MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
FINANCIAL REPORT

FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2008

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

Macquarie Power Management Ltd. ("MPML" or the "Manager") is the Manager of the Fund and is an indirect, wholly-owned subsidiary of Macquarie Group Limited, an Australian public company listed on the Australian Stock Exchange.

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

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

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

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER AND SIX MONTHS ENDED
JUNE 30, 2008

This report for Macquarie Power & Infrastructure Income Fund (the "Fund") summarizes the consolidated operating results and cash flows for the six-month period ended June 30, 2008, and its financial position as at that date. This discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements of the Fund and accompanying notes for the quarter ended June 30, 2008, as well as the Fund's audited consolidated financial statements and related notes included in the Fund's annual report for the year ended December 31, 2007. Additional information about the Fund, including the Annual Information Form, dated March 21, 2008, quarterly reports and other public releases of the Fund, are available at www.sedar.com.

The information contained in this report reflects all material events up to August 12, 2008, the date on which the report was approved by the Board of Trustees.

NON-GAAP MEASURES

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

TO THE UNITHOLDERS OF MACQUARIE POWER & INFRASTRUCTURE INCOME FUND:

Macquarie Power & Infrastructure Income Fund continued to perform to our expectations in the second quarter of 2008. Our results reflect the strength, diversity and predictability of our portfolio throughout the economic cycle.

Financial Review

Revenue for the quarter was $33.5 million compared with $21.6 million in the second quarter of 2007. The increase reflected the contribution from the wind, hydro and biomass power assets that the Fund acquired as part of the unit exchange takeover of Clean Power Income Fund ("CPIF") on June 27, 2007. It also reflected higher power prices attributable to the continuing impact of electricity rate increases under the Cardinal facility's ("Cardinal") Power Purchase Agreement ("PPA"), which was partially offset by lower production at Cardinal. Revenue for the six-month period ended June 30, 2008 was $77.1 million compared with $50.6 million in the same period last year.

Distributable cash was $11.2 million ($0.224 per unit) compared with $7.3 million ($0.237 per unit) in 2007. Declared distributions to unitholders were $13.1 million ($0.262 per unit) compared with $9.5 million ($0.257 per unit) in 2007. This represented a payout ratio of 117% for the quarter, compared with 129% in the second quarter last year. For the first six months of 2008, the Fund achieved a payout ratio of 95% compared with 89% in the same period last year. For 2008, the Fund anticipates achieving a payout ratio of approximately 100%.

At quarter end, the Fund had positive working capital of $53.3 million and cash on hand of $56.2 million, for which $16.6 million was designated to general, major maintenance and capital expenditure reserve accounts. During the quarter, the Fund increased its drawdown on one of its credit facilities to enhance its cash position, thereby facilitating the Fund's ability to take advantage of future market opportunities.

Operational Review

Total power production for the quarter increased 61% to 490,684 MWh compared with 304,293 MWh in the same period last year.

Cardinal produced 285,727 MWh of electricity (Q2 2007 – 304,293 MWh). During the quarter, the plant had 180 hours of outages (Q2 2007 – 93 hours) and 56 hours of curtailment (Q2 2007 – nil). Cardinal curtailed production and extended outage hours to capitalize on the favourable spot market price for gas. As a result, Cardinal achieved availability of 91.6% (Q1 2007 – 95.7%) and capacity of 89.1% (Q2 2007 – 93.7%).

Erie Shores Wind Farm ("Erie Shores") performed in line with expectations with production of 53,976 MWh (Q2 2007 – 51,301 MWh), reflecting strong winds during the period. The facility achieved an overall availability of 96.5% (Q2 2007 – 97.3%) and a capacity factor of 24.9% (Q2 2007 – 23.7%).

The Fund's hydro power facilities produced 59,411 MWh (Q2 2007 – 55,095 MWh). The two hydro facilities in Ontario experienced increased water flows, which was offset by unplanned outages at the Sechelt facility in British Columbia due to an outage on B.C. Hydro's transmission line. In addition, colder than usual weather at Sechelt resulted in decreased water flows. Overall, the hydro power facilities had a weighted average availability of 98.8% (Q2 2007 – 99.4%) for the quarter and a capacity factor of 76.5% (Q2 2007 – 70.7%).

The Whitecourt biomass plant ("Whitecourt") operated at 74.9% availability (Q2 2007 – 94.5%) and achieved a capacity factor of 74.5% (Q2 2007 – 94.0%). During the quarter, Whitecourt completed its major maintenance shutdown and overhaul in 23 days instead of the 24 days expected. As a result, total production at Whitecourt was 38,941 MWh (Q2 2007 – 47,813 MWh). Routine major maintenance costs at each of the Fund's power plants are fully funded through the Fund's major maintenance reserve account and have no impact on distributable cash.

The Chapais facility ("Chapais"), in which the Fund holds a minority preferred equity and debt interest, experienced availability of 90.9% (Q2 2007 – 92.9%). Production at Chapais was 52,629 MWh (Q2 2007 – 53,606 MWh), primarily reflecting an outage required for the facility's annual spring maintenance.

Leisureworld achieved a 37% increase in revenue and a 30% increase in income from operations, reflecting the contribution of the seven homes acquired on January 31, 2008, greater use of private accommodation across its portfolio, and increased government funding. Average total occupancy for the quarter was 98.1% (Q2 2007 – 98.1%). The average occupancy of private rooms was 92.2% (Q2 2007 – 84.9%).

During the quarter, the Ontario Ministry of Health and Long-Term Care ("MOHLTC") temporarily halted admissions at one of Leisureworld's 26 homes to allow time for the home to address MOHLTC findings of non-compliance. The team responded quickly and worked cooperatively with the MOHLTC to address the findings. As a result, subsequent to quarter end the MOHLTC removed its sanction from the home. There was no significant impact on Leisureworld's results. We are working closely with Leisureworld to ensure best practices in risk management across the organization, which will support our objective of 100% compliance with MOHLTC requirements at each home.

Outlook

Our outlook for the balance of 2008 is positive, which reflects the essential nature, inelastic demand and predictable cash flow that characterize critical infrastructure assets.

In 2008, Cardinal will continue to benefit from higher electricity rates under its PPA. This will be offset by higher gas transportation costs, reflecting the impact of a final regulated rate increase to $1.40/GJ awarded to TransCanada Pipelines Limited, which transports gas to the Cardinal facility, effective June 1, 2008. This followed an earlier interim rate increase on April 1, 2008 to $1.31/GJ from $1.09/GJ previously. Cardinal is working with its peers through the Association of Power Producers of Ontario ("APPrO") to communicate its views on the impact of the rate increase and the need to stabilize tolls in 2009.

Over the longer term, we continue to believe that Ontario's non-utility generators ("NUGs"), including Cardinal, will play an ongoing and important role in Ontario's electricity supply mix following the expiries of their PPAs, particularly given the pending phase-out of coal-fired facilities and the time required to bring planned new nuclear capacity on line. The Ontario Power Authority's ("OPA") Integrated Power System Plan ("IPSP"), which was released in August 2007, directs the OPA to pursue applications that allow for the high efficiency and high value use of natural gas in power generation. Indeed, the OPA has indicated that certain existing NUGs may represent the most economic supply option for meeting additional base load generation requirements in the years before planned new nuclear power generation is in service. We are continuing to work closely with our NUG peers and APPrO to highlight the valuable role that NUGs play in ensuring the reliability of Ontario's electricity supply.

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

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

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

Whitecourt continues to operate reliably, reflecting the stability of its fuel supply and strong maintenance program. With the successful completion of the major maintenance, we expect production in the second half of the year to be consistent with the facility's historical performance.

A key area of focus for Leisureworld is on advancing the regulatory process for the acquisition of the Good Samaritan Seniors Complex. We expect to receive approval from the MOHLTC for this transaction by the end of 2008, which will bring the total number of long-term care ("LTC") homes in Leisureworld's portfolio to 27. The re-branding and integration of the seven homes acquired in January 2008 is now complete and management is working to align the homes with Leisureworld's emphasis on continuous quality improvement.

In addition, we are continuing to work closely with Leisureworld and its management team along with the Ontario Long-Term Care Association ("OLTCA") and the MOHLTC to find solutions that will enhance the quality of care and accommodation for all of Ontario's 75,000 LTC residents. The acuity and complexity of LTC residents' health conditions has created an increasingly challenging operating environment where

additional funding and professional staff are urgently required. The MOHLTC has taken significant strides in recent years to continue to elevate the overall quality of care and accommodation. With Leisureworld, we will continue to contribute to this important dialogue on the future of Ontario's LTC sector.

Subsequent to quarter end, on July 14, 2008, the federal government released draft amendments to the Canadian *Income Tax Act* to facilitate the conversion of specified investment flow-through entities ("SIFTs"), including income trusts. These amendments appear to simplify the process for a non-taxable conversion to a corporate structure. The Fund is continuing to evaluate how to maximize long-term value for unitholders, which includes assessing market receptiveness to possible new structures as well as the Fund's ability to efficiently access capital in the future. While a range of options are possible, our analysis to date suggests that there may be value to the unitholders from a conversion of the Fund to a dividend-paying corporation in 2011.

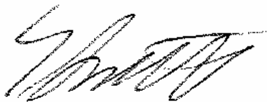
Finally, growth remains an important part of MPT's mandate and we continue to actively explore opportunities to increase the size and value of the Fund.

These opportunities could include power generation, particularly in the renewable energy sector; electricity transmission and distribution; additional long-term care homes; and other essential infrastructure assets, which could include public-private partnerships ("P3s"), where there is a robust pipeline of opportunities coming to market.

Approximately 50% of Canada's infrastructure will reach the end of its serviceable life by 2027, which is creating an urgent need for investment and renewal and a financial burden that governments can no longer carry alone. MPT has the knowledge and track record to capitalize on opportunities as well as substantial financial capacity for growth with more than $100 million in cash and acquisition facilities available.

