OUR PLATFORM FOR SUCCESS

MACQUARIE POWER & INFRASTRUCTURE INCOME FUND
FINANCIAL REPORT FOR THE QUARTER ENDED JUNE 30, 2010

MACQUARIE

FINANCIAL HIGHLIGHTS

PERFORMANCE MEASURES (all amounts in 000s of Canadian dollars except for trust units and per unit amounts)

Earnings Measures	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue	35,497	32,603	79,649	72,858
Net income	(6,016)	(1,752)	14,996	345
Basic net income per unit	(0.121)	(0.035)	0.300	0.007

Cash Flow Measures	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cash flows from operating activities	9,179	9,255	22,732	22,564
Adjusted EBITDA(1)	10,438	11,428	29,455	27,651
Funds from operations(1)	5,704	7,500	20,037	20,127
Distributable cash(1)	5,454	10,225	20,169	25,180
Distributable cash per unit(1)	0.109	0.205	0.404	0.504
Payout ratio(1)	151%	128%	82%	104%

(1) These performance measures are not defined by Canadian generally accepted accounting principles ("GAAP"). Please see page 4 for a complete definition of each measure.

Capital Structure	June 30, 2010	December 31, 2009
CPOT-Cardinal credit facility	85,000	85,000
Erie Shores project debt	108,644	110,180
Convertible debentures face value	57,500	88,918
Levelization amounts	22,483	21,166
Trust units market value	324,301	285,126

INVESTOR INFORMATION

Trust units outstanding	46,661,979
Class B exchangeable units outstanding	3,249,390
Securities symbols and exchange	Toronto Stock Exchange: MPT.UN, MPT.DB.A
Index inclusion	S&P TSX Clean Technology Index
Ownership	Approximately 18,000 unitholders

QUARTERLY TRADING INFORMATION

	High	Low	Closing	Average Daily Trading Volume
Trust unit price	$7.30	$4.50	$6.95	63,465
Debenture price	$106.50	$100.00	$103.98	1,101

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LEGAL NOTICE

This quarterly financial 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.

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 and are not insured under the provisions of that act or any other legislation.

None of the entities noted in this Quarterly Financial Report is an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Quarterly Financial Report are forward looking and reflect management's expectations regarding the Fund's future growth, results of operations, performance and business based on information currently available to the Fund. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. These statements use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "estimate", "believe" or other similar words. These statements are subject to significant known and unknown risks and uncertainties that may cause actual results or events to differ materially from those expressed or implied by such statements and, accordingly, should not be read as guarantees of future performance or results.

The forward-looking statements in this Quarterly Financial Report are based on information currently available and what the Fund currently believes are reasonable assumptions, including the material assumptions for each of the Fund's assets set out in the Fund's 2009 Annual Report under the heading "Outlook" on page 42, as updated in subsequently filed Quarterly Financial Reports of the Fund (such documents are available on the Canadian Securities Administrators' System of Electronic Document Analysis and Review ("SEDAR") at www.sedar.com). Other material factors or assumptions that were applied in formulating the forward-looking statements contained herein include the assumption that the business and economic conditions affecting the Fund's operations will continue substantially in their current state, including, with respect to industry conditions, general levels of economic activity, regulations, weather, taxes and interest rates and that there will be no unplanned material changes to the Fund's facilities, equipment and contractual arrangements. Although the Fund believes that it has a reasonable basis for the expectations reflected in these forward-looking statements, actual results may differ from those suggested by the forward-looking statements for various reasons, including risks related to: power infrastructure (operational performance; power purchase agreements ("PPAs"); fuel; contract performance; development risk; technology risk; default under credit agreements; land tenure and related rights; regulatory regime and permits, and force majeure) and the Fund (changes in federal tax rules for flow-through entities; other tax-related risks; variability of distributions; geographic concentration and non-diversification; dependence on Macquarie Power Management Ltd. ("MPML" or the "Manager") and potential conflicts of interest; insurance; environmental, health and safety regime; availability of financing; unitholder dilution; volatile market price for units; international financial reporting standards; nature of units; unitholder liability). For a more comprehensive description of these and other possible risks, please see the Fund's Annual Information Form dated March 25, 2010 for the year ended December 31, 2009 as updated in subsequently filed Quarterly Financial Reports and other filings of the Fund with the Canadian securities regulators. These filings are available on SEDAR at www.sedar.com. The assumptions, risks and uncertainties described above are not exhaustive and other events and risk factors could cause actual results to differ materially from the results and events discussed in the forward-looking statements. These forward-looking statements reflect current expectations of the Fund as at the date of this Quarterly Financial Report and speak only as at the date of this Quarterly Financial Report. Except as may be required by law, the Fund does not undertake any obligation to publicly update or revise any forward-looking statements.

LETTER TO UNITHOLDERS

I am pleased to report Macquarie Power & Infrastructure Income Fund's (MPT or the Fund) results for the second quarter of 2010.

A key highlight of the quarter was the $130 million acquisition of a 20-megawatt crystalline solar photovoltaic (PV) power project located in Amherstburg, Ontario. The Amherstburg Solar Park will be designed, built and operated for MPT by SunPower Corp., which has proven the reliability and performance of its solar PV technology in several commercial-scale facilities in Germany, Spain and the United States. The Amherstburg Solar Park has a number of attractive attributes for MPT and our investors and is in line with our strategy to build a diversified portfolio of core infrastructure businesses. The Amherstburg Solar Park strengthens our footprint in the attractive renewable energy sector, giving us a presence across solar, wind, hydro and biomass power generation. It features a strong contractual framework that minimizes the risks inherent in the facility's construction, operations and performance. Importantly, the Amherstburg Solar Park will enhance the reliability of our long-term cash flow and is expected to generate an attractive total return in line with our targeted range of 10% to 14% (post tax, levered). We are delighted to be working with SunPower on this project and look forward to providing you with regular construction updates as we move towards the start of commercial operations, which we expect to achieve in June 2011.

FINANCIAL HIGHLIGHTS

In the second quarter, the Fund achieved high availability across the power infrastructure businesses, higher electricity production and an 8.9% increase in revenue from the second quarter of 2009, reflecting:

- Strong performance at the Cardinal gas cogeneration facility as a result of fewer hours of maintenance in 2010 compared with the same quarter in 2009 in addition to higher electricity rates;
- A return to normal operations at the Whitecourt biomass power generation facility following the extended maintenance work that occurred in the same quarter in 2009;
- Slightly lower production at Erie Shores Wind Farm compared with the same period last year due to lower than average wind speeds; and
- Lower production at our hydro power facilities due to especially dry conditions at the Wawatay hydro power facility resulting from an early spring run off and lower than normal precipitation in the second quarter.

The sale of Leisureworld Senior Care LP (Leisureworld) in the first quarter of 2010 significantly affected various cash flow measures and our payout ratio for the second quarter and year to date as a result of lower equity investment distributions. At the same time, the termination of Leisureworld's management agreement with Macquarie Power Management Ltd., the Manager of the Fund, resulted in lower fees paid to the Manager. We will continue to see the various impacts of this one-time event in subsequent quarters until we fully have reinvested the proceeds from this sale into new infrastructure businesses.

Another major impact on our performance was increased administrative costs, which were up 118% in the quarter and 37% for the year-to-date period over 2009. This increase reflected higher than normal project and business development activity and non-recurring costs related to the corporate conversion process and the transition to International Financial Reporting Standards. These higher costs were only partially offset by the reduction in fees paid to the Manager.

As a result, the Fund's adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) for the second quarter of 2010 decreased 8.7% from the same period last year, primarily due to a $1.3 million increase in operating and administrative expenses as well as the $2.6 million decrease in equity investment distributions from Leisureworld. These variables were partially offset by a $2.9 million increase in revenue. For the year-to-date period, adjusted EBITDA increased by 6.5%.

Funds from operations, or FFO, for the second quarter of 2010 decreased 23.9% from the same period in 2009, reflecting lower adjusted EBITDA as well as a 20.5% increase in interest expense in 2010 due to the higher interest rate on the new credit facility established in May 2009 and a higher principal amount outstanding on the Fund's convertible debentures. For the year-to-date period, FFO was 0.4% lower than in the first six months of 2009.

Notably, when the impact of the Leisureworld sale is excluded, the Fund's adjusted EBITDA and FFO have demonstrated a positive year-over-year trend as noted on pages 9 and 10.

Finally, distributable cash for the quarter and year-to-date period decreased by approximately 46.7% and 19.9%, respectively, from the comparable periods in 2009, resulting in a quarterly payout ratio of 151%, compared with 128% in the same quarter last year, and a year-to-date payout ratio of 82%, compared with 104% in the first six months of 2009.

This variance reflected lower distributions from Leisureworld and higher administrative costs net of a lower distribution policy in 2010.

As outlined on page 13 of this report, the Fund's financial position remains strong. Following the acquisition of the Amherstburg Solar Park project, we currently have access to about $100 million in capital, including amounts available under our credit facility and remaining cash on hand. Further, with our lower distribution, we expect to accumulate approximately $10 million in cash per year that we can put towards growth.

OUTLOOK

Our outlook for the balance of 2010 is positive. We continue to expect improved performance from our portfolio compared with 2009, which will be partially offset by an increase in Fund-level administrative and interest costs. Despite these increased expenses, we expect the Fund's operating cash flow to be higher in 2010 than in 2009.

Based on our current portfolio, we expect our new distribution policy of 66 cents per unit annually to be sustainable through 2014. This distribution level will result in a payout ratio of about 70% to 75% over this five-year period. With the sale of Leisureworld, the 2010 payout ratio will be above 80% but could move higher in future years as we execute our growth strategy. That strategy may include development opportunities or operating assets with low current yields but strong growth prospects.

With the acquisition of the Amherstburg Solar Park, we have started to put the proceeds from the sale of Leisureworld to work. Growing the size and scale of our portfolio remains a key priority for us. We have been highly active in exploring growth opportunities over the past year, actively evaluating a significant number of potential transactions in Canada, the United States and internationally. Most of these transactions have had equity components in the range of $30 million to $100 million and have included hydro, wind, solar, gas cogeneration, biomass and geothermal power generation opportunities as well as an airport, toll roads, utilities and public-private partnership (P3) projects, including both development projects and operating assets. We are currently continuing to look at numerous opportunities with the aim of further diversifying our portfolio, enhancing the reliability of our long-term cash flow and delivering a superior total return to our investors.

Apart from growth, another priority in 2010 is to build momentum towards the renewal of Cardinal's power purchase agreement (PPA), which expires in 2014. We expect the Ontario Ministry of Energy and Infrastructure to deliver a directive to the Ontario Power Authority in 2010, which will enable contract negotiations to start. Cardinal plays an important role in ensuring the reliability of Ontario's electricity supply. It supports the manufacturing operations and competitiveness of its industrial host, the Canada Starch Operating Company Inc. (Casco), with cost-effective steam, reliable electricity, and compressed air. Together, Cardinal and Casco deliver important benefits to local stakeholders. As we await the directive and continue our outreach to relevant stakeholders, we are also working closely with Casco to plan for Cardinal's future, which could include an expansion and various efficiency improvements. We are confident that we have a strong case for PPA renewal and that Cardinal will have a long economic life.

In closing, readers of our quarterly reports may notice that we have adopted a new format, which is aimed at improving the readability and usefulness of the report's content while focusing on the key performance measures that we believe are the most relevant for our business. We expect that this format will continue to evolve in the quarters ahead and we welcome your feedback or suggestions. We encourage you to share your views with us at mpt@macquarie.com.

Thank you for your continuing confidence and support as we work to build MPT into Canada's leading, publicly-traded infrastructure investment company. More information about our portfolio, activities and future events can be found on our website at www.macquarie.com/mpt.

Sincerely,

Michael Bernstein
President and Chief Executive Officer
August 9, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This Quarterly Financial Report for Macquarie Power & Infrastructure Income Fund ("MPT" or the "Fund") summarizes the consolidated operating results and cash flows for the quarter and period ended June 30, 2010 and the Fund's 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 as at and for the quarter and period ended June 30, 2010 as well as management's discussion and analysis included in the Fund's Annual Report for the year ended December 31, 2009. Additional information about the Fund, including its Annual Information Form dated March 25, 2010, quarterly financial reports and other public filings of the Fund filed with Canadian securities regulators, is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com. The information contained in this Quarterly Financial Report reflects all material events up to August 9, 2010, the date on which this Quarterly Financial Report was approved by the Fund's Board of Trustees.

NON-GAAP PERFORMANCE MEASURES DEFINITIONS

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

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

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

Adjusted EBITDA

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

Funds from Operations ("FFO")

The Fund uses FFO to measure the performance of its controlled and non-controlled assets net of financing costs. The Fund defines FFO as adjusted EBITDA less interest expense.

Distributable Cash and Payout Ratio

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

The Fund also reports distributable cash per unit, which the Fund defines as distributable cash divided by the number of trust units and Class B exchangeable units outstanding at the end of the reporting period. Payout ratio is then calculated as the proportion of distributable cash declared as distributions.

RESULTS OF OPERATIONS

Overview

For the quarter and first six months of 2010, the Fund generated increased revenue and cash flow from operating activities. This reflected higher availability across the power infrastructure businesses and increased electricity production at the Cardinal gas cogeneration ("Cardinal") and Whitecourt biomass ("Whitecourt") power generation facilities. Cardinal also benefitted from higher power rates under its power purchase agreement ("PPA"). This performance was partially offset by lower production at Erie Shores Wind Farm ("Erie Shores") and certain of the hydro power facilities due to unfavourable weather conditions.

The sale of Leisureworld Senior Care LP ("Leisureworld" or "LSCLP") in the first quarter of 2010 significantly affected the Fund's adjusted EBITDA, FFO, distributable cash and payout ratio for the second quarter and year to date as a result of lower distributions to the Fund. At the same time, the termination of the Leisureworld management agreement with Macquarie Power Management Ltd. ("MPML" or the "Manager"), the Manager of the Fund, reduced fees payable to the Manager. The Fund will continue to see the various impacts of this event in subsequent quarters until the proceeds from this sale have been fully reinvested into new infrastructure businesses.

Another factor affecting the Fund's adjusted EBITDA and FFO was higher administrative costs due to higher than normal business development activity and to non-recurring costs related to the corporate conversion process and the transition to International Financial Reporting Standards ("IFRS"). These costs were only partially offset by the lower fees paid to the Manager. FFO additionally reflected the impact of increased interest expense due to a higher interest rate on the new credit facility established in May 2009 and a higher principal amount outstanding on the Fund's convertible debentures. As noted on pages 9 and 10, when the impact of the sale of Leisureworld is excluded, the Fund's adjusted EBITDA and FFO have demonstrated a positive year-over-year trend.

A key highlight of the quarter was the acquisition of a 20-megawatt ("MW") crystalline solar photovoltaic ("PV") power project (the "Amherstburg Solar Park"). Upon the anticipated start of commercial operations in June 2011, this facility is expected to contribute to the reliability of the Fund's long-term cash flow. The Fund continues to evaluate a number of growth opportunities to further diversify its portfolio.

Revenue

($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Electricity sales	34,043	30,866	77,836	70,722
Steam sales	275	260	569	575
Gas sales	1,179	1,477	1,244	1,561
	35,497	32,603	79,649	72,858

Total revenue for the second quarter of 2010 increased $2,894, or 8.9%, from the second quarter of 2009. For the first six months of 2010, total revenue increased $6,791, or 9.3%, from the first six months of last year. Revenue growth in both the quarter and year-to-date periods was attributable to higher electricity sales, which primarily reflected higher overall facility capacity due to fewer maintenance outages than in 2009 as well as higher power rates.

