter compared with four days of outage in 2010. The revenue increase will also be partially offset by increased gas transportation rates of $2.24 per GJ in 2011, representing an approximately $5.5 million to $6 million increase in operating costs at this facility. As a result, Cardinal's adjusted EBITDA and FFO are expected to be lower in 2011 than in 2010. Over the year, management expects to advance its strategy to secure a new contract for Cardinal to replace its current PPA that expires in 2014.

Production (GWh)



Adjusted EBITDA ($000s)



Wind Power: Erie Shores Wind Farm

Performance Highlights

($000s unless otherwise noted)	For the year ended Dec 31, 2010	Dec 31, 2009
Revenue	**22,144**	22,571
Operating and administrative expenses	**(5,410)**	(5,526)
Adjusted EBITDA	**16,734**	17,045
FFO	**10,681**	10,815
Electricity production (MWh)	**227,778**	232,309
Capacity factor	**26.3%**	26.8%
Availability	**97.7%**	96.3%

Performance Review

During 2010, revenue was $427, or 1.9%, lower than in 2009 due to lower electricity production resulting from lower wind speeds during the first quarter of 2010.

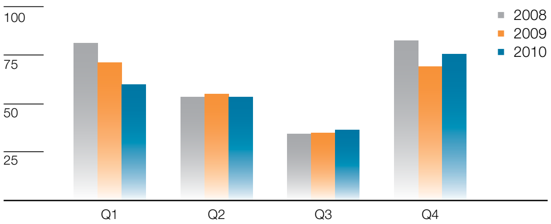
Operating and administrative expenses were $116, or 2.1%, lower in 2010 due to savings from the O&M internalization following the expiry of the facility's O&M contract with GE Canada. The internalization was completed successfully in July 2010, increasing the number of permanent employees at the site from three to nine.

Adjusted EBITDA was $311, or 1.8%, lower than in 2009. Similarly, FFO was $134, or 1.2%, lower than in 2009. In both cases, the underlying factor was lower revenue due to lower power production.

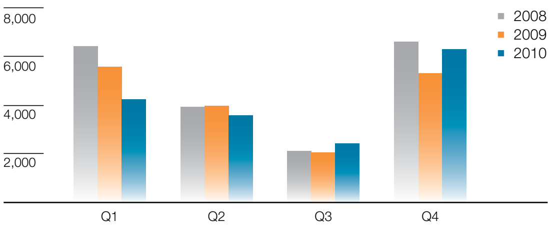
Outlook

Erie Shores is anticipated to return to more typical wind conditions in 2011, resulting in higher revenue than in 2010. Following further independent analysis of the wind resource at Erie Shores, MPIC has revised its annual long-term production target for the facility to approximately 248,000 MWh compared with the prior target of 249,800 MWh. Erie Shores is expected to incur lower operating costs in 2011 following the O&M internalization in 2010. Due to these factors, adjusted EBITDA and FFO are expected to be higher in 2011 than in 2010.

Production (GWh)



Adjusted EBITDA ($000s)



Hydro Power: Four Facilities

Performance Highlights

	For the year ended	
($000s unless otherwise noted)	**Dec 31, 2010**	Dec 31, 2009
Revenue	**12,629**	12,318
Operating and administrative expenses	**(3,761)**	(3,512)
Adjusted EBITDA	**8,868**	8,806
FFO	**8,868**	8,806
Electricity production (MWh)	**151,130**	160,674
Capacity factor	**48.4%**	51.5%
Availability	**98.0%**	98.0%

Performance Review

During 2010, revenue for the hydro power facilities was $311, or 2.5%, higher than in 2009, reflecting higher rates offset by poor hydrology in parts of Ontario. Specifically, the Wawatay hydro power facility produced 27,831 MWh during 2010 compared with its long-term historical annual average of 47,337 MWh.

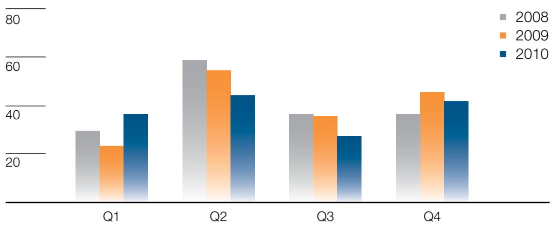
Operating and administrative expenses were $249, or 7.1%, higher than 2009. The increase in expenses was attributable to higher fees paid to the third-party operator of the facilities resulting from a one-time retroactive correction.

Higher revenue, partially offset by higher operating expenses, resulted in an adjusted EBITDA and FFO that were $62, or 0.7%, higher than in 2009.

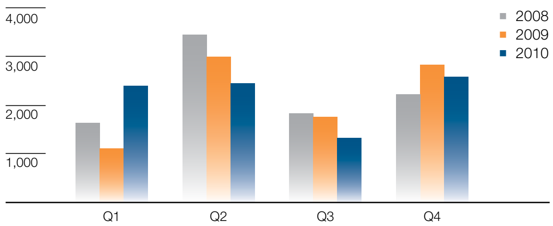
Outlook

The hydro power facilities are expected to achieve their long-term average annual production of approximately 166,000 MWh due to the anticipated return to normal hydrological conditions in Ontario in 2011, resulting in higher revenue than in 2010. Higher revenue will also reflect the price escalators in certain of the facilities' PPAs. Operating costs are expected to be slightly lower than in 2010. As a result, adjusted EBITDA and FFO from the hydro power facilities are expected to be higher in 2011 than in 2010.

Production (GWh)



Adjusted EBITDA ($000s)



Biomass Power: Whitecourt

Performance Highlights

($000s unless otherwise noted)	For the year ended Dec 31, 2010	Dec 31, 2009
Revenue	**13,125**	11,214
Operating and administrative expenses	**(9,226)**	(10,697)
Adjusted EBITDA	**3,899**	517
FFO	**3,899**	517
Electricity production (MWh)	**199,186**	170,646
Fuel consumption (GMT) (1)	**295,557**	255,970
Capacity factor	**93.4%**	81.5%
Availability	**93.9%**	82.0%

(1) Green metric tonnes

Performance Review

During 2010, Whitecourt's revenue was $1,911, or 17.0%, higher than in 2009 attributable to a 16.7% increase in electricity production. Higher production reflected a return to normal operations in 2010 following an extended maintenance outage in 2009 to repair the facility's turbine.

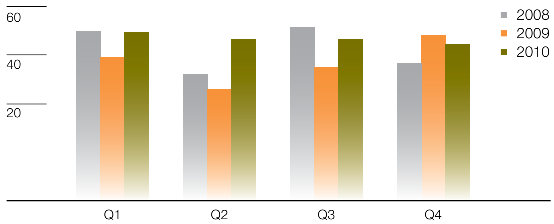
Operating and administrative expenses were $1,471, or 13.8%, lower than in 2009 primarily due to higher maintenance costs in 2009 to repair the turbine. In addition, the facility had lower fuel costs in 2010 because additional fuel was purchased from more distant sources to supplement existing arrangements in 2009.

As a result of the above factors, both adjusted EBITDA and FFO increased by $3,382, or 654%, from 2009.

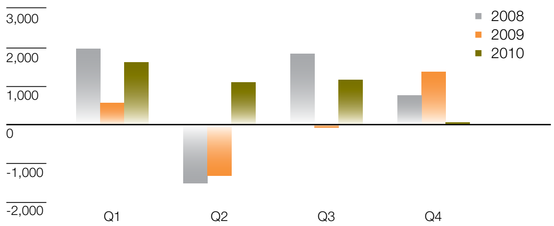
Outlook

Revenue in 2011 is expected to be in line with 2010, primarily reflecting planned outages for maintenance and continuing low merchant power prices. Whitecourt is anticipated to incur slightly higher operating expenses as a result of planned maintenance work. Adjusted EBITDA and FFO from this facility are expected to be slightly lower than in 2010. Whitecourt is anticipated to have a continuing stable and adequate supply of wood waste fuel in 2011.

Production (GWh)



Adjusted EBITDA ($000s)



Biomass Power: Chapais

Performance Highlights

($000s unless otherwise noted)	For the year ended Dec 31, 2010	Dec 31, 2009
Interest income on loans receivable	**638**	720
Electricity production (MWh) (1)	**218,686**	220,032
Fuel consumption (GMT)	**415,888**	479,301
Capacity factor	**89.2%**	89.7%
Availability	**90.3%**	93.8%

(1) Total amount of electricity produced by the Chapais facility, in which MPIC holds a minority equity and debt interest.

Performance Review

The Chapais facility's 2010 performance measures were slightly below 2009 for electricity production, availability, capacity and fuel consumption. On an annual basis between December and November, the plant's PPA provides a maximum electricity production target that the plant achieved. MPIC continued to receive scheduled principal and interest income payments from the Tranche A portion of the outstanding debt of CHESEC. The fuel costs for the facility remain high and therefore the facility is only able to pay interest and principal on Tranche A of the outstanding debt. MPIC does not expect to earn income on its minority preferred equity investment.

Solar Power: Amherstburg

Performance Review

On June 23, 2010, MPIC acquired Amherstburg. Since that time, construction has progressed according to plan, with $34,535 of the $130,000 total estimated project cost having been incurred to the end of December 2010.

Outlook

Construction of Amherstburg continues to progress on schedule with the start of commercial operations targeted for June 2011. Upon the start of commercial operations, Amherstburg is expected to produce up to approximately 37,600 MWh of electricity annually. In 2011, MPIC is expected to benefit from six months of adjusted EBITDA and FFO contribution from this facility.

Social Infrastructure: Leisureworld

As at January 1, 2010, MPIC owned an indirect 45% interest in Leisureworld through MPIC's 45% interest in MLTCLP. In March 2010, MLTCLP sold Leisureworld to LSCC, which used the proceeds of its IPO to acquire LSCLP. This resulted in a gain on sale of $7,027, of which MPIC is entitled to 45%, or $3,162. MLTCLP retained a 5% interest in LSCC, or 958,649 shares, of which 45%, or 431,392, was owned indirectly by MPIC. On December 9, 2010, MLTCLP sold the remaining shares held in Leisureworld. The proceeds from the sale as well as the remaining cash in MLTCLP totals $12,195, which is subject to holdback conditions that expire on March 23, 2011.

MLTCLP accounts for its remaining investment on a fair value basis. Accordingly, income from the LSCC shares was restricted to changes in fair value and dividend distributions. During 2010, MLTCLP received $2,541 of dividend income compared with distributions of $10,350 in 2009 and realized gains of $7,170 from the sale of Leisureworld. MPIC's share of these amounts in 2010 increased net income by $3,332.

Summary of Quarterly Results

The following table provides a historical summary for the previous eight quarters of MPIC's financial performance, which illustrates the effect of seasonality on MPIC's performance.

	2010				2009			
($000s except for per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenue	**44,265**	**34,598**	**35,497**	**44,152**	42,795	32,731	32,603	40,255
Net income (loss)	**5,973**	**(9,400)**	**(6,016)**	**21,012**	11,501	(587)	(1,752)	2,097
Cash flows from operating activities	**1,054**	**6,770**	**9,179**	**13,553**	9,504	5,972	9,255	13,309
Adjusted EBITDA	**15,380**	**10,204**	**10,438**	**19,017**	21,360	12,232	11,429	16,223
Funds from operations	**11,189**	**6,718**	**6,755**	**15,377**	17,797	8,756	8,234	13,356
Distributable cash	**11,285**	**5,286**	**5,454**	**14,715**	16,142	8,305	10,225	14,955
Dividends declared to shareholders	**8,768**	**8,236**	**8,235**	**8,236**	13,103	13,103	13,104	13,104
Basic net income (loss) per share	**0.109**	**(0.188)**	**(0.121)**	**0.421**	0.230	(0.012)	(0.035)	0.042
Diluted net income (loss) per share	**0.109**	**(0.188)**	**(0.121)**	**0.381**	0.230	(0.012)	(0.035)	0.042
Cash flows from operating activities per share	**0.019**	**0.136**	**0.184**	**0.272**	0.190	0.120	0.185	0.267
Distributable cash per share	**0.206**	**0.106**	**0.109**	**0.295**	0.323	0.166	0.205	0.300
Dividends declared per share	**0.165**	**0.165**	**0.165**	**0.165**	0.262	0.262	0.262	0.262

Dividends reflect MPIC's annualized $0.66 per share policy, which was revised effective January 1, 2010 from $1.05 per share.

Fourth Quarter 2010 Highlights

	Three months ended	
($000s)	**Dec 31, 2010**	Dec 31, 2009
Revenue	**44,265**	42,795
Costs and expenses		
Operating expenses	**24,917**	21,782
Administrative expenses	**4,584**	2,414
Depreciation and amortization	**7,114**	7,104
	36,615	31,300
	7,650	11,495
Other income and expenses		
Interest income	**286**	174
Interest expense	**(5,252)**	(4,308)
Equity accounted income	**(441)**	1,271
Unrealized gain (loss) on derivative instruments	**3,384**	(2,638)
Foreign exchange	**(15)**	6
Loss on debt extinguishment	**–**	–
Income before taxes	**5,612**	6,000
Income tax recovery	**361**	5,501
Net income	**5,973**	11,501

During the fourth quarter of 2010, MPIC earned revenues that were $1,470, or 3.4%, higher than in 2009. The increase in revenues was attributable to higher power rates at Cardinal and higher power production as plant availability was higher.

Operating expenses were $3,135, or 14.4%, higher than in 2009 primarily due to fuel expenses for Cardinal, which were $2,127 higher in 2010. Maintenance expenses were also $984 higher in the fourth quarter of 2010 as similar work was completed and expensed in an earlier quarter of 2009. Administrative expenses were $2,170, or 89.9%, higher than in 2009 primarily due to corporate conversion and reorganization costs.

For other income and expenses, interest expense was $944, or 21.9%, higher during the fourth quarter of 2010 than in 2009. The increase in expenses was primarily attributable to the higher interest rate charged on the MPC-Cardinal credit facility in 2010 and to the fee on the $38,092 letter of credit for Amherstburg. In addition, interest on the convertible debt was higher in 2010 due to a higher principal amount outstanding on the 2016 Debentures compared with the 2010 Debentures that were retired.

Equity accounted income was $1,712 lower in the fourth quarter of 2010 than the same period in 2009 because MPIC divested of its interest in Leisureworld on March 23, 2010 and sold the remaining holdback shares in December 2010.