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

Sincerely,



Gregory J. Smith
President & Chief Executive Officer

CONSOLIDATION AND COMPARISON OF OPERATING RESULTS

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

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

The following discussion and analysis compares the actual results of the Fund for the quarter and six months ended June 30, 2008 with the results for the quarter and six months ended June 30, 2007. Results from Clean Power Income Fund ("CPIF"), acquired on June 27, 2007, have been included in the comparative figures for June 30, 2007 for the four days then ended. All amounts have been expressed in thousands of Canadian dollars unless otherwise stated.

Selected Consolidated Financial and Operating Information of the Fund

(In thousands of dollars, except for trust units and per trust unit amounts)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue	33,483	21,587	77,146	50,556
Income before the following:	3,145	2,384	13,821	10,029
Unrealized gain (loss) on swap contracts	(2,687)	1,154	(4,998)	383
Unrealized gain on embedded derivative instruments	4,362	9,917	11,225	11,813
Gain on sale of capital assets	10	-	10	-
Net interest expense	(3,266)	(304)	(6,567)	(526)
Foreign exchange gain (loss)	1	(72)	(2)	(72)
Equity accounted income (loss) from long-term investments	311	(742)	286	(1,932)
Income before income taxes	1,876	12,337	13,775	19,695
Current income tax recovery (expense)	(8)	-	10	-
Future income tax expense	(1,042)	(43,999)	(7,570)	(43,999)
Net income (loss)	826	(31,662)	6,215	(24,304)
Basic and diluted net income (loss) per Unit	0.017	(1.024)	0.124	(0.797)
Cash flows from operating activities	17,240	7,249	32,131	24,536
Distributable cash [i]	11,201	7,331	27,699	19,399
Per Unit	0.224	0.237	0.554	0.636
Distributions declared to Unitholders [ii]	13,117	9,454	26,234	17,191
Per Unit	0.262	0.257	0.525	0.514
Payout ratio [iii]	117%	129%	95%	89%
Basic and diluted weighted average number of trust units and Class B exchangeable units outstanding ("Unit")	49,968	30,928	49,970	30,491
Total assets	809,920	803,896	809,920	803,896
Total long-term liabilities	397,044	369,704	397,044	369,704
Sale of electricity (MWh)	490,684	304,293	1,059,522	648,836
Sale of steam (M lbs)	171,442	165,013	367,481	340,784
Average total occupancy	98.1%	98.1%	98.1%	98.2%
Average private occupancy	92.2%	84.9%	92.1%	83.5%

[i] See "Distributable Cash and Payout Ratio" for a reconciliation of distributable cash to cash flows from operating activities for the quarter. Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, distributable cash may not be comparable to similar measures presented by other issuers.
[ii] All unitholders were paid distributions equivalent to the amount shown.
[iii] Payout ratio is defined by the Fund as distributions declared as a proportion of distributable cash. Payout ratio is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, it may not be comparable to similar measures presented by other issuers.

Revenue

Revenue for the quarter ended June 30, 2008 was $33,483 compared with $21,587 in the same period last year. The $11,896 increase reflected a full quarter of operating results from the wind, hydro and biomass power assets acquired on June 27, 2007 and higher power prices due to a 3.3% increase in the DCR, which were offset by lower production at the Cardinal facility. Total power generation for the quarter increased by 61% to 490,684 MWh from 304,293 MWh in the same period last year.

Income before the following

Income before unrealized gains and losses on swap contracts and embedded derivatives, gain on sale of capital assets, net interest expense, foreign exchange, income or loss from equity accounted investments and income taxes for the quarter ended June 30, 2008 was $761 higher than the same period last year. The increase mainly reflected a full quarter of operating results from the assets acquired in June 2007 and an increase in gas mitigation at the Cardinal facility. This increase was offset by higher gas transportation charges at Cardinal and an increase in administrative expenses. Higher administrative expenses, primarily due to increased business development activities, higher management, audit and tax fees reflecting the acquired assets and other regulatory compliance costs were partially offset by a greater reduction in the incentive fee for the quarter compared with the same period last year.

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Management fees	440	274	875	541
Administrative fees	27	26	54	53
Cost reimbursement [i]	565	537	1,234	1,181
Incentive fees	(223)	(5)	1,320	1,643
Other administrative expenses	630	232	2,493	457
Administrative expenses	1,439	1,064	5,976	3,875

[i] In addition to the cost reimbursement included in administrative expenses for the quarter ended June 30, 2008, $11 of cost reimbursement was recorded in capital assets and $239 was capitalized as deferred charges. The Manager receives reimbursement for cost of services provided to the Fund in relation to, but not limited to, administration, regulatory, finance, rent and information technology.

Unrealized Gain (Loss) on Swap Contracts

The fair values of the Fund's swap contracts have been recorded on the consolidated statement of financial position for the quarter ended June 30, 2008. Since these swap contracts do not meet the effectiveness criteria for hedge accounting, the movement in the fair value of these contracts has been reflected in the consolidated statement of operations for the quarter and six months ended June 30, 2008 as follows:

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Unrealized gain (loss) on gas swap contracts	(2,670)	1,271	(4,727)	500
Unrealized loss on interest rate swap contract	(17)	(117)	(271)	(117)
Total unrealized gain (loss) on swap contracts	(2,687)	1,154	(4,998)	383

Unrealized Gain on Embedded Derivative Instruments

As at June 30, 2008, the embedded derivative asset and liability recorded at fair value were $27,948 and $12,663, respectively. The movement in the fair value of these embedded derivatives has been reflected in the consolidated statement of operations for the quarter and six months ended June 30, 2008 as follows:

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Unrealized gain (loss) on embedded derivative asset	4,618	(2,363)	10,230	837
Unrealized gain (loss) on embedded derivative liability	(256)	12,280	995	10,976
Total unrealized gain on embedded derivative instruments	4,362	9,917	11,225	11,813

Net Interest Expense

Net interest expense for the quarter was $2,962 higher than the same period last year. The Fund's acquisition of CPIF on June 27, 2007 resulted in higher debt and, accordingly, a full quarter of higher interest expense in 2008, which was offset by interest earned on loans receivable.

Equity Accounted Income (Loss) from Long-Term Investments

The Fund has an indirect 45% interest in Leisureworld and an indirect 31.3% interest in one of the two classes of preferred shares in Chapais, which are accounted for using the equity method. Included in the consolidated statement of operations for the quarter ended June 30, 2008 are the equity accounted income of $311 (Q2 2007 - loss of $740) from Leisureworld and equity accounted income of $nil (Q2 2007 – loss of $2) from Chapais.

Income Taxes

As a result of amendments of the Canadian Income Tax Act which became law on June 22, 2007, the Fund's income will become taxable in 2011. As a result, future income tax assets and liabilities have been recognized on the consolidated statement of financial position based on temporary differences between the accounting and tax bases of existing assets and liabilities that are expected to reverse after 2010. For the quarter ended June 30, 2008, the Fund recorded a future income tax expense of $1,042 (Q2 2007 – $43,999) in the consolidated statement of operations in respect of these assets and liabilities.

Cash Flows from Operating Activities

Cash flows from operating activities for the quarter increased by $9,991 from the same period last year. The increase was primarily due to changes in working capital and an increase in earnings before non-cash expense items for the reasons described above, offset by higher interest expense from increased debt levels.

Distributable Cash and Payout Ratio

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

For the quarter ended June 30, 2008, distributions to unitholders exceeded distributable cash. The Fund makes monthly distributions at a constant amount per unit during the year. Given seasonal fluctuations in the business, it is possible for monthly distributions to exceed distributable cash from time to time. In such a situation, the variance is funded from the Fund's existing cash resources. On an annual basis, the Fund expects distributable cash to exceed distributions paid to unitholders.

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

(In thousands of dollars, except for trust units and per trust unit amounts)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Cash flows from operating activities	17,240	7,249	32,131	24,536
Maintenance of productive capacity:				
Release from major maintenance reserve account	2,750	431	2,925	431
Allocation to major maintenance reserve account	(557)	(616)	(1,113)	(1,232)
Allocation to capital expenditure reserve account	(212)	(105)	(425)	(209)
	19,221	6,959	33,518	23,526
Other adjustments:				
Scheduled repayment of debt	(905)	-	(1,432)	-
Scheduled receipt of loans receivable	158	-	312	-
Distributions received from Leisureworld	2,587	2,587	5,175	5,174
Changes in working capital	(9,860)	(2,215)	(9,874)	(9,301)
Distributable cash for the period [i]	11,201	7,331	27,699	19,399
Per Unit	0.224	0.237	0.554	0.636
Distributions declared to Unitholders	13,117	9,454	26,234	17,191
Per Unit [ii]	0.262	0.257	0.525	0.514
Payout ratio [iii]	117%	129%	95%	89%
Basic and diluted weighted average number of units outstanding	49,968	30,928	49,970	30,491

[i] Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, distributable cash may not be comparable to similar measures presented by other issuers.
[ii] All unitholders were paid distributions equivalent to the amount shown.
[iii] Payout ratio is defined by the Fund as distributions declared as a proportion of distributable cash. Payout ratio is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, it may not be comparable to similar measures presented by other issuers.

For the quarter ended June 30, 2008, distributable cash was $11,201 (Q2 2007 - $7,331). The Fund declared distributions to unitholders of $13,117 (Q2 2007 - $9,454). This represents a payout ratio of 117% (Q2 2007- 129%), which reflects a full quarter of cash flows generated from the assets acquired in 2007, partially offset by higher distributions declared in the quarter compared with the same period last year. The increase in distributions declared was due to a greater number of units outstanding for the quarter as a result of the CPIF acquisition, which was completed through a unit exchange takeover, as well as an increase in distributions to unitholders of $0.02 per unit on an annualized basis starting January 1, 2008. The quarterly payout ratio of more than 100% reflects the seasonal nature of the Fund's business. The Fund anticipates achieving a full year payout ratio of approximately 100%.