Total electricity production for the second quarter of 2010 was 492,336 megawatt hours ("MWh") and 1,042,513 MWh for the first six months of 2010 compared with 458,511 MWh and 1,000,114 MWh, respectively, for the comparable periods in 2009. The increase in production, coupled with a higher electricity price, resulted in a 10.3% increase in electricity sales for the second quarter of 2010 and a 10.1% increase for the first six months of the year over the comparable periods of 2009. Electricity sales represented 95.9% and 97.7% of total revenue during the quarter and first six months of 2010, respectively, compared with 94.7% and 97.1%, respectively, for the same periods in 2009.

Cardinal produces steam that is sold to Canada Starch Operating Company Inc. ("Casco") for use in its manufacturing processes. During the second quarter, sales of steam were 5.8% higher than in the second quarter of 2009. The increase in steam sales was attributable to higher volumes as the facility experienced fewer hours of maintenance in 2010.

Natural gas that is not used by Cardinal to produce electricity is recovered through a profit sharing arrangement with Cardinal's gas supplier. During the second quarter of 2010, gas sales were 20.2% lower than in the same period in 2009, resulting in a 20.3% decline for the first six months of 2010 from the same period in 2009. Gas sales were lower because Cardinal conducted less maintenance work in 2010 and consequently had higher fuel consumption, thereby reducing the amount of gas available for sale.

Costs and Expenses

($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Operating expenses	23,227	23,074	47,462	47,136
Administrative expenses	2,041	937	5,245	3,824
Depreciation and amortization	7,234	7,261	14,350	14,436
	32,502	31,272	67,057	65,396

Total costs and expenses in the second quarter of 2010 increased by 3.9% over 2009, resulting in a year-to-date increase of 2.5%. Operating expenses increased by 0.7% for the second quarter and year to date while depreciation and amortization were comparable for the both the second quarter and year-to-date periods compared with 2009. Increased administrative expenses were due to increased project, business development and other costs.

Operating expenses

($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Fuel expenses	16,541	13,723	34,369	29,836
Maintenance costs	2,501	5,376	4,852	9,639
Labour	1,934	1,862	3,798	3,624
Other operating expenses	2,251	2,113	4,443	4,037
	23,227	23,074	47,462	47,136

Operating expenses for the second quarter and first six months of 2010 were 0.7% higher than in the comparable periods of 2009. Within operating expenses, fuel represented 71.2% of the 2010 second quarter total compared with 59.5% in the second quarter of 2009. Fuel expenses increased in 2010 due to a significant increase in gas transportation tolls by TransCanada Pipelines Limited as well as higher fuel consumption based on fewer maintenance outages at the Cardinal facility during the second quarter of 2010 than in the same period a year ago. Fewer major maintenance outages also resulted in lower maintenance costs during 2010.

Labour expenses increased by 3.9% in the second quarter of 2010 from a year ago for a year-to-date increase of 4.8%. Higher labour costs primarily reflected annual salary increases and the addition of six new employees at Erie Shores, as the facility completed its internalization of operations and maintenance, and annual wage increases. Other operating expenses increased by 6.5% during the second quarter of 2010 over the comparable period in 2009 for a year-to-date increase of 10.1%. Other operating expenses include items such as insurance, property tax expenses, materials and utilities.

Administrative expenses

($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Manager fees	182	519	2,304	2,726
Business development	221	2	252	14
Other administrative expenses	1,638	416	2,689	1,084
	2,041	937	5,245	3,824

Macquarie Power Management Ltd., the Manager of the Fund, is an indirect, wholly-owned subsidiary of Macquarie Group Limited ("MGL"), an Australian public company listed on the Australian Securities Exchange. Manager fees are incurred under agreements between the Manager and the Fund for overseeing each asset. These expenses reflect costs incurred to operate the business. Fees paid to the Manager in the second quarter of 2010 decreased by $337, or 64.9%, from the second quarter of 2009, which resulted in a decrease of $422, or 15.5%, for the year-to-date period. The decline in management fees during the second quarter of 2010 primarily reflected fees no longer charged beyond the first quarter of 2010 for the Fund's investment in Leisureworld offset by higher cost recovery charges. The fees paid to the Manager, which include administrative fees, cost reimbursement and incentive fees, are discussed under Related Party Transactions on page 23.

Business development expenses are primarily incurred in respect of activities related to potential acquisitions by the Fund. These expenses have increased substantially in 2010 over 2009 because the Fund has been actively pursuing growth opportunities.

Other administrative expenses include legal, audit and investor relations functions, the costs of maintaining a public company, legal and other professional fees, and expenses related to the corporate conversion process.

Other Income and Expenses

	Three months ended		Six months ended	
($000s unless otherwise noted)	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Interest income	209	249	382	578
Interest expense	(4,734)	(3,928)	(9,418)	(7,524)
Equity accounted income (loss)	(317)	375	3,151	(151)
Unrealized gain (loss) on derivatives	(5,516)	(1,006)	(9,561)	1,827
Foreign exchange gain (loss)	(10)	18	(4)	11
Loss on debt extinguishment	-	(351)	-	(351)
	(10,368)	(4,643)	(15,450)	(5,610)

Interest income

The Fund earns interest income from its investment in the debt of Chapais Énergie, Société en Commandite ("CHESEC"), the owner of the Chapais facility, and on its cash resources. During the second quarter, interest income decreased by $40 and $196 for the first six months compared to the same periods in 2009. The decrease reflects lower interest on the Chapais investment as the debt amortizes as well as lower interest on cash resources in 2010.

Interest expense

During the second quarter of 2010, interest expense increased by $806 or 20.5% from the second quarter of 2009 for a year-to-date increase of $1,894 or 25.2%. This increase was due to higher interest costs since May 2009 when the Fund refinanced its Clean Power Operating Trust ("CPOT") and Cardinal credit facilities into a new credit facility (the "CPOT-Cardinal credit facility"). Under the terms of the new credit facility, the Fund incurs higher stamping and commitment fees. In addition, when the Fund refinanced its convertible debentures in December 2009 and January 2010, the principal outstanding increased by $18,582, including the over-allotment debentures issued in January 2010, on which interest is charged.

Equity accounted income

Equity accounted income (loss) arises from the Fund's share of income on its equity interests in long-term investments. The Fund has one equity-accounted investment through its 45% interest in Macquarie Long Term Care LP ("MLTCLP") that includes income from Leisureworld up to March 22, 2010 when MLTCLP divested of its interest in Leisureworld through an initial public offering ("IPO") of Leisureworld Senior Care Corporation ("LSCC"). Under the terms of the IPO, MLTCLP received 958,649 shares of LSCC that, along with $3.2 million of cash, are subject to a holdback arrangement until March 31, 2011. The Fund indirectly owns 45% or 431,392 of the LSCC shares held by MLTCLP.

For the second quarter of 2010, the Fund reported a loss of $317 compared with $375 of income a year ago. The loss reflected the Fund's portion of MLTCLP's net income, which is composed of a $709 reduction in the fair value of the LSCC shares and $219 of costs related to the IPO, offset by dividend income from LSCC of $223. Year to date, equity accounted income increased by $3,302 largely because of the net gain from the disposition of Leisureworld. The Fund's share of the net gain recognized by MLTCLP was $3,162. For the Fund's equity interest in Chapais Électrique Limitée ("Chapais"), no income has been recorded on the investment since no value was assigned to the investment upon its acquisition in 2007. The Fund does not expect to earn any future income from the equity in this investment.

Unrealized gain (loss) on derivatives

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

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

	Three months ended		Six months ended	
($000s unless otherwise noted)	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Interest rate swap contracts				
Unrealized gain on derivative assets	1,474	-	1,493	-
Unrealized gain (loss) on derivative liabilities	(4,804)	1,636	(4,476)	1,749
	(3,330)	1,636	(2,983)	1,749
Gas swap contracts				
Unrealized gain (loss) on derivative assets	(1,159)	(61)	226	1,649
	(4,489)	1,575	(2,757)	3,398
Embedded derivative contracts				
Unrealized gain (loss) on embedded derivative asset	766	(1,369)	(4,602)	627
Unrealized loss on embedded derivative liabilities	(1,793)	(1,212)	(2,202)	(2,198)
	(1,027)	(2,581)	(6,804)	(1,571)
Total unrealized gain (loss) on derivatives	(5,516)	(1,006)	(9,561)	1,827

The net reduction in the fair value of the interest rate swaps in the second quarter of 2010 was primarily attributable to the new derivative for the Amherstburg Solar Park project debt. The valuation of this derivative resulted in an unrealized loss due to the margin at origination as well as the movement in interest rates over the final days of the quarter. For the Fund's other interest rate swaps, the reduction in fair value was attributed to a decrease in forward interest rates.

The fair value of the gas swaps declined during the second quarter of 2010 primarily due to the expiry and settlement of commitments for the second quarter of 2010 resulting in the removal of these cash flows from the calculation. In addition, for the remaining future cash flows, the value of the natural gas contracts declined due to an increase in the forward price of natural gas.

The increase in the fair value of the embedded derivative asset during the second quarter of 2010 was due to higher forward gas prices and an increase in the volatility of gas prices. The loss on the fair value of the embedded derivative liability during the quarter primarily reflected an increase in the Direct Customer Rate ("DCR") price forecast for Cardinal.

Income Taxes

Future income tax assets and liabilities are recognized on the Fund's consolidated statement of financial position based on temporary differences between the accounting and tax bases of existing assets and liabilities that are expected to reverse after 2010. For the quarter ended June 30, 2010, the Fund recorded a future income tax recovery of $1,365 (Q2 2009 – recovery of $1,585) on the consolidated statement of operations in respect of these assets and liabilities. The future income tax recovery primarily reflected the fair value adjustments in derivatives and interest rate swaps. For the six months ended June 30, 2010, the Fund recorded a future income tax recovery of $17,862 (six months ended June 30, 2009 - $1,482 expense) primarily due to the removal of income tax assets and liabilities relating to Leisureworld following sale of the investment on March 23, 2010.

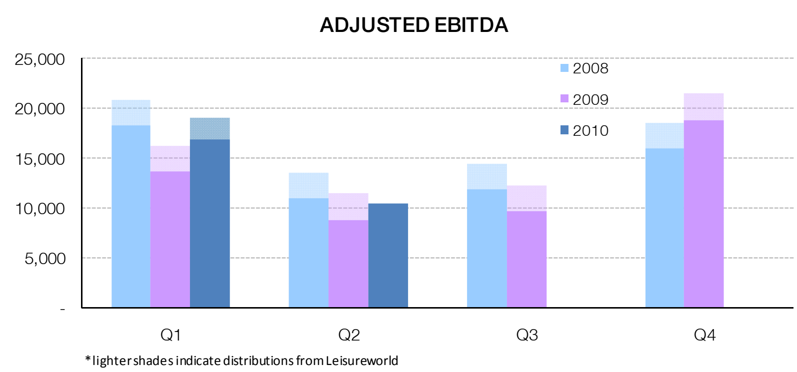
The Fund calculates future income taxes in accordance with Canadian GAAP, which requires the assumption that the existing organization structure will continue beyond the current fiscal year. As the Fund has announced its intention to convert from an income fund to a dividend-paying corporation, the provision for future income taxes may not accurately reflect the future tax obligations of the Fund after conversion to a corporation on December 31, 2010.

Adjusted EBITDA

In addition to the preceding analysis for the components of GAAP net income, the Fund's management evaluates operational performance through various non-GAAP measures defined on page 4 of this report. Adjusted EBITDA measures earnings from the Fund's assets excluding any non-recurring and non-cash items. The derivation of adjusted EBITDA from net income as reported in the Consolidated Statement of Operations is shown in the table below:

	Three months ended		Six months ended	
($000s unless otherwise noted)	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net income	(6,016)	(1,752)	14,996	345
Depreciation and amortization	7,234	7,261	14,350	14,436
Interest expense	4,734	3,928	9,418	7,524
Income taxes	(1,357)	(1,560)	(17,854)	1,507
Standardized EBITDA	4,595	7,877	20,910	23,812
Unrealized (gains) losses on derivatives	5,516	1,006	9,561	(1,827)
Foreign exchange (gains) losses	10	(18)	4	(11)
Loss on debt extinguishment	-	351	-	351
Equity accounted (income) loss from long term investments	317	(375)	(3,151)	151
Distributions from equity investments	-	2,587	2,131	5,175
Adjusted EBITDA	10,438	11,428	29,455	27,651

Adjusted EBITDA for the second quarter of 2010 was $990 lower than in the same period of 2009, representing a decrease of 8.7%. The reduction was due to a $2,587 decrease in equity investment distributions due to the sale of Leisureworld in the first quarter as well as a $1,104 increase in administrative expenses for business development and project costs. Offsetting these factors was growth in revenue of $2,894, primarily due to higher electricity production.



Year-to-date adjusted EBITDA was $1,804 higher than in the first six months of 2009, representing a 6.5% increase. Higher adjusted EBITDA in 2010 was due to revenue growth of $6,791 from higher electricity production and the DCR adjustment. Offsetting the additional revenue was $1,421 in higher administrative expenses due to business development and project costs and $3,044 of lower distributions from Leisureworld as a result of the sale.

The chart illustrates the trend in adjusted EBITDA against historical periods with and without the distributions from Leisureworld. Excluding Leisureworld, the chart illustrates year-over-year improvement in adjusted EBITDA since the fourth quarter of 2009.

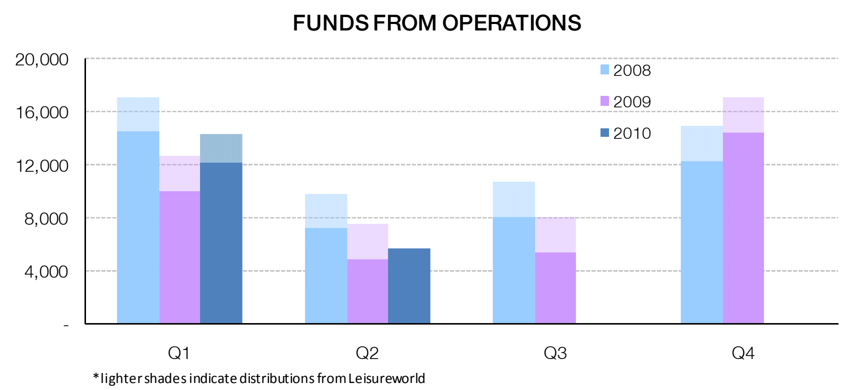
Funds from Operations

Management uses the non-GAAP measure of funds from operations to evaluate cash generated from its assets after interest costs on asset debt. FFO is calculated by deducting interest expense from adjusted EBITDA. The derivation of FFO starting from adjusted EBITDA is shown in the table below:

	Three months ended		Six months ended	
($000s unless otherwise noted)	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Adjusted EBITDA	10,438	11,428	29,455	27,651
Interest expense	(4,734)	(3,928)	(9,418)	(7,524)
Funds from operations	5,704	7,500	20,037	20,127

FFO for the second quarter of 2010 was $1,796 lower than in the comparable period of 2009, representing a decrease of 23.9%. The reduction was due to a $990 reduction of adjusted EBITDA as described in the previous section as well as an $806 increase in interest expense related to the refinancing of the CPOT and Cardinal credit facilities as well as the increase in the convertible debenture balance in December 2009 and January 2010.

Year to date, FFO was $90, or 0.4%, lower than in the first six months of 2009. Lower FFO in 2010 was due to $1,894 increase in interest costs less $1,804 growth in adjusted EBITDA as described in the previous section.



The chart illustrates the year over year trend in FFO since 2008. The chart shows the trend both with and without the Leisureworld distributions. Including Leisureworld, the chart indicates the reduction in FFO due to the sale of Leisureworld. Excluding the Leisureworld distributions, the chart shows how FFO compared with the same period in prior years has maintained a positive year-over-year trend since the fourth quarter of 2009.