Net income before taxes for the fourth quarter of 2010 was $388, or 6.5%, lower than in 2009 primarily due to the factors described above. In addition, the unrealized loss on the derivative instruments was $6,022 lower than in 2009. Net income after tax was $5,528 lower in the fourth quarter of 2010 primarily due to a $5,140 variation in the income tax recovery from the same period of 2009.

In terms of non-GAAP performance measures, MPIC's adjusted EBITDA was $5,980, or 28%, lower than the same period in 2009 while distributable cash was $4,857, or 30%, lower. The primary factors contributing to these differences were lower distributions from Leisureworld and higher operating and administrative expenses, particularly attributable to the corporate conversion and reorganization.

In addition to the above performance highlights, during the fourth quarter, MPIC's shareholders' equity increased because of two events. On December 22, 2010, MPIC completed a private placement offering for the issue of 9,079,250 shares, resulting in $69,000 less issue costs of $3,751 of additional capital. During the quarter, MPIC also issued 611,281 of new shares in response to conversions by debenture holders, resulting in $4,128 of additional capital.

Seasonality

MPIC's operating results may fluctuate due to seasonal factors that affect quarterly production of the individual facilities. The factors contributing to these results include scheduled major maintenance, seasonal electricity demands and environmental factors such as water flows, wind speeds, temperature and humidity.

Cardinal's long-term PPA with the OEFC and gas purchase contract with Husky Marketing lead to lower fluctuations in production. Lower production during the second quarter reflects the annual scheduled maintenance cycle of the facility while low third quarter production is due to historical curtailment by the OEFC during the off-peak summer months. In addition, higher ambient temperatures in the summer months affect Cardinal's efficiency and reduce the facility's output. Further, Cardinal's PPA contains higher electricity rates during the six-month period from October to March (and lower rates from April to September), which is reflected in variations in quarterly results.

For Erie Shores, higher wind speeds and air density during the colder winter months typically result in higher production during the first and fourth quarters each year.

Production at Whitecourt is fairly consistent throughout the year with the exception of the second quarter, which is when the facility typically performs its major maintenance every seven years.

For each hydro power facility, peak production is based on the respective local watersheds, which increase the water flow for the facility. Typically, the second quarter, during the spring runoff, is the most productive period for Wawatay and Sechelt. Dryden, which has lower variability, has historically produced the most electricity during the third quarter. As with Cardinal, the PPAs for Wawatay and Dryden contain higher electricity rates during the months of October to March (and lower rates from April to September).

In summary, the above factors result in the portfolio generating the highest average long-term electricity production during the first and fourth quarters as shown in the following table:

Project Name	Type	Electricity Purchaser	PPA Expiry	Net Installed Capacity (MW)	Q4 2010	Average long-term production (MWh) (1) Q1	Q2	Q3	Q4
Cardinal	Gas	OEFC	2014	156	**332,433**	343,348	282,116	304,372	332,678
Erie Shores	Wind	OPA	2026	99(2)	**76,396**	75,762	53,711	34,677	77,407
Whitecourt	Biomass	TransAlta	2014	25	**48,000**	49,654	44,814	49,624	49,302
Sechelt	Hydro	BC Hydro	2017	16	**22,823**	19,943	30,546	12,411	22,044
Wawatay	Hydro	OEFC	2042	14	**10,813**	4,915	18,345	9,613	14,464
Hluey Lakes	Hydro	BC Hydro	2020	3	**2,095**	2,175	1,347	1,189	2,055
Dryden (3)	Hydro	OEFC	2020	3	**6,451**	4,654	5,029	5,495	4,692
Chapais (4)	Biomass	Hydro Québec	2015	28	**43,116**	60,185	51,807	58,193	49,570
Total				344	**542,127**	560,636	487,715	475,574	552,212

(1) Average long-term production is from January 2005 to June 2010, except for Erie Shores, which is from June 2006.

(2) One 1.5 MW turbine is owned by a landowner.

(3) The Dryden facility is composed of three facilities, built in 1922 (Wainwright), 1928 (Eagle) and 1938 (McKenzie). These facilities were refurbished in 1986.

(4) MPIC's investment in the Chapais facility consists of a 31.3% interest in one of two classes of preferred shares, a 24.8% interest in Tranche A and B debt and a 50% interest in Tranche C debt.

In 2010, with the exception of Wawatay, Dryden and Chapais, each facility performed consistently with its historical average long-term production for the fourth quarter. Lower electricity production reflected less precipitation coupled with lower water flows at Wawatay during the fourth quarter. Lower production at Chapais reflected the plant reaching its maximum targeted production earlier than in previous years. Higher production at Dryden reflected higher than average precipitation and water flows during the fourth quarter.

MPIC maintains reserve accounts in order to offset seasonality and other factors that may impact electricity production. Management expects that MPIC's reserve accounts and free cash flow will be sufficient to maintain monthly dividends to shareholders.

Related Party Transactions

Under the terms of various administration and management agreements between the Manager of MPIC and/or its subsidiaries. MPIC made payments to the Manager for management and administrative services, cost reimbursement and incentive fees to operate MPIC and its assets. The following table summarizes amounts recorded for these services, including non-recoverable GST and HST amounts:

	Dec 31, 2010	Dec 31, 2009
Management fees	**1,611**	1,809
Administrative fees	**122**	115
Cost reimbursement	**4,112**	2,922
Incentive fees	**–**	737
	5,845	5,583

Management fees are charged by the Manager for directing the operations of each asset owned by MPIC. The decline in management fees during 2010 reflected the termination of the management agreement related to LSCLP on March 31, 2010. Partially offsetting this was the new management fee for Amherstburg.

Cost reimbursement represents payments to the Manager in return for services such as administration, finance, regulatory, rent and information technology. Cost reimbursement for 2010 was $1,190, or 41%, higher than in 2009. The increase reflected additional resources from the Manager provided to MPIC for initiatives such as IFRS and the corporate conversion and reorganization as well as the evaluation of acquisition opportunities.

Included in the cost reimbursement was $652, which was capitalized as deferred charges, compared with $420 in 2009. Capitalized costs represent ongoing project expenses where it is more likely than not that the project will result in an acquisition.

Incentive fees to the Manager are determined as 25% of MPIC's distributable cash in excess of $0.95 per share on an annual basis. Distributable cash in 2010 was $36,740, or $0.732 per share, which was below the threshold to recognize the incentive fee.

In addition to the above costs paid to the Manager, from time to time MPIC incurs expenses for fees for services received from affiliates of MGL.

In January 2010, with respect to the exercise of the underwriter's option for the issuance of additional 2016 Debentures, an underwriter fee of $37 was paid to a subsidiary of MGL that was a member of the underwriting syndicate. These costs were capitalized as deferred financing fees and netted against the equity and liability portion of the convertible debentures.

In March 2010, as part of the LSCC IPO, a subsidiary of MGL earned underwriting and selling concession fees of $2,100 as part of the underwriting syndicate. These fees were paid by LSCC from the IPO proceeds.

In June 2010, as part of Amherstburg acquisition, a subsidiary of MGL earned fees of $2,530 for the placement of financing arrangements and advisory services on the project. Deferred financing fees were capitalized and will be amortized over the life of the debt facility.

In December 2010, a commission of $1,525 was paid to a subsidiary of MGL with respect to the private placement. These costs were netted against the shareholders' capital in the Consolidated Statement of Financial Position as at December 31, 2010.

MPIC also has a gas swap contract, to hedge against fluctuations in the price of excess gas sold under Cardinal's gas mitigation clause, with a subsidiary of MGL. The gas swap contract requires Cardinal to make monthly payments to an affiliate of MGL for the seven-month period from April to October 2011 based on 436,814 MMBtu at the then market rate of natural gas in exchange for receiving payments based on gas at a fixed price per MMBtu. In the prior year, MPIC had two gas swap contracts with the same counterparty at identical terms for each year remaining, 2010 and 2011. This transaction was 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 related parties.

Risks Related to Our Business

We face a number of risks and uncertainties that could have an adverse impact on our businesses, operating results and financial condition, which could negatively affect our ability to pay dividends to shareholders. The following section addresses some, but not all, risk factors that could affect our future results. For a more comprehensive description of these and other possible risks such as: Force Majeure, Tax-Related Risks, Dividends are not Guaranteed, Availability of Financing, Shareholder Dilution, and Volatile Market Price for Common Shares, please refer to the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2010, which is available on the SEDAR website at www.sedar.com.

Our approach to responsibly managing the risks in our operations and related to our business goals includes:

- 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;
- 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 governance policies and procedures that apply equally to the individual businesses within the portfolio, which ensures consistency and reliability in risk management and reporting. Employees are trained in respect of the policies and procedures to be followed and compliance with applicable regulations, policies and procedures is regularly reviewed. Our Code of Ethics defines ethical business conduct and must be followed by all directors, officers, employees, contractors and agents of MPIC.

In addition, each of our businesses completes an annual operational risk self-assessment, which applies a formal process to identifying, ranking, mitigating and monitoring risks. Over time, such processes lead to continuous improvement of controls, which results in lower residual risk.

Operational Performance

Our revenue depends on the amount of electricity our facilities generate. The ability of our facilities to generate electricity could be affected by premature wear or failure, defects in design, material or workmanship, or longer than anticipated downtime for maintenance and repair. The operational performance of Erie Shores and the hydro power facilities is partially dependent on the availability of wind and water. Upon the start of commercial operations, Amherstburg's performance will rely on the availability and intensity of solar radiation.

We manage these risks by:

- Operating the facilities within defined and proven operating standards;
- Performing regular and comprehensive routine and preventive maintenance;
- Employing technologies that are proven; and
- Diversifying our portfolio by asset type, fuel source and geographic location. Our hydro power facilities, for example, are located in three watersheds, which mitigates weather-related risks.

Power Purchase Agreements

We sell most of the power generated by our facilities to large utilities or creditworthy customers under long-term PPAs that provide a specified rate for a defined period of time. Additionally, we may sell the excess power capacity of some of the facilities in the open market, where prices can vary. As the facilities' PPAs expire, we may not be able to renegotiate or enter into new PPAs, or to do so on commercially reasonable terms. If we sell the power produced by the facilities on the open market, the market price may not always exceed the marginal cost of operations. We mitigate these risks by maintaining our facilities in excellent operating condition, thereby sustaining or extending their useful lives, and by maintaining strong relationships with our counterparties and other stakeholders.

Fuel Costs and Supply

Cardinal's natural gas supply is contracted under a long-term gas purchase agreement. When this agreement expires on May 1, 2015, we will have to renegotiate it or enter into a new gas supply agreement, although we may not be able to do so on comparable terms, or buy gas at the market price. Cardinal's ability to produce power could be affected if the transportation of gas to the facility is disrupted. In addition, any increase in the gas transportation rate, which is regulated by the National Energy Board, could result in higher operating costs.

From time to time, Cardinal sells excess natural gas it does not need for its operations. Gas price fluctuations are managed through gas swap agreements that could expose us to losses in certain circumstances, such as the counterparty defaulting on its obligations under the agreements.

Whitecourt and Chapais have long-term contracts with substantial forest products companies to provide a majority of the facilities' wood waste fuel. When these fuel supply agreements expire, we will have to renegotiate them, enter into new fuel supply agreements, although we may not be able to do so on similar terms, or buy wood waste at the market price. The performance of Whitecourt and Chapais could be affected if this supply is interrupted or if there is an increase in costs to transport the fuel to the facilities. There can be no assurance as to the supply or price of wood waste available on the open market when our agreements expire.

The wind and hydro power facilities have no fuel costs but rely on the availability of wind and water resources, which could vary with weather conditions. When Amherstburg starts commercial operations, its performance will rely on the availability and intensity of solar radiation.

We manage the risks related to fuel costs and supply by ensuring that a majority of fuel is secured under long-term contract and by diversifying our portfolio by asset type, geography and location to limit our exposure to any one type or source of fuel.

Contract Performance

Our ability to pay dividends to shareholders depends in part on our customers, suppliers and other parties fulfilling their contractual obligations, including the OEFC and OPA under various PPAs, Husky Marketing under Cardinal's gas purchase agreement and Millar Western under its wood waste supply agreement for Whitecourt. Upon the start of commercial operations, the ability of Amherstburg to generate cash flow will depend on the ability of the OPA and SunPower to fulfill their contractual obligations.

Development Risk

Our ability to successfully complete the construction of Amherstburg could be affected by construction delays due to slow or delayed delivery of materials or component parts, contractor non-performance, weather conditions or labour shortages, disruptions or inexperience. These risks are mitigated through a fixed-price EPC agreement with SunPower, which is intended to transfer the risks inherent in engineering, procurement and construction of the facility to SunPower (and includes liquidated damages for MPIC in the event of delays).

Technology Risk

The performance of Amherstburg could be affected if the solar modules fail to perform as expected, or by premature wear or failure due to defects in design, material or workmanship. It is possible that Amherstburg may not operate as planned and that design or manufacturing flaws could occur that are not covered by warranty. In addition, mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair.

This technology risk is mitigated by a fixed-price EPC contract, under which SunPower will provide a two-year warranty for Amherstburg following the start of commercial operations. There are also manufacturers' warranties on specific components, including a 25-year warranty on the photovoltaic panels and 10 years on the inverters. In addition, for the first two years of commercial operations, SunPower will provide a weather-adjusted performance guarantee.

Default Under Credit Agreements

Our credit agreements contain a number of standard financial and other covenants. A failure by MPC, Cardinal, Erie Shores or Amherstburg to comply with these obligations could result in a default, which, if not cured or waived, could result in the termination of dividends and permit acceleration of the relevant indebtedness. There can be no assurance that the assets of Cardinal, MPC, Erie Shores or Amherstburg 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 we will be able to refinance our credit agreements or obtain additional financing on commercially reasonable terms. Borrowing under MPIC's credit agreement may be at variable rates of interest, which exposes us to the risk of increased interest rates. We mitigate these risks by monitoring and managing potential liquidity requirements, preparing and monitoring long-term financing plans to reflect changes in business plans and market conditions, and maintaining a capital structure that matches the long-term cash flow profile of our businesses.

Land Tenure and Related Rights

Our 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 we will have or be able to obtain the necessary financial resources to pay for required restoration and remediation works.