HIGHLIGHTS BY OPERATING SEGMENT

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

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008			Quarter ended June 30, 2007		
	Power	Social	Total	Power	Social	Total
Revenue	33,483	-	33,483	21,587	-	21,587
Operating expenses	21,592	-	21,592	15,215	-	15,215
Contribution margin [i]	11,891	-	11,891	6,372	-	6,372
Interest income on loans receivable [ii]	200	-	200	22	-	22
The Fund's pro rata share of equity accounted income (loss)	-	311	311	(2)	(740)	(742)
Depreciation and amortization on capital assets	5,352	-	5,352	2,079	-	2,079
Sale of electricity (MWh)	490,684	-	490,684	304,293	-	304,293
Sale of steam (M lbs)	171,442	-	171,442	165,013	-	165,013
Average total occupancy	-	98.1%	98.1%	-	98.1%	98.1%
Average private occupancy	-	92.2%	92.2%	-	84.9%	84.9%

[i] Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.
[ii] The Fund's interest income consists of interest earned on Chapais loans for the period. This amount is included in net interest expense on the consolidated statement of operations.

(In thousands of dollars unless otherwise noted)	Six months ended June 30, 2008			Six months ended June 30, 2007		
	Power	Social	Total	Power	Social	Total
Revenue	77,146	-	77,146	50,556	-	50,556
Operating expenses	42,941	-	42,941	30,968	-	30,968
Contribution margin [i]	34,205	-	34,205	19,588	-	19,588
Interest income on loans receivable [ii]	405	-	405	22	-	22
The Fund's pro rata share of equity accounted income (loss)	156	130	286	(2)	(1,930)	(1,932)
Depreciation and amortization on capital assets	10,501	-	10,501	4,021	-	4,021
Sale of electricity (MWh)	1,059,522	-	1,059,522	648,836	-	648,836
Sale of steam (M lbs)	367,481	-	367,481	340,784	-	340,784
Average total occupancy	-	98.1%	98.1%	-	98.2%	98.2%
Average private occupancy	-	92.1%	92.1%	-	83.5%	83.5%

[i] Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, contribution margin may not be comparable to similar measures presented by other issuers.
[ii] The Fund's interest income consists of interest earned on Chapais loans for the period. This amount is included in net interest expense on the consolidated statement of operations.

Power Infrastructure

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

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

[i] One of the wind turbines is owned by a local land owner. Erie Shores Wind Farm maintains operational and managerial control of this wind turbine.
[ii] Comprised of the Wainwright, Eagle River and McKenzie Falls hydro power stations.
[iii] The Fund has a 31.3% interest in one of the two classes of preferred shares of Chapais and also holds a 24.8% interest in Tranche A and B debt and a 50% interest in Tranche C debt.

Gas Cogeneration Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue	21,070	21,145	50,581	50,114
Operating expenses	15,085	15,032	32,365	30,785
Contribution margin [i]	5,985	6,113	18,216	19,329
Depreciation and amortization on capital assets	1,954	1,943	3,906	3,885
Sale of electricity (MWh)	285,727	304,293	631,971	648,836
Sale of steam (M lbs)	171,442	165,013	367,481	340,784

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

Cardinal's revenue for the quarter was lower by $75 from the same period last year, reflecting a 3.3% increase in DCR that was offset by lower production. During the quarter, the plant had 180 hours of outages (which refers to a period of time during which the plant does not produce electricity) (Q2 2007 – 93 hours) and 56 hours of curtailment (a period of time during which the plant produces electricity but not at full capacity) (Q2 2007 – nil). Cardinal curtailed production and extended outage hours to capitalize on the favourable spot market price for gas. As a result, the plant operated at an availability of 91.6% (Q2 2007 – 95.7%) and achieved a capacity factor of 89.1% (Q2 2007 – 93.7%). Included in total revenue was steam revenue of $266, which increased from the same period last year (Q2 2007 - $256) due to greater steam requirements by Canada Starch Operating Company ("CASCO") in the quarter. Operating expenses were higher due to increased gas transportation charges in the quarter, which were only partially offset by gas mitigation.

Wind Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue	5,228	152	13,171	152
Operating expenses	1,277	62	2,742	62
Contribution margin [i]	3,951	90	10,429	90
Depreciation and amortization on capital assets	2,064	80	4,125	80
Interest income on loans receivable	-	-	14	14
Sale of electricity (MWh) [ii]	53,976	51,301	135,909	139,987

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

[ii] Included in the sale of electricity are operating results of the assets acquired on June 27, 2007 for the periods indicated. These results are provided solely for comparison purposes and do not change the results as reported by the Fund which only include operating results from June 27, 2007.

Erie Shores continued to perform well during the quarter. The facility operated at an availability of 96.5% (Q2 2007 – 97.3%) and at a capacity factor of 24.9% (Q2 2007 – 23.7%) for the quarter. Production increased by approximately 5% from the same period last year, reflecting strong wind resources. The contribution margin for the same period last year only includes financial results for four days under the Fund's ownership.

Hydro Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue	4,319	142	6,901	142
Operating expenses	821	24	1,746	24
Contribution margin [i]	3,498	118	5,155	118
Depreciation and amortization on capital assets	571	27	1,126	27

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

Sale of electricity (MWh) Asset/Facility	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Sechelt	28,165	31,826	42,798	56,696
Hluey Lakes	1,397	1,434	3,647	3,663
Wawatay	24,042	20,005	31,270	22,170
Dryden	5,807	1,830	11,633	2,657
Total sale of electricity (MWh) [i]	59,411	55,095	89,348	85,186

[i] Included in the sale of electricity are operating results of the assets acquired on June 27, 2007 for the periods indicated. These results are provided solely for comparison purposes and do not change the results as reported by the Fund which only include operating results from June 27, 2007.

Overall production at the hydro facilities was approximately 8% higher than in the same period last year. During the quarter, Wawatay and Dryden experienced increased water flows. Production at Sechelt decreased from the same period last year, reflecting approximately 2% unplanned outages as a result of an outage on BC Hydro's transmission line. In addition, water flows at Sechelt were lower than in the same period last year due to prolonged cold weather that resulted in decreased snow melt and water flow. The hydro power facilities operated at a weighted average availability of 98.8% for the quarter (Q2 2007 – 99.4%)

and achieved a capacity factor of 76.5% (Q2 2007 – 70.7%). The contribution margin for the same period last year only includes financial results for four days under the Fund's ownership.

Biomass Power Operations:

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008 Whitecourt	Chapais	Total Biomass	Quarter ended June 30, 2007 Whitecourt	Chapais	Total Biomass
Revenue	2,866	-	2,866	148	-	148
Operating expenses	4,409	-	4,409	97	-	97
Contribution margin [i]	(1,543)	-	(1,543)	51	-	51
Depreciation and amortization on capital assets	763	-	763	29	-	29
The Fund's pro rata share of equity accounted loss	-	-	-	-	(2)	(2)
Interest income on loans receivable	-	200	200	-	8	8

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

(In thousands of dollars unless otherwise noted)	Six months ended June 30, 2008 Whitecourt	Chapais	Total Biomass	Six months ended June 30, 2007 Whitecourt	Chapais	Total Biomass
Revenue	6,493	-	6,493	148	-	148
Operating expenses	6,088	-	6,088	97	-	97
Contribution margin [i]	405	-	405	51	-	51
Depreciation and amortization on capital assets	1,344	-	1,344	29	-	29
The Fund's pro rata share of equity accounted income (loss)	-	156	156	-	(2)	(2)
Interest income on loans receivable	-	405	405	-	8	8

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

Sale of electricity (MWh) Asset/Facility	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Whitecourt	38,941	47,813	91,050	94,573
Chapais	52,629	53,606	111,244	113,792
Total sale of electricity (MWh) [i]	91,570	101,419	202,294	208,365

[i] Included in the sale of electricity are operating results of the assets acquired on June 27, 2007 for the periods indicated. These results are provided solely for comparison purposes and do not change the results as reported by the Fund which only include operating results from June 27, 2007.

Whitecourt

During the quarter, the Whitecourt facility operated at 74.9% availability (Q2 2007 – 94.5%) and achieved a capacity factor of 74.5% (Q2 2007 – 94.0%). During the quarter, Whitecourt completed its major maintenance overhaul, which required the plant to be shut down for 23 days and resulted in an 18.6% decrease in production for the period. Whitecourt benefited from increases in the average Alberta Power Pool price for the quarter from $49.72 per MWh last year to $107.56 per MWh this year. The contribution margin for the same period last year only includes financial results for four days under the Fund's ownership.

Chapais

The Chapais facility operated at 90.9% availability (Q2 2007 – 92.9%), reflecting 202 hours (Q2 2007 – 157 hours) of total outages, which included the plant's semi-annual maintenance shut down. As a result, production was marginally lower than in the same period last year. The plant achieved a capacity factor of 86.1% for the quarter (Q2 2007 – 87.7%). The Fund's share of income for the same period last year only includes financial results for four days under the Fund's ownership.

Social Infrastructure

Leisureworld owns and operates 26 LTC homes (4,314 beds), one retirement home (29 beds) and one independent living home (53 beds) located in the Province of Ontario. In addition, through various entities, Leisureworld operates two related businesses, Preferred Health Care Services ("PHCS"), which provides

professional nursing and personal support services for both community-based home care and LTC homes, and Ontario Long-Term Care Providers, which provides purchasing services to Leisureworld's LTC homes.

Leisureworld is currently the third largest provider of long-term care in Ontario, with a market share of approximately 5.6%. The composition of Leisureworld's LTC portfolio for the quarter and six months ended June 30, 2008 by structural classification was as follows:

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

(i) Class A homes meet or exceed 1998 design standards.
Class B homes exceed 1972 standards but do not meet 1998 design standards.
Class C homes meet 1972 standards.
(ii) All of Leisureworld's Class A homes are designated new homes and qualify for capital funding of $10.35 per day, per bed.