Distributable Cash and Payout Ratio

The Fund uses distributable cash as a supplemental measure to assess the degree to which cash flows from operating activities support distributions to the unitholders of the Fund. Payout ratio measures the proportion of distributable cash which was declared as distributions during the quarter. The derivation of distributable cash from cash flows from operating activities as reported in the Consolidated Statement of Cash Flows and the calculation of the payout ratio are shown in the table below:

($000s except per trust unit amounts)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cash flows from operating activities	9,179	9,255	22,732	22,564
Maintenance of productive capacity:				
Release from major maintenance reserve account	130	3,675	1,005	6,493
Allocation to major maintenance reserve account	(644)	(617)	(1,289)	(1,235)
Allocation to capital expenditure reserve account	(409)	(238)	(818)	(477)
	8,256	12,075	21,630	27,345
Other adjustments:				
Scheduled repayment of debt	(463)	(788)	(928)	(1,051)
Scheduled receipt of loans receivable	196	175	386	346
Distributions received from Leisureworld	-	2,587	2,131	5,175
Changes in working capital	(2,535)	(3,824)	(3,050)	(6,635)
Distributable cash	5,454	10,225	20,169	25,180
Distributable cash per unit	$0.109	$0.205	$0.404	$0.504
Distributions declared per unit	$0.165	$0.262	$0.330	$0.525
Payout ratio	151%	128%	82%	104%

Distributable cash for the quarter ended June 30, 2010 was $5,454 for a year-to-date total of $20,169. The Fund declared distributions of $8,235 to unitholders compared with $13,104 in the second quarter of 2009 resulting in a quarterly payout ratio of 151% compared with 128% last year and a year-to-date payout ratio of 82% compared with 104% in the first six months of 2009. The payout ratio reflected both lower distributable cash during the second quarter of 2010 and the Fund's revised distribution policy, effective January 2010, to distribute $0.66 per unit to unitholders on an annualized basis.

Distributable cash for the second quarter of 2010 was $4,771 or 46.7% lower than in the comparable period in 2009. Year-to-date distributable cash was $5,011 or 19.9% lower than in 2009. The major factors contributing to lower distributable cash in 2010 were lower distributions from Leisureworld since the IPO on March 23, 2010 and higher administrative costs due to project, business development and other expenses during the second quarter of 2010.

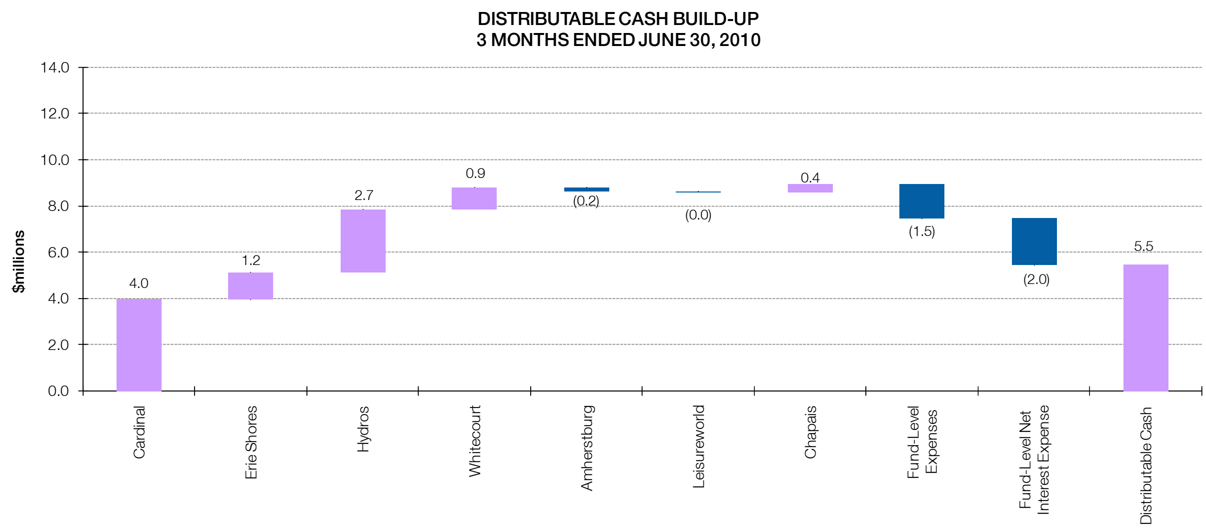
Cash flows from operating activities for the second quarter ended June 30, 2010 were $76 lower than in the same period last year and $168 higher in the first six months of 2010 than in the same period of 2009. The decrease during the quarter was primarily due to higher administrative fees, higher interest expense and changes in working capital. Offsetting this was higher revenue primarily from the Cardinal and Whitecourt facilities. The year-to-date increase was attributable to the same factors with higher revenue causing cash flow from operating activities to be marginally higher compared to 2009.

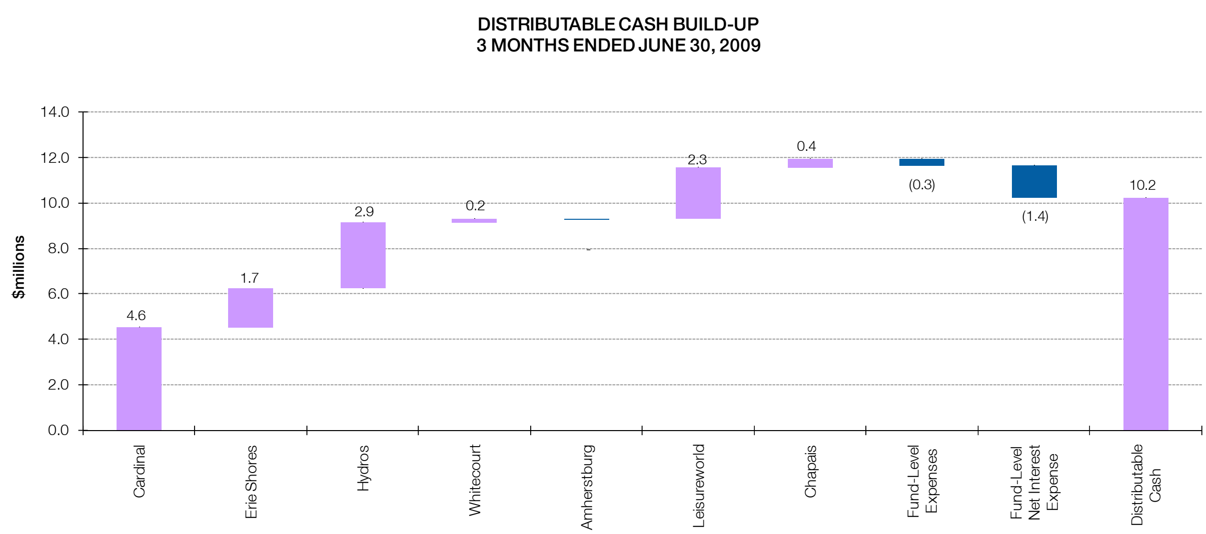
In any given period, distributable cash may exceed the net income of the Fund as a result of adjustments allocated to or from major maintenance accounts and other non-cash charges, including, most significantly, amortization and non-cash movements in future income taxes, swap contracts and embedded derivative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

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

The Fund continues to calculate and measure distributable cash excluding changes in working capital. The Fund's primary customers are billed monthly. As there are only 12 payments each year, the timing of each payment has a significant impact on the Fund's working capital. Monthly payments are received at month end or on the first business day following a month end, which could result in a situation where two bills are paid in the same month. Such circumstances can cause working capital to fluctuate. As a result, working capital has been excluded from the calculation of distributable cash and payout ratio.

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





FINANCIAL POSITION REVIEW

Liquidity

As at June 30, 2010, the Fund had negative working capital of $17,840 (December 31, 2009 – positive $16,962) which is net of the $49,200 loan payable arising from the sale of Leisureworld which management expects to be settled by a non-cash distribution from MLTCLP in 2011. Unrestricted cash and cash equivalents totalled $65,764 (December 31, 2009 - $53,121) of which $55,094 (December 31, 2009 - $42,532) was not designated for major maintenance, capital expenditure or general reserves. Cash and cash equivalents were above historical levels due to the March 23, 2010 disposition of the Leisureworld investment. The Fund invests its excess cash in short-term, high quality money market instruments. The Fund's unrestricted cash and cash equivalents are detailed as follows:

($000s unless otherwise noted)	June 30, 2010	December 31, 2009
Major maintenance reserve	4,952	4,668
Capital expenditure reserve	718	921
General reserve	5,000	5,000
Total reserve accounts	10,670	10,589
Other cash and cash equivalents	55,094	42,532
Total cash and cash equivalents	65,764	53,121

With the ongoing 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 in 2010. The Fund manages liquidity to ensure sufficient resources to meet all obligations and maintain distributions to unitholders from operating cash flows. Demand associated with the Fund's assets remains relatively stable despite the volatility of the business cycle. Additionally, all assets have long-term agreements that enhance revenue predictability. As a result, the Fund expects to meet all of its obligations in 2010 and to maintain distributions to unitholders at the current level.

Capital Structure

The Fund defines and manages its capital structure as unitholders' equity and long-term debt, both the current and non current portion. The following table shows the Fund's capitalization position:

($000s unless otherwise noted)	June 30, 2010		December 31, 2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
CPOT-Cardinal credit facility	85,000	85,000	85,000	85,000
Erie Shores project debt	108,075	108,644	107,941	110,180
Convertible debentures (1)	59,789	51,749	89,437	83,928
Levelization amounts	22,483	22,483	21,166	21,166
Deferred financing fees	-	(5,735)	-	(5,050)
Total long-term debt	275,347	262,141	303,544	295,224
Unitholders' equity (1) (2)	346,884	292,054	304,980	293,015
Total capitalization	622,231	554,195	608,524	588,239
Debt to capitalization	44.3%	47.3%	49.9%	50.2%

(1) The fair value of the Fund's convertible debentures as at June 30, 2010 was based on a unit price of $103.98 and debentures outstanding of 57,500 units. As at December 31, 2009, the fair value of the Fund's 2010 and 2016 Debentures was based on a unit price of $100.05 and $101.00, respectively, and debentures outstanding of 38,918 and 50,000 units, respectively. The carrying value of the equity portion of the Fund's convertible debentures of $5,463 as at June 30, 2010 (December 31, 2009 - $4,736) was excluded from total debt and included as part of Unitholders' equity.

(2) The fair value of Unitholders' equity reflected the Fund's market capitalization as at June 30, 2010 based on a unit price of $6.95 (December 31, 2009 - $6.11) and units outstanding of 49,911,369 (December 31, 2009 - 49,914,927 units). Units outstanding include Class B exchangeable units of which there were 3,249,390 outstanding at June 30, 2010 (December 31, 2009 - 3,249,390 units).

CPOT-Cardinal credit facility

As at June 30, 2010, the Fund had a credit facility in the amount of $182,500, consisting of: (a) a $141,875 term facility ("Term"); and (b) a $40,625 revolving facility ("Revolver"), of which $85,000 has been advanced on the Term and $nil was advanced on the Revolver. Three letters of credit have been authorized under the Revolver totalling $2,533 for Erie

Shores and another for $38,092 against the Fund's contribution for Amherstburg Solar Park on completion of construction. Finally, a $10,000 unsecured guarantee was provided to the lenders under the Tranche C loan to Erie Shores. Advances under the credit facility are made in the form of a series of bankers' acceptances ("BAs") and prime rate loans. Interest paid on BAs is based on the then current BA rate plus an applicable margin ("stamping fee") based on the ratio of consolidated total debt to consolidated EBITDA. Collateral for the facility is provided by first ranking security interest covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to and are in compliance with certain non-financial and financial covenants including limits on the consolidated total debt to consolidated EBITDA ratio and interest coverage ratio.

Erie Shores project debt

The Fund has a loan of $108,644 non-recourse project financing for Erie Shores, consisting of: (a) a $63,456 fully amortizing loan ("Tranche A"); (b) a $5,188 fully amortizing loan ("Tranche B"); and (c) a $40,000 interest only loan ("Tranche C"). This project debt was borrowed by Erie Shores and is only secured by the assets of Erie Shores. CPOT has provided an unsecured guarantee in the amount of $10,000 to the lenders under the Tranche C loan. Interest on the facility has been fixed as described under derivative financial instruments.

Convertible debentures

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

Levelization amounts

As at June 30, 2010, the Fund had a levelization liability of $22,483 (December 31, 2009 - $21,166) relating to payments received from the OEFC in excess of the base rate as set out under the PPA for the Wawatay hydro power facility. In accordance with the PPA, the OEFC is required to make monthly guaranteed payments as well as variable payments based on actual electricity production. To the extent that these payments exceed the revenue recorded in a given month, the Fund records an increase in the levelization amounts. To the extent that these payments are less than the revenue recorded, the Fund records a reduction in the levelization amounts. Interest on the levelization amounts is accrued at a prescribed variable rate, which currently approximates 7.17% per annum.

Unitholders' equity

Unitholders' equity is the core of the Fund's capital structure and is composed of the following:

($000s unless otherwise noted)	June 30, 2010	December 31, 2009
Unitholders' capital	466,639	466,662
Class B exchangeable units	35,500	35,500
Equity portion of convertible debentures	5,463	4,736
Accumulated other comprehensive income (loss)	-	190
Cumulative earnings (deficit)	14,839	(157)
Cumulative distributions	(230,387)	(213,916)
Total unitholders' equity	292,054	293,015

The Fund is authorized to issue an unlimited number of units. During the second quarter of 2010, 3,000 units were redeemed compared with 5,857 units in the second quarter of 2009. A total of 3,558 units were redeemed in the first six months of 2010 compared with 6,657 units in the same period of 2009, resulting in 46,661,979 units outstanding as at June 30, 2010.

The Fund also has outstanding 3,249,390 Class B exchangeable units that were issued at the time Leisureworld was acquired. The exchangeable units are eligible to receive distributions under the same terms and conditions as units of the Fund. The exchangeable units will convert into a unit of the Fund on October 18, 2015, the 10-year anniversary of the acquisition closing date, unless converted earlier at the option of the Fund's unitholders.

All amounts in Canadian $000s unless otherwise noted

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

Derivative Financial Instruments

As at June 30, 2010, the Fund held various gas and interest rate swaps to mitigate the gas price and interest rate risks respectively. None of these swap contracts have been designated for hedge accounting and as a result changes in the fair value of all derivative contracts are reported on the Consolidated Statement of Operations. The fair value of these contracts as reported on the Fund's Consolidated Statement of Financial Position is:

	June 30, 2010	December 31, 2009
Derivatives contract assets		
Gas swap contracts	2,357	2,131
Interest rate swap contracts	1,772	278
Embedded derivatives	9,490	14,093
	13,619	16,502
Current portion of derivative contract assets	(1,532)	(1,026)
	12,087	15,476
Derivative contract liabilities		
Interest rate swap contracts	7,070	2,594
Embedded derivatives	7,061	4,859
	14,131	7,453
Current portion of derivative contract liabilities	(1,869)	(1,310)
	12,262	6,143

Gas swap contracts

Cardinal has natural gas swap contracts for the seven-month period from April to October in the years 2010 to 2011. In each of the seven months, these contracts require Cardinal to make payments to the counterparties based on 62,402 MMBtu (436,814 MMBtu per fiscal year) of gas at the then market rate of natural gas in exchange for receiving payments based on 62,402 MMBtu of gas at a fixed price per MMBtu.