Regulatory Regime and Permits

Our facilities are highly regulated and must abide by the relevant market rules as administered by the system operators in each local jurisdiction. The performance of our facilities depends in part on a favourable regulatory climate and on our ability to obtain, maintain, or renew all necessary licences, permits or government approvals. While we are currently compliant with all regulatory requirements, we could incur significant expense to achieve or maintain compliance with any new laws or regulations that are introduced. If we are unable to comply with applicable regulations and standards, we could 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 greenhouse gas emissions ("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
Hydro Power Facilities	• Water rights are generally owned by governments and government agencies reserve the right to control water levels and to change or impose new dam safety regulations
Whitecourt	• Subject to environmental regulations, including GHG emission standards and/or approvals related to operations, including biomass supply and wood ash disposal
Amherstburg	• Subject to regulations and approvals related to land use, wildlife and wildlife habitat, and to sound

We mitigate these risks by developing and adhering to compliance plans and by participating in industry groups to remain abreast of evolving issues or requirements. In addition, each facility completes an annual operational risk self-assessment, which applies a formal process to identifying, ranking, mitigating and monitoring risks.

Geographic Concentration and Non-Diversification

Cardinal, Erie Shores and the Wawatay and Dryden hydro power facilities represented more than 75.4% of MPIC's distributable cash in 2010 (2009 – 68.5%) and are all located in Ontario. Amherstburg is being developed in Ontario. This concentration means that we could be exposed to local or regional economic conditions or an adverse change in the regulatory environment in Ontario. This risk is only partially mitigated by our facilities in Alberta, British Columbia and Quebec, and the investment in the Swedish district heating business.

Dependence on the Manager and Potential Conflicts of Interest

Subject to the approval of the Board of Directors, the Manager directly, or indirectly through its operating subsidiaries, makes decisions relating to MPIC and its businesses. MPIC's facilities depend on the Manager for management and administrative services through an administration agreement and various management agreements.

The Manager, its affiliates, employees or agents and other 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.

These risks are mitigated by provisions in the management agreements and the administration agreement that outline the procedures to be followed should a conflict of interest arise. In some circumstances, such conflicts may result in MPIC or its subsidiaries engaging persons other than the Manager to provide services in respect of certain acquisitions or investments.

Environmental, Health and Safety

Our businesses are subject to a complex and increasingly stringent environmental, health and safety regulatory regime, which includes environmental, health and safety laws. 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). To our knowledge, none of our businesses have been notified of any such civil or regulatory action in regard to their operations.

The following presents the primary potential environmental risks to our businesses:

Facility	Primary Environmental Risks
Cardinal	• Air quality and emissions issues • Soil contamination resulting from oil spills • Issues related to the storage and handling of chemicals used in normal operations
Erie Shores	• Potential harm to the local migratory bird population • Harm to the local bat population • Sound levels from wind turbines • Impact on scenic environment around the facility
Hydro Power Facilities	• Dam failure, which results in flooding • Equipment failure that results in oil or other lubricants being spilled into the waterway • Water flow issues that impact fish population, water quality and potential increases in soil erosion around a dam facility
Whitecourt and Chapais	• Air quality and emissions issues • Soil contamination resulting from oil spills • Issues related to the storage and handling of chemicals used in normal operations • Issues related to the storage of wood waste fuel on-site • Issues related to the disposal of fly ash
Amherstburg	• Impacts to local plants, wildlife and wildlife habitat • Sound levels of the facility's electrical equipment

Changes in environmental, health and safety 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 disruptions in operations.

These risks are mitigated by:

- Following generally accepted industry practices to prevent and minimize any potential negative impact on the environment and health and safety;
- Completing regular facility inspections to monitor and mitigate the above risks, and ensuring that each facility is in compliance with its regulatory requirements;
- Working continuously with all employees to foster a progressive safety culture within all operations; and
- Establishing safety committees at each facility and appointing dedicated staff to ensure existing safety programs are continuously improved.

Acquisition-Related Risks

Our business strategy includes growth through acquisitions. On December 13, 2010, we entered into an agreement to acquire a 33.3% equity interest in a district heating business located in Sweden. The remaining 66.7% equity interest is to be acquired by MEIF II. The acquisition has received the approval of the Stockholm City Council and the Swedish Competition Authority and is expected to close in March 2011. Risks related to this investment include general business risks inherent in the district heating sector; geographic concentration; minority interest; government regulation; termination of supply and customer contracts; possible failure to complete the acquisition; enforcement of indemnities against vendors of the DH Business; environmental health and safety liabilities; liability and insurance; and reliance on key personnel. There is a risk that the DH Business may not achieve expected results.

Climate Change and the Environment

MPIC's assets are subject to environmental laws, regulations and guidelines at the federal, provincial and local levels. Our businesses have an impact on the environment, particularly our Cardinal and Whitecourt facilities, which both emit carbon dioxide ("CO_2"). Cardinal additionally emits nitrous oxide ("NOx"). MPIC complies, in all material respects, with current federal and provincial environmental legislation and guidelines on GHG and other emissions.

Additional Canadian federal and provincial legislation and guidelines to govern and regulate GHG emissions, air pollution and carbon trading systems are in various stages of development, making the final form and scope of proposed legislation and guidelines, and how they may apply to MPIC's businesses, difficult to predict. It is also unclear how federal and provincial legislation and guidelines will be coordinated. The Canadian federal framework is expected to broadly match any climate change regulation activities that are undertaken in the U.S., where attempts to pass climate change legislation, including legislation for a cap-and-trade system, have failed. In both Canada and the U.S., continuing economic uncertainty and the current political environment have proven to be obstacles to legislative change.

MPIC mitigates the potential impact of future federal and provincial environmental legislation and guidelines by remaining diligent in the operation of its facilities, including stringent policies and procedures to prevent the improper discharge of emissions or other pollutants from its facilities. MPIC's environmental footprint is also mitigated by the renewable profile of its wind, hydro, biomass and solar power facilities, which could create viable GHG offset credits provided that these businesses meet any applicable eligibility requirements and that they have the ownership of these credits under their respective PPAs.

The following discussion provides an overview of Cardinal's and Whitecourt's environmental performance and how these facilities are positioned to adapt to potential future environmental legislation and requirements.

Greenhouse Gases

In 2010, Cardinal emitted 562,457 tonnes of CO_2. Natural gas is a fuel source that emits less than half of the GHG gas per unit of energy produced than the cleanest available coal power station. There is currently no legislated limit to the amount of CO_2 that Cardinal may emit, although the facility is required to report its emissions to Environment Canada and Statistics Canada.

In January 2010, the Canadian federal government announced an updated GHG emissions reduction target of 17% from 2005 emission levels by 2020. This new emissions target, which is down from the federal government's previously announced target of 20% from 2005 emission levels, is aligned with the emissions reduction target announced by the U.S. and will be adjusted to reflect any changes to the final target established by the U.S. In December 2009, Ontario's legislature passed the *Environmental Protection Amendment Act (Greenhouse Gas Emissions Trading)*, which would allow Ontario's proposed GHG cap-and-trade system to link to other systems in North America and abroad. The most likely GHG threshold for the electricity sector is expected to be 25,000 tonnes of CO_2 per year. As a result, the Cardinal facility may be captured by Ontario's proposed cap-and-trade regime.

Whitecourt complies with Alberta's *Specified Gas Emitters Regulation* (the "Regulation"), which sets GHG intensity limits for all facilities in Alberta that emit equal to or greater than 100,000 tonnes of GHG emissions per year in CO_2 equivalent units. Although Whitecourt emits in excess of 100,000 tonnes of CO_2 per year, emissions from biomass combustion are excluded from the calculation of a facility's total GHG emissions under the Regulation, thus bringing Whitecourt's total GHG emissions to below the 100,000 tonne threshold. Whitecourt is required to report total GHG emissions on an annual basis under Alberta's *Specified Gas Reporting Regulation*.

Other Air Pollutants

The Canadian federal government is developing a national framework for managing and regulating air pollutant emissions such as NOx, sulphur oxides, volatile organic compounds and particulate matter, including specific caps on pollutants for each sector, including electricity generation. Specific emissions standards and compliance mechanisms have not yet been announced.

Facilities in Ontario that are subject to the current legislation governing NOx emissions receive a maximum yearly emission compliance limit that can be achieved by course emission control or reduction or by trading NOx allowances. For 2010, Cardinal received 698 tonnes of NOx allowances based on actual power generation in 2008. Cardinal expects to retire 376 tonnes of NOx allowances for 2010, leaving a cumulative allowance balance of 4,201 tonnes. Natural gas combustion results in far lower emissions of NOx than the combustion of other fossil fuels, and NOx emissions from Cardinal's existing generating equipment fall below the levels mandated by legislation.

Accounting Policies and Internal Controls

The consolidated financial statements have been prepared in accordance with Canadian GAAP.

Accounting Estimates

The consolidated financial statements are prepared in accordance with Canadian GAAP, which require the use of estimates and judgment in reporting assets, liabilities, revenues, expenses and contingencies.

The following accounting estimates included in the preparation of the consolidated financial statements are based on significant estimates and judgments, which are summarized as follows:

Area of significant estimate	Assumptions
• Derivative financial instruments	Interest rate, natural gas price, and direct consumer rate.
• Purchase price allocations	Initial fair value of net assets
• Depreciation on capital assets	Estimated useful lives and residual value
• Amortization on intangible assets	Estimated useful lives
• Asset retirement obligations	Expected settlement date and amount and discount rate
• Income taxes	Timing of reversal of temporary differences
• Impairment assessments	Future cash flows and discount rate

Management's estimates are based on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

International Financial Reporting Standards

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.

IFRS Project

MPIC commenced its IFRS conversion project in 2008. Management has allocated sufficient resources to the project. MPIC's conversion plan consists of diagnostic, design and implementation phases. As at December 31, 2010, management is currently in the implementation phase. This is consistent with the detailed project plan timeline.

The following summarizes the key elements of the conversion plan and MPIC's progress:

Areas	Key Activity	Progress
Financial reporting	1) Assess differences between Canadian GAAP and IFRS relevant to MPIC 2) Select key accounting policies and IFRS 1 elections 3) Quantify effects of conversion on the consolidated financial statements 4) Develop opening balance sheet and IFRS financial statements, including disclosures	✔ Major differences between Canadian GAAP and IFRS relevant to MPIC were identified and assessed in 2010 ✔ Management has completed the analysis and impact on IFRS policies and transition elections, subject to the impact of interpretation of any new standards ✔ Quantitative impacts of conversion on MPIC's consolidated financial statements based on existing IFRS standards have been substantially completed, subject to the finalization of certain adjustments and MPIC approval ✔ Adjustments to restate the opening balance sheet and 2010 interim financial statements are substantially complete pending finalization of certain adjustments and final approvals. Revisions to financial statements and note disclosures for 2011 are in progress
Training and communication	1) Provide training of appropriate personnel 2) Communicate conversion plan and progress internally and externally	✔ MPIC established a formal project governance structure, which consists of 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 provided to senior management and the Audit Committee of MPIC's Board of Directors on a regular basis ✔ The working group attends IFRS conversion and technical training sessions as required ✔ Initial training for the senior management team and other key stakeholders was delivered ✔ MD&A disclosures on progress of the project were provided in the interim and financial statements

Areas	Key Activity	Progress
Systems and internal control processes	1) Assess impact of changes on accounting systems and internal control processes 2) Implement system and process changes 3) Document and test internal controls over new systems and processes	✔ Impact of the required changes on the existing accounting systems and internal controls were assessed and determined not to be significant ✔ For disclosure controls and procedures the impact is being incorporated into the accounting policies. This includes any changes that could result in additional controls or procedures being required to address reporting on first time adoption as well as ongoing IFRS reporting
Business impact	1) Assess impact of conversion on all areas of the business 2) Reviewing contractual arrangements and impact on debt covenants	✔ New contracts take IFRS into consideration ✔ Existing contracts were assessed for impact of conversion

Management has determined that in most cases Canadian GAAP applicable to MPIC is consistent with IFRS. In those areas where differences exist, management is finalizing its calculations but has determined that adjustments will not have an adverse impact on MPIC's operations. The major differences and their impact on the consolidated financial statements are summarized below.

Shareholders' Equity

Shareholders' capital

Management has determined that MPIC shares and MPT trust units will qualify under IFRS to be classified as equity in both the 2010 comparative financial statements and in 2011 following the conversion from an income trust to a corporation.

Class B exchangeable units

Management has determined that IFRS requires the Class B exchangeable units of MPT LTC Holding LP, a subsidiary of MPIC, to be treated as a financial liability and measured at fair value up until 2011 when MPIC converted from an income fund to a corporation. Fair value of the Class B exchangeable units will be measured based on the quoted price of MPIC's common shares as the Class B exchangeable units provide the same economic benefits. The impact on the 2010 consolidated statement of operations is that dividends to Class B exchangeable unitholders are required to be treated as a financing expense and any movements in the fair value as an unrealized gain or loss.

Following conversion to a corporate structure on January 1, 2011, the Class B units have been reclassified to the consolidated equity of the corporation based on their carrying value at December 31, 2010 under IFRS.

Capital Assets

Major maintenance

Under IFRS, major maintenance and inspections that are periodically undertaken at each facility will no longer be expensed as incurred. Instead, these costs will be capitalized and depreciated until the facility's next major maintenance cycle. This change will require MPIC to retroactively capitalize the major maintenance expenses for each plant and recognize the corresponding depreciation. The historical plant costs and corresponding depreciation related to the major maintenance must also be derecognized.

These changes require that capital assets be increased by $166 on Janaury 1, 2010.

Business Combination Transaction Costs

Under IFRS, only certain transaction costs directly related to debt or equity issuance are eligible to be capitalized. All other transaction costs arising during a business combination must be expensed as incurred as opposed to being capitalized to the purchase price of the business combination as allowed under Canadian GAAP. MPIC will elect to adopt the IFRS 1 exemption, which will allow it to carry forward its previous Canadian GAAP accounting for business combinations prior to the transition date.

As such, only the June 2010 Amherstburg business combination requires adjustment. This transaction included $4,235 of transaction costs, of which $3,039 were incurred prior to the opening balance sheet thereby reducing retained earnings on January 1, 2010. The remaining $1,196 incurred during 2010 are charged against that year's income. As a result of the valuation work performed to finalize the purchase equation, $4,235 was capitalized as it represents the fair value of the net assets acquired under the business combination.

All future transaction costs relating to business combinations will be expensed under IFRS.

Deferred Income Taxes

For the year ended December 31, 2010, MPIC qualified as a mutual fund trust for income tax purposes. As a mutual fund trust, MPIC was entitled to deduct distributions to unitholders from taxable income for the determination of taxes payable. As MPIC distributed all of its taxable income, minimal current income taxes were payable.