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

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue	62,026	45,278	117,840	89,203
Operating expenses	54,043	39,150	103,622	77,307
Net income (loss)	694	(1,643)	290	(4,288)
The Fund's pro rata share of equity accounted income (loss)	311	(740)	131	(1,930)
Distributions paid to the Fund	2,587	2,587	5,175	5,174
Average total occupancy	98.1%	98.1%	98.1%	98.2%
Average private occupancy	92.2%	84.9%	92.1%	83.5%

For the quarter ended June 30, 2008, Leisureworld generated revenue of $62,026 compared with $45,278 in the prior year. This $16,748 increase was primarily due to the acquisition of seven LTC homes in January 2008, as well as increased private accommodation and government funding rates, which were 3.7% higher than in the same period last year. Operating expenses for the quarter were also higher, reflecting the acquisition of the seven LTC homes and the increases in government funding, which led to associated increases in staff and operating costs.

Net income for the quarter ended June 30, 2008 was $694 compared with a net loss of $1,643 in the same period last year. The increase was mainly due to the income contribution from the seven newly acquired homes, increases in accommodation funding rates, increases in private accommodation revenue and lower amortization charges.

Contribution Margin

Contribution margin is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Contribution margin can be defined as revenue net of direct operating expenses. Contribution margin provides useful information that may assist investors in assessing the operational performance of the Fund's underlying assets and their contribution to the Fund's financial results. The following provides a reconciliation of contribution margin from income before taxes for the quarter and six months ended June 30, 2008.

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Income before income taxes	1,876	12,337	13,775	19,695
Unrealized loss (gain) on swap contracts	2,687	(1,154)	4,998	(383)
Unrealized gain on embedded derivative instruments	(4,362)	(9,917)	(11,225)	(11,813)
Gain on sale of capital assets	(10)	-	(10)	-
Foreign exchange loss (gain)	(1)	72	2	72
Net interest expense	3,266	304	6,567	526
Equity accounted loss (income) from long-term investments	(311)	742	(286)	1,932
	3,145	2,384	13,821	10,029
Add back:				
Administrative expenses	1,439	1,064	5,976	3,875
Depreciation and amortization	7,307	2,924	14,408	5,684
Contribution margin	11,891	6,372	34,205	19,588

LIQUIDITY AND FINANCIAL RESOURCES

The Fund expects to meet all of its operating obligations in 2008 and to make distributions to unitholders from cash flows generated from operating activities and distributions received from Leisureworld. The Fund had positive working capital of $53,348 as at June 30, 2008 (December 31, 2007 - $30,393). As at June 30, 2008, cash on hand totalled $56,162 (December 31, 2007 - $21,934), of which $39,570 (December 31, 2007 - $3,306) was not designated for major maintenance, capital expenditure or general reserves. During the quarter, the Fund increased its drawdown on the CPOT credit facility to enhance the Fund's cash position, thereby facilitating its ability to take advantage of future market opportunities.

(In thousands of dollars unless otherwise noted)	June 30, 2008	December 31, 2007
Major maintenance reserve	9,154	10,966
Capital expenditure reserve	2,438	2,662
General reserve	5,000	5,000
Total reserve accounts	16,592	18,628
Other cash and cash equivalents	39,570	3,306
Total cash and cash equivalents	56,162	21,934

With the continued funding of major maintenance and capital expenditure reserves, the Fund believes it has more than sufficient funds to meet all anticipated maintenance and capital requirements for 2008. As at June 30, 2008, the following funds were available under existing credit facilities:

(In thousands of dollars unless otherwise noted)	Credit Limits	Amounts Authorized or Drawn	Available
Cardinal Credit Facility[i]	50,000	36,983	13,017
CPOT Credit Facility[ii]	150,000	85,550	64,450

[i] Included in the amounts authorized or drawn under the Cardinal credit facility are two letters of credit totalling $1,983 for Erie Shores.
[ii] Included in the amounts authorized or drawn under the CPOT credit facility are a letter of credit for $550 and a $10,000 unsecured guarantee provided to the lenders under the Tranche C loan for Erie Shores.

RELATED PARTY TRANSACTIONS

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

The Fund has gas swap agreements with an affiliate of Macquarie Group Limited ("MGL") to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of Cardinal's gas purchase contract for the seven-month period from April to October for each of the years from 2008 to 2011. The gas swap contracts require Cardinal to pay variable payments to MGL based on 436,814 MMBtu of gas at the market rate of natural gas in exchange for receiving fixed payments based on 436,814 MMBtu of gas at a fixed price per MMBtu. These transactions were carried out under normal arms length commercial terms.

(In thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Management fees	440	274	875	541
Administrative fees	27	26	54	53
Incentive fees	(223)	(5)	1,320	1,643
Cost reimbursement [i]	815	537	1,631	1,181

[i] $11 and $239 of cost reimbursement for the quarter ended June 30, 2008 were recorded in capital assets and deferred charges, respectively. The Manager receives reimbursement for cost of services provided to the Fund in relation to, but not limited to, administration, regulatory, finance, rent and information technology.

SUPPLEMENTAL QUARTERLY INFORMATION

Selected Consolidated Financial and Operating Information of the Fund

(In thousands of dollars, except for trust units and per trust unit amounts) For the quarters ended	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007	Sept 30, 2007	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006
Revenue	33,483	43,663	41,823	30,432	21,587	28,969	25,622	20,356
Net income (loss)	826	5,389	34,677	(4,947)	(31,662)	7,358	4,026	2,252
Cash flows from operating activities	17,240	14,891	7,694	(2,567)	7,249	17,287	6,853	(2,303)
Distributable cash [i]	11,201	16,498	20,394	8,991	7,331	12,068	10,003	6,947
Distributions declared to Unitholders	13,117	13,117	12,869	12,882	9,454	7,737	7,737	7,662
Basic and diluted net income (loss) per Unit	0.017	0.108	0.694	(0.099)	(1.024)	0.245	0.134	0.075
Cash flows from operating activities per Unit	0.345	0.298	0.154	0.051	0.234	0.575	0.228	(0.077)
Distributable cash per Unit	0.224	0.330	0.408	0.180	0.237	0.402	0.333	0.231
Distributions declared per Unit [ii]	0.262	0.262	0.257	0.257	0.257	0.257	0.257	0.255

[i] Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, distributable cash may not be comparable to similar measures presented by other issuers.
[ii] For the quarter ended June 30, 2008, all unitholders were paid distributions of $0.0875 per unit per month.

Revenue for the six months ended June 30, 2008 was $77,146 compared with $50,556 in the same period last year. The $26,590 increase reflected the operating results from the wind, hydro and biomass power assets acquired on June 27, 2007 and higher power prices from continued increases in the DCR which were offset by lower production at the Cardinal facility. Total power generation for the six months ended June 30, 2008 increased by 63% to 1,059,522 MWh from 648,836 MWh in the same period last year.

Contribution margin for the six months ended June 30, 2008 was $14,617 higher than the same period last year. The increase mainly reflected the operating results from the assets acquired in June 2007 and an increase in gas mitigation at the Cardinal facility. This increase was offset by higher gas transportation charges at Cardinal. Administrative expenses also increased, primarily due to increased business development activities, higher management, audit and tax fees and other regulatory compliance costs, offset by lower incentive fees for the six months ended June 30, 2008 compared with the same period last year.

For the six months ended June 30, 2008, distributable cash was $27,699 (YTD 2007 - $19,399). The Fund declared distributions to unitholders of $26,234 (YTD 2007 - $17,191). This represents a payout ratio of 95% (YTD 2007- 89%), which reflected higher distributions declared in the six months ended June 30, 2008 compared with the same period last year, partially offset by higher cash flows generated from the assets acquired in June 2007. The increase in distributions declared was due to a greater number of units outstanding for the six months ended June 30, 2008 as a result of the acquisition as well as an increase in distributions to unitholders of $0.02 per unit on an annualized basis starting January 1, 2008.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

The following describes the significant contractual obligations and commitments of the Fund as at June 30, 2008.

Long-term Debt

	Effective Interest Rate	Maturing	June 30, 2008	December 31, 2007
Cardinal term loan (maturing May 16, 2011)				35,000
BA	5.31%	August 28, 2008	11,700	-
BA	3.80%	September 12, 2008	11,600	-
BA	5.18%	December 12, 2008	11,700	-
			35,000	35,000
CPOT credit facility (maturing June 28, 2010)				50,000
BA	3.77%	July 29, 2008	25,000	-
BA	3.70%	September 4, 2008	40,000	-
BA	3.75%	December 4, 2008	10,000	-
			75,000	50,000
Erie Shores project debt				
Tranche A	5.96%	April 1, 2026	67,946	68,988
Tranche B	5.28%	April 1, 2016	6,585	6,912
Tranche C	5.05%	April 1, 2011	40,000	40,000
			114,531	115,900
			224,531	200,900
Less: Deferred financing fees				
CPOT credit facility			(572)	(700)
Total debt, net of deferred financing fees			223,959	200,200
Less: Current portion of long-term debt			(2,859)	(2,778)
Total long-term debt			221,100	197,422

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

Year of Repayment	Cardinal Term Loan	CPOT Credit Facility	Erie Shores Project Debt	Total
2008	-	-	1,409	1,409
2009	-	-	2,942	2,942
2010	-	75,000	3,117	78,117
2011	35,000	-	43,302	78,302
2012	-	-	3,497	3,497
Thereafter	-	-	60,264	60,264
	35,000	75,000	114,531	224,531

Electricity Supply Contracts

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

Gas Purchase Contracts

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

Leases

Cardinal leases a portion of the site on which the Facility is located from CASCO. Under the lease, Cardinal pays nominal rent. The lease expires on January 31, 2015 but can be extended by mutual agreement.

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

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

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

Year	Annual Payment	Interest	Principal
2008	110	21	89
2009	221	32	189
2010	140	22	118
2011	133	13	120
2012	133	5	128
Total	737	93	644

Swap Contracts

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

Cardinal has gas swap contracts for the seven-month period from April to October in the years 2008 to 2011. These contracts require Cardinal to make variable payments to the counterparties based on 436,814 MMBtu of gas at the market rate of natural gas in exchange for receiving fixed payments based on 436,814 MMBtu of gas at a fixed price per MMBtu.