Interest rate swap contracts

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

Maturity Date	Notional Amount	Swap Fixed Rate	Stamping Fee[(1)]	Effective Fixed Rate
June 29, 2012	40,000	2.14%	2.50%	4.64%
June 29, 2012	18,000	3.13%	2.50%	5.63%
June 29, 2012	11,700	3.12%	2.50%	5.62%
June 29, 2012	10,000	2.28%	2.50%	4.78%
June 29, 2012	5,300	3.13%	2.50%	5.63%
	85,000	2.56%	2.50%	5.06%

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

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

On June 23, 2010, upon the acquisition of the Amherstburg Solar Park, the Fund entered into an interest rate swap contract to mitigate the interest rate risk on the project debt. The notional amount of the interest rate swap, initially zero, increases as the construction facility used to finance the development of the project increases until June 2011 at which time the notional amount reaches $96,200. Once the project is completed and the Fund begins making payments on the debt, the notional amount decreases as the outstanding balance on the debt amortizes.

Loan Payable

On March 23, 2010, the Fund divested of its equity interest in Leisureworld, held by MLTCLP, through an IPO of LSCC. The Fund received its proportionate share of the initial net cash proceeds from MLTCLP in the form of a loan payable for $49,200. The loan is non-interest bearing and payable on demand and had principal outstanding as at June 30, 2010 of $49,200. Management expects the loan to be settled by way of a non-cash distribution from MLTCLP in 2011.

Acquisitions

On June 23, 2010, the Fund, through a wholly-owned subsidiary, acquired two companies, Helios Solar Star A-1, L.P. ("Helios LP") and Helios Solar Star A-1 Ltd. ("Helios GP") (collectively, "Helios") for total consideration of $4,190 composed of nominal cash consideration paid to SunPower and transaction costs of $4,190.

On closing, the Fund entered into a fixed-price engineering procurement and construction ("EPC") agreement with SunPower for the design and build of a 20 MW solar photovoltaic power facility in Amherstburg, Ontario. The $130 million approximate project cost will primarily be funded by a syndicate of lenders with approximately $26.1 million of equity to be contributed by the Fund before the start of commercial operations which is estimated to be in June 2011. Once completed, SunPower will operate the Amherstburg Solar Park under a 20-year operations and maintenance ("O&M") contract. Electricity generated by the Amherstburg Solar Park will be sold under the Province of Ontario's Renewable Energy Standard Offer Program ("RESOP") to the Ontario Power Authority ("OPA") at a guaranteed price of $420 per MWh for the next 20 years. Helios LP is the owner of the RESOP contracts with the OPA and the land leases where the project is to be developed. For the first two years of commercial operations, SunPower will financially support the weather-adjusted performance of the facility at the expected production.

The acquisition was accounted for using the purchase method in accordance with Emerging Issues Committee Abstract 124 and the results of operations are included from the date of the acquisition. The preliminary allocation to the net assets of Helios on the basis of fair values was to intangible assets and development costs for $5,248, including the associated future income tax effect of $1,058.

Contractual Commitments

The Fund enters into contractual commitments in the normal course of business. These contracts include electricity supply contracts, natural gas purchase contracts, energy savings agreements, wood waste supply agreements, operations and maintenance agreements, and guarantees that are described in the Fund's 2009 Annual Management Discussion and Analysis.

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

PORTFOLIO ASSET REVIEW

Gas Cogeneration Power: Cardinal

Performance highlights

($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue	23,315	21,056	54,974	49,483
Operating and administrative expenses	18,612	17,424	38,985	37,250
Adjusted EBITDA	4,710	3,684	15,999	12,365
FFO	4,397	3,235	15,258	11,572
Electricity production (MWh)	288,947	264,729	629,655	605,323
Steam production (KLbs)	174,317	165,984	360,221	366,529
Fuel consumption (MMbtu)	2,482,424	2,252,823	5,297,267	5,078,920
Capacity factor	90.3%	82.9%	94.1%	90.4%
Availability	93.6%	85.7%	96.7%	92.3%

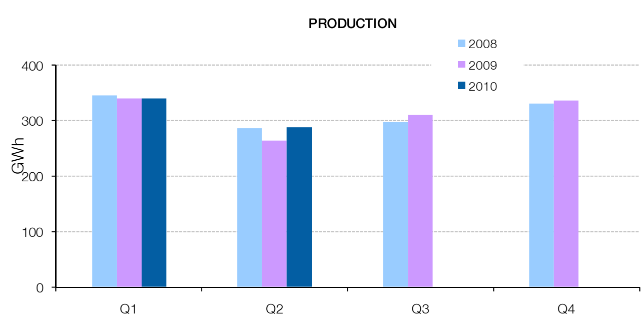
Performance review

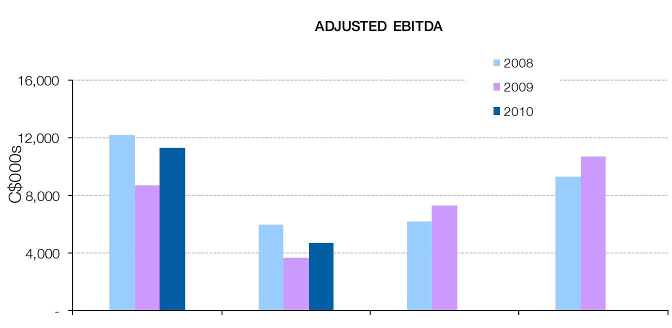
During the second quarter of 2010, Cardinal experienced favourable operating results due to significantly higher capacity and availability, which reflected four days of maintenance rather than 13 days of maintenance in the same period last year. As a result, second quarter electricity and steam production were 9.1% and 5.0% higher, respectively, than a year ago.

Total revenue in the second quarter of 2010 was $2,259, or 10.7%, higher than a year ago based on increased production and higher electricity rates. Fewer outage hours increased Cardinal's consumption of fuel thereby reducing the amount of gas available for sale compared with 2009.

Fewer outages also resulted in higher operating and administrative expenses than in 2009 due to the greater consumption of fuel and increased gas transportation costs of $1.64 per gigajoule during the quarter compared with $1.19 per gigajoule in 2009.

Cardinal's adjusted EBITDA and FFO were higher in the quarter and year-to-date periods because fewer maintenance outages resulted in higher production and net revenue from operations.





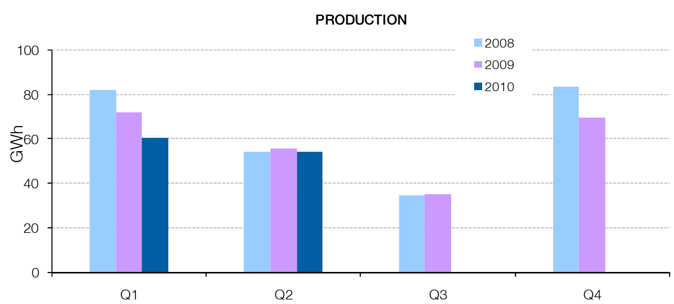
Outlook

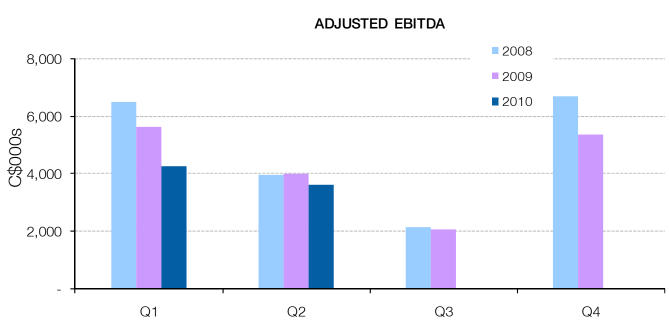
Revenue in 2010 is expected to continue to outperform 2009 based on less scheduled maintenance and the continuing escalation in the DCR, which results in a higher power price under Cardinal's PPA. Higher power rates and increased production compared with 2009 are expected to be partially offset by higher gas transportation rates. As a result, cash flow from this facility is expected to be slightly higher than in 2009.

Wind Power: Erie Shores Wind Farm

Performance highlights

($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue	5,260	5,380	11,141	12,377
Operating and administrative expenses	1,649	1,384	3,254	2,761
Adjusted EBITDA	3,611	3,997	7,887	9,619
FFO	2,092	2,434	4,837	6,483
Electricity production (MWh)	54,081	55,487	114,599	127,397
Capacity factor	25.0%	25.7%	26.6%	29.7%
Availability	97.6%	97.0%	97.8%	96.6%





Performance review

During the second quarter of 2010, revenue was slightly lower than in 2009 for a year-to-date decrease of $1,236. This variance was attributable to reduced electricity production resulting from lower wind speeds primarily during the first quarter of 2010 compared to the same period of 2009.

Operating expenses increased in 2010 as the facility completed inspections and other work in preparation for the expiry of the O&M contract with GE Canada. The internalization of O&M at the facility was completed successfully subsequent to quarter end in late July 2010, increasing the number of permanent employees at the site from three to nine currently.

Adjusted EBITDA and FFO were lower in 2010 due to the lower revenue and higher operating costs described above.

Outlook

As a result of unfavourable wind conditions in Ontario during the first half of the year, annual revenue and cash flow at Erie Shores in 2010 is currently expected to be slightly below 2009 levels. Erie Shores' long-term annual production target is 249,800 MWh.

Erie Shores is expected to incur approximately $800 in one-time expenses and capital expenditures related to the internalization of O&M. Over time, this internalization is expected to reduce Erie Shores' operating costs over time and to deliver slightly higher facility availability.

Hydro Power: Four Facilities

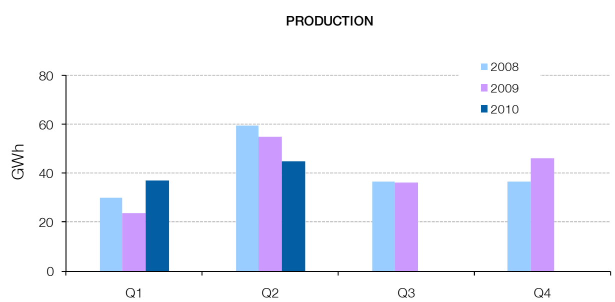
Performance highlights

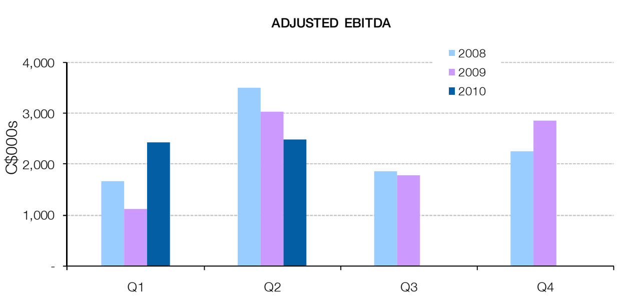
($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue	3,437	3,980	6,710	5,824
Operating and administrative expenses	952	951	1,802	1,670
Adjusted EBITDA	2,485	3,029	4,908	4,154
FFO	2,101	2,670	4,199	3,421
Electricity production (MWh)	44,700	55,004	81,516	78,639
Capacity factor	57.6%	70.6%	52.7%	50.7%
Availability	99.2%	99.0%	98.3%	99.1%

Performance review

During the second quarter, revenue for the hydro power facilities was $543 lower than in 2009. Lower revenue was attributable to an earlier spring run off, which was reflected in higher first quarter revenue. As presented on page 22 under Seasonality, second quarter production for the 14 MW Wawatay hydro power facility was well below the historical average based on atypically low water flows in the region during the second quarter.

Lower second quarter revenue resulted in lower adjusted EBITDA and FFO for the quarter compared with 2009. Above-average first quarter results contributed to higher year-to-date adjusted EBITDA and FFO in 2010.





Outlook

Revenue and cash flows from the hydro power facilities are expected to be higher than in 2009 based on the expectation of better hydrological conditions and price escalators in the facilities' PPAs. The average long-term annual production of the hydro power facilities is 166,360 MWh[(1)].

Capital expenditures across the facilities are expected to be lower than in 2009. Value enhancement projects at the hydro power facilities currently underway include upgrading the SCADA (Supervisory Control and Data Acquisition) software systems at Hluey Lakes and Wawatay. These projects are expected to be completed in the fourth quarter. SCADA systems monitor the facilities' operations to collect the operational and technical data required to improve operational efficiency.

(1) Average long-term annual production is based on the actual annual production of each hydro power facility averaged since the start of full operations as follows: Sechelt (1997); Hluey Lakes (2000); Dryden (1992); and Wawatay (1992). For Dryden and Wawatay, there is no data available prior to 1992.

Biomass Power: Whitecourt

Performance highlights

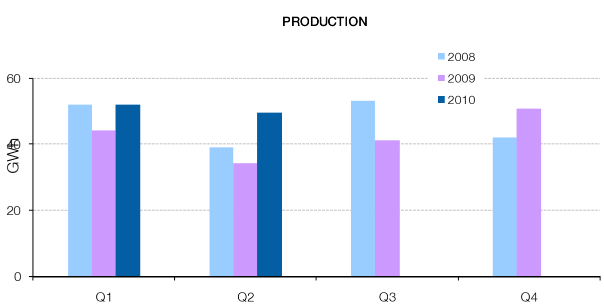
($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue	3,485	2,187	6,824	5,174
Operating and administrative expenses	2,386	3,515	4,104	5,942
Adjusted EBITDA	1,098	(1,328)	2,721	(767)
FFO	1,098	(1,328)	2,721	(767)
Electricity production (MWh)	49,526	34,372	101,440	78,604
Fuel consumption (GMT)[1]	74,422	51,558	148,940	117,907
Capacity factor	93.2%	66.3%	96.0%	76.4%
Availability	93.3%	66.5%	96.3%	76.8%

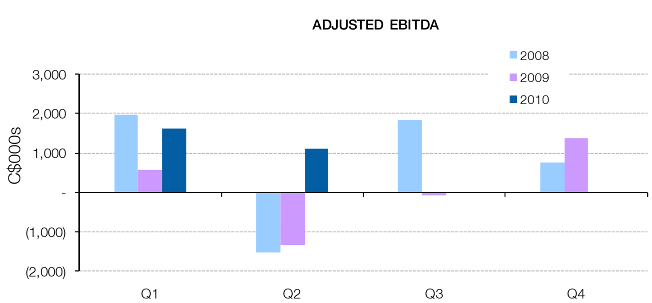
[1] Green metric tonnes

Performance review

During the second quarter of 2010, Whitecourt's revenue was $1,298 higher than in the same period last year while operating and administrative expenses declined $1,129. Both variances were a result of the extended maintenance outage in 2009 to repair the facility's turbine. The facility is now operating normally, which is reflected in both higher electricity production and fuel consumption in 2010.

With fewer hours of outage, adjusted EBITDA and FFO increased for the quarter and year-to-date periods were higher than in the comparable periods of 2009.





Outlook

Revenue and cash flow at Whitecourt are expected to be significantly higher in 2010 than in 2009 as the availability factor is expected to be approximately 95% in 2010 which is in line with historical performance.

Whitecourt's turbine is expected to operate reliably until the facility's next scheduled major maintenance inspection in 2016. Total capital expenditures of approximately $1,000 are expected for 2010 to support the facility's ongoing reliability, which includes the replacement of the facility's boiler feedwater pumps and air compressor.

Management currently expects Whitecourt to have a stable and adequate supply of wood waste fuel for at least the next two years. The facility currently has approximately 35 days of fuel inventory in the yard, which reflects the forestry sector's seasonal production cycle and is in line with historical levels for this time of year.

Biomass Power: Chapais

Performance highlights

($000s unless otherwise noted)	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Interest income on loans receivable	162	182	330	369
Electricity production (MWh)	55,082	48,919	115,303	110,151
Fuel consumption (GMT)	99,753	111,339	220,836	233,790
Capacity factor	90.1%	80.0%	94.8%	90.6%
Availability	89.2%	87.8%	93.2%	93.9%

Performance review

The Chapais facility's 2010 performance measures for electricity production, capacity, availability and fuel consumption improved over the same period in 2009. The Fund continues to receive regular interest income from the Tranche A portion of the outstanding debt. The fuel costs for the facility remain high and therefore the facility is only able to pay interest and principal on Tranche A of the outstanding debt. The Fund does not expect to earn income on its equity investment.