Beginning January 1, 2011, distributions from a mutual fund trust are subject to specified investment flow-through entity ("SIFT") tax which is substantially equivalent to the general corporate income tax rate. Under Canadian GAAP, future income taxes are accounted for using the liability method. This method requires MPIC to: (i) determine its temporary differences; (ii) determine the periods over which those temporary differences are expected to reverse; and (iii) apply the tax rates enacted at the balance sheet date that will apply in the periods those temporary differences are expected to reverse. Canadian GAAP required MPIC to recognize future income taxes based on temporary differences expected to reverse after January 1, 2011 and on the basis of its structure at the current balance sheet date. As a result, under Canadian GAAP, MPIC was required to recognize future income taxes based on the SIFT tax rate.

In December 2010, management learned that mutual fund trusts would be required to use the "undistributed" rate in the determination of income tax amounts for financial reporting under IFRS. This requires a mutual fund trust to use the applicable tax rate assuming that no distributions are made to offset taxable income. As a result, mutual fund income trusts are required to use the highest marginal personal tax rate of 46% in the calculation of future income taxes.

The impact to MPIC is a non-cash increase of $51,400 to deferred taxes in the January 1, 2010 opening IFRS balance sheet to reflect the rate differential between the highest marginal personal tax rate of 46% and the SIFT tax rate of 25%. Under IFRS, this calculation will be applied to timing differences arising in 2010.

Beginning in 2011, the calculation of deferred taxes will be affected by MPIC's conversion to a corporation on January 1, 2011. Under IFRS, the deferred tax calculation will be based on the appropriate corporate tax rate. The impact to MPIC will be a reversal of the opening balance sheet adjustment for the rate change described above. This reversal will be reflected in MPIC's 2011 first quarter Consolidated Statement of Earnings as a one-time non-cash future income tax recovery.

Management continues to monitor International Accounting Standards Board ("IASB") developments and the implications of new accounting standards relevant to MPIC during the transition to IFRS. As a result, management is still in the process of quantifying certain impacts of the IFRS conversion on MPIC's consolidated financial statements. Management will continue to review projects of the IASB and to invest in training and resources throughout the transition period to facilitate a timely and meaningful conversion.

Internal Controls

MPIC's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), on behalf of MPIC's Board of Directors, are required by various of the provincial securities regulators to certify annually that they have designed, or caused to be designed, MPIC'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 MPIC is required to disclose is recorded, processed and reported within the time frames specified by such securities regulators.

MPIC'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 MPIC'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 statements due to error or fraud.

MPIC updated its internal controls and testing for changes in its operations during 2010, including the acquisition of Amherstburg, as well as its internal controls over financial reporting.

The CEO and CFO have concluded that MPIC's disclosure controls and procedures were effective as at December 31, 2010 to ensure information required to be disclosed in reports that MPIC files or submits under Canadian securities legislation is recorded, processed, summarized and reported within applicable time periods.

As at December 31, 2010, MPIC's management had assessed the effectiveness of MPIC's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on this assessment, management has determined that MPIC's internal control over financial reporting was effective as at December 31, 2010.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements are the responsibility of the Manager of Macquarie Power and Infrastructure Corporation (formerly Macquarie Power & Infrastructure Income Fund) and have been approved by the Corporation's Board of Directors. 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 and Infrastructure Corporation 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 consolidated financial statements.

The Board of Directors of Macquarie Power and Infrastructure Corporation appointed an Audit Committee which is composed entirely of independent Directors. 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 Directors for approval. The independent auditor, PricewaterhouseCoopers LLP, has examined the consolidated financial statements in accordance with Canadian generally accepted auditing standards. The independent auditor's responsibility is to express an opinion on the consolidated financial statements. The auditor's report outlines the scope of its examination and sets forth its opinion on the consolidated financial statements. The following report of PricewaterhouseCoopers LLP outlines the scope of its examination and its opinion on the consolidated financial statements.

Michael Bernstein
President and Chief Executive Officer

Michael Smerdon
Executive Vice President, Chief Financial Officer and Secretary

Toronto, Canada
March 10, 2011

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Macquarie Power and Infrastructure Corporation
(formerly Macquarie Power & Infrastructure Income Fund)

We have audited the accompanying consolidated financial statements of Macquarie Power and Infrastructure Corporation (formerly Macquarie Power & Infrastructure Income Fund) and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income, unitholders' equity and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Macquarie Power and Infrastructure Corporation (formerly Macquarie Power & Infrastructure Income Fund) and its subsidiaries as at December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 10, 2011

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position

As at December 31	Notes	2010	2009
Current assets			
Cash and cash equivalents	4	**131,440**	53,121
Restricted cash	5	**7,575**	5,490
Accounts receivable		**21,696**	16,128
Other assets	6	**4,485**	6,846
Current portion of loans receivable	7	**884**	794
Current portion of derivative contract assets	8A	**1,918**	1,026
		167,998	83,405
Long-term assets			
Loans receivable	7	**5,221**	6,105
Derivative contract assets	8A	**6,579**	15,476
Long-term investments	10A	**54,789**	54,186
Capital assets	11	**410,249**	396,102
Future income tax assets	12A	**13,617**	10,387
Intangible assets	13	**136,815**	140,936
Total assets		**795,268**	706,597
Current liabilities			
Accounts payable and other liabilities	14	**28,894**	22,979
Current portion of derivative contract liabilities	8A	**2,505**	1,310
Loan payable	10A	**49,200**	–
Current portion of capital lease obligations	15	**120**	119
Current portion of long-term debt	16	**44,838**	42,035
		125,557	66,443
Long-term liabilities			
Derivative contract liabilities	8A	**14,801**	6,143
Future income tax liabilities	12B	**59,238**	76,234
Electricity supply and gas purchase contracts	13	**6,524**	8,154
Capital lease obligations	15	**129**	248
Long-term debt	16A	**245,258**	253,189
Liability for asset retirement	17	**3,167**	3,171
Total liabilities		**454,674**	413,582
Unitholders' equity	19D	**340,594**	293,015
Total liabilities and unitholders' equity		**795,268**	706,597
Commitments and contingencies	3 and 18		

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Unitholders' Equity

As at December 31	Notes	2010	2009
Unitholders' capital			
Opening balance		**466,662**	466,697
Units issued	19A	**65,249**	–
Conversion of convertible debentures, net of costs	19A	**4,128**	–
Units redeemed	19A	**(23)**	(35)
Ending balance		**536,016**	466,662
Class B exchangeable units	19B	**35,500**	35,500
Equity portion of convertible debentures	16E	**5,057**	4,736
Accumulated other comprehensive income (loss)			
Opening balance		**190**	(292)
Equity share of other comprehensive income (loss) of Leisureworld	10A	**(190)**	482
Ending balance		**–**	190
Cumulative earnings (deficit)			
Opening balance		**(157)**	(11,416)
Net income for the year		**11,569**	11,259
Ending balance		**11,412**	(157)
Total accumulated comprehensive income		**11,412**	33
Cumulative dividends			
Opening balance		**(213,916)**	(161,502)
Distributions declared to unitholders for the year	19C	**(33,475)**	(52,414)
Ending balance		**(247,391)**	(213,916)
Total unitholders' equity		**340,594**	293,015

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations

Years ended December 31	Notes	2010	2009
Revenue		**158,512**	148,384
Costs and expenses			
Operating expenses		**94,407**	90,326
Administrative expenses		**12,555**	8,095
Depreciation on capital assets		**20,639**	20,886
Amortization on intangible assets		**7,834**	7,815
		135,435	127,122
		23,077	21,262
Other income and expenses			
Interest income	8B	**948**	931
Interest expense	8B	**(19,209)**	(16,049)
Equity accounted income from long-term investments	10B	**3,332**	1,842
Unrealized (loss) gain on swap contracts	8B	**(5,007)**	4,664
Unrealized loss on embedded derivative instruments	8B	**(12,851)**	(4,381)
Foreign exchange gain (loss)		**(19)**	23
Loss on debt extinguishment		**–**	(351)
Income (loss) before income taxes		**(9,729)**	7,941
Income tax recovery (expense)			
Current		**(8)**	(32)
Future		**21,306**	3,350
Total income tax recovery	12D	**21,298**	3,318
Net income		**11,569**	11,259
Basic and diluted net income per unit		**0.231**	0.226
Basic and diluted weighted average number of units and Class B exchangeable units outstanding		**50,183**	49,918

Consolidated Statements of Comprehensive Income

Years ended December 31	Notes	2010	2009
Net income		**11,569**	11,259
Equity share of other comprehensive income (loss) of Leisureworld	10A	**(190)**	482
Total comprehensive income		**11,379**	11,741

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31	Notes	2010	2009
Cash flows from operating activities:			
Net income		11,569	11,259
Items not affecting cash:			
Depreciation and amortization		28,473	28,701
Equity accounted income from			
long-term investments	10	(3,332)	(1,842)
Unrealized loss (gain) on derivative instruments	8B	17,858	(283)
Future income tax recovery	12	(21,306)	(3,350)
Amortization of deferred financing costs		1,951	781
Unpaid interest on levelization amounts		1,463	1,454
Accretion of asset retirement obligations	17	179	135
Loss on debt extinguishment		–	351
Non-cash changes in working capital	23	(6,299)	834
Total cash flows from operating activities		30,556	38,040
Cash flows from investing activities:			
Investment in capital assets	11	(25,423)	(2,343)
Investment in intangible assets		(2,330)	–
Distributions received from long-term investments	10	2,541	10,350
Receipt of loans receivable		794	713
Investment in Leisureworld		–	(6,796)
Proceeds from sale of short-term investments		–	5,087
Total cash flows from (used in)			
investing activities		(24,418)	7,011
Cash flows from financing activities:			
Proceeds from issuance of units,			
net of issue costs	19A	65,249	–
Proceeds from loan payable	10A	49,200	–
Draws on long-term debt		32,085	131
Proceeds from issuance of convertible debentures	16E	7,500	50,000
Financing fees paid on debt issuance		(1,705)	(5,995)
Repayment of long-term debt and			
capital lease obligations		(42,139)	(28,130)
Distributions paid to unitholders	19C	(33,475)	(52,414)
Redemption of units	19A	(23)	(35)
Change in restricted cash	5	(4,511)	(2,304)
Total cash flows from (used in)			
financing activities		72,181	(38,747)
Increase in cash and cash equivalents		78,319	6,304
Cash and cash equivalents, beginning of year		53,121	46,817
Cash and cash equivalents, end of year		131,440	53,121
Supplemental information:			
Interest paid		15,794	13,814
Taxes paid		8	32

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Organization

Macquarie Power & Infrastructure Income Fund (the "Fund") was 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 Macquarie Long Term Care LP ("MLTCLP"), which was the sole owner of Leisureworld Senior Care LP ("LSCLP" or "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 unincorporated 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.

On March 23, 2010, MLTCLP divested of its equity interest in Leisureworld through an initial public offering ("IPO") of Leisureworld Senior Care Corporation ("LSCC"). Operating results of Leisureworld have been consolidated with MLTCLP up to March 22, 2010. The Fund accounts for its investment in MLTCLP using the equity method.

On May 20, 2010, the Fund incorporated 0881592 B.C. Ltd., subsequently renamed Macquarie Power and Infrastructure Corporation (the "Corporation"), as a subsidiary of the Fund established as part of the Fund's plan of arrangement (the "Arrangement") to convert the Fund into a corporation. A special meeting of Unitholders was held on November 15, 2010, at which time the Arrangement was approved, subsequently receiving court approval. The Arrangement was successfully implemented on January 1, 2011 and each unit was automatically exchanged for one common share of the Corporation. Pursuant to the Arrangement, Macquarie Power and Infrastructure Corporation was reorganized as the ultimate parent replacing the Fund. Throughout the consolidated financial statements and notes, Corporation is used to refer to the historical operations of the Fund. Similarly, reference to shareholders, shares, per share amounts and dividends are used interchangeably with unitholders, units, per unit amounts and distributions.

On June 23, 2010, the Corporation acquired a 100% interest in Helios Solar Star A-1 partnership ("Helios"), which entered into agreements for the acquisition and construction of the Amherstburg Solar Park ("Amherstburg") facility located in southern Ontario.

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 provided administrative services to the Corporation in accordance with an administration agreement, and management services to Cardinal, Helios and Macquarie Power Corp. ("MPC") in accordance with management agreements.

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NOTE 2. Summary of Significant Accounting Policies

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

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 consolidated financial position, results of operations and cash flows of the Corporation as at December 31, 2010 and 2009 and for all periods presented have been included.

In addition to the Corporation, these consolidated financial statements include the assets and liabilities and results of operations of MPC, Macquarie Power & Infrastructure Trust, Cardinal Power Inc., Cardinal, MPT LTC Holdings Ltd., MPT LTC Holding LP, LTC Holding LP, Helios and CPOT, all of which are 100% owned subsidiaries of the Corporation. The Corporation accounts for these investments using the consolidation method of accounting. All intercompany balances and transactions have been eliminated on consolidation.

The Corporation, through its wholly-owned subsidiaries, uses the equity method to account for its interests in MLTCLP and Chapais for the years reported and for Leisureworld up to March 22, 2010.

Certain comparative figures have been reclassified to conform to the current consolidated financial statement presentation.

Cash and Cash Equivalents

Cash and cash equivalents are composed of highly liquid investments with original maturities of 90 days or less at the date of acquisition and are recorded at fair value.

Loans Receivable

The Corporation 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.

Long-term Investments

The Corporation has significant influence over its investment in MLTCLP and Chapais for the years reported, along with Leisureworld up to March 22, 2010. The equity method is used to account for these investments. Under the equity method, the cost of the investment is adjusted by the Corporation's proportionate share of net income and other comprehensive income and reduced by any dividends paid to the Corporation.

Deferred Charges

Deferred charges are included within other assets and 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 incurred from that point on are deferred until the closing of the transaction, at which time they are capitalized to the cost of 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:

• Equipment and vehicles	3 to 15 years
• Property and plant	20 to 40 years

Assets included in construction in progress are not depreciated until the assets are available for use. No interest costs are being incurred as a direct result of the construction and installation of the assets.

Improvements that increase or prolong the service life or capacity of an asset are capitalized.

Maintenance and Repairs

Routine maintenance, repairs and major overhaul costs are charged as an expense in the period they are incurred.

Intangible Assets

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 and the cost of computer software are amortized over their estimated useful lives using the straight-line method. The useful lives of the intangible assets are as follows:

• Computer software	3 to 5 years
• Electricity supply and gas purchase contracts	8 to 20 years
• Water rights	10 to 35 years

Impairment of Long-lived Assets

The Corporation evaluates the operating and financial performance of its long-lived assets for potential impairment in accordance with The Canadian Institute of Chartered Accountants ("CICA") Handbook 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 Corporation reviews the fair value of long-lived assets when events or circumstances arise that would indicate a potential impairment.