Operations, Management and Maintenance Agreements

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

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

Chapais has a management agreement with Probyn Power Services Inc. ("PPSI") expiring on November 30, 2011 to operate and maintain the Chapais biomass facility. PPSI receives a monthly management fee.

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

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

Wood Waste Supply Agreements

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

Guarantees

As at June 30, 2008, the Fund had an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan to Erie Shores. This guarantee may be reduced from time to time by an amount equal to 75% of any releases from the escrow accounts established upon the disposition of Gas Recovery Systems, LLC ("GRS"), in excess of a certain amount. At June 30, 2008, there had been no reduction in the guarantee amount.

The Fund also provides three guarantees relating to CPIF's former investment in GRS. As at June 30, 2008, no claims have been made on these guarantees.

CLIMATE CHANGE AND THE ENVIRONMENT

The Fund's assets are subject to a complex and increasingly stringent environmental, health and safety regime, which includes environmental laws, regulations and guidelines at the federal, provincial and local levels. As the Fund's electricity generation business emits carbon dioxide ("CO^2"), it must comply with emerging federal and provincial requirements, including programs to offset emissions. The Fund complies, in all material respects, with current federal, provincial and local environmental legislation and guidelines.

Federal Requirements

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

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

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

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

As part of this plan, on June 29, 2008 the federal government subsequently released its Credit for Early Action Program, which is designed to recognize and provide a limited number of carbon credits to certain facilities that took steps to reduce their greenhouse gas emissions between 1992 and 2006 and that will likely find themselves subject to mandatory greenhouse gas reductions. Credits will be available for reductions of CO^2, methane ("CH^4") and nitrous oxide ("NOx"), among other gases.

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

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

Provincial Requirements

Alberta's government enacted the Alberta Specified Gas Emitters Regulations for GHG reductions in 2007. The Whitecourt biomass facility emits less than 100,000 tonnes of CO^2 annually, which is the threshold for the Alberta legislation.

Ontario legislation that came into effect in 2004 introduced a cap and trade system with respect to NOx emissions. Under this system, facilities subject to the legislation receive a maximum yearly emission compliance limit, which may be achieved by source emission control or reduction, or by trading NOx allowances. For 2007, Cardinal received 984 tonnes of NOx allowances based on actual generation in 2005. Cardinal expects to retire 369 tonnes of NOx allowances for 2007, leaving a cumulative allowance balance of 3,066 tonnes. NOx emissions from Cardinal's existing generating equipment fall below the levels mandated by legislation.

On June 2, 2008, the Ontario and Quebec governments announced a memorandum of understanding on a regional cap and trade system to reduce GHG emissions. Further, on July 18, 2008, the Ontario government announced that it has been accepted into the Western Climate Initiative ("WCI"), an organization that also includes British Columbia, Quebec, Manitoba and seven U.S. states. The WCI seeks to develop regional strategies to address climate change, including setting an overall regional goal to reduce GHG emissions and the design of a market-based mechanism to help achieve the reduction goal.

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

RISKS AND UNCERTAINTIES

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

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

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

RISKS RELATED TO POWER INFRASTRUCTURE

Fuel Costs, Supply and Transportation

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

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Adoption of New Accounting Policies

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

Sections 3862 and 3863, Disclosure and Presentation Requirements

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

Section 1535, Capital Disclosures

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

Section 3031, Inventories

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

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

New Pronouncements

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

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

International Financial Reporting Standards (“IFRS”)

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

CONTROLS AND PROCEDURES

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

The Fund’s management, under the supervision of and with the participation of the Fund’s CEO and CFO, have designed internal controls over financial reporting. The purpose of internal controls over financial reporting is to provide reasonable assurance regarding the reliability of financial reporting, in accordance with GAAP, focusing in particular on controls over information contained in the audited annual and unaudited

interim consolidated financial statements. The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

There were no changes made in the Fund's internal controls over financial reporting during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited, in thousands of dollars unless otherwise noted)	June 30, 2008	December 31, 2007 Restated – note 2
Current Assets		
Cash and cash equivalents	56,162	21,934
Accounts receivable	12,639	25,516
Inventory	345	265
Prepaid expenses	3,436	5,048
Current portion of loans receivable	676	641
Deferred charges	879	442
Cash in escrow related to GRS (note 12)	5,388	5,695
	79,525	59,541
Loans receivable	7,265	7,612
Long-term investments (note 3)	62,512	67,428
Capital assets	423,564	433,101
Intangible assets	155,042	159,749
Embedded derivative asset (note 11)	27,948	17,718
Future income tax asset (note 5)	10,785	10,509
Goodwill	43,279	42,294
Total Assets	809,920	797,952
Current Liabilities		
Accounts payable and accrued liabilities (note 9)	11,632	15,730
Distributions payable	4,372	4,289
Current portion of long-term debt (note 4)	2,859	2,778
Current portion of capital leases	181	181
Swap contracts at fair value (note 11)	1,745	475
Accounts payable and accrued liabilities related to GRS (note 12)	5,388	5,695
	26,177	29,148
Long-term debt (note 4)	221,100	197,422
Convertible debentures	38,918	38,918
Levelization amounts	18,611	18,262
Capital lease obligations	463	555
Future income tax liability (note 5)	88,494	79,517
Embedded derivative liability (note 11)	12,663	13,658
Swap contracts at fair value (note 11)	4,390	662
Liability for asset retirement (note 6)	1,800	1,475
Electricity supply and gas purchase contracts	10,605	11,418
Total Liabilities	423,221	391,035
Unitholders' Equity	386,699	406,917
Total Liabilities and Unitholders' Equity	809,920	797,952

Commitments and contingencies (note 10)

See accompanying notes to the consolidated financial statements

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

(Unaudited, in thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Unitholders' Capital				
Opening balance	466,981	253,476	467,006	253,476
Trust unit issuance – net of issuance costs of $400	-	214,272	-	214,272
Trust units redeemed (note 7)	(2)	(1)	(27)	(1)
Ending balance	466,979	467,747	466,979	467,747
Class B Exchangeable Units	35,500	35,500	35,500	35,500
Accumulated Other Comprehensive Income (Loss)				
Opening balance	1,263	1,781	1,628	1,832
Equity share of other comprehensive income (loss) of Leisureworld (note 3)	193	(51)	(172)	(102)
Ending balance	1,456	1,730	1,456	1,730
Cumulative Earnings (Loss)				
Opening balance	17,220	13,763	11,831	6,405
Net income (loss) for the period	826	(31,662)	6,215	(24,304)
Ending balance	18,046	(17,899)	18,046	(17,899)
Total Comprehensive Income (Loss)	19,502	(16,169)	19,502	(16,169)
Cumulative Distributions				
Opening balance	(122,165)	(73,843)	(109,048)	(66,106)
Distributions declared to Unitholders for the period	(13,117)	(9,454)	(26,234)	(17,191)
Ending balance	(135,282)	(83,297)	(135,282)	(83,297)
Total Unitholders' Equity	386,699	403,781	386,699	403,781

See accompanying notes to the consolidated financial statements

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, in thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Revenue	33,483	21,587	77,146	50,556
Costs and expenses				
Operating costs	21,592	15,215	42,941	30,968
Administrative expenses	1,439	1,064	5,976	3,875
Depreciation and amortization	7,307	2,924	14,408	5,684
	30,338	19,203	63,325	40,527
	3,145	2,384	13,821	10,029
Unrealized gain (loss) on swap contracts (note 11)	(2,687)	1,154	(4,998)	383
Unrealized gain on embedded derivative instruments (note 11)	4,362	9,917	11,225	11,813
Gain on sale of capital assets	10	-	10	-
Foreign exchange gain (loss)	1	(72)	(2)	(72)
Net interest expense (note 11)	(3,266)	(304)	(6,567)	(526)
Equity accounted income (loss) from long-term investments (note 3)	311	(742)	286	(1,932)
Income before income taxes	1,876	12,337	13,775	19,695
Current income tax recovery (expense) (note 5)	(8)	-	10	-
Future income tax expense (note 5)	(1,042)	(43,999)	(7,570)	(43,999)
Net income (loss)	826	(31,662)	6,215	(24,304)
Basic and diluted weighted average number of trust units and Class B exchangeable units outstanding (“Unit”)	49,968	30,928	49,970	30,491
Basic and diluted net income (loss) per Unit	0.017	(1.024)	0.124	(0.797)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(Unaudited, in thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Net income (loss)	826	(31,662)	6,215	(24,304)
Equity share of comprehensive income (loss) of Leisureworld (note 3)	193	(51)	(172)	(102)
Total comprehensive income (loss)	1,019	(31,713)	6,043	(24,406)

See accompanying notes to the consolidated financial statements

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, in thousands of dollars unless otherwise noted)	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Cash flows from operating activities:				
Net income	826	(31,662)	6,215	(24,304)
Add back:				
Depreciation and amortization	7,307	2,924	14,408	5,684
Unrealized (gain) loss on swap contracts (note 11)	2,687	(1,154)	4,998	(383)
Unrealized gain on embedded derivative instruments (note 11)	(4,362)	(9,917)	(11,225)	(11,813)
Foreign exchange loss	-	72	-	72
Future income tax expense (note 5)	1,042	43,999	7,570	43,999
Unpaid interest on levelization amounts	112	-	412	-
Amortization of deferred financing costs	65	12	128	12
Accretion of asset retirement obligations (note 6)	24	18	47	36
Equity accounted (income) loss from long-term investments (note 3)	(311)	742	(286)	1,932
Gain on sale of capital assets	(10)	-	(10)	-
Non-cash changes in working capital				
Decrease in accounts receivable	12,131	5,020	12,877	13,274
Decrease (increase) in inventory	(3)	1	(80)	34
Decrease (increase) in prepaid expenses	(106)	219	1,612	832
Decrease (increase) in deferred charges	(744)	1,405	(437)	-
Decrease in accounts payable and accrued liabilities	(1,418)	(4,430)	(4,098)	(4,839)
Total cash flows from operating activities	17,240	7,249	32,131	24,536
Cash flows from investing activities:				
Proceeds from sale of assets	10	-	10	-
Net cash acquired on acquisition	-	14,133	-	14,133
Transaction costs paid from acquisition	-	(13,233)	-	(13,233)
Receipt of loans receivable	158	-	312	-
Distributions received from long-term investments (note 3)	2,587	2,587	5,175	5,174
Investment in capital assets	(329)	(30)	(698)	(51)
Total cash flows from investing activities	2,426	3,457	4,799	6,023
Cash flows from financing activities:				
Trust unit issuance costs	-	(400)	-	(400)
Proceeds from debt issuance	25,000	55,775	25,000	55,775
Repayment of long-term debt	(689)	(40,217)	(1,369)	(40,217)
Redemption of units (note 7)	(2)	-	(27)	-
Repayment of lease obligations	(43)	(6)	(92)	(6)
Repayment of levelization amounts	(216)	(19)	(63)	(19)
Distributions paid to former CPIF Unitholders	-	(2,090)	-	(2,090)
Distributions paid to Unitholders	(13,117)	(7,737)	(26,151)	(15,474)
Total cash flows from financing activities	10,933	5,306	(2,702)	(2,431)
Increase in cash and cash equivalents	30,599	16,012	34,228	28,128
Cash and cash equivalents, beginning of period	25,563	24,258	21,934	12,142
Cash and cash equivalents, end of period	56,162	40,270	56,162	40,270
Supplemental information :				
Interest paid	3,715	2,705	6,049	2,705
Taxes paid (recovered)	8	-	(10)	-