Social Infrastructure: Leisureworld

As at January 1, 2010, the Fund owned an indirect 45% interest in Leisureworld through the Fund's 45% interest in MLTCLP. On March 23, 2010, MLTCLP sold Leisureworld to LSCC, which used the proceeds of its IPO to acquire LSCLP. This resulted in a gain on sale of $7,027, of which the Fund is entitled to 45%, or $3,162. MLTCLP retained a 5% interest in LSCC, or 958,649 shares, of which 45%, or 431,392, are indirectly owned by the Fund. These shares along with cash are subject to holdback conditions that expire on March 31, 2011.

MLTCLP accounts for its reduced investment on a fair value basis instead of the equity method. Accordingly, income from the LSCC shares is restricted to changes in fair value and dividend distributions. During the second quarter, MLTCLP received $223 of dividend income and recorded an unrealized loss of $709 and selling costs of $219. The Fund's share of these amounts was a net loss of $317.

All amounts in Canadian $000s unless otherwise noted

SEASONALITY

The operating results of the Fund may fluctuate due to seasonal factors that affect quarterly production of the individual facilities. The factors contributing to these results include water flow, wind speed, scheduled major maintenance and seasonal electricity demands.

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

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

Production at Whitecourt is fairly consistent throughout the year with the exception of the second quarter, which is when the facility generally performs its annually scheduled maintenance. Whitecourt conducted its major maintenance in the second quarter of 2008 and was required to conduct additional unplanned maintenance work in the second quarter and part of the third quarter of 2009 to repair the turbine.

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

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

Project Name	Type	Electricity Purchaser	PPA Expiry	Net Installed Capacity (MW)	Q2 2010	Average long-term production (MWh)[1]			
						Q1	Q2	Q3	Q4
Cardinal	Gas	OEFC	2014	156	288,947	343,348	282,116	305,194	332,727
Erie Shores	Wind	OPA	2026	99 [2]	54,081	75,762	53,703	34,151	77,660
Whitecourt	Biomass	TransAlta	2014	25	49,526	49,654	44,814	49,599	49,562
Sechelt	Hydro	BC Hydro	2017	16	30,932	19,943	30,546	11,908	21,889
Wawatay	Hydro	OEFC	2042	14	7,280	4,915	18,345	10,565	15,194
Hluey Lakes	Hydro	BC Hydro	2020	3	1,290	2,175	1,346	1,181	2,046
Dryden[3]	Hydro	OEFC	2020	3	5,198	4,654	5,029	5,309	4,340
Chapais[4]	Biomass	Hydro Quebec	2015	28	55,082	60,185	51,948	57,799	50,861
Total				344	492,336	560,636	487,847	475,706	554,279

(1) Average long-term production is from January 2005 to June 2010, except for Erie Shores, which is from June 2007.
(2) One 1.5 MW turbine is owned by a landowner.
(3) The Dryden facility is composed of three facilities, built in 1922 (Wainwright), 1928 (Eagle) and 1938 (McKenzie). These facilities were refurbished in 1986.
(4) MPT's investment in the Chapais facility consists of a 31.3% interest in one of two classes of preferred shares, a 24.8% interest in Tranche A and B debt and a 50% interest in Tranche C debt.

In the second quarter of 2010, with the exception of Wawatay and Hluey Lakes, each facility outperformed its historical average long-term production for the period. Lower water flows at Wawatay were due to an earlier than usual snow melt, resulting in higher production during the first quarter, and low precipitation during the second quarter resulting in lower electricity production.

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

SUMMARY OF QUARTERLY RESULTS

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

($000s except for per trust unit amounts)	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	35,497	44,152	42,795	32,731	32,603	40,255	42,190	32,434
Net income (loss)	(6,016)	21,012	11,501	(587)	(1,752)	2,097	(36,560)	3,811
Cash flows from operating activities	9,179	13,553	9,504	5,972	9,255	13,309	9,836	8,549
Adjusted EBITDA	10,438	19,017	21,429	12,233	11,428	16,224	18,597	14,424
Distributable cash	5,454	14,715	16,142	8,305	10,225	14,955	14,705	9,839
Distributions declared to Unitholders	8,235	8,236	13,103	13,103	13,104	13,104	13,106	13,114
Basic net income (loss) per unit	(0.121)	0.421	0.230	(0.012)	(0.035)	0.042	(0.732)	0.076
Diluted net income (loss) per unit	(0.121)	0.381	0.230	(0.012)	(0.035)	0.042	(0.732)	0.076
Cash flows from operating activities per unit	0.184	0.272	0.190	0.120	0.185	0.267	0.197	0.171
Distributable cash per unit	0.109	0.295	0.323	0.166	0.205	0.300	0.294	0.197
Distributions declared per unit	0.165	0.165	0.262	0.262	0.262	0.262	0.262	0.262

RELATED PARTY TRANSACTIONS

Under the terms of various administration and management agreements between the Manager and each of the Fund, Macquarie Power & Infrastructure Income Trust (the "Trust"), Cardinal Power of Canada, L.P. ("Cardinal"), MPT LTC Holding LP ("LTC Holding LP"), CPOT and Helios LP, the Fund makes payments to the Manager for essential management and administrative services, cost reimbursement and incentive fees to operate the Fund and its assets. The following table summarizes amounts recorded for these services:

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Management fees	331	445	779	885
Administrative fees	27	27	55	54
Cost reimbursement	1,011	681	1,786	1,410
Incentive fees	(954)	(543)	-	490
	415	610	2,620	2,839

Management fees are charged by the Manager for directing the operations of each asset of the Fund. The decline in management fees during the second quarter of 2010 reflected the termination of the management agreement between the Manager and LTC Holding LP on March 30, 2010.

Cost reimbursement represents payments to the Manager in return for services such as administration, finance, regulatory, rent and information technology. Cost reimbursement during the second quarter was $330 or 48.5% higher than the comparable period of 2009 and increased $376 or 26.7% year to date. The increase in cost reimbursement during the second quarter of 2010 from a year ago reflected additional resources from the Manager allocated to initiatives of the Fund for projects and the evaluation of acquisition opportunities.

In addition to the second quarter 2010 cost reimbursement expense, $72 (Q2 2009 - $133) was capitalized as deferred charges and deferred financing fees for a year to date total of $155 (2009 - $155). Capitalized costs represent ongoing project expenses where it is more likely than not that the project will result in an acquisition.

Incentive fees to the Manager are determined as 25% of the Fund's distributable cash in excess of $0.95 on an annual basis. Based on performance to the end of June 30, 2010, distributable cash was $0.404, which was below the threshold to recognize fees for the first six months of the year. Lower distributable cash was attributable to the substantial reduction in distributions from Leisureworld since March 22, 2010 as well as seasonal factors in the performance of the assets.

In addition to the above costs paid to the Manager, from time to time the Fund incurs expenses for fees for services received from affiliates of Macquarie Group Limited. In January 2010, with respect to the Fund's over-allotment issue of additional 2016 Debentures, an underwriter fee of $37 was paid to a subsidiary of MGL that was a member of the underwriting syndicate. These costs were capitalized as deferred financing fees and netted against the equity and liability portion of the convertible debentures. In March 2010, as part of the Leisureworld IPO, a subsidiary of MGL earned underwriting and selling concession fees of $2,100, as part of the underwriting syndicate. These fees were paid by LSCC from the IPO proceeds. In June 2010, as part of the Amherstburg Solar Park acquisition, a subsidiary of MGL earned fees of $2,530 for the placement of financing arrangements and advisory services on the project. Deferred financing fees have been capitalized and will be amortized over the life of the debt facility.

The Fund also has two gas swap contracts, which hedge against fluctuations in the price of excess gas sold under Cardinal's gas mitigation clause, with a subsidiary of MGL. The gas swap contracts require Cardinal to make monthly payments to an affiliate of MGL for the seven-month period from April to October in 2010 and 2011, based on 62,402 MMBtu (436,814 MMBtu in each year) based on the then market rate of natural gas in exchange for receiving payments based on gas at a fixed price per MMBtu. These transactions were carried out under normal arm's length commercial terms.

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

RISKS AND UNCERTAINTIES

To effectively manage the Fund'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 the Fund's business, operating results and financial condition, which could negatively affect the Fund's ability to pay distributions to its unitholders.

The Fund 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 "Risks and Uncertainties" section of the Fund's Annual Report for the year ended December 31, 2009 and in the "Risk Factors" section of the Fund's Annual Information Form dated March 25, 2010, both of which are available on the SEDAR website at www.sedar.com. In addition, unitholders should be aware of the following risks and uncertainties related to the recently acquired Amherstburg Solar Park and to evolving federal and provincial climate change legislation, as noted below.

Development Risk

The Fund's ability to successfully execute the development of the Amherstburg Solar Park could be influenced by construction delays due to slow or delayed delivery of materials or component parts, contractor non-performance, weather conditions or labour shortages, disruptions or inexperience. While the Fund intends to mitigate these risks through a fixed-price EPC with SunPower, which is intended to transfer the risks inherent in engineering, procurement and construction of the facility to SunPower (and includes liquidated damages for MPT in the event of delays), any such delay could have an adverse impact on the Fund's business, operating results or financial condition.

Technology Risk

The performance of the Amherstburg Solar Park could be affected by a failure of the solar modules to perform as expected, or by premature wear or failure due to defects in design, material or workmanship. Under the terms of the EPC contract, SunPower will provide a two-year warranty for the Amherstburg Solar Park following the start of commercial operations. There are also manufacturers' warranties on specific components, including a 25-year warranty on the photovoltaic panels and 10 years on the inverters. In addition, for the first two years of commercial operations, SunPower will provide a weather-adjusted performance guarantee. Notwithstanding the foregoing, it is possible that the

Amherstburg Solar Park may not operate as planned and that design or manufacturing flaws may occur, which could conceivably not be covered by warranty or mechanical breakdown could occur in equipment after the period of warranty has expired, resulting in loss of production as well as the cost of repair. Such performance issues could have an adverse impact on the Fund's business, operating results or financial condition.

Operational Performance

MPT's revenue is proportional to the amount of electricity generated by its facilities. Upon the start of commercial operations, the performance of the Amherstburg Solar Park will rely on the availability and constancy of solar insolation, which could vary due to abnormal weather conditions.

Contract Performance

Upon the start of commercial operations, the ability of the Amherstburg Solar Park to generate distributable cash for distribution to unitholders depends on the ability of its customers and other parties to fulfill their contractual obligations, including the OPA and SunPower. If these parties are unable or fail to meet contractual commitments, the business, operating results or financial condition of the Fund could be negatively affected.

Default under Credit Agreements

A failure by the Amherstburg Solar Park to comply with its obligations under its credit agreement could result in a default, which, if not cured or waived, could result in the termination of distributions and permit acceleration of the relevant indebtedness. If this acceleration was to occur, there can be no assurance that the assets of the Amherstburg Solar Park would be sufficient to repay that indebtedness, or that sufficient cash flow will be generated to pay outstanding indebtedness or to fund other liquidity needs. There can be no assurance that the Fund or its subsidiaries will be able to refinance this credit agreement or obtain additional financing on commercially reasonable terms, if at all.

Regulatory Regime and Permits

Upon the start of commercial operations, the performance of the Amherstburg Solar Park will depend in part on a favourable regulatory climate. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance. The failure to obtain, maintain, or renew all necessary licences, permits or government approvals could adversely affect the facility's ability to operate. The failure to operate the Amherstburg Solar Park in strict compliance with applicable regulations and standards may expose owners or operators of the Amherstburg Solar Park to claims, costs or possible enforcement actions. Any new law or regulation could require significant additional expenditures to achieve or maintain compliance.

Land Tenure and Related Rights

The operations of the Amherstburg Solar Park depend on various land tenure rights. There can be no assurance that these rights will not be challenged, and, if challenged, whether such challenge will be successful. Furthermore, there can be no assurance that such rights will be able to be renegotiated or extended on commercially reasonable terms, if at all. At such time as any of these rights are successfully challenged or expire and cannot be renewed or renegotiated upon acceptable terms, the Amherstburg Solar Power facility will likely be unable to continue to operate. In these circumstances, there can be no assurance that the Fund or its subsidiaries will have or be able to obtain the necessary financial resources to pay for required restoration and remediation works.

Environmental, Health and Safety

The Amherstburg Solar Park is subject to a complex and increasingly stringent environmental, health and safety regulatory regime, which includes environmental, health and safety laws. As such, the construction and operation of the Amherstburg Solar Park carries an inherent risk of environmental, health and safety liabilities (including potential civil actions, compliance or remediation orders, fines and other penalties), which may result in the facility being involved from time to time in administrative and judicial proceedings related to such matters. Changes in such laws, or more aggressive enforcement of existing laws, could lead to material increases in unanticipated liabilities or expenditures for investigation, assessment, remediation or prevention, capital expenditures, restrictions or delays in the facility's activities. The construction and operation of the Amherstburg Solar Park is expected to involve little or no disruption to the land and will not add pollutants to the soil or ground water, thereby minimizing its environmental impact. The Fund intends to complete inspections of the facility to monitor and mitigate the above risks, and to ensure that it is in compliance with its regulatory requirements.

Climate Change and the Environment

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

June 30, 2010, the Fund complied, in all material respects, with current federal, provincial and local environmental legislation and guidelines.

The details of such legislation and guidelines and their impact on emitting entities have not yet been determined. Moreover, it is not yet clear how these regulatory initiatives would be coordinated between the federal and provincial governments. As a result, at this time the Fund cannot estimate the impact of these regulations on its operations. The Fund's exposure to evolving environmental regulatory requirements is mitigated by various clean technology initiatives and a growing portfolio of renewable power generation facilities.

A detailed description of the emerging environmental regulatory framework can be found in the Fund's annual report for the fiscal year ended December 31, 2009 in the section entitled "Climate change and the environment". Below is a summary of the applicable legislation as well as substantive changes since December 31, 2009.

Federal requirements

Federally, the Fund is subject to evolving legislation for greenhouse gas ("GHG") emissions and other air pollutants.

GHG emissions are subject to a broad regulatory framework entitled *Turning the Corner: Taking Action to Fight Climate Change,* which was issued March 10, 2008. This framework has not yet been finalized and will be harmonized with any federal climate change legislation passed in the United States ("U.S."). On January 30, 2010, the federal environment minister announced an updated GHG emissions reduction target of 17% from 2005 emission levels by 2020, from 20% previously in the *Turning the Corner* framework, to match the target in proposed U.S. climate change legislation. This target will be adjusted to reflect any changes to the final target established by the U.S.

The Canadian federal government is also developing a parallel framework for managing air pollutant emissions such as nitrous oxide ("NO_x"), sulphur oxides, volatile organic compounds and particulate matter. A draft proposal, known as the *Comprehensive Air Management System* ("CAMS"), was put forward in 2009 as an alternative to the *Turning the Corner* plan. The purpose of the CAMS proposal, which is currently under consultation, is to provide a national framework for regulating industrial emissions of air pollutants. The federal government is working with the provinces/territories, industry and non-governmental organizations to finalize the CAMS proposal and federal officials have indicated that the proposal could be finalized and approved by the summer of 2010. Specific caps on pollutants for each sector, including electricity generation, are being contemplated under the CAMS proposal but these would not likely come into effect before 2015. Until emission standards and compliance mechanisms for these air pollutants are announced, the Fund cannot estimate the impact of such standards and compliance mechanisms on its operations.

Provincial requirements

In Ontario, Alberta and British Columbia ("B.C."), the Fund is subject to certain provincial environmental requirements. The Fund complies, in all material respects, with all applicable provincial environmental legislation.