Asset Retirement Obligations

The Corporation 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 Corporation 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 dividends that are economically equivalent to dividends on shares issued directly from the Corporation and the exchangeable securities must also ultimately be exchanged for shares of the Corporation. The Class B exchangeable units issued by LTC Holding LP of the Corporation meet the above criteria and, accordingly, have been presented as equity.

Income Taxes

The Corporation follows the liability method of accounting for income taxes, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Under the terms of the Income Tax Act (Canada), the Corporation, excluding its corporate subsidiaries, is not subject to income taxes to the extent that its taxable income in a year is paid or payable to shareholders. This was exclusively a result of the Corporation being a specified investment flow-through entity during 2010. Accordingly, no provision is made for current income taxes for the Corporation. As a result of the federal government's Bill C-52 Budget Implementation Act, 2007, income taxes apply to the Corporation and other specified investment flow-through entities at a rate of approximately 28.0% of taxable income commencing January 1, 2011.

The Corporation records future income tax assets or liabilities related to the estimated differences between the tax and accounting values of the Corporation's assets and liabilities and its flow-through subsidiaries expected to be in place on January 1, 2011, when the tax takes effect.

Certain of the Corporation's wholly-owned subsidiaries are subject to corporate income taxes as computed under the Income Tax Act.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate prevailing at the dates of the respective transactions and reflect the impact of any derivative financial instruments entered into by the Corporation as hedges of the underlying transactions.

Revenue Recognition

Revenue derived from the sale of electricity, power and steam is recognized when delivered to the customer and priced in accordance with the provisions of the applicable power and steam sales agreements. Certain power purchase arrangements ("PPAs") provide for an electricity rate adjustment, which is updated periodically both for the current and prior periods. The Corporation 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 hourly power pool rate. 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.

Basic and Diluted Income Per Share

Basic income per share is established by dividing net income by the weighted average number of shares and Class B exchangeable units of LTC Holding LP. Diluted income per share is computed in a similar manner as the basic income per share but reflects the dilutive effect of convertible debenture shares. Shares are excluded from the computation of diluted net income per share if their effect is anti-dilutive. The convertible debenture shares are anti-dilutive as at December 31, 2010.

Comprehensive Income

Other comprehensive income ("OCI") represents changes in shareholders' 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. 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 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 shareholders' equity.

Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. The Corporation has classified the financial instruments based on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments. Loans and receivables and other liabilities are subsequently measured at amortized cost using the effective interest method. Held-for-trading financial instruments are subsequently measured at their fair value with changes in fair value recognized in the consolidated statement of operations. The Corporation has designated each of its significant categories of financial instruments outstanding as at December 31, 2010 as follows:

Designation	Significant Categories
Held-for-trading	• Cash and cash equivalents • Restricted cash • Derivative contract assets • Derivative contract liabilities
Loans and receivables	• Accounts receivable • Loans receivable
Other liabilities	• Accounts payable and accrued liabilities • Loans payable • Capital lease obligations • Long-term debt

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 held-for-trading are expensed.

The Corporation determines the fair value of its financial instruments based on the following hierarchy:

- 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.

Derivatives

The Corporation'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 and are classified as held-for-trading. Except when designated as hedges, the change in fair value during the year is recognized in the consolidated statement of operations. As at December 31, 2010, the Corporation's derivatives include gas swap contracts and interest rate swap contracts (see note 8).

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 Corporation 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 (see note 8).

The Corporation does not have any derivatives that have been designated as hedges for accounting purposes as at December 31, 2010.

Use of Estimates and Measurement Uncertainty

The financial information contained in these consolidated financial statements has been prepared in accordance with Canadian GAAP, which requires management 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.

Management 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 Corporation requires management to make estimates of the reversal of existing temporary differences between the accounting and tax bases of assets and liabilities in future periods.

Future Accounting Changes

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian public entities are required to adopt IFRS effective for fiscal years beginning on or after January 1, 2011. The Corporation will issue consolidated financial statements in accordance with IFRS commencing in the first quarter ended March 31, 2011, with comparative information. The Corporation is in the process of transitioning its financial statement reporting to IFRS in time to meet the January 1, 2011 deadline. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

NOTE 3. Acquisitions

All acquisitions are accounted for using the purchase method in accordance with Emerging Issues Committee Abstract 124 and the results of operations are included from the date of the acquisition

On June 23, 2010, the Corporation, through a wholly-owned subsidiary, acquired Helios, for total consideration of $4,235 composed of nominal cash consideration paid to SunPower Corporation ("SunPower") and transaction costs of $4,235.

On closing, the Corporation, through Helios, entered into a fixed-price engineering procurement and construction agreement with SunPower for the design and construction of Amherstburg, a 20-megawatt ("MW") solar photovoltaic power facility currently under development in Amherstburg, Ontario. The $130,000 approximate project cost will primarily be funded by a syndicate of lenders with approximately $26,100 of equity to be contributed by the Corporation before the start of commercial operations, which is estimated to be in June 2011. Once completed, SunPower will operate the project under a 20-year operations and maintenance contract. Energy generated by the facility will be sold under the Province of Ontario's Renewable Energy Standard Offer Program ("RESOP") to the Ontario Power Authority ("OPA") at a guaranteed price of 420 dollars per MWh for the next 20 years. Helios is the supplier under the RESOP contracts with the OPA and leases the land where the project is to be developed. For the first two years of commercial operations, SunPower will financially support the performance of the facility at the agreed level of production.

The assignment of fair values to the net assets acquired was as follows:

Intangible assets	$ 5,314
Future income tax liabilities	(1,079)
Net assets acquired	4,235

Future income tax liabilities relate to the difference between the tax and accounting values of the contract acquired.

On December 12, 2010, the Corporation entered into an agreement to acquire a 33.3% indirect interest in a portfolio of district heating operations (the "DH Business") centrally located in Sweden from subsidiaries of Fortum Corporation (collectively, "Fortum"), for approximately $100,000. The remaining 66.7% interest in the DH Business will be acquired by Macquarie European Infrastructure Fund II ("MEIF II"), a private unlisted infrastructure fund managed by a subsidiary of MGL. The transaction is expected to close in March 2011. The Corporation currently expects to satisfy its portion of the purchase price through its existing cash resources and credit facility.

NOTE 4. Cash and Cash Equivalents

Total cash and cash equivalents have been designated as follows:

	Dec 31, 2010	Dec 31, 2009
Cash and cash equivalents	119,864	42,532
Reserves	11,576	10,589
Total cash and cash equivalents	131,440	53,121

NOTE 5. Restricted Cash

	Dec 31, 2010	Dec 31, 2009
Debt service reserve	2,304	2,304
Cash-backed letter of credit	4,011	–
Cash in escrow related to CPIF legacy obligation	760	3,186
Funds on deposit	500	–
	7,575	5,490

The debt service reserve account represents segregated cash under the terms of the project debt agreement for Erie Shores Wind Farm LP ("Erie Shores"). 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, 2010, the debt service coverage ratio was at a level requiring principal and interest payments for the next three months to be held in the debt service reserve account. As at December 31, 2010, the Corporation was in compliance with all financial and non-financial covenants on its credit facility (see note 16g).

A cash-backed letter of credit was provided on June 23, 2010 for the Amherstburg acquisition. The cash backing the letter of credit is invested in an interest-bearing investment with the Corporation's bank with interest paid monthly. The Corporation expects the cash to be released during the construction phase of Amerherstburg.

Cash in escrow represents the remaining net proceeds that were deposited into an escrow account for the legacy issues following CPIF's sale of its investment in a landfill gas business in 2006. The amount in escrow represents the Corporation's maximum exposure to the legacy issues. The Corporation has recorded a liability for the same amount, which is included under other liabilities (see note 14).

Funds on deposit include amounts with legal counsel held in trust.

NOTE 6. Other Assets

	Dec 31, 2010	Dec 31, 2009
Prepaid expenses	**2,345**	3,525
Inventory of spare parts	**1,221**	246
Deferred charges	**919**	3,075
	4,485	6,846

NOTE 7. Loans Receivable

The following table summarizes the loans receivable from Chapais:

	Maturity	Interest Rate	Dec 31, 2010	Dec 31, 2009
Tranche A (original principal $ 9,391)	2015	10.8%	5,543	6,337
Tranche B (original principal $ 3,624)	2019	4.9%	562	562
Tranche C (original principal $ 2,558)	2016	0%	–	–
			6,105	6,899
Less: Current portion			(884)	(794)
Total long-term loans receivable			5,221	6,105

Included in accounts receivable is accrued interest on the loans receivable in the amount of $50 for the year ended December 31, 2010 (2009 – $57). The estimated fair value of the loan receivable as at December 31, 2010 was $8,230 (2009 – $8,708).

The following table summarizes total expected repayments on the Chapais loans receivable in the next five years and thereafter:

Year	Repayment Amount
2011	884
2012	984
2013	1,096
2014	1,220
2015	1,359
Thereafter	562
Total	6,105

NOTE 8. Financial Instruments

(A) Fair Value of Financial Instruments

Financial instruments primarily consist of cash and cash equivalents, restricted cash, accounts receivable, loans receivable, accounts payable and accrued liabilities, loan payable, capital lease obligations, long-term debt, and gas and interest rate swap contracts. The Corporation also has embedded derivatives on one of its commodity contracts.

Financial Instruments Designated as Held-for-trading

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

The carrying values of cash and cash equivalents, restricted cash are considered to be approximately at their fair value due to their short-term nature.

Financial Instruments Classified as Held-for-trading

The Corporation's gas swap contract effectively fixes some of the revenue derived from the sales of excess gas. The contract mitigates exposure to natural gas price fluctuations from sales of excess natural gas in 2011. The Corporation did not apply hedge accounting on these contracts; therefore, changes in the fair value of the contracts are reflected in the consolidated statement of operations.

The Corporation 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 Corporation will pay a fixed rate of 5.63% for a period of five years from December 1, 2011 to December 1, 2016. In return, the Corporation will receive a floating rate equal to the then current three-month BA rate.

The Corporation has interest rate swap contracts on a notional amount of $85,000 to mitigate its interest rate risk on the MPC-Cardinal credit facility (formerly CPOT-Cardinal credit facility) until maturity. Under each agreement, the Corporation will pay a fixed rate in return for a floating rate equal to the then current three-month BA rate.

MPIC entered into an interest rate swap contract to mitigate the interest rate risk on the Amherstburg project debt. The notional amount of the interest rate swap, initially zero, increases as the construction facility used to finance the development of the project increases until June 2011, at which time the notional amount reaches $96,200. As at December 31, 2010 the notional amount was $35,803. Once the project is completed and repayments begin on the debt, the notional amount of the interest rate swap decreases as the outstanding balance on the debt amortizes.

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, 2010.

The Corporation has determined that its gas purchase contract contains embedded derivative features, which include mitigation options and electricity indexing features requiring separation and measurement at fair value.

The fair value of the Corporation's gas swap contract 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 Corporation's interest rate swap contracts fluctuates with changes in market interest rates. For the year ended December 31, 2010, 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 Corporation's embedded derivatives requires the use of option pricing models involving significant judgment based on management's estimates and assumptions.

Loans and Receivables

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

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

The fair value of the Corporation'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. See note 7 for further details.

Other Liabilities

The Corporation's accounts payable and accrued liabilities and loans payable are short-term liabilities with carrying values that approximate their fair values as at December 31, 2010.

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

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

The fair value of the Corporation's floating rate debt and loans payable approximates carrying value.

The fair value of the Corporation'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 Corporation's convertible debentures is determined by multiplying the current market debenture price as per the Toronto Stock Exchange by the number of convertible shares outstanding as at year end. See note 16 for further details.

The following table illustrates the classification of the Corporation's financial instruments that have been recorded at fair value as at December 31, 2010, within the fair value hierarchy:

	Level 1	Level 2	Level 3	2010	2009
Cash and cash equivalents	131,440	–	–	131,440	53,121
Restricted cash	7,575	–	–	7,575	5,490
Derivative contract assets:					
Gas swap contracts	–	1,918	–	1,918	2,131
Interest rate swap contracts	–	1,292	–	1,292	278
Embedded derivative asset	–	–	5,287	5,287	14,093
Less: Current portion	–	(1,918)	–	(1,918)	(1,026)
	–	1,292	5,287	6,579	15,476
Derivative contract liabilities:					
Interest rate swap contracts	–	8,402	–	8,402	2,594
Embedded derivative liability	–	–	8,904	8,904	4,859
Less: Current portion	–	(2,505)	–	(2,505)	(1,310)
	–	5,897	8,904	14,801	6,143

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 Corporation'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 where there is an absence of reliable observable market data.

(B) Income and Expenses From Financial Instruments

	Dec 31, 2010	Dec 31, 2009
Financial instruments designated as held-for-trading:		
Interest income on cash and cash equivalents (1)	**310**	211
Financial instruments classified as held-for-trading:		
Unrealized gain (loss) on gas swap contracts	**(213)**	1,614
Unrealized gain (loss) on interest rate swap contracts	**(4,794)**	3,050
	(5,007)	4,664
Unrealized loss on embedded derivative asset	**(8,806)**	(4,522)
Unrealized gain (loss) on embedded derivative liability	**(4,045)**	141
	(12,851)	(4,381)
Loans and receivables:		
Interest income from loans receivable (1)	**638**	720
Other liabilities:		
Interest expense on long-term debt (2)	**(13,054)**	(11,887)
Interest expense on levelization amounts	**(1,463)**	(1,454)
Interest expense on convertible debentures	**(4,692)**	(2,708)
	(19,209)	(16,049)

(1) Interest income for the year ended December 31, 2010 of $948 (2009 – $931) includes interest income from loans receivable and cash balances.

(2) Interest expense on the long-term debt for the year ended December 31, 2010 includes amortization of deferred financing fees of $1,951 (2009 – $781).

NOTE 9. Risk Management

The Corporation'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 Corporation's overall risk management process is designed to identify, manage and mitigate business risk, which includes, among others, financial risk.

(A) Market Risk

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

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, or buy gas at spot rates.

The excess power capacity of Whitecourt may be sold in the open market exposing certain assets to fluctuations in energy prices. The majority of the electricity that is generated at the facilities is sold to large utilities or creditworthy customers under long-term PPAs providing 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.

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 Corporation is exposed to interest rate risk on its floating rate debt and levelization amounts. Currently, the Corporation has interest rate swap contracts on a notional amount of $105,000 to mitigate some of the risks associated with its long-term debt.