See accompanying notes to the consolidated financial statements

1. ORGANIZATION

Macquarie Power & Infrastructure Income Fund (the "Fund") is an unincorporated open-ended trust established on March 15, 2004, under the laws of the Province of Ontario. The Fund began its operations on April 30, 2004 and indirectly acquired 100% of the equity of Cardinal Power of Canada LP ("Cardinal"). Cardinal is a 156-megawatt, gas-fired combined cycle cogeneration plant located in Cardinal, Ontario. On October 18, 2005, the Fund acquired an indirect 45% interest in Leisureworld Senior Care LP ("Leisureworld"), a long-term care ("LTC") provider in Ontario. On June 27, 2007, the Fund acquired a 100% interest in Clean Power Income Fund ("CPIF"), an open-ended investment trust that had indirect investments in power infrastructure assets employing technologies in wind, hydro and biomass. As at June 30, 2008, the Fund indirectly owns the CPIF investments through a 100% interest in Clean Power Operating Trust ("CPOT"), which includes an indirect 31.3% interest in one of the two classes of preferred shares of Chapais Électrique Limitée ("Chapais").

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

2. ACCOUNTING POLICIES

Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods described in the audited consolidated financial statements for the year ended December 31, 2007, except as described below. Under GAAP, additional disclosures are required in annual financial statements, therefore, these unaudited interim consolidated financial statements should be read in conjunction with the Annual Information Form which is filed electronically on SEDAR (www.sedar.com) and the audited consolidated financial statements for the year ended December 31, 2007. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial position, results of operations and cash flows of the Fund as at June 30, 2008 and 2007 have been included.

Adoption of New Accounting Standards

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

Sections 3862 and 3863, Disclosure and Presentation Requirements

Sections 3862 and 3863 provide guidance for additional required disclosures relating to financial instruments. These sections replaced Section 3861, Financial Instruments – Disclosure and Presentation and provide guidance on what disclosure should be included in the financial statements relating to items such as significance of financial instruments to the financial position and the performance of the Fund and the nature and extent of risks associated with financial instruments. The disclosure requirements of these sections are addressed in note 11.

Section 1535, Capital Disclosures

This section requires an entity to disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. Disclosures required as a result of adopting this section can be found in note 13.

Section 3031, Inventories

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

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

3. LONG-TERM INVESTMENTS

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

	Quarter ended June 30, 2008	Year ended December 31, 2007
Leisureworld		
Opening balance	64,595	77,592
Transitional adjustments	-	1,832
Adjusted opening balance	64,595	79,424
Equity accounted income (loss)	311	(1,286)
Equity share of other comprehensive income (loss)	193	(204)
Distributions received	(2,587)	(10,350)
Ending balance	62,512	67,584
Chapais		
Opening balance	-	-
Equity accounted loss	-	(156)
Ending balance	-	(156)
Total	62,512	67,428

4. LONG-TERM DEBT

	Effective Interest Rate	Maturing	June 30, 2008	December 31, 2007
Cardinal term loan (maturing May 16, 2011)				35,000
BA	5.31%	August 28, 2008	11,700	-
BA	3.80%	September 12, 2008	11,600	-
BA	5.18%	December 12, 2008	11,700	-
			35,000	35,000
CPOT credit facility (maturing June 28, 2010)				50,000
BA	3.77%	July 29, 2008	25,000	-
BA	3.70%	September 4, 2008	40,000	-
BA	3.75%	December 4, 2008	10,000	-
			75,000	50,000
Erie Shores project debt				
Tranche A	5.96%	April 1, 2026	67,946	68,988
Tranche B	5.28%	April 1, 2016	6,585	6,912
Tranche C	5.05%	April 1, 2011	40,000	40,000
			114,531	115,900
			224,531	200,900
Less: Deferred financing fees				
CPOT credit facility			(572)	(700)
Total debt, net of deferred financing fees			223,959	200,200
Less: Current portion of long-term debt			(2,859)	(2,778)
Total long-term debt			221,100	197,422

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

Year of Repayment	Cardinal Term Loan	CPOT Credit Facility	Erie Shores Project Debt	Total
2008	-	-	1,409	1,409
2009	-	-	2,942	2,942
2010	-	75,000	3,117	78,117
2011	35,000	-	43,302	78,302
2012	-	-	3,497	3,497
Thereafter	-	-	60,264	60,264
	35,000	75,000	114,531	224,531

5. FUTURE INCOME TAX

On June 22, 2007, the government's tax proposals pertaining to taxation of distributions paid by income trusts and changes to the personal tax treatment of trust distributions were passed into law. Applicable starting in 2011, the taxable portion of distributions will be subject to income tax payable by the Fund while taxable Canadian Unitholders will receive the favourable tax treatment on distributions currently applicable to qualifying dividends. For the quarter ended June 30, 2008, the Fund recognized a future income tax expense of $1,042 (YTD - $7,570). The tax effect of these temporary differences is as follows:

Future income tax asset	June 30, 2008	December 31, 2007
Capital loss carryforwards	15,230	15,100
Loan premium and deferred financing costs	656	317
Non-capital loss carryforwards	161	168
Debt retirement	2,742	2,742
Levelization amounts	4,374	4,374
Deferred gains	189	197
Asset retirement obligation	503	413
Capital assets	910	936
Intangible assets	1,411	1,530
Total	26,176	25,777
Less: Valuation allowance[i]	(15,391)	(15,268)
Future income tax asset	10,785	10,509

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

Future income tax liability	June 30, 2008	December 31, 2007
Capital assets	(45,865)	(40,289)
Intangible assets	(37,995)	(38,091)
Loan premium and deferred financing costs	(354)	-
Financial instruments	(4,280)	(1,137)
Future income tax liability	(88,494)	(79,517)

As at June 30, 2008, certain entities consolidated into the Fund have accumulated aggregate non-capital and capital losses of approximately $558 and $108,783, respectively, that may be used to reduce taxable income in the future. These tax loss carry-forwards expire as follows:

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

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

	Quarter ended June 30, 2008	Six months ended June 30, 2008
Net income before taxes	1,876	13,775
Income tax payable at 46.41%	871	6,393
Income distributed to Unitholders	(871)	(6,393)
Income tax related to Leisureworld acquisition	-	(145)
Impact of tax post-2010	938	7,272
Other	112	433
Total income taxes	1,050	7,560

6. LIABILITY FOR ASSET RETIREMENT

The Fund recognizes a liability for the future retirement obligations associated with its Cardinal, Erie Shores and Hydro facilities. The carrying value of these obligations is based on probability weighted scenarios and estimated cash flows ranging from $nil to $2,513 required to settle these obligations in present day costs. The timing of expected settlement dates range from 2014 to 2042. Inflation rates assumed to estimate the cash flows in the future range from 2.1% to 2.6%. A credit-adjusted risk-free rate ranging from 5.3% to 5.8% is used to discount the future cost of these liabilities.

An assessment of the expected costs associated with these liabilities is performed annually in the second quarter of each year. As a result of the annual assessment performed in the quarter, an adjustment of $278 was recorded to increase the asset retirement obligation liability to its new estimate of $1,800 (December 31, 2007 - $1,475). Accretion of $24 and $47 has been taken in the quarter and six months ended June 30, 2008 (Q2 2007 - $18; YTD 2007 - $36) in the consolidated statement of operations and will continue until the date of expected settlement of the retirement obligations.

7. UNITS ISSUED BY THE FUND

During the quarter and six months ended June 30, 2008, 279 and 3,585 units, respectively, were redeemed for a total cost of $2 and $27 (Q2 and YTD 2007 – $1). In total, 46,718,854 units remain outstanding as at June 30, 2008 (December 31, 2007 – 46,722,439 units). In addition, the Fund had 3,249,390 Class B exchangeable units outstanding as at June 30, 2008 (December 31, 2007 – 3,249,390 units).

8. SEGMENTED INFORMATION

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

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

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

The performance of these segments is evaluated by the Manager primarily on revenue, net income and operating cash flows.