In Ontario, a cap-and-trade system with respect to NO_x emissions was introduced in 2004, under which regulated facilities receive a maximum annual emission compliance limit, which may be achieved by source emission control or reduction or by trading NO_x allowances. On July 18, 2008, Ontario along with Quebec joined the Western Climate Initiative ("WCI") which released draft design recommendations for a regional cap and trade program. Ontario is to implement a cap-and-trade system linked to the WCI system that is anticipated to begin trading on January 1, 2012. Ontario also issued a discussion paper in June 2009 entitled *Moving Forward: A Greenhouse Gas Cap-and-Trade System for Ontario*, suggesting that the most likely threshold for the electricity sector will be 25,000 tonnes of CO_2 per year, which is below the Cardinal facility's 500,000 tonnes of CO_2 currently produced per year. To facilitate the implementation of its cap-and-trade system, Ontario's legislature passed the *Environmental Protection Amendment Act (Greenhouse Gas Emissions Trading)* in December 2009, which allows Ontario's program to link to other systems in North America and abroad. On January 1, 2010, Ontario's Greenhouse Gas Emissions Reporting regulation came into effect requiring certain operations located in Ontario and emitting 25,000 tonnes or more of CO_2 to report GHG emissions to the Ontario Ministry of the Environment. The Cardinal facility is accordingly required to report its GHG emissions.

In Alberta, the *Specified Gas Emitters Regulation* sets GHG intensity limits that are equal to or greater than 50,000 tonnes of CO_2 per year.

In April 2008, B.C. introduced legislation to create a cap-and-trade system for GHG emissions that will enable the province to participate in the WCI's system. As part of B.C.'s plan to implement the WCI's cap-and-trade system, B.C. has issued a Reporting Regulation, which came into effect on January 1, 2010, that requires certain operations that are located in B.C. and emitting 10,000 tonnes or more of CO_2 per year to report GHG emissions to the B.C. Ministry of Environment. The Fund's facilities in B.C. do not have emissions that exceed the 10,000-tonne reporting threshold.

ACCOUNTING POLICIES AND INTERNAL CONTROLS

The unaudited interim consolidated financial statements have been prepared in accordance with GAAP as described in the 2009 Annual Management's Discussion and Analysis.

New Pronouncements

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the Canadian Institute of Chartered Accountants ("CICA") amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

Section 1582, Business Combinations

The CICA has issued accounting standard Section 1582, Business Combinations ("Section 1582") to replace the former Section 1581, Business Combinations. The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

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

The CICA has issued two accounting standards: Section 1601, Consolidated Financial Statements ("Section 1601"), and Section 1602, Non-controlling Interest ("Section 1602"), to replace the former Section 1600, Consolidated Financial Statements, and establish a new section for accounting for non-controlling interest in a subsidiary subsequent to a business combination. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

International Financial Reporting Standards

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

IFRS Project

The Fund commenced its IFRS conversion project in 2008. Management has allocated sufficient resources to the project. The Fund's conversion plan consists of diagnostic, design and implementation phases. As at June 30, 2010, management completed the diagnostic phase and the design phase. This is consistent with the detailed project plan timeline and all remaining milestones are expected to be met. The following illustrates key elements of the conversion plan and the Fund's progress to date and should be read in conjunction with disclosures made in the 2009 Annual Report:

Areas	Key Activity	Progress
Financial reporting	1) Assess differences between Canadian GAAP and IFRS relevant to the Fund	✔ Major differences between Canadian GAAP and IFRS relevant to the Fund have been identified and assessed
	2) Select key accounting policies and IFRS 1 elections	✔ Management has substantially completed the selection of IFRS policies and transition elections
	3) Quantify effects of conversion on the consolidated financial statements	✔ Quantitative impact of conversion on the Fund's consolidated financial statements based on existing IFRS standards is in progress
	4) Develop opening balance sheet and IFRS financial statements, including disclosures	✔ A first draft of the opening balance sheet and IFRS financial statements is currently being developed
Training and communication	1) Provide training of appropriate personnel 2) Communicate conversion plan and progress internally and externally	✔ The Fund established a formal project governance structure, which consists of a working group, led by finance management, as well as a steering committee consisting of senior management, finance, operations, legal and investor relations staff ✔ Progress reports are provided to senior management and the Audit Committee of the Fund's Board of Trustees on a regular basis ✔ The working group attends ongoing IFRS conversion and technical training sessions ✔ Initial training for the senior management team and other key stakeholders has been delivered ✔ MD&A disclosures on progress of the project have been provided in annual and interim financial statements
Systems and internal control processes	1) Assess impact of changes on accounting systems and internal control processes 2) Implement system and process changes 3) Document and test internal controls over new systems and processes	✔ Impact of the required changes on the existing accounting systems and internal controls has been assessed and determined not to be significant
Business impact	1) Assess impact of conversion on all areas of the business 2) Review contractual arrangements and impact on debt covenants	✔ New contracts are being drafted incorporating IFRS ✔ Existing contracts are being assessed for impact of conversion

At this time, management has determined that the differences with the highest potential impact on the Fund's consolidated financial statements include the treatment of puttable instruments, capital assets and major maintenance, accounting for embedded derivatives and the initial adoption of IFRS under the provision of IFRS 1, First-time Adoption of IFRS. It is anticipated that AcSB will continue to issue new accounting standards relevant to the Fund during the conversion period. As a result, management cannot quantify the impact of the conversion on the Fund's consolidated financial statements at this time. Management will continue to review projects of the International Accounting Standards Board and invest in training and resources throughout the transition period to facilitate a timely and meaningful conversion.

Internal Controls and Procedures

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

The CEO and CFO have concluded that the Fund's disclosure controls and procedures were effective as at June 30, 2010 to ensure that information required to be disclosed in reports that the Fund files or submits under Canadian securities legislation is recorded, processed, summarized and reported within applicable time periods.

Internal Controls over Financial Reporting

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

There were no changes made in the Fund's internal controls over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Fund's internal controls over financial reporting.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

($000s unless otherwise noted)		June 30, 2010	December 31, 2009
Current assets			
Cash and cash equivalents		65,764	53,121
Restricted cash	Note 3	10,501	5,490
Accounts receivable		12,637	16,128
Other assets	Note 4	2,198	6,846
Current portion of loans receivable		838	794
Current portion of derivative contract assets	Note 6	1,532	1,026
		93,470	83,405
Long-term assets			
Loans receivable		5,675	6,105
Long-term investments	Note 5	55,016	54,186
Capital assets		386,544	396,172
Derivative contract assets	Note 6	12,087	15,476
Future income tax asset	Note 7	11,057	10,387
Intangible assets		141,419	140,866
Total assets		705,268	706,597
Current liabilities			
Accounts payable and accrued liabilities	Note 8	16,917	22,979
Loan payable	Note 5	49,200	-
Current portion of capital lease obligations		116	119
Current portion of derivative contract liabilities	Note 6	1,869	1,310
Current portion of long-term debt	Note 9	43,208	42,035
		111,310	66,443
Long-term liabilities			
Liability for asset retirement		3,075	3,171
Electricity supply and gas purchase contracts		7,345	8,154
Derivative contract liabilities	Note 6	12,262	6,143
Future income tax liability	Note 7	60,100	76,234
Capital lease obligations		189	248
Long-term debt	Note 9	218,933	253,189
Total liabilities		413,214	413,582
Unitholders' equity	Note 10	292,054	293,015
Total liabilities and unitholders' equity		705,268	706,597

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

(Unaudited, $000s unless otherwise noted)		Three months ended		Six months ended	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Unitholders' capital					
Opening balance		466,659	466,694	466,662	466,697
Trust units redeemed	Note 10	(20)	(32)	(23)	(35)
Ending balance		466,639	466,662	466,639	466,662
Class B exchangeable units		35,500	35,500	35,500	35,500
Equity portion of convertible debentures	Note 9	5,463	-	5,463	-
Accumulated other comprehensive income (loss)					
Opening balance		-	(245)	190	(292)
Equity share of other comprehensive income (loss) of Leisureworld	Note 5	-	137	(190)	184
Ending balance		-	(108)	-	(108)
Cumulative earnings (deficit)					
Opening balance		20,855	(9,319)	(157)	(11,416)
Net income for the period		(6,016)	(1,752)	14,996	345
Ending balance		14,839	(11,071)	14,839	(11,071)
Total accumulated comprehensive income (loss)		14,839	(11,179)	14,839	(11,179)
Cumulative distributions					
Opening balance		(222,152)	(174,606)	(213,916)	(161,502)
Distributions declared to unitholders for the period		(8,235)	(13,104)	(16,471)	(26,208)
Ending balance		(230,387)	(187,710)	(230,387)	(187,710)
Total unitholders' equity		292,054	303,273	292,054	303,273

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited, $000s except for trust units and per trust unit amounts)		Three months ended		Six months ended	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Revenue		35,497	32,603	79,649	72,858
Costs and expenses					
Operating expenses		23,227	23,074	47,462	47,136
Administrative expenses		2,041	937	5,245	3,824
Depreciation on capital assets		5,290	5,302	10,468	10,539
Amortization on intangible assets		1,944	1,959	3,882	3,897
		32,502	31,272	67,057	65,396
		2,995	1,331	12,592	7,462
Other income and expenses					
Interest income		209	249	382	578
Interest expense		(4,734)	(3,928)	(9,418)	(7,524)
Equity accounted income (loss) from long-term investments	Note 5	(317)	375	3,151	(151)
Unrealized gain (loss) on swap contracts		(4,489)	1,575	(2,757)	3,398
Unrealized gain (loss) on embedded derivative instruments		(1,027)	(2,581)	(6,804)	(1,571)
Foreign exchange gain (loss)		(10)	18	(4)	11
Loss on debt extinguishment		-	(351)	-	(351)
Income before income taxes		(7,373)	(3,312)	(2,858)	1,852
Income tax recovery (expense)					
Current		(8)	(25)	(8)	(25)
Future		1,365	1,585	17,862	(1,482)
Total income tax recovery (expense)	Note 7	1,357	1,560	17,854	(1,507)
Net (loss) income		(6,016)	(1,752)	14,996	345
Basic and diluted net (loss) income per unit		(0.121)	(0.035)	0.300	0.007
Basic & diluted weighted average number of trust units and Class B exchangeable units outstanding (“unit”)		49,912	49,919	49,914	49,920

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited, $000s unless otherwise noted)		Three months ended		Six months ended	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net income (loss)		(6,016)	(1,752)	14,996	345
Equity share of other comprehensive income (loss) of Leisureworld	Note 5	-	137	(190)	184
Total comprehensive (loss) income		(6,016)	(1,615)	14,806	529

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, $000s unless otherwise noted)		Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Cash flows from operating activities:					
Net (loss) income		(6,016)	(1,752)	14,996	345
Add back:					
Depreciation and amortization		7,234	7,261	14,350	14,436
Unrealized loss (gain) on swap contracts		4,489	(1,575)	2,757	(3,398)
Unrealized loss (gain) on embedded derivative instruments		1,027	2,581	6,804	1,571
Equity accounted (income) loss from long-term investments	Note 5	317	(375)	(3,151)	151
Future income tax expense (recovery)	Note 7	(1,365)	(1,585)	(17,862)	1,482
Unpaid interest on levelization amounts		384	359	709	733
Loss on debt extinguishment		-	351	-	351
Amortization of deferred financing costs		530	141	991	208
Accretion of asset retirement obligations		44	25	88	50
Non-cash changes in working capital					
Decrease (increase) in accounts receivable		3,112	3,916	3,491	7,643
Decrease (Increase) in other assets		2,345	(773)	3,034	(1,097)
Increase (decrease) in accounts payable and accrued liabilities		(2,922)	681	(3,475)	89
Total cash flows from operating activities		9,179	9,255	22,732	22,564
Cash flows from investing activities:					
Proceeds from sale of short-term investments		-	5,131	-	5,087
Investment in Leisureworld	Note 5	-	-	-	(6,750)
Transaction costs paid	Note 13	(2,246)	-	(2,246)	(46)
Receipt of loans receivable		196	175	386	346
Distributions received from long-term investments	Note 5	-	2,587	2,131	5,175
Investment in capital assets		(601)	(924)	(1,021)	(1,135)
Total cash flows from investing activities		(2,651)	6,969	(750)	2,677
Cash flows from financing activities:					
Repayment of long-term debt		(773)	(25,730)	(1,536)	(26,450)
Proceeds from issuance (repayment) of convertible debentures	Note 9	-	-	(31,418)	-
Proceeds from loan payable	Note 5	-	-	49,200	-
Financing fees paid on debt issuance		(1,375)	(3,450)	(1,710)	(3,450)
Redemption of units	Note 10	(20)	(32)	(23)	(35)
Repayment of capital lease obligations		(28)	(46)	(62)	(92)
Proceeds from levelization amounts		310	(58)	608	399
Increase in restricted cash		(4,001)	2,304	(6,304)	-
Distributions paid to unitholders		(8,235)	(13,104)	(18,094)	(26,208)
Total cash flows from financing activities		(14,122)	(40,116)	(9,339)	(55,836)
(Decrease) increase in cash and cash equivalents		(7,594)	(23,892)	12,643	(30,595)
Cash and cash equivalents, beginning of period		73,358	40,114	53,121	46,817
Cash and cash equivalents, end of period (1)		65,764	16,222	65,764	16,222
Supplemental information:					
Interest paid		4,631	2,679	7,442	5,234
Taxes paid		8	25	8	25

(1) At June 30, 2010, cash and cash equivalents consisted of cash of $59,263 (Q2 2009 - $16,222) and cash equivalents of $6,501 (Q2 2009 - $nil).
See accompanying notes to the consolidated financial statements.

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 a 100% interest in Cardinal Power of Canada, L.P. ("Cardinal").

On October 18, 2005, the Fund acquired an indirect 45% interest in Macquarie Long Term Care LP ("MLTCLP"), which was the sole owner of Leisureworld Senior Care LP ("LSCLP" or "Leisureworld"), a long-term care ("LTC") provider in Ontario. On June 27, 2007, the Fund acquired a 100% interest in Clean Power Income Fund ("CPIF"), an open-ended investment trust that had indirect investments in power infrastructure assets employing technologies in wind, hydro and biomass. The Fund indirectly owns the CPIF investments through a 100% interest in Clean Power Operating Trust ("CPOT"), which includes an indirect 31.3% interest in one of the two classes of preferred shares of Chapais Électrique Limitée ("Chapais") and a subordinated debt interest in Chapais Énergie, Société en Commandite ("CHESEC"), a subsidiary of Chapais.

On March 23, 2010, MLTCLP divested of its equity interest in Leisureworld through an initial public offering ("IPO") of Leisureworld Senior Care Corporation ("LSCC"). Operating results of Leisureworld have been consolidated with MLTCLP up to March 22, 2010. The Fund accounts for its investment in MLTCLP using the equity method. On June 23, 2010, the Fund acquired a 100% interest in Helios Solar Star A-1 Ltd. ("Helios GP") and Helios Solar Star A-1 L.P. ("Helios LP") (collectively, "Helios"), which entered into agreements for the acquisition and construction of the Amherstburg Solar Park (the "Amherstburg Solar Park") facility located in southern Ontario.

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

Seasonality

The seasonality of wind speed and density, water flows, major maintenance cycle and pricing provisions within the power purchase agreements ("PPA") with the Ontario Electricity Financial Corporation ("OEFC") may result in fluctuations in revenue and net income during the year. The Fund maintains reserve accounts and free cash in order to offset the impact of seasonality and other factors, such as unplanned outages, that can affect electricity production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, 2009. Under GAAP, additional disclosures are required in annual financial statements; therefore, these unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. 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 and for the quarter ended June 30, 2010 have been included.