Under each agreement, Cardinal and MPC 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	Maturity Date	Notional Amount	Swap Fixed Rate	Stamping Fee	Effective Interest Rate
Cardinal	June 29, 2012	11,700	3.12%	3.00%	6.12%
Cardinal	June 29, 2012	5,300	3.13%	3.00%	6.13%
MPC	June 29, 2012	18,000	3.13%	3.00%	6.13%
MPC	June 29, 2012	10,000	2.28%	3.00%	5.28%
MPC	June 29, 2012	40,000	2.14%	3.00%	5.14%
		85,000			
MPC-Erie Shores project debt (1)	December 1, 2016	20,000	5.63%	–	5.63%
Amherstburg debt swap (2)	June 23, 2015	35,803	4.19%	3.13%	7.32%

(1) Forward contract swap commences on December 1, 2011 to partially hedge refinancing risk for Tranche C of the Erie Shores project debt.

(2) Contract is an accreting swap that increases until construction of the project is completed when the notional amount reaches $96,200 and then begins to reduce as the debt amortizes.

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

Foreign Currency Exchange Risk

The Corporation's exposure to foreign currency exchange risk is limited to the US dollars held in its escrow account (note 4) and certain amounts included in accounts payable and accrued liabilities.

(B) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

The Corporation 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 Corporation's customer base being predominantly government authorities. As at December 31, 2010, 44.1% (2009 – 63.3%) of the Corporation's trade receivables related 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, 2010, the maximum exposure with respect to receivables from the OEFC was $10,781 (2009 – $10,201) and there are no accounts receivable that are past due.

The Corporation'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 Corporation'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.

(C) Liquidity Risk

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

A failure by Cardinal, MPC or Erie Shores 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 dividends by these facilities and permit acceleration of the relevant indebtedness.

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

(i) Generate sufficient cash flow from operations or that future dividends 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 MPC is, and future borrowings may be, at variable rates of interest, which exposes the Corporation to the risk of increased interest rates.

The contractual maturities of the Corporation's financial liabilities as at December 31, 2010 were as follows:

Financial Liabilities	Within one year	One year to five years	Beyond five years	Total
Accounts payable and accrued liabilities	28,894	–	–	28,894
Capital lease obligations	120	129	–	249
Swap contracts				
Interest rate swaps on long-term debt	2,505	5,427	470	8,402
Long-term debt				
MPC-Cardinal credit facility	–	85,000	–	85,000
Erie Shores project debt	43,302	15,282	48,479	107,063
Amherstburg Solar Park project debt	1,536	16,877	12,587	31,000
2016 Debentures – 6.50%	–	–	53,221	53,221
Levelization	–	8,419	15,295	23,714
	76,357	131,134	130,052	337,543

(D) Sensitivity Analysis

The sensitivity analysis provided below discloses the effect on profit or loss for the year ended December 31, 2010, 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, 2010 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, 2010 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments under Canadian GAAP 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 Corporation's actual exposure to market rates is constantly changing as the Corporation'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 the 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 Corporation or other mitigating actions that would be taken by the Corporation.

Year ended December 31, 2010	Carrying Amount	Interest Rate Risk (0.5%)	Interest Rate Risk + 0.5%	Foreign Exchange Rate Risk (10%)	Foreign Exchange Rate Risk + 10%
Financial Assets:					
Cash and cash equivalents [1]	131,440	(657)	657	–	–
Restricted cash (related to CPIF's legacy obligation) [2]	760	(4)	4	76	(76)
Other restricted cash	6,815	(34)	34	–	–
Financial Liabilities:					
Long-term debt [3]	(23,714)	(119)	119	–	–
Interest rate swap contracts, net [4]	(7,110)	(4,159)	3,968	–	–

(1) Cash and cash equivalents include deposits at call, which are at floating interest rates.

(2) Cash in escrow and accounts payable and accrued liabilities related to CPIF's legacy obligation are denominated in US dollars (note 5).

(3) Long-term debt excludes all fixed-rate debt or debt that is covered by a swap instrument for fixed-rate debt.

(4) As at December 31, 2010, the Corporation has interest rate swap contracts on a notional amount of $105,000 to mitigate interest rate risk on the Cardinal and MPC 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.

Year ended December 31, 2010	Carrying Amount	Natural Gas Price Risk (10%)	Natural Gas Price Risk + 10%	DCR Risk (1%)	DCR Risk + 1%
Financial Assets:					
Embedded derivative asset [1]	5,287	(1,548)	1,691	266	(287)
Gas swap contracts [2]	1,918	212	(212)	–	–
Financial Liabilities:					
Embedded derivative liability [1]	(8,904)	–	–	4,033	(4,125)

(1) The Corporation 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.

(2) The Corporation 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 10. Long-Term Investments

(A) Equity Accounted Investment

	Dec 31, 2010	Dec 31, 2009
MLTCLP		
Opening balance	**54,186**	55,416
Equity accounted income	**3,332**	1,842
Equity share of other comprehensive gain (loss)	**(190)**	482
Investment in Leisureworld	**–**	6,750
Transaction costs paid	**2**	46
Distributions received	**(2,541)**	(10,350)
Ending balance	**54,789**	54,186
Loan payable	**(49,200)**	–
Net investment	**5,589**	54,186

The Corporation does not record any income on its equity interest in Chapais as management does not expect to recover any income from the investment.

On March 23, 2010, MLTCLP divested of its equity interest in Leisureworld to LSCC, which funded its purchase with the proceeds of its initial public offering. Net proceeds to MLTCLP for the sale of Leisureworld were $122,426, composed of $112,840 in cash and a $9,586 promissory note receivable from LSCC. The Corporation's share of the initial cash proceeds (net of holdback and closing expenses) was $49,200, which was received from MLTCLP in exchange for a non-interest bearing loan, payable on demand. Management expects the loan to be settled by way of a non-cash distribution from MLTCLP in 2011.

On April 23, 2010, 958,649 common shares of LSCC were issued by LSCC to MLTCLP to repay the promissory note. Through its 45% interest in MLTCLP, the Corporation owned 431,392 of these common shares indirectly. On December 9, 2010, for proceeds of $9,729, the holdback shares of LSCC were sold, of which the Corporation's portion was $4,378. The arrangements require MLTCLP to retain 10% of the net proceeds of $122,426 as a holdback amount, covering MLTCLP's indemnification obligations under the agreement, until March 23, 2011.

The Corporation's remaining net investment of $5,589 primarily represents the Corporation's share of the holdback. Other than the holdback amount described above, there are no other significant assets and liabilities attributable to the Corporation's investment in MLTCLP and its economic interest in MLTCLP has not been reduced as a result of the transaction.

The Corporation's pro rata share of equity accounted income of MLTCLP for the year ended December 31, 2010 includes net income of Leisureworld for the period up to and including March 22, 2010, dividend and interest income on the holding of LSCC shares, and a gain on sale from the disposition of Leisureworld, combined with other expenses at the MLTCLP level.

(B) Equity Accounted Income

The following is a breakdown of the net income of MLTCLP for the year ended December 31, 2010:

	Dec 31, 2010
Net income of Leisureworld from January 1 to March 22, 2010	346
Dividend income received from LSCC	563
Interest income received from LSCC	13
Total income	922
Net proceeds paid by LSCC to MLTCLP in connection with the sale of Leisureworld	112,840
Shares issued by LSCC	9,586
Total proceeds from the sale of Leisureworld	122,426
Book value of Leisureworld as at March 22, 2010	115,399
Gain on sale of investment	7,027
Gain on sale of investment shares	143
Write-off of capitalized costs on investment	(947)
Selling costs	(425)
Derecognition of cumulative other comprehensive income	684
	(545)
Total net income of MLTCLP	7,404
The Corporation's pro rata share of equity accounted income	3,332

NOTE 11. Capital Assets

	December 31, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	235	–	235	235	–	235
Equipment and vehicles	4,374	(2,149)	2,225	3,555	(1,664)	1,891
Property and plant	468,468	(95,214)	373,254	469,036	(75,060)	393,976
Construction in progress	34,535	–	34,535	–	–	–
Total	507,612	(97,363)	410,249	472,826	(76,724)	396,102

Depreciation of capital assets for the year ended December 31, 2010 was $20,639 (2009 – $20,886).

Included in equipment and vehicles are assets under capital lease having a net book value of $161 for the year ended December 31, 2010 (2009 – $296).

Upon commencement of commercial operations of Amherstburg, the assets included in construction in progress will be allocated to appropriate classes of property, plant and equipment, and vehicles, and will be amortized over their useful lives. Of the total construction in progress balance, $10,427 is non-cash additions that have been accrued at year end (2009 – $151).

Total additions are $35,850 including cash and non-cash additions during 2010 (2009 – $2,494).

NOTE 12. Future Income Taxes

On June 22, 2007, the government's tax proposals pertaining to taxation of dividends paid by income trusts and changes to the personal tax treatment of trust dividends were passed into law. For the year ended December 31, 2010, the Corporation recognized a future income tax recovery of $21,306 (2009 – $3,350).

(A) Future Income Tax Assets

The tax effect of temporary differences is as follows:

	Dec 31, 2010	Dec 31, 2009
Capital loss carry-forwards	14,127	13,958
Non-capital loss carry-forwards	7,291	8,318
Levelization amounts	4,047	4,047
Financial instruments	2,795	261
Debt retirement	2,540	2,540
Intangible assets	827	1,054
Asset retirement obligations	792	793
Capital assets	785	833
Loan premium and deferred financing costs	759	685
Other	–	174
Total	33,963	32,663
Less: Valuation allowance (1)	(20,346)	(22,276)
Future income tax assets	13,617	10,387

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

During the fourth quarter of 2010, MPIC reduced the valuation allowance by $1,072 as a result of the amalgamation of Whitecourt Power Corp. with MPC on January 1, 2011. This will allow non-capital loss carry-forwards of $4,286 to be utilized.

(B) Future Income Tax Liabilities

The tax effect of temporary differences is as follows:

	Dec 31, 2010	Dec 31, 2009
Capital assets	25,308	40,227
Intangible assets	33,554	34,242
Equity investment in Chapais	206	163
Loan premium and deferred financing costs	170	183
Financial instruments	–	1,419
Future income tax liabilities	59,238	76,234

(C) Tax Loss Carry-forwards

As at December 31, 2010, entities of the Corporation had accumulated capital and non-capital losses available to reduce taxable income in the future as follows:

	Expiry	Dec 31, 2010
Canadian capital losses	No expiry	113,018
Canadian non-capital losses	2025 – 2029	5,301
US non-capital losses	2023 – 2027	17,547

(D) Provision for Income Taxes

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:

	Dec 31, 2010	Dec 31, 2009
Income (loss) before income taxes	(9,729)	7,941
Income tax payable at 46.4%	(4,514)	3,685
Income tax related to Leisureworld divestment	(10,722)	–
Income attributable to shareholders	4,514	(3,685)
Impact of tax post-2010	(9,504)	4,434
Reversal of valuation allowance	(1,072)	–
Impact of tax rate movements	–	(7,910)
Other	–	158
Total income tax recovery	(21,298)	(3,318)

NOTE 13. Intangibles

	December 31, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer software	165	(102)	63	136	(66)	70
Electricity supply and gas purchase contract (asset)	107,216	(36,037)	71,179	101,902	(28,725)	73,177
Water rights	73,018	(7,445)	65,573	73,018	(5,329)	67,689
Intangible assets	180,399	(43,584)	136,815	175,056	(34,120)	140,936
Electricity supply and gas purchase contract	12,257	(5,733)	6,524	12,257	(4,103)	8,154

Amortization of intangible assets for the year ended December 31, 2010 was $7,834 (2009 – $7,815)

NOTE 14. Accounts Payable and Other Liabilities

	Dec 31, 2010	Dec 31, 2009
Accounts payable and accrued liabilities	**24,868**	15,425
Dividends payable	**3,266**	4,368
Accrued liabilities related to CPIF's legacy obligation	**760**	3,186
	28,894	22,979

NOTE 15. Capital Lease Obligations

	Dec 31, 2010	Dec 31, 2009
Obligation for equipment and vehicle leases (1)	**249**	367
Less: Current portion	**(120)**	(119)
	129	248

(1) Interest rate of 7.0% per annum, payments are made monthly with a maturity date in 2012.

For the year ended December 31, 2010, the Corporation repaid $104 (2009 – $188) on the capital leases, including interest of $22 (2009 – $33). The Corporation will repay $133 including principal and interest on the capital leases for each of the next two years.

NOTE 16. Long-Term Debt

(A) Components of Long-term Debt

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
MPC-Cardinal credit facility	**85,000**	**85,000**	85,000	85,000
Erie Shores project debt	**107,063**	**106,197**	110,180	107,941
Amherstburg Solar Park project debt	**31,000**	**31,000**	–	–
Convertible debentures	**48,875**	**61,311**	83,946	89,437
Levelization amounts	**23,714**	**23,714**	21,166	21,166
	295,652	**307,222**	300,292	303,544
Less: Deferred debt issuance costs	**(5,556)**	**–**	(5,068)	–
	290,096	**307,222**	295,224	303,544
Current portion of long-term debt				
Erie Shores project debt	**43,302**		3,117	
Amherstburg project debt	**1,536**		–	
Convertible debentures	**–**		38,918	
	44,838		42,035	
Long-term debt	**245,258**		253,189	

(B) MPC-Cardinal Credit Facility

The MPC-Cardinal credit facility is composed of a term facility and revolving facility as follows:

	Interest Rate	Maturity	Dec 31, 2010	Dec 31, 2009
Total available credit	2.97% – 2.99%	June 29, 2012		
Term facility			141,875	141,875
Revolving facility			40,625	40,625
			182,500	182,500
Amounts drawn – Term facility			(85,000)	(85,000)
Letters of credit – Revolving facility			(40,625)	(2,533)
Guarantee			(10,000)	(10,000)
Remaining available credit			46,875	84,967

Under the revolving credit facility there are four letters of credit authorized, three for the benefit of Erie Shores totalling $2,533 and one for $38,092 under the terms of the acquisition of Amherstburg on June 23, 2010. In addition, $10,000 of the term facility has been reserved for an unsecured guarantee that has been provided to the lenders of the Erie Shores project debt for Tranche C project debt.

Advances under the credit facility are made in the form of a series of BAs and prime rate loans. Interest paid on BAs is 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"). The weighted average contractual rate of interest at December 31, 2010 was 4.35% and the maturity date of the facility was June 29, 2012. The collateral for the facility is provided by first ranking security interest covering the assets of MPC, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to certain financial and non-financial covenants including limits on the interest coverage ratio and the ratio of consolidated total debt to consolidated EBITDA.