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

	Quarter ended June 30, 2008				Quarter ended June 30, 2007			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	33,483	-	-	33,483	21,587	-	-	21,587
Net income (loss)	3,227	(10)	(2,391)	826	13,172	(983)	(43,851)	(31,662)
Total assets	738,312	62,567	9,041	809,920	719,651	72,217	12,028	803,896
Additions to capital assets	317	-	12	329	30	-	-	30
Depreciation and amortization of capital assets	5,352	-	7	5,359	2,079	-	-	2,079
Goodwill	43,279	-	-	43,279	98,307	-	-	98,307
Net interest expense	2,608	-	658	3,266	304	-	-	304
Future income tax expense	32	-	1,010	1,042	43,999	-	-	43,999
Current income tax expense	3	-	5	8	-	-	-	-

	Six months ended June 30, 2008				Six months ended June 30, 2007			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	77,146	-	-	77,146	50,556	-	-	50,556
Net income (loss)	18,065	(469)	(11,381)	6,215	22,772	(2,416)	(44,660)	(24,304)
Total assets	738,312	62,567	9,041	809,920	719,651	72,217	12,028	803,896
Additions to capital assets	649	-	49	698	51	-	-	51
Depreciation and amortization of capital assets	10,501	-	13	10,514	4,021	-	-	4,021
Goodwill	43,279	-	-	43,279	98,307	-	-	98,307
Net interest expense	5,254	-	1,313	6,567	481	-	45	526
Future income tax expense	299	-	7,271	7,570	43,999	-	-	43,999
Current income tax expense (recovery)	(15)	-	5	(10)	-	-	-	-

9. RELATED PARTY TRANSACTIONS

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

MPML may also earn an annual incentive fee equal to 25% of the amount by which the distributable cash per unit in a calendar year exceeds $0.95, multiplied by the weighted average number of units of the Fund outstanding for the relevant fiscal year or part thereof.

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

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

	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Management fees	440	274	875	541
Administrative fees	27	26	54	53
Incentive fees	(223)	(5)	1,320	1,643
Cost reimbursement [i]	815	537	1,631	1,181

[i] $11 and $239 of cost reimbursement for the quarter ended June 30, 2008 were capitalized in capital assets and deferred charges, respectively. The Manager receives reimbursement for cost of services provided to the Fund in relation to, but not limited to, administration, regulatory, finance, rent and information technology.

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

Included in accounts payable and accrued liabilities on the consolidated statement of financial position is $2,215 (December 31, 2007 – $4,780) of amounts payable to MPML as at June 30, 2008.

The Fund has gas swap agreements with an affiliate of MGL to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of Cardinal's gas purchase contract for the seven-month period from April to October for each of the years from 2008 to 2011. The gas swap contracts require Cardinal to pay variable payments to MGL based on 436,814 MMBtu of gas at the market rate of natural gas in exchange for receiving fixed payments based on 436,814 MMBtu of gas at a fixed price per MMBtu. These transactions were carried out under normal arms length commercial terms.

10. COMMITMENTS AND CONTINGENCIES

The Fund, either directly or indirectly through its subsidiaries, has entered into various contracts and commitments as at June 30, 2008 as described below:

Electricity Supply Contracts

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

Swap Contracts

Cardinal has gas swap contracts for the seven-month period from April to October in the years 2008 to 2011. These contracts require Cardinal to make variable payments to the counterparties based on 436,814 MMBtu of gas at the market rate of natural gas in exchange for receiving fixed payments based on 436,814 MMBtu of gas at a fixed price per MMBtu.

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

Leases

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

CPOT has hydro power lease agreements with the Provinces of Ontario and British Columbia with respect to lands, lands under water and water rights necessary for the operation of its hydro facilities. The payments with respect to these agreements vary based on actual power production. The terms of the hydro power lease agreements for Sechelt, Hluey Lakes, Wawatay and Dryden extend to 2025, 2030, 2042 and 2023, respectively.

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

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

Year	Annual Payment	Interest	Principal
2008	110	21	89
2009	221	32	189
2010	140	22	118
2011	133	13	120
2012	133	5	128
Total	737	93	644

Operations and Management Agreements

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

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

Chapais has a management agreement with Probyn Power Services Inc. ("PPSI") expiring on November 30, 2011 to operate and maintain the Chapais biomass facility. PPSI receives a monthly management fee.

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

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

Gas Purchase Contracts

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

Wood Waste Supply Agreements

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

Guarantees

As at June 30, 2008, the Fund has an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan to Erie Shores. This guarantee may be reduced from time to time by an amount equal to 75% of any releases from the escrow accounts established upon the disposition of Gas Recovery Systems,

LLC ("GRS"), in excess of a certain amount. At June 30, 2008, there has been no reduction in the guarantee amount.

The Fund also provides three guarantees relating to CPIF's former investment in GRS. As at June 30, 2008, no claims have been made on these guarantees.

Easements

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

11. FINANCIAL INSTRUMENTS

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

Financial Instruments Designated as Held-for-trading:

Cash and Cash Equivalents and Cash in Escrow Related to GRS

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

Loans and Receivables:

Accounts Receivable

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

Loans Receivable

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

Other Liabilities:

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

The Fund's accounts payable and distributions payable are short-term liabilities with carrying values that approximate their fair values. As at June 30, 2008, the Fund has recorded accounts payable and accrued liabilities relating to GRS equal to the amount that was held in escrow. The carrying value of these liabilities approximates their fair value.

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

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

Financial Instruments Classified as Held-for-trading:

Swaps Contracts

The Fund's gas swap contracts effectively fix the revenue derived from the sales of excess gas. These contracts mitigate exposure to natural gas price fluctuations from sales of excess natural gas in the years from 2008 to 2011. They do not meet the effectiveness criteria for hedge accounting and accordingly, the fair value of the contracts is reflected in the consolidated statement of financial position. As at June 30, 2008, the estimated liability with respect to the gas swaps was $5,202 (December 31, 2007 – $475), of which $1,745 is classified as short term.

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

contract are reported in the consolidated statement of operations. As at June 30, 2008, the estimated liability with respect to the interest rate swap was $933 (December 31, 2007 - $662). The amounts included in the consolidated statement of operations in respect of these swaps are as follows:

	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Unrealized gain (loss) on gas swap contracts	(2,670)	1,271	(4,727)	500
Unrealized loss on interest rate swap contract	(17)	(117)	(271)	(117)
Total unrealized gain (loss) on swap contracts	(2,687)	1,154	(4,998)	383

Embedded Derivatives

The Fund has determined that its gas purchase contract contains embedded derivative features, which include mitigation options and electricity indexing features requiring separation and measurement at fair value. As at June 30, 2008, the embedded derivative asset and liability that have been recorded at fair value were $27,948 (December 31, 2007 - $17,718) and $12,663 (December 31, 2007 - $13,658), respectively. Changes in the fair value of these financial instruments during the quarter have been recorded in the consolidated statement of operations as follows:

	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Unrealized gain (loss) on embedded derivative asset	4,618	(2,363)	10,230	837
Unrealized gain (loss) on embedded derivative liability	(256)	12,280	995	10,976
Total unrealized gain on embedded derivative instruments	4,362	9,917	11,225	11,813

Determination of Fair Value

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

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

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

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

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

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

The fair value of the Fund's interest rate swap contract fluctuates with changes in market interest rates. For the quarter ended June 30, 2008, a discounted cash flow analysis and a forward interest rate curve is used to determine its fair value.

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

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

The following table provides a comparison of carrying and fair values for each classification of financial instruments as at June 30, 2008:

	June 30, 2008		December 31, 2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial instruments designated as held-for-trading:				
Cash and cash equivalents	56,162	56,162	21,934	21,934
Cash in escrow related to GRS	5,388	5,388	5,695	5,695
	61,550	61,550	27,629	27,629
Loans and receivables:				
Accounts receivable	12,639	12,639	25,516	25,516
Loans receivable	7,941	9,356	8,253	9,005
	20,580	21,995	33,769	34,521
Other liabilities:				
Accounts payable and accrued expenses	(11,632)	(11,632)	(15,730)	(15,730)
Distributions payable	(4,372)	(4,372)	(4,289)	(4,289)
Capital lease obligations	(644)	(644)	(736)	(736)
Long-term debt [i]	(224,531)	(225,099)	(200,900)	(199,319)
Levelization amounts	(18,611)	(18,611)	(18,262)	(18,262)
Convertible debentures	(38,918)	(38,727)	(38,918)	(38,237)
Accounts payable and accrued liabilities related to GRS	(5,388)	(5,388)	(5,695)	(5,695)
	(304,096)	(304,473)	(284,530)	(282,268)
Financial instruments classified as held-for-trading:				
Gas swap contracts	(5,202)	(5,202)	(475)	(475)
Interest rate swap contract	(933)	(933)	(662)	(662)
Embedded derivative asset	27,948	27,948	17,718	17,718
Embedded derivative liability	(12,663)	(12,663)	(13,658)	(13,658)
	9,150	9,150	2,923	2,923

[i] For comparison purposes, the carrying values of long-term debt as at June 30, 2008 and December 31, 2007 exclude deferred financing fees of $572 and $700, respectively.

Income and Expenses from Financial Instruments

	Quarter ended June 30, 2008	Quarter ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Financial instruments designated as held-for-trading:				
Interest income on cash and cash equivalents [i]	244	249	483	449
Loans and receivables:				
Interest income from loans receivable [i]	200	22	405	22
Other liabilities:				
Interest expense on long-term debt [i]	(2,709)	(515)	(5,494)	(937)
Interest expense on levelization amounts [i]	(342)	(15)	(647)	(15)
Interest expense on convertible debentures [i]	(659)	(45)	(1,314)	(45)
Financial instruments classified as held-for-trading:				
Unrealized gain (loss) on gas swap contracts	(2,670)	1,271	(4,727)	500
Unrealized gain (loss) on interest rate swap contracts	(17)	(117)	(271)	(117)
Unrealized gain (loss) on embedded derivative asset	4,618	(2,363)	10,230	837
Unrealized gain (loss) on embedded derivative liability	(256)	12,280	995	10,976

[i] Net interest expense for the quarter and six months ended June 30, 2008 of $3,266 and $6,567 (Q2 2007 - $304; YTD 2007 - 526) include interest income from loans receivable and cash balances, offset by interest expense on long-term debt, levelization amounts and convertible debentures.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

Market Risk

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

i) Commodity price risk

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

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

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

ii) Interest Rate Risk

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

iii) Foreign Currency Exchange Risk

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

Credit Risk

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

The Fund deposits its cash and holds its short term investments with reputable financial institutions and therefore management believes the risk of loss to be remote. All short term investments held by the Fund as of June 30, 2008 are invested at a credit rating of R1 or higher.