New Pronouncements

Section 3855, Financial Instruments – Recognition and Measurement

On April 29, 2009, the CICA amended this section to add more guidance on the application of the effective interest method to previously impaired financial assets and embedded prepayment options. The amendments are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. As described below, the Fund will adopt International Financial Reporting Standards ("IFRS") on January 1, 2011 and therefore this standard will not impact the Fund.

All amounts in Canadian $000s unless otherwise noted

Section 1582, Business Combinations

The CICA has issued accounting standard Section 1582, Business Combinations ("Section 1582"), to replace the former Section 1581, Business Combinations. The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements. Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period commencing on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

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

The CICA has issued two accounting standards: Section 1601, Consolidated Financial Statements ("Section 1601"), and Section 1602, Non-controlling Interest ("Section 1602"), to replace the former Section 1600, Consolidated Financial Statements, and establish a new section for accounting for non-controlling interest in a subsidiary subsequent to a business combination. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. As described below, the Fund will adopt IFRS on January 1, 2011 and therefore this standard will not impact the Fund.

3. RESTRICTED CASH

	June 30, 2010	December 31, 2009
Debt service reserve account	4,607	2,304
Cash in escrow related to GRS	1,894	3,186
Cash backed letter of credit	4,000	-
	10,501	5,490

The debt service reserve account represents segregated cash under the terms of the project debt agreement for Erie Shores Wind Farm LP ("Erie Shores"). Under the agreement, Erie Shores is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as operating income to debt service. As at June 30, 2010, the debt service coverage ratio was at a level requiring principal and interest payments for the next six months to be held in the debt service reserve account. As at June 30, 2010, the Fund was in compliance with all financial and non-financial covenants on its credit facility (see Note 9).

Cash in escrow represents the remaining net proceeds that were deposited into an escrow account for the legacy issues for GRS operations following CPIF's sale of its investment in GRS in 2006. The amount in escrow represents the Fund's maximum exposure to the legacy issues. The Fund has recorded a liability for the same amount which is included under other liabilities in Note 8.

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

4. OTHER ASSETS

	June 30, 2010	December 31, 2009
Inventory	297	246
Prepaid expenses	1,589	3,525
Deferred charges	312	3,075
	2,198	6,846

All amounts in Canadian $000s unless otherwise noted

5. LONG-TERM INVESTMENTS

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
MLTCLP				
Opening balance	55,333	59,145	54,186	55,416
Equity accounted income	(317)	375	3,151	(151)
Equity share of other comprehensive gain (loss)	-	137	(190)	184
Investment in Leisureworld	-	-	-	6,750
Transaction costs paid	-	-	-	46
Distributions received	-	(2,587)	(2,131)	(5,175)
Ending balance	55,016	57,070	55,016	57,070
Chapais[1]				
Opening balance	-	-	-	-
Equity accounted income	-	-	-	-
Ending balance	-	-	-	-
Total long-term investment	55,016	57,070	55,016	57,070
Loan payable	(49,200)	-	(49,200)	-
Net investment	5,816	57,070	5,816	57,070

(1) The Fund does not record any income on its equity interest in Chapais as the investment has been fully impaired and management does not expect to recover any income from the investment.

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

On April 23, 2010, 958,649 of common shares were issued by LSCC to MLTCLP to repay the promissory note. Through its 45% interest in MLTCLP, the Fund indirectly owns 431,392 of these common shares or approximately 2.2% of the outstanding common shares of LSCC as at June 30, 2010. These shares are subject to holdback arrangements under the acquisition agreement between MLTCLP and LSCC. The arrangements require MLTCLP to retain 10% of net proceeds as a holdback amount, covering MLTCLP's indemnification obligations under the agreement, until March 31, 2011.

The Fund's remaining net investment of $5,816 primarily represents the Fund's share of the holdback plus previously capitalized costs from the investment. Other than the holdback amount described above, there are no other significant assets and liabilities attributable to the Fund's investment in MLTCLP and its economic interest in MLTCLP has not been reduced as a result of the transaction.

The Fund's pro rata share of equity accounted income of MLTCLP for the six months ended June 30, 2010 includes net income of Leisureworld for the quarter period up to and including March 22, 2010 as well as a gain on sale from the disposition of Leisureworld, combined with other expenses at the MLTCLP level.

All amounts in Canadian $000s unless otherwise noted

The following is a breakdown of the net income of MLTCLP for the quarter and six months ended June 30, 2010:

	Three months ended June 30, 2010	Six months ended June 30, 2010
Net income of Leisureworld from January 1 to March 22, 2010	-	346
Dividend income received from LSCC	223	223
Total income	223	569
Net proceeds from IPO	-	112,840
Shares issued by LSCC	-	9,586
Total proceeds from the sale of Leisureworld	-	122,426
Book value of Leisureworld as at March 22, 2010	-	115,399
Gain on sale of investment	-	7,027
Unrealized loss on fair value movement of LSCC shares	(709)	(853)
Selling costs	(219)	(425)
Derecognition of cumulative Other Comprehensive Income	-	684
	(928)	(594)
Total net income (loss) of MLTCLP	(705)	7,002
The Fund's pro rata share of equity accounted income (loss)	(317)	3,151

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund uses gas and interest rate swap contracts to hedge the risk of gas price and interest rate volatility. The Fund has also separately valued embedded derivatives within the gas purchase contracts it has at the Cardinal facility. The Fund reports derivative contracts and embedded derivatives at their fair value on the statement of financial position and reports the change in fair value in the consolidated statement of operations.

(A) Derivative Contract Assets

	June 30, 2010	December 31, 2009
Gas swap contracts	2,357	2,131
Interest rate swap contracts	1,771	278
Embedded derivatives	9,491	14,093
	13,619	16,502
Current portion of derivative contracts		
Gas swap contracts	(1,532)	(1,026)
	(1,532)	(1,026)
Long-term portion of derivative contracts	12,087	15,476

All amounts in Canadian $000s unless otherwise noted

(B) Derivative Contract Liabilities

	June 30, 2010	December 31, 2009
Interest rate swap contracts	7,070	2,594
Embedded derivatives	7,061	4,859
	14,131	7,453
Current portion of derivative contracts		
Interest rate swap contracts	(1,869)	(1,310)
Embedded derivatives	-	-
	(1,869)	(1,310)
Long-term portion of derivative contracts	12,262	6,143

(C) Interest Rate Swap Contracts

As at June 30, 2010, the Fund had various interest rate swap contracts to mitigate interest rate risk on a notional amount of $85,000 on the CPOT-Cardinal credit facility. Under each contract, the Fund will pay a fixed rate in return for a floating rate equal to the then current three-month bankers' acceptances ("BA") rate. The Fund also had outstanding an interest rate swap for the debt on the Amherstburg Solar Park project. The terms of the swap contracts are as follows:

Maturity Dates	Notional Amount	Swap Fixed Rate
CPOT-Cardinal credit facility swaps		
June 29, 2012	40,000	2.14%
June 29, 2012	18,000	3.13%
June 29, 2012	11,700	3.12%
June 29, 2012	10,000	2.28%
June 29, 2012	5,300	3.13%
CPOT-Erie Shores project debt swap		
December 1, 2016 (1)	20,000	5.63%
Amherstburg Solar Park debt swap		
June 23, 2015 (2)	-	4.19%

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

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

(D) Gas Swap Contracts

As at June 30, 2010, the Fund had outstanding gas swap contracts to mitigate exposure to natural gas price fluctuations with respect to sales of excess natural gas in the years 2010 and 2011 for the seven-month period from April to October. These contracts require the Fund to make monthly payments at the market rate for natural gas based on a notional amount of gas in exchange for receiving payments at a fixed price per MMBtu. The terms of the gas swap contracts are as follows:

Swap Term	Notional Amount	Swap Fixed Price
April 1, 2010 - October 1, 2010	62,402 MMBtu	$ 8.68
April 1, 2011 - October 1, 2011	62,402 MMBtu	$ 9.35

7. FUTURE INCOME TAXES

On June 22, 2007, the government's tax proposals pertaining to taxation of distributions paid by income trusts and changes to the personal tax treatment of trust distributions were passed into law. Starting in 2011, the taxable portion of distributions will be subject to income tax by the Fund while taxable Canadian Unitholders will receive the favourable tax treatment on distributions currently applicable to qualifying dividends. For the quarter ended June 30, 2010, the Fund recognized a future income tax recovery of $1,365 (Q2 2009 - $1,585) and $17,862 for the six months ended June 30, 2010 (six months ended June 30, 2009 - $1,482 expense). For the three months ended June 30, 2010, the future tax recovery primarily reflected the fair value adjustments in derivatives and interest rate swaps. For the six months ended

All amounts in Canadian $000s unless otherwise noted

June 30, 2010, the future income tax recovery also reflected the derecognition of future income tax assets and liabilities relating to Leisureworld following the sale of the investment on March 23, 2010.

(A) Future Income Tax Assets

The tax effect of temporary differences is as follows:

	June 30, 2010	December 31, 2009
Capital loss carry-forwards	14,127	13,958
Loan premium and deferred financing costs	691	685
Non-capital loss carry-forwards	7,687	8,318
Debt retirement	2,540	2,540
Levelization amounts	4,047	4,047
Deferred gains	-	174
Asset retirement obligations	769	793
Capital assets	810	833
Intangible assets	941	1,054
Financial instruments	1,259	261
Total	32,871	32,663
Less: Valuation allowance (1)	(21,814)	(22,276)
Future income tax asset	11,057	10,387

(1) 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.

(B) Future Income Tax Liabilities

The tax effect of temporary differences is as follows:

	June 30, 2010	December 31, 2009
Capital assets	25,814	40,227
Intangible assets	33,534	34,242
Equity investment in Chapais	253	163
Loan premium and deferred financing costs	181	183
Financial instruments	318	1,419
Future income tax liability	60,100	76,234

(C) Tax Loss Carryforwards

As at June 30, 2010, entities of the Fund had accumulated capital and non-capital losses available to reduce taxable income in the future as follows:

	Expiry	June 30, 2010	December 31, 2009
Canadian capital losses	No expiry	113,018	110,637
Canadian non-capital losses	2025 – 2029	5,301	25,823
U.S. non-capital losses	2023 – 2027	18,711	20,692

All amounts in Canadian $000s unless otherwise noted

(D) Provision for Income Taxes

The provision for income taxes on the Consolidated Statement of Operations reflects an effective tax rate that differs from the statutory rate for the following reasons:

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Income before income taxes	(7,373)	(3,312)	(2,858)	1,852
Income tax payable at 46.41%	3,422	1,537	1,326	860
Income tax related to Leisureworld divestment	-	-	(10,722)	-
Income attributable to unitholders	(3,422)	(1,537)	(1,326)	(860)
Impact of tax post-2010	(1,321)	(1,489)	(7,161)	(983)
Impact of tax rate movements	-	-	-	2,463
Other	(44)	(96)	21	2
Total income tax (recovery) expense	(1,365)	(1,585)	(17,862)	1,482

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	June 30, 2010	December 31, 2009
Accounts payable and accrued liabilities	12,278	15,425
Distributions payable	2,745	4,368
Accrued liability related to GRS	1,894	3,186
	16,917	22,979

9. LONG-TERM DEBT

(A) Components of Long-term Debt

	June 30, 2010	December 31, 2009
CPOT-Cardinal credit facility	85,000	85,000
Erie Shores project debt	108,644	110,180
Convertible debentures	51,749	83,928
Levelization amounts	22,483	21,166
	267,876	300,274
Less: Deferred debt issuance costs	(5,735)	(5,050)
	262,141	295,224
Current portion of long-term debt		
Erie Shores project debt	43,208	3,117
Convertible debentures	-	38,918
	43,208	42,035
Long-term debt	218,933	253,189

All amounts in Canadian $000s unless otherwise noted

(B) CPOT-Cardinal Credit Facility

The CPOT-Cardinal credit facility is comprised of a term facility and revolving facility as follows:

	June 30, 2010	December 31, 2009
Total available credit		
Term facility	141,875	141,875
Revolving facility	40,625	40,625
	182,500	182,500
Less: amounts drawn		
Term facility	85,000	85,000
Revolving facility	-	-
	85,000	85,000
Less: letters of credit		
Term facility	-	-
Revolving facility	40,625	2,533
	40,625	2,533
Less: Guarantee	10,000	10,000
Remaining credit	46,875	84,967

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

Advances under the credit facility are made in the form of a series of BAs and prime rate loans. Interest paid on BAs is based on the then current BA rate plus an applicable margin ("stamping fee") based on the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization and unrealized gains and losses ("EBITDA"). The weighted average contractual rate of interest at June 30, 2010 was 3.33% and the maturity date of the facility is June 29, 2012. The Collateral for the facility is provided by first ranking security interest covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". The restricted group is subject to certain financial and non-financial covenants including limits on the interest coverage ratio and the ratio of consolidated total debt to consolidated EBITDA.

(C) Erie Shores Project Debt

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

	Interest Rate	Maturity	June 30,2010	December 31, 2009
Tranche A	5.96%	April 1, 2026	63,456	64,629
Tranche B	5.28%	April 1, 2016	5,188	5,551
Tranche C	5.05%	April 1, 2011	40,000	40,000
			108,644	110,180

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

(D) Amherstburg Solar Park Project Debt

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

All amounts in Canadian $000s unless otherwise noted

As at June 30, 2010, Helios LP had not made any draws under the credit agreement.

(E) Convertible Debentures

As at June 30, 2010, the Fund had $57,500 of unsecured subordinated convertible debentures that are due on December 31, 2016 ("2016 Debentures"). Total transaction costs incurred in connection with the issuance were $2,880. The 2016 Debentures bear an interest rate of 6.50% per annum payable semi-annually in arrears on June 30 and December 31 of each year commencing on June 30, 2010. They are convertible into trust units of the Fund at the option of the holder at a conversion price of $7.00 per trust unit. Gross proceeds from the offering were used to redeem the Fund's existing 6.75% convertible debentures ("2010 Debentures") on January 11, 2010 in the principal amount of $38,918 plus accrued interest. Interest expense on the Fund's 2016 Debentures was $1,171 for the quarter ended June 30, 2010 and for the six months ended June 30, 2010 was $2,375 (Q2 2009 - $666; six months ended June 2009 - $1,314)

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

	June 30, 2010	December 31, 2009
2010 debentures – liability component	-	38,918
2016 debentures – liability component	51,749	45,010
	51,749	83,928
Deferred financing costs	(2,137)	(2,273)
	49,612	81,655
2016 debentures – equity component (1)	5,463	4,736
Total carrying value	55,075	86,391

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

(F) Levelization Amounts

The levelization liability relates to payments received from the OEFC in excess of the revenue recorded using the base rates as set out under the PPA for the Wawatay hydro power facility. In accordance with the PPA, the OEFC is required to make monthly guaranteed payments as well as variable payments based on actual electricity production. To the extent that these payments exceed the revenue recorded in a given month, the Fund records an increase in the levelization amounts. To the extent that these payments were less than the revenue recorded, the Fund records a reduction in the levelization amounts. The interest rate on the levelization liability as at June 30, 2010 was 7.17% (June 30, 2009 – 7.17%)

(G) Long-term Debt Covenants

As at June 30, 2010, the Fund and its subsidiaries were in compliance with all financial and non-financial long-term debt covenants.

Collateral for the CPOT Cardinal credit facility is provided by a first ranking hypothec covering the assets of CPOT, Cardinal and certain direct subsidiaries, collectively the "restricted group". As at June 30, 2010, the carrying value of the assets of the restricted group exceeded total amounts drawn on the facility.