As at December 31, 2010, the MPC-Cardinal credit facility had various interest rate swap contracts to mitigate interest rate risk (see note 9a).

(C) Erie Shores Project Debt

The Corporation has a non-recourse project financing loan for Erie Shores with three tranches:

	Interest Rate	Maturity	Dec 31, 2010	Dec 31, 2009
Tranche A	5.96%	April 1, 2026	62,248	64,629
Tranche B	5.28%	April 1, 2016	4,815	5,551
Tranche C	5.05%	April 1, 2011	40,000	40,000
			107,063	110,180

Tranche A and B are fully amortizing loans while Tranche C is for interest only. The financing was borrowed by Erie Shores and is secured only by assets of Erie Shores. MPC has provided an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan. Interest on the facility is fixed as presented above.

As at December 31, 2010, the Erie Shores project debt has an interest rate swap contract to mitigate interest rate risk (see note 9a).

(D) Amherstburg Project Debt

On June 23, 2010, a subsidiary of the Corporation entered into a credit agreement with a consortium of lenders in conjunction with the acquisition of Amherstburg. Under the terms of the credit agreement, there is a project construction facility and a term facility with Helios. During project development, Helios will make draws under the construction facility to finance work as it is completed on the project. All interest accruing on the construction facility during development will be capitalized to the outstanding balance of the debt. Upon completion of the construction, the outstanding balance of the construction facility will be converted into the term facility, which requires regular principal and interest payments amortized over 17 years with a maturity five years from the date of conversion. Helios has entered into a swap to convert its floating interest rate obligations under the credit agreement to a fixed rate. The effective interest rate of the debt is 7.32%. The financing and the swap were arranged by Helios and are secured only by the assets of Helios.

As at December 31, 2010, Helios has drawn $31,000 under the credit agreement.

(E) Convertible Debentures

As at December 31, 2010, the Corporation had $53,221 of unsecured subordinated convertible debentures that are due on December 31, 2016 ("2016 Debentures") as a result of $4,279 in principal being converted into shares from the original issues of $50,000 in December 2009 and $7,500 in January 2010, totalling $57,500. Total transaction costs incurred in connection with the issuance were $2,880. The 2016 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 shares of the Corporation at the option of the holder at a conversion price of $7.00 per share. Gross proceeds from the offering were used to redeem the Corporation's 6.75% convertible debentures ("2010 Debentures") on January 11, 2010 in the principal amount of $38,918 plus accrued interest.

The carrying value of the liability and the equity component of the 2016 and 2010 Debentures are as follows:

	Dec 31, 2010	Dec 31, 2009
2010 Debentures – liability component	**–**	38,918
2016 Debentures – liability component	**51,749**	45,010
Conversion to shares, net of costs (1)	**(3,721)**	–
Amortization and accretion	**847**	18
	48,875	83,946
Deferred financing costs	**(2,518)**	(2,291)
	46,357	81,655
2016 Debentures – equity component (2)	**5,464**	4,736
Conversion to shares, net of costs (1)	**(407)**	–
	5,057	4,736
Total carrying value	**51,414**	86,391

(1) $4,128 of carrying value was converted to shares of the Corporation (note 19a), which is net of $152 of transaction costs incurred in connection with the issuance the 2016 Debentures.

(2) The carrying value of the conversion option of the 2016 Debentures reflected the fair value at issuance net of its pro rata share of transaction costs.

(F) Levelization Amounts

The levelization liability relates to payments received from the OEFC in excess of the revenue recorded using the base rates 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 Corporation records an increase in the levelization amounts. To the extent that these payments were less than the revenue recorded, the Corporation records a reduction in the levelization amounts.

The carrying value of the levelization amounts was as follows:

	Maturity	**Dec 31, 2010**	Dec 31, 2009
Principal	June 2032	**12,666**	11,582
Accrued Interest		**11,048**	9,584
		23,714	21,166

The interest on the levelization liability is accrued at a prescribed variable rate per annum, which was 6.94% (2009 – 7.17%) at December 31, 2010.

(G) Long-term Debt Covenants

As at December 31, 2010, the Corporation and its subsidiaries were in compliance with all financial and non-financial long-term debt covenants.

Collateral for the MPC-Cardinal credit facility is provided by a first ranking priority security interest covering the assets of MPC, Cardinal and certain direct subsidiaries, collectively the "restricted group". As at December 31, 2010, the carrying value of the assets of the restricted group exceeded 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 Corporation's other assets. As at December 31, 2010, the carrying value of the assets of Erie Shores exceeded the total amount of project debt outstanding. 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, 2010, the debt service coverage ratio was at a level that would require funding of an amount equal to the next three months' principal and interest payments in the debt service reserve, which will be $2,304. The Corporation has recorded this amount as restricted cash on the consolidated statement of financial position as at December 31, 2010.

(H) Long-term Debt Repayments

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

Year of Repayment	MPC-Cardinal credit facility	Erie Shores project debt	Amherstburg Solar Park project debt	Convertible Debentures	Levelization	Total
2011	–	43,302	1,536	–	–	44,838
2012	85,000	3,497	3,725	–	1,095	93,317
2013	–	3,704	3,894	–	2,377	9,975
2014	–	3,924	4,083	–	2,442	10,449
2015	–	4,157	5,175	–	2,505	11,837
Thereafter	–	48,479	12,587	53,221	15,295	129,582
Total	85,000	107,063	31,000	53,221	23,714	299,998

NOTE 17. Liability for Asset Retirement

The carrying value of these obligations is based on estimated cash flows required to settle these obligations in present day costs. The costs relate to site restoration and decommissioning of Cardinal, Erie Shores and the hydro power facilities.

The following table provides the underlying assumptions and reconciles the Corporation's total asset retirement obligation activity for the years ended December 31:

	Dec 31, 2010	Dec 31, 2009
Assumptions:		
Expected settlement date	**2014 – 2042**	2014 – 2042
Estimated settlement amount	**Nil – $2,865**	Nil – $3,542
Inflation rate	**2.0%**	1.7% – 2.0%
Credit-adjusted risk-free rate	**4.2% – 6.2%**	5.5% – 5.9%
Balance, beginning of year	**3,171**	1,848
Revision of estimates	**(183)**	1,188
Settlement of obligations	**–**	–
Accretion expense	**179**	135
Balance, end of year	**3,167**	3,171

NOTE 18. Commitments and Contingencies

The Corporation, either directly or indirectly through its subsidiaries, has entered into various contracts and commitments as at December 31, 2010 as described below:

(A) Swap Contracts

The Corporation has various swap contracts for gas and interest, which have been further disclosed in note 8a.

(B) Electricity Supply Contracts

The Corporation'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. See note 13 for further information regarding the related intangible assets.

(C) 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 December 31, 2014, but may be extended by up to two years at the option of Cardinal.

(D) Wood Waste Supply Agreement

Whitecourt 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.

(E) 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.

(F) Leases

The following table summarizes the minimum operating lease payments:

($000s)	Within one year	One year to five years	Beyond five years	Total
Operating leases	348	1,393	3,463	5,204

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.

A subsidiary of MPIC 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.

Erie Shores has lease and easement agreements with local landowners, municipalities and other parties with respect to certain lands for the operation of the wind farm. The terms of the lease agreements extend to 2025.

(G) Operations and Management Agreement

A subsidiary of MPIC has an operations and management agreement with Regional Power OPCO 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.

(H) Guarantees

As at December 31, 2010, MPC 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 in connection with certain legacy obligations of CPIF upon the disposition by CPIF of its landfill gas business, in excess of a certain amount. As at December 31, 2010, there had been no reduction in the guarantee amount.

From the date of CPIF's investment in the landfill gas business on October 31, 2002, it provided three guarantees. Two of these guarantees, were in favour of a municipality, guaranteeing 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 the landfill gas facilities projects operated, guaranteeing certain 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. MPIC has received indemnification from Fortistar Renewable Group LLC ("Fortistar"), the purchaser of the landfill gas business, for the period commencing on the sale to Fortistar on September 15, 2006. As at December 31, 2010, no claims had been made on these guarantees.

NOTE 19. Unitholders' Equity

Effective January 1, 2011, the Fund converted to the Corporation and each unit of the Fund was automatically exchanged for one common share of the Corporation. References to units and distributions and to shares and dividends ared used interchangeably.

(A) Units

An unlimited number of units may be issued by the Corporation. Each unit is transferable and represents a unitholder's proportionate undivided beneficial ownership interest in any distributions from the Corporation, including distributions of net income, net realized capital gains or other amounts. Each unit also entitles the unitholder to a unit in the net assets of the Corporation in the event of termination or windup. 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. Under the Corporation's previous income fund structure, its units were redeemable at any time on demand by unitholders at an amount equal to the lesser of 90% of the daily weighted average price per unit during the 10 business days prior to and including the redemption date; and 100% of the closing price of the units on the redemption date.

MPIC is authorized to issue an unlimited number of common shares as well as preferred shares equal to 50% of the outstanding common shares.

The following schedule summarizes the continuity of the number and the carrying value of units outstanding as follows:

	December 31, 2010		December 31, 2009	
	Units	**Carrying Value**	Units	Carrying Value
Opening balance	**46,665,537**	**466,662**	46,672,194	466,697
Units issued [1]	**9,079,250**	**65,249**	–	–
Conversion of convertible debentures, net of cost [2]	**611,281**	**4,128**	–	–
Units redeemed	**(3,607)**	**(23)**	(6,657)	(35)
Ending balance	**56,352,461**	**536,016**	46,665,537	466,662

(1) On December 22, 2010 the Corporation closed a private placement financing (the "Offering") of 9,079,250 units at a price of $7.60 per unit for gross proceeds of approximately $69,000 before issue costs of $3,751. The net proceeds of the Offering will be used by the Corporation for acquisitions and for general purposes.

(2) $4,128 of the 2016 Debentures were converted to units of the Corporation (note 16e), which is net of $152 of transaction costs incurred in connection with the issuance the 2016 Debentures.

(B) Class B Exchangeable Units Issued

LTC Holding LP had 3,249,390 Class B exchangeable units outstanding as at December 31, 2010 (2009 – 3,249,390 units). Each unit is exchangeable into one share of the Corporation. The Class B exchangeable units are eligible to receive distributions under the same terms and conditions as shares of the Corporation.

The holders of the Class B exchangeable units are not permitted to acquire any additional shares of the Corporation (other than pursuant to the exchange of the Class B exchangeable units or pursuant to a distribution reinvestment plan) without the consent of the Corporation until October 18, 2020. Each Class B exchangeable unit will convert into a share of the Corporation on October 18, 2020 unless converted earlier at the option of the Class B exchangeable unitholders. The Class B exchangeable unitholders are not permitted to sell more than 5% of their aggregate outstanding shares in any four-month period and are not eligible to vote with any shares they receive on exchange of their Class B exchangeable units until they together hold 1% or less of the aggregate outstanding shares.

(C) Distributions

Distributions to unitholders are paid monthly in arrears on or about the 15th day of each month or on the next closest business day. For the year ended December 31, 2010, total distributions declared to unitholders and to holders of the Class B exchangeable units were $33,475 (2009 – $52,414).

The Board of Directors of the Corporation reviews the level of dividends paid to unitholders on a quarterly basis.

(D) Capital Management

The Corporation defines its capital as its long-term debt and unitholders' equity as follows:

	Dec 31, 2010	Dec 31, 2009
Long-term debt	**290,096**	295,224
Unitholders' equity	**340,594**	293,015
Total capitalization	**630,690**	588,239

The Corporation manages its capital to achieve the following objectives:

(i) maintain a capital structure that provides financing options to the Corporation 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 shareholders.

The Corporation'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 doing so, the Corporation may issue additional shares, issue additional debt, issue debt to replace existing debt with similar or different characteristics, and adjust the amount of dividends paid to shareholders. The Corporation's financing and refinancing decisions are made on a specific transaction basis and depend on such things as the Corporation's needs and economic conditions at the time of the transaction.

The Corporation is not subject to any external capital requirements and is in compliance with all of its long-term debt covenants as described in note 16.

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

NOTE 20. Segmented Information

The Corporation's presentation of reportable segments is based on how management has organized the business for 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 management primarily on revenue and operating cash flows.

For the year ended December 31, 2010, the Corporation operated in one geographic segment, Canada, and had two reportable segments:

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

(ii) Social infrastructure, which consisted of the Corporation's 45% indirect interest in Leisureworld.

Following the divestment of Leisureworld on March 23, 2010, as at December 31, 2010 the Corporation had only one operating segment.

	December 31, 2010				December 31, 2009			
	Power	**Social**	**Corporate**	**Total**	Power	Social	Corporate	Total
Revenue	**158,512**	**–**	**–**	**158,512**	148,384	–	–	148,384
Depreciation of capital assets	**(20,618)**	**–**	**(21)**	**(20,639)**	(20,865)	–	(21)	(20,886)
Amortization of intangible assets	**(7,834)**	**–**	**–**	**(7,834)**	(7,815)	–	–	(7,815)
Interest income	**639**	**–**	**309**	**948**	925	–	6	931
Interest expense	**(14,450)**	**–**	**(4,759)**	**(19,209)**	(13,675)	–	(2,374)	(16,049)
Income tax recovery	**223**	**–**	**21,075**	**21,298**	167	–	3,151	3,318
Net income (loss)	**(798)**	**3,088**	**9,279**	**11,569**	13,527	1,014	(3,282)	11,259
Total assets	**588,604**	**–**	**206,664**	**795,268**	606,818	54,532	45,247	706,597
Additions to capital assets	**35,850**	**–**	**–**	**35,850**	2,343	–	–	2,343

NOTE 21. Related Party Transactions

During 2010, MPML provided management services to Cardinal, LTC Holding LP, MPC and Helios under management agreements that expire on April 30, 2024. The agreement with LTC Holding LP was terminated on March 31, 2010. MPML also provides the Corporation with certain administrative and support services under an administrative agreement. Annual management and administrative fees charged are adjusted annually by the consumer price index. MPML also receives reimbursement for reasonable costs and expenses incurred in carrying out such services as approved by the independent Directors.

On an annual basis, MPML earns an incentive fee equal to 25% of the amount by which the distributable cash per share exceeds $0.95, multiplied by the weighted average number of shares of the Corporation outstanding for the relevant fiscal year or part thereof.