Credit risk concentration with respect to trade receivables is limited due to the Fund's customer base being predominantly government authorities. For the quarter ended June 30, 2008, over 76% of the Fund's total accounts receivable relate to sales to the OEFC. Since the OEFC is a government authority, management does not believe there to be significant credit risk. As at June 30, 2008, the maximum exposure with respect to receivables from the OEFC was $9,554 and there are no accounts receivable that are past due.

The Fund has loans receivable from Chapais maturing in 2015. The Fund carries these loans receivable at amortized cost, having originally recorded them at fair value at acquisition. During the quarter, the Fund has recorded an allowance of $45 (YTD - $89) relating to interest receivable on Tranche B of the Chapais loans receivable (Q2 and YTD 2007 - $2) as no interest payments have been received to date. As at June 30, 2008, the carrying value of the loans receivable was below their fair value.

The swap agreements could expose MPT to losses under certain circumstances, such as the counterparty defaulting on its obligations under the swap agreements or if the swap agreements provide an imperfect

hedge. Counterparties to the Fund's interest rate and gas swap contracts are major financial institutions that have been accorded investment grade ratings by a primary rating agency, therefore management believe there to be low credit risks associated with its swap contracts.

Liquidity Risk

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

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

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

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

The Fund maintains a conservative capital structure, which helps to minimize the risk of default under these credit agreements. The following table summarizes the maturity dates for each of the Fund's financial liabilities as at June 30, 2008:

Financial liabilities	Date of Maturity	June 30, 2008	December 31, 2007
Accounts payable and accrued liabilities	Within 1 year	11,632	15,730
Distributions payable	Within 1 year	4,372	4,289
Capital lease obligations [i]	December 2012	644	736
Convertible debentures	December 2010	38,918	38,918
Levelization amounts [i]	June 2042	18,611	18,262
Swap contracts			
Gas swap [i]	October 2011	5,202	475
Interest rate swap [i]	December 2016	933	662
Embedded derivative liability [i]	May 2015	12,663	13,658
Long-term debt			
Cardinal term loan	May 2011	35,000	35,000
CPOT credit facility [ii]	June 2010	75,000	50,000
Erie Shores project debt			
Tranche A [i]	April 2026	67,946	68,988
Tranche B [i]	April 2016	6,585	6,912
Tranche C	April 2011	40,000	40,000

[i] These financial liabilities are repaid over the term to maturity and are not due on demand at maturity.
[ii] The carrying values of long-term debt as at June 30, 2008 and December 31, 2007 presented here exclude deferred financing fees of $572 and $700, respectively.

SENSITIVITY ANALYSIS

Section 3862 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of changes in market variables (commodity prices, foreign exchange rates and interest rates) to the Fund's financial position and performance as a result of changes in the fair value of cash flows associated with the Fund's financial instruments. The sensitivity analysis provided discloses the effect on profit or loss for the quarter and six months ended June 30, 2008, assuming that a reasonably possible change in the relevant risk variable has occurred at June 30, 2008 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 June 30, 2008 balances and on the basis that the balances, the ratio of fixed to floating rates of debt and derivatives, the proportion of energy contracts that are financial instruments and the proportion of financial instruments in foreign currencies in place at June 30,

2008 are all constant. Excluded from this analysis are all non-financial assets and liabilities that are not classified as financial instruments under Section 3855.

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

Quarter ended June 30, 2008		Interest Rate Risk		Foreign Exchange Rate Risk	
		- 1%	+ 1%	- 10%	+ 10%
	Carrying Amount	Income	Income	Income	Income
Financial Assets:					
Cash and cash equivalents[i]	56,162	(140)	140	-	-
Cash in escrow related to GRS[ii]	5,388	(14)	14	539	(539)
Financial Liabilities:					
Long-term debt[iii]	224,531	275	(275)	-	-
Interest rate swap contract[iv]	933	(785)	785	-	-
Accounts payable and accrued liabilities related to GRS[ii]	5,388	14	(14)	(539)	539

Six months ended June 30, 2008		Interest Rate Risk		Foreign Exchange Rate Risk	
		- 1%	+ 1%	- 10%	+ 10%
	Carrying Amount	Income	Income	Income	Income
Financial Assets:					
Cash and cash equivalents[i]	56,162	(281)	281	-	-
Cash in escrow related to GRS[ii]	5,388	(27)	27	539	(539)
Financial Liabilities:					
Long-term debt[iii]	224,531	550	(550)	-	-
Interest rate swap contract[iv]	933	(785)	785	-	-
Accounts payable and accrued liabilities related to GRS[ii]	5,388	27	(27)	(539)	539

Quarter and six months ended June 30, 2008		Natural Gas Price Risk		DCR Risk	
		- 10%	+ 10%	- 10%	+ 10%
	Carrying Amount	Income	Income	Income	Income
Financial Assets:					
Embedded derivative asset[v]	27,948	(3,680)	3,684	179	(182)
Financial Liabilities:					
Gas swap contracts[vi]	5,202	2,100	(2,100)	-	-
Embedded derivative liability[v]	12,663	-	-	3,556	(3,609)

[i] Cash and cash equivalents include deposits at call which are at floating interest rates. Sensitivity to a ±1% movement in interest rates would have a $140 and $281 impact on income for the quarter and six months ended June 30, 2008, respectively.

[ii] Cash in escrow and accounts payable and accrued liabilities related to GRS are denominated in USD. Sensitivity to a ±1% movement in interest rates would result in $14 and $27 impact on income for the quarter and six months ended June 30, 2008, respectively. A ±10% movement in foreign exchange rates would result in $539 movement in income for the quarter and six months ended June 30, 2008.

[iii] Long-term debt includes $110,000 of floating rate debt. Sensitivity to a ±1% movement in interest rates would have a $275 and $550 impact on income for the quarter and six months ended June 30, 2008, respectively. Carrying value of long-term debt excludes deferred financing fees of $572.

[iv] The Fund has an interest rate swap contract on a notional amount of $20,000 to mitigate some of the refinancing risk associated with the Erie Shores project debt. The swap is recorded at fair value based on the use of a forward interest rate curve. A ±1% shift in interest rates would cause income for both the quarter and six months ended June 30, 2008 to fluctuate by $785.

[v] The Fund has recorded an embedded derivative asset and liability relating to the gas mitigation option and electricity indexing features of Cardinal's gas purchase contract at fair value. The determination of fair value of these financial instruments requires the use of a number of variables including forward gas and DCR curves. For the embedded derivative asset, a +10% shift in the Canadian dollar equivalent gas curve and DCR curve would result in an increase in income of $3,684 and decrease in income of $182, respectively, for the quarter and six months ended June 30, 2008. A -10% shift in the Canadian dollar equivalent gas curve and DCR curve would result in a decrease in income of $3,680 and increase in income of $179, respectively for the same period. For the embedded derivative liability, a +10% shift in the DCR curve would cause a $3,609 decrease in income for the quarter and six months ended June 30, 2008; and a -10% shift in the DCR curve would cause a $3,556 increase in income for the same period.

[vi] The Fund has gas swap contracts to mitigate its exposure to natural gas price fluctuations from sales of excess gas in the years from 2008-2011. The gas swap contracts are recorded at fair value based on the use of a forward gas curve. Sensitivity to a ±10% shift in the forward gas curve would have a $2,100 impact on income for the quarter and six months ended June 30, 2008.

12. CASH IN ESCROW AND LIABILITIES RELATED TO GRS

On September 15, 2006, CPIF completed the sale of its investment in GRS. Pursuant to the purchase and sale agreement, US$7,593 of the proceeds was deposited into an escrow account for ongoing legacy issues regarding GRS operations. The only significant issue outstanding at this time relates to a dispute surrounding the methodology used by one of GRS's customers, Commonwealth Edison Co., to calculate the rate under the PPA. The amount that remains in escrow represents the maximum exposure to the Fund relating to this issue and has been accrued at June 30, 2008. These escrowed funds, or a portion thereof, will be payable if certain conditions are met. In addition, should the dispute be resolved fully in favour of GRS, the Fund may be entitled to the refund of additional amounts that were paid prior to closing, totalling US$2,300, less certain royalties. The Fund has not recognized any of the escrowed amounts or the potential refund of amounts previously paid as a gain at June 30, 2008 because realization by the Fund has not been reasonably assured. Upon the acquisition of CPIF, Unitholders of CPIF received one contingency value receipt ("CVR") for each CPIF unit. Each CVR entitles the holder, subject to certain conditions, to a payment of up to approximately $0.19, provided that if refunds are received from Commonwealth Edison Co., the maximum amount payable under the CVR will increase. The CVRs represent the right to receive an amount equal to 80% of the amount of the US$7,593 escrowed funds that were set aside by CPIF in connection with its sale of GRS in 2006 and any refunds received from Commonwealth Edison Co., after reduction for certain claims and costs and after specified adjustments.

13. CAPITAL DISCLOSURE

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

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

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

The Board of Trustees of the Fund reviews the level of distributions paid to unitholders on a quarterly basis. The Fund is in compliance with all financial and non-financial covenants on its credit facilities. Collateral for the Cardinal term loan facility is provided by a first ranking hypothec covering the assets of Cardinal. As at June 30, 2008, the carrying value of the assets of Cardinal exceeds total amounts drawn on the Cardinal credit facility. The Erie Shores debt is secured only by the assets of Erie Shores, with no recourse to the Fund's other assets. As at June 30, 2008, the carrying value of the assets of Erie Shores exceeds the total amount of project debt. Under the agreement, Erie Shores is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as operating income to debt service. As at June 30, 2008, the debt service coverage ratio is at a level that would require funding of a debt service reserve account for an amount equal to three-month's principal and interest payments. The lenders have waived the requirement to fund the debt service reserve account for the quarter ended June 30, 2008.

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

ADDITIONAL INFORMATION

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

INVESTOR INFORMATION

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EXCHANGE LISTING:

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

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