The Erie Shores project debt is secured only by the assets of Erie Shores, with no recourse to the Fund's other assets. As at June 30, 2010, the carrying value of the assets of Erie Shores exceeded the total amount of project debt outstanding. Under the agreement, Erie Shores is subject to certain financial and non-financial covenants including a debt service coverage ratio defined as operating income to debt service. As at June 30, 2010, the debt service coverage ratio was at a level that would require funding of an amount equal to the next six months' principal and interest payments in the debt service reserve account, which will be $4,607. The Fund has recorded this amount as restricted cash on the consolidated statement of financial position as at June 30, 2010.

All amounts in Canadian $000s unless otherwise noted

10. UNITHOLDERS' EQUITY

(A) Trust Units

An unlimited number of units may be issued by the Fund pursuant to its trust indenture. Each unit is transferable and represents a Unitholder's proportionate undivided beneficial ownership interest in any distributions from the Fund including distributions of net income, net realized capital gains or other amounts. Each unit also entitles the Unitholder to a share in the net assets of the Fund in the event of termination or wind-up. All units have equal rights and privileges. The units are not subject to future calls or assessments and entitle the Unitholder to one vote for each unit held at all meetings of Unitholders. Units do not have conversion, retraction or pre-emptive rights, and are redeemable at any time on demand by Unitholders at an amount equal to the lesser of:

(i) 90% of the daily weighted average price per unit during the 10 business days prior to and including the redemption date; and
(ii) 100% of the closing price of the units on the redemption date.

The total amount payable in cash by the Fund in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed $50 (provided that such limitation may be waived at the discretion of the Trustees of the Fund).

During the second quarter and for the first six months of 2009 and 2010, the number of units outstanding changed as follows:

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Opening balance	46,664,979	46,671,394	46,665,537	46,672,194
Trust units redeemed	(3,000)	(5,857)	(3,558)	(6,657)
Ending balance	46,661,979	46,665,537	46,661,979	46,665,537

(B) Class B Exchangeable Units Issued

LTC Holding LP had 3,249,390 Class B exchangeable units outstanding as at June 30, 2010 (December 31, 2009 - 3,249,390 units). Each unit is exchangeable into one unit of the Fund. The Class B exchangeable units are eligible to receive distributions under the same terms and conditions as units of the Fund.

The holders of the Class B exchangeable units are not permitted to acquire any additional units of the Fund (other than pursuant to the exchange of the Class B exchangeable units or pursuant to a distribution reinvestment plan) without the consent of the Fund until October 18, 2015. Each Class B exchangeable unit will convert into units of the Fund on October 18, 2015 unless converted earlier at the option of the Class B Unitholders. The Class B exchangeable Unitholders are not permitted to sell more than 5% of their aggregate outstanding trust units in any four-month period and are not eligible to vote with any units they receive on exchange of their Class B exchangeable units until they, together, hold 1% or less of the aggregate outstanding units.

(C) Capital Management

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

	June 30, 2010	December 31, 2009
Long-term debt	262,141	295,224
Unitholders equity	292,054	293,015
Total capitalization	554,195	588,239

The Fund manages its capital to achieve the following objectives:

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

All amounts in Canadian $000s unless otherwise noted

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 doing so, 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. Effective January 2010, distributions to Unitholders decreased from $1.05 per unit on an annualized basis to $0.66 per unit. This decrease will provide the Fund with more flexibility over time and better position the Fund to pursue future growth opportunities.

The Fund is not subject to any external capital requirements and is in compliance with all of its long-term debt covenants as described in Note 9.

11. SEGMENTED INFORMATION

The Fund's presentation of reportable segments is based on how management has organized the business for operating and capital allocation decisions and assessing performance. Each reportable segment has similar economic characteristics based on the nature of the products or services, type of customers, method of distributing their products or services and regulatory environment. The performance of these segments is evaluated by the Manager primarily on revenue, net income and operating cash flows.

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

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

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

Following the divestment of Leisureworld on March 23, 2010, the Fund currently has only one operating segment.

	Three months ended June 30, 2010				Three months ended June 30, 2009			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	35,497	-	-	35,497	32,603	-	-	32,603
Interest expense	3,563	-	1,171	4,734	3,263	-	665	3,928
Depreciation of capital assets	5,285	-	5	5,290	5,297	-	5	5,302
Amortization of intangibles	1,944	-	-	1,944	1,959	-	-	1,959
Income tax recovery (expense)	-	-	1,357	1,357	149	-	1,411	1,560
Net income (loss)	(5,936)	(356)	276	(6,016)	(2,460)	185	523	(1,752)
Total assets	592,511	59,018	53,739	705,268	626,441	57,072	473	683,986
Additions to capital assets	601	-	-	601	924	-	-	924

	Six months ended June 30, 2010				Six months ended June 30, 2009			
	Power	Social	Fund	Total	Power	Social	Fund	Total
Revenue	79,649	-	-	79,649	72,858	-	-	72,858
Interest expense	7,043	-	2,375	9,418	6,211	-	1,313	7,524
Depreciation of capital assets	10,458	-	10	10,468	10,529	-	10	10,539
Amortization of intangibles	3,882	-	-	3,882	3,897	-	-	3,897
Income tax recovery (expense)	118	-	17,736	17,854	206	-	(1,713)	(1,507)
Net income (loss)	(1,090)	2,883	13,203	14,996	5,995	(521)	(5,129)	345
Total assets	592,511	59,018	53,739	705,268	626,441	57,072	473	683,986
Additions to capital assets	1,021	-	-	1,021	1,135	-	-	1,135

12. RELATED PARTY TRANSACTIONS

MPML provides management services to Cardinal, LTC Holding LP, CPOT and Helios LP under management agreements that expire on April 30, 2024. MPML also provides the Fund and the Trust with certain administrative and support services under administrative agreements. Annual management and administrative fees charged are adjusted annually by the consumer price index. MPML also receives reimbursement for reasonable costs and expenses incurred in carrying out such services as approved by the independent Trustees.

All amounts in Canadian $000s unless otherwise noted

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

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

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Management fees	331	445	779	885
Administrative fees	27	27	55	54
Cost reimbursement (1)	1,011	681	1,786	1,410
Incentive fees	(954)	(543)	-	490
	415	610	2,620	2,839

(1) $70 (Q2 2009 - $133) of cost reimbursement for the quarter ended June 30, 2010 for a total of $153 for the six months ended June 30, 2010 (six months ended June 30, 2009 - $155) has been capitalized as deferred charges and deferred financing fees.

As at June 30, 2010, $1,159 (December 31, 2009 – $1,573) due to MPML was included in accounts payable and accrued liabilities on the consolidated statement of financial position.

With respect to the exercise of the over-allotment option on the convertible debentures in January 2010, an underwriter fee of $37 was paid to a subsidiary of MGL, as a member of the syndicate. These costs are included in deferred financing fees that have been netted against the equity and liability portion of the convertible debentures in the consolidated statement of financial position as at June 30, 2010.

As part of the Leisureworld IPO, subsidiaries of MGL earned underwriting and selling concession fees of $2,100, as a member of the underwriting syndicate. These fees were paid by LSCC from the IPO proceeds. As part of the Helios acquisition, a subsidiary of MGL earned advisory and debt arranging fees of $2,530.

The Fund has gas swap agreements with an affiliate of MGL to hedge against fluctuations in the price of excess gas sold under the gas mitigation clause of Cardinal’s gas purchase contract for the seven-month period from April to October for each of the years from 2010 to 2011. The gas swap contracts require Cardinal to make payments to an affiliate of MGL based on 436,814 MMBtu of gas at the then market rate of natural gas in exchange for receiving payments based on 436,814 MMBtu of gas at a fixed price per MMBtu.

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

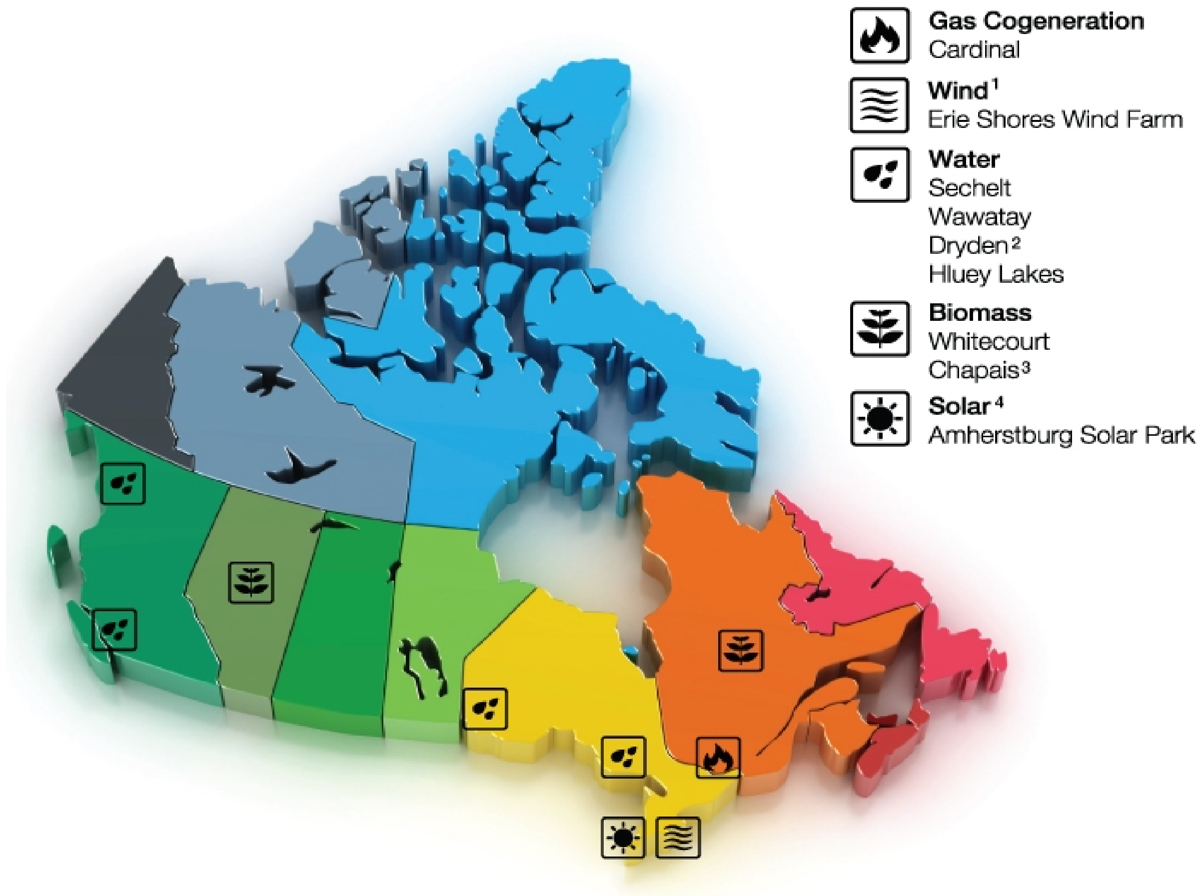
13. ACQUISITION

On June 23, 2010, the Fund, through a wholly-owned subsidiary, acquired two companies, Helios LP and Helios GP, together, Helios, for total consideration of $4,190 composed of nominal cash consideration paid to SunPower and transaction costs of $4,190.

On closing, the Fund, through Helios LP, entered into a fixed price engineering procurement and construction agreement with Sun Power for the design and build of a 20 megawatt (“MW”) solar photovoltaic power facility in Amherstburg, Ontario (“Amherstburg Solar Park”). The $130 million approximate project cost will primarily be funded by a syndicate of lenders with approximately $26.1 million of equity to be contributed by the Fund before the start of commercial operations which is estimated to be in June 2011. Once completed, SunPower will operate the project under a 20-year operations and maintenance contract. Energy generated by the facility will be sold under the Province of Ontario Renewable Energy Standard Offer Program (“RESOP”) to the Ontario Power Authority (“OPA”) at a guaranteed price of $420 per MWh for the next 20 years. Helios LP is the owner of the RESOP contracts with the OPA and the land leases where the project is to be developed. For the first two years of commercial operations, SunPower will financially support the performance of the facility at the expected production.

The acquisition was accounted for using the purchase method in accordance with Emerging Issues Committee Abstract 124 and the results of operations are included from the date of the acquisition. The preliminary allocation to the net assets of Helios on the basis of fair values was to intangible assets and development costs for $5,248, including the associated future income tax effect of $1,058.

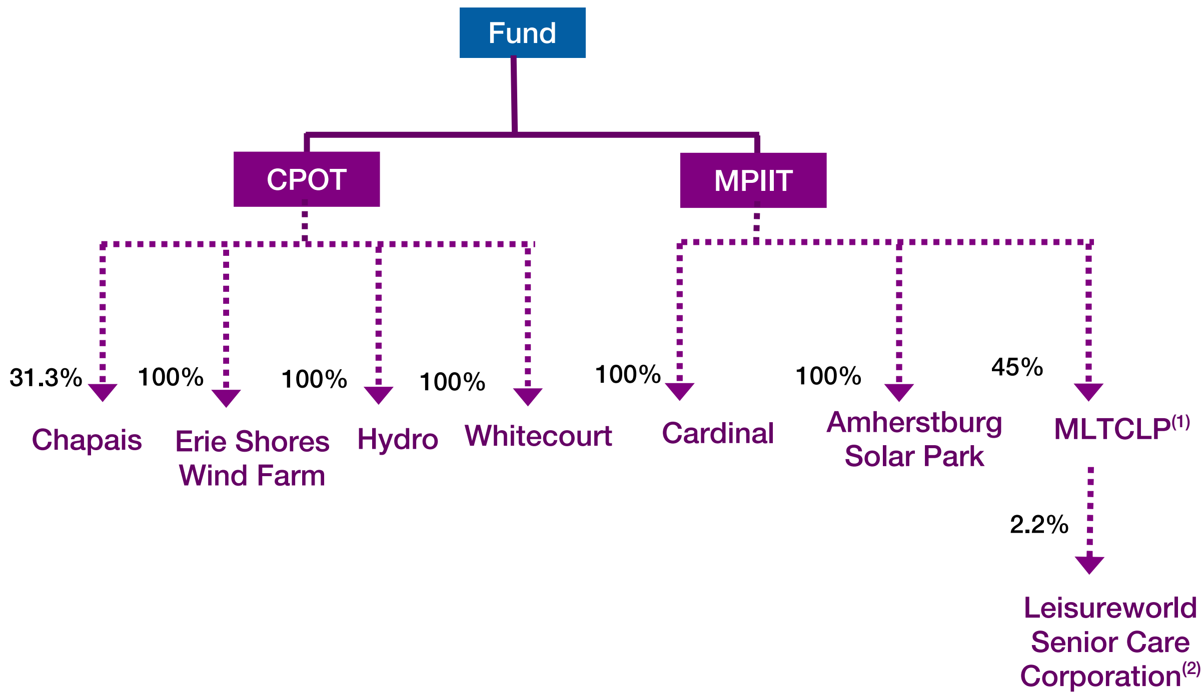
PORTFOLIO



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

(1) One 1.5 MW turbine is owned by a landowner.
(2) The Dryden facility is composed of three facilities, built in 1922 (Wainwright), 1928 (Eagle) and 1938 (McKenzie). These facilities were refurbished in 1986.
(3) MPT's investment in Chapais consists of a 31.3% interest in one of two classes of preferred shares, a 24.8% interest in Tranche A and B debt, and a 50% interest in Tranche C debt.
(4) Expected to commence commercial operations in June 2011.

ORGANIZATIONAL STRUCTURE



(1) The Fund indirectly holds a 45% in Macquarie Long-Term Care LP ("MLTCLP"), which formerly held 100% of the ownership interests in Leisureworld Senior Care LP. The other 55% of MLTCLP is indirectly held by Macquarie International Infrastructure Fund.
(2) MLTCLP currently owns 958,649 common shares of LSCC. As a result, the Fund currently indirectly owns 431,392 common shares of LSCC.

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