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

	Dec 31, 2010	Dec 31, 2009
Management fees	**1,611**	1,809
Administrative fees	**122**	115
Cost reimbursement (1)	**4,112**	2,922
Incentive fees	**–**	737
	5,845	5,583

(1) $652 (2009 – $420) of cost reimbursement has been capitalized as deferred charges and deferred financing fees.

As at December 31, 2010, $1,195 (2009 – $1,573) due to MPML was included in accounts payable and accrued liabilities on the consolidated statement of financial position.

In January 2010, an underwriter fee of $37 was paid to a subsidiary of MGL, as a member of the syndicate with respect to the exercise of the over-allotment option on the convertible debentures. These costs are included in deferred financing fees that have been netted against the equity and liability portion of the convertible debentures in the consolidated statement of financial position as at December 31, 2010.

In March 2010, as part of the LSCC IPO, subsidiaries of MGL earned underwriting and selling concession fees of $2,100, as a member of the underwriting syndicate. These fees were paid by LSCC from the IPO proceeds.

In June 2010, as part of the Helios acquisition, a subsidiary of MGL earned advisory and debt arranging fees of $2,530.

In December 2010, a commission of $1,525 was paid to a subsidiary of MGL with respect to the private placement. These costs have been netted against the shareholders' capital in the consolidated statement of financial position as at December 31, 2010.

The Corporation has a gas swap agreement 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 2011. The gas swap contract requires Cardinal to make payments to an affiliate of 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.

All related party transactions were carried out under normal arm's length commercial terms and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 22. Economic Dependence

Economic dependence arises when an enterprise relies on a significant volume of business with another party that cannot be easily transferred at similar terms and conditions or is abnormal relative to expectations of similar entities.

For the year, approximately 69.8% and 12.5% (2009 – 69.7% and 13.7%) of the Corporation's revenue was derived from the sale of electricity to the OEFC and OPA, respectively. Approximately 44.1% (2009 – 63.3%) of the accounts receivable balance was due from the OEFC and 11.6% (2009 – 15.3%) was due from the OPA relating to electricity sales.

NOTE 23. Non-Cash Working Capital

The change in non-cash working capital is composed of the following:

	Dec 31, 2010	Dec 31, 2009
Accounts receivable	**(5,568)**	2,181
Other assets	**1,350**	(4,115)
Accounts payable and accrued liabilities (NOTE 14)	**(2,081)**	2,768
	(6,299)	834

NOTE 24. Subsequent Events

Refinancing of Erie Shores Wind Farm Debt

On March 10, 2011, MPIC substantially agreed to terms regarding a refinancing to extend the maturity of Tranche C of the Erie Shores' non-recourse project financing loan. Under the refinancing, Erie Shores' Tranche C loan will be repaid and replaced with a new term loan in the amount of $40,000, which is fully amortizing and matures April 1, 2026. By April 1, 2011, the interest rate on the term loan will be fixed at 290 basis points over the relevant benchmark.

SUPPLEMENTARY INFORMATION

Dividend Policy

Macquarie Power and Infrastructure Corporation pays a monthly dividend of $0.055 per common share, or $0.66 per common share on an annualized basis. Dividends are declared each month, approximately eight business days prior to the last business day of the month. Common shareholders of record on the last business day of that month are entitled to the dividends. Dividends are paid on the 15th or next closest business day of the following month. MPIC's dividend policy is determined and evaluated periodically by the Corporation's Board of Directors.

MPIC's dividends are designated eligible for purposes of the Income Tax Act (Canada). An enhanced dividend tax credit applies to eligible dividends paid to Canadian residents.

Dividend Reinvestment Plan (DRIP)

MPIC's DRIP offers common shareholders a convenient, affordable way to increase their investment in MPIC without incurring commissions, service charges or brokerage fees. To be eligible to participate in the DRIP, you must be a Canadian resident and the beneficial holder of one or more common shares held in the account of a Canadian Depository for Securities (CDS) participant, such as a Canadian broker or investment advisor. Common shareholders 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 MPIC's DRIP, please visit our website at www.macquarie.com/mpic or contact:

Computershare Trust Company of Canada
100 University Avenue, 9th Floor, North Tower
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Department

T: 1 (800) 564 6253
www.computershare.com/service
www.computershare.com/investorcentrecanada

Funds Management Policy

Macquarie Group Limited (MGL) applies a governance framework to the activities of the entities it manages, including MPIC.

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

Base load facility
A base load facility produces electricity at an essentially constant rate and runs continuously.

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

Cogeneration
Cogeneration refers to the simultaneous production of electricity and thermal energy in the form of heat or steam from a single fuel source, a process that results in high efficiency and an effective use of energy.

Consumer Price Index (CPI)
The CPI is 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.

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

Direct Customer Rate (DCR)
The Direct Customer Rate, which is set by the Ontario Electricity Financial Corporation, is calculated based on a three-year average of the total market cost of electricity to industrial customers.

EBITDA and Adjusted EBITDA
Earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA adjusts standardized EBITDA for unrealized gains and losses on derivatives, foreign exchange gains and losses, loss on debt extinguishment, equity accounted income and distributions from equity investments.

Funds from operations
EBITDA less interest expense.

Gigajoule (GJ)
One GJ is equivalent to the amount of energy available from 26.1 m^3 of natural gas.

Gigawatt hour (GWh)
A unit of electrical energy equal to 1,000 megawatt hours.

Green metric tonne (GMT)
A unit of weight equal to 1,000 kilograms.

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

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

KLbs
Thousands of pounds of steam.

Megawatt (MW)
A megawatt is 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 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.

Payout ratio
Payout ratio refers to the percentage of cash flow paid out in dividends to holders of common shares.

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

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

Solar photovoltaic (PV) power
The generation of electricity directly from sunlight.

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

Watt
A watt is the scientific unit of electric power.

Yield
Yield refers to the amount of dividends paid per share over the course of a year divided by the trading price of the common shares.

MPIC Portfolio

Asset	Year Built	Interest	Net Capacity (MW)	PPA Counterparty	PPA Expiry	Fuel Supply Counterparty	Fuel Supply Expiry
Cardinal	1994	100%	156	OEFC	2014	Husky	2015
Erie Shores (1)	2006	100%	99	OPA	2026	n/a	n/a
Whitecourt	1994	100%	25	TransAlta	2014	Millar Western	2016
Sechelt	1997	100%	16	BC Hydro	2017	n/a	n/a
Wawatay	1992	100%	14	OEFC	2042	n/a	n/a
Hluey Lakes	2000	100%	3	BC Hydro	2020	n/a	n/a
Dryden (2)	Various	100%	3	OEFC	2020	n/a	n/a
Amherstburg Solar Park (3)	2011	100%	20	OPA	2031	n/a	n/a
Chapais (4)	1995	31.3%	28	Hydro-Québec	2015	Barrette/Chantiers/ Société en commandite Scierie Opitciwan	2015

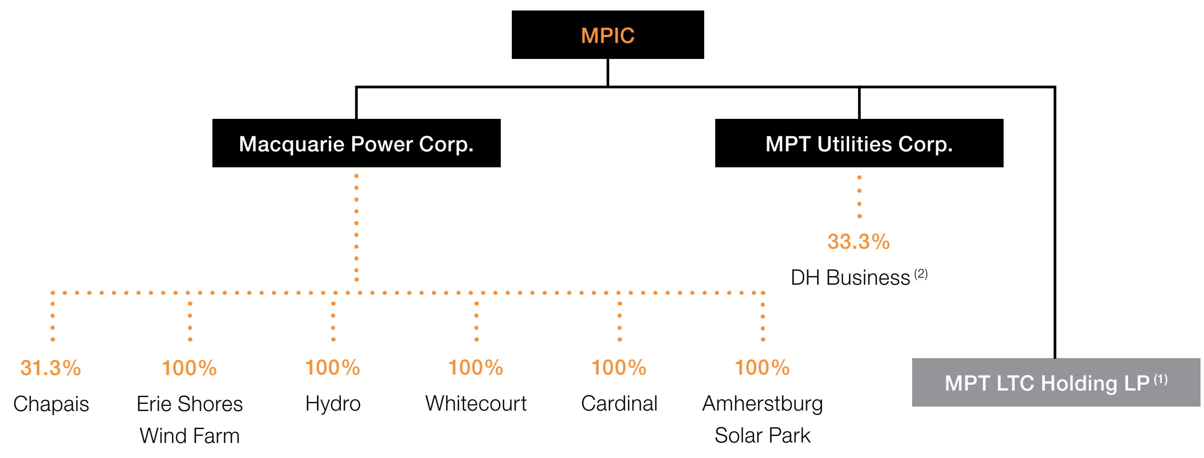
(1) One 1.5 MW turbine is owned by a landowner.

(2) The Dryden facility is composed of three facilities, built in 1922 (Wainwright), 1928 (Eagle) and 1938 (McKenzie). These facilities were refurbished in 1986.

(3) Expected to commence commercial operations in June 2011.

(4) MPIC's investment in Chapais consists of a 31.3% interest in one of two classes of preferred shares, a 24.8% interest in Tranche A and B debt, and a 50% interest in Tranche C debt.

Organizational Structure



(1) MPT LTC Holding LP is the issuer of 3,249,390 Class B exchangeable units, which have economic rights equivalent to MPIC common shares.

(2) MPIC's acquisition of a 33.3% equity interest in the DH Business is expected to close in March 2011.

CORPORATE INFORMATION

Macquarie Power and Infrastructure Corporation

Management

Michael Bernstein
President and Chief Executive Officer

Michael Smerdon
Executive Vice President, Chief Financial Officer and Secretary

Stu Miller
Executive Vice President and General Counsel

Board of Directors

Derek Brown
Chair, Independent Director

Patrick J. Lavelle
Independent Director

François R. Roy
Independent Director

V. James Sardo
Independent Director

Stephen Mentzines
Manager-appointed Director

Head Office

Brookfield Place
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Toronto, Ontario M5J 2T3

T: 416-848-3500
F: 416-607-5073

Auditor

PricewaterhouseCoopers LLP
Toronto, Ontario

Investor Information

Stock Exchange and Symbol

Toronto Stock Exchange
Common Shares: MPT
Debentures: MPT.DB.A

Transfer Agent and Registrar

Computershare Investor Services Inc.
1500 University Street, Suite 700
Montreal, Quebec H3A 3S9

Toll-free number (within Canada or the United States):
1-800-564-6253
International number: 514-982-7555

Investor Relations

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Visit our website at www.macquarie.com/mpic for information about MPIC's assets and to access investor materials, including annual and quarterly financial reports, recent news and investor presentations, including a webcast of the annual general meeting.

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

Annual Meeting of Shareholders

Friday, June 10, 2011
10 a.m. ET
One King West Hotel
Toronto, Ontario

FINANCIAL
HIGHLIGHTS

Performance Measures (all amounts in 000s of Canadian dollars except for shares and per share amounts)

Earnings measures	**2010**	2009	2008	2007	2006	2005	2004
Revenue	**158,512**	148,384	150,423	122,811	89,940	90,235	55,848
Net income (loss)	**11,569**	11,259	(26,534)	5,426	8,411	8,372	7,236
Basic net income per share	**0.231**	0.226	(0.531)	0.135	0.280	0.364	0.342

Cash flow measures	**2010**	2009	2008	2007	2006	2005	2004
Cash flows from operating activities	**30,556**	38,040	50,516	29,663	21,044	20,230	14,729
Adjusted EBITDA (1)	**55,039**	61,244	67,324	61,250	34,104	27,912	16,304
Funds from operations (1)	**40,039**	48,143	54,308	74,787	34,050	28,172	16,187
Distributable cash (1)	**36,740**	49,627	52,243	48,785	34,058	25,989	14,168
Distributable cash per share (1)	**0.732**	0.994	1.046	1.210	1.133	1.117	0.669
Payout ratio (1)	**91%**	106%	100%	88%	89%	85%	95%

(1) These performance measures are not defined by Canadian GAAP. Please see page 18 for a complete definition of each measure.

Capital structure	**2010**	2009	2008	2007	2006	2005	2004
MPC-Cardinal credit facility	**85,000**	85,000	110,000	85,000	35,000	35,000	35,000
Erie Shores project debt	**107,063**	110,180	113,122	115,900	–	–	–
Amhertsburg debt	**31,000**	–	–	–	–	–	–
Convertible debentures face value	**53,221**	57,500 (2)	38,918	38,918	–	–	–
Levelization debt	**23,714**	21,166	19,581	18,262	–	–	–
Share market value	**340,594**	293,015	325,631	406,917	246,887	268,883	188,680

(2) Please refer to page 34 for a description.

Investor Information

Shares outstanding	56,352,461
Class B exchangeable units outstanding	3,249,390
Securities symbols and exchange	Toronto Stock Exchange: MPT, MPT.DB.A
Index inclusion	S&P TSX Clean Technology Index
Ownership	Approximately 18,000 shareholders

Quarterly Trading Information

	2010				2009			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Common Shares								
High share price (intraday)	**8.39**	**7.35**	**7.30**	**7.34**	6.60	6.86	6.95	6.25
Low share price (intraday)	**7.14**	**6.73**	**4.50**	**6.09**	5.62	5.37	5.00	4.15
Closing share price	**8.22**	**7.30**	**6.95**	**7.21**	6.11	5.81	6.78	5.09
Average daily trading volume	**92,678**	**52,943**	**63,465**	**100,648**	121,020	121,422	106,247	126,244
Dividend paid	**0.165**	**0.165**	**0.165**	**0.165**	0.262	0.262	0.262	0.262
Debentures								
High debenture price (intraday)	**116.03**	**111.59**	**106.50**	**105.50**	108.00	102.25	102.00	100.00
Low debenture price (intraday)	**105.00**	**103.26**	**100.00**	**100.80**	100.05	99.50	99.00	92.00
Closing debenture price	**115.20**	**106.50**	**103.98**	**105.00**	100.05	99.5	101.25	100.00
Average daily trading volume	**1,152**	**632**	**1,014**	**1,727**	285	166	237	314

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The Manager of the Corporation is entitled to certain fees for so acting (see Related Party Transactions). MGL and its related corporations, together with their officers and directors, may hold common shares in the Corporation from time to time.

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WHY INVEST IN MPIC?

- The infrastructure asset class typically has a low correlation to equities or bonds, making it an excellent diversification tool
- Infrastructure businesses provide essential services, resulting in predictable cash flow throughout the economic cycle
- We pay a monthly dividend of 5.5 cents per common share
- We have the financial strength to further diversify and grow our portfolio
- Our vision is to be the pre-eminent infrastructure company in Canada

Macquarie Power and Infrastructure Corporation
www.macquarie.com/mpic