

Algonquin Power Income Fund



SECOND QUARTER REPORT

JUNE 30, 2000

ALGONQUIN POWER INCOME FUND

Interim Report to Unitholders
Six Months Ended June 30, 2000

Report to Unitholders

The Algonquin Power Income Fund (the "Fund") results are composed of revenues and expenses from the facilities in which it has an effective ownership interest and interest income and income from participation interests from the facilities in which the Fund has a note or partial equity interest. At the end of 1999, management determined that effective ownership had passed to the Fund for all but two of the hydroelectric facilities and, as such, has consolidated the balance sheet at the end of 1999 for these facilities. The operational results for these facilities were consolidated in the accounts of the Fund commencing in 2000. Operational results for the prior periods were not consolidated.

Accordingly the Fund reported revenues for the six months ended June 30, 2000 of \$26.7 million compared with \$7.4 million reported during the same period in 1999. Net earnings of \$9.5 million were reported for the six months ended June 30, 2000, compared with \$3.5 million reported during the same period in 1999.

For the three months ended June 30, 2000, the Fund reported total revenues of \$14.1 million compared with \$4.0 million reported in the prior year. Net earnings of \$5.8 million were reported for the three months ended June 30, 2000 compared with \$2.2 million reported in the prior year.

The Fund declared a distribution of \$0.2425 per Trust Unit to Unitholders of record on June 30, 2000 for payment August 15, 2000. This was in line with the Fund's forecast.

The chart below reports revenue on a total consolidated basis and reconciles the amount to that reported in the quarterly financial statements.

	3 months ended June 30		6 months ended June 30	
	2000	1999	2000	1999
	(\$000's)			
Total Consolidated Revenue				
Total Consolidated Energy Sales	14,350	7,300	27,096	14,983
Interest Income	112	728	187	1,008
Total Consolidated Revenue	<u>14,462</u>	<u>8,028</u>	<u>27,283</u>	<u>15,991</u>
Total Revenue reported	14,134	3,957	26,719	7,419
Add: Energy sales for non-consolidated hydroelectric facilities	754	5,442	1,355	10,728
Less: Interest income on facilities consolidated	(280)	(363)	(567)	(714)
Less: Participation income on facilities consolidated	<u>(146)</u>	<u>(1,008)</u>	<u>(224)</u>	<u>(1,442)</u>
	<u>14,462</u>	<u>8,028</u>	<u>27,283</u>	<u>15,991</u>

Operating Results

During the second quarter, the Fund was able to generate higher revenues than forecast due to above average hydrologic conditions in all regions in which the Fund's facilities operate except for northern Ontario where revenues were slightly below target. Revenues were ahead of the prior year as

a result of improved hydrologic conditions combined with the acquisition of nine additional hydroelectric generating facilities during the second half of 1999.

Generally, expenses were higher than the prior year as a result of the addition of nine hydroelectric plants during the latter half of 1999. Overall operating expenses were higher than forecast primarily due to higher repair costs as several of the facilities required unplanned repairs during the quarter. In addition, operating costs such as water lease payments, which are linked to production levels, were higher than forecast due to the improved hydrologic conditions. Interest expense has increased due to the consolidation of facilities with project debt.

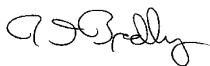
	3 months ended June 30		6 months ended June 30	
	2000	1999	2000	1999
	(\$000's)			
Cash flow from operations excluding working capital changes	7,777	2,740	14,192	4,861
Repayment of long-term notes	(1,174)	(441)	(1,927)	(976)
Receipt of principal on notes receivable	52	1,579	52	3,107
Other	128	(34)	396	(68)
	<u>6,783</u>	<u>3,844</u>	<u>12,713</u>	<u>6,924</u>

Distributable cash flow for the six months ended June 30, 2000 totaled \$12.7 million, which was \$5.8 million greater than the distributable cash flow of \$6.9 for the same period in 1999. For the 3 months ended June 30, 2000, the Fund generated \$6.8 million in distributable cash flow or \$3.0 million greater than the distributable cash flow of \$3.8 for the second quarter of 1999. Total distributions to Unitholders declared for the second quarter of 2000 were \$5.8 million or \$0.2425 per unit compared with \$4.4 million or \$0.2000 per unit in 1999. The Fund will invest the distributable cash flow generated in excess of distributions in the hydrology reserve fund to be used for the equalization of future distributions arising from seasonal fluctuations.

Acquisitions

During the third quarter of 2000, the Fund acquired the shares of SFR Hydro Corporation ("SFR") for \$2.5 million. SFR is the owner of a 1.3 MW hydroelectric generating station on the Salmon River in Milton, New Hampshire. This acquisition increases the Fund's interests in hydroelectric generating stations to 39 with an installed capacity of 102.3 MW. The Fund continues to look for acquisitions which are consistent with its acquisition strategy and which add value to its Unitholders.

Respectfully submitted on behalf of the Trustees of the Algonquin Power Income Fund.



R. Ian Bradley
Chairman

Algonquin Power Income Fund
Consolidated Balance Sheets
June 30, 2000 and December 31, 1999
(thousands of Canadian dollars)

	Unaudited June 30, 2000	Audited December 31, 1999
Assets		
Current assets		
Cash and cash equivalents	\$ 8,803	\$ 9,602
Accounts receivable	6,040	6,859
Prepaid expenses	584	363
Future income tax asset	240	546
	<u>15,667</u>	<u>17,370</u>
Notes receivable	13,912	13,681
Participation and other interests, net of amortization	4,147	4,162
Capital assets, net of amortization	282,868	287,241
Funds held in reserve	1,839	1,914
Future non current income tax asset	175	719
Deferred financing fee	894	901
	<u>\$ 319,502</u>	<u>\$ 325,988</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,483	\$ 5,833
Due to Algonquin Power Group	1,699	2,746
Cash distribution payable	5,825	5,765
Current portion of long-term liabilities	2,319	3,194
Future income tax liability	1,948	-
Current income tax liability	340	67
	<u>16,614</u>	<u>17,605</u>
Other liabilities	698	533
Revolving credit facility	6,961	6,911
Long-term liabilities	72,681	73,880
Future non-current income tax liability	19,507	21,838
Unitholders' Equity		
Trust units (Note 1)	224,792	224,792
Deficit	<u>(21,751)</u>	<u>(19,571)</u>
	<u>203,041</u>	<u>205,221</u>
	<u>\$ 319,502</u>	<u>\$ 325,988</u>

Approved by the Trustees:


Trustee


Trustee

Algonquin Power Income Fund

Consolidated Statements of Earnings and Deficit
For the six months ended June 30, 2000 and June 30, 1999
(thousands of Canadian dollars)
(unaudited)

	3 months ended June 30		6 months ended June 30	
	2000	1999	2000	1999
Revenue				
Energy sales	\$ 13,548	\$ 1,939	\$ 25,697	\$ 4,490
Interest income and income from participation agreements	586	2,018	1,022	2,929
	<u>14,134</u>	<u>3,957</u>	<u>26,719</u>	<u>7,419</u>
Expenses				
Operating	3,121	845	6,371	1,648
Amortization	1,994	642	4,192	1,290
Management fees	351	102	453	204
Operations supervisory fees	77	77	154	154
Administrative expenses	581	122	982	207
(Gain) loss on foreign exchange	(228)	(87)	(300)	178
	<u>5,896</u>	<u>1,701</u>	<u>11,852</u>	<u>3,681</u>
Earnings before interest expense	8,238	2,256	14,867	3,738
Interest expense	2,234	100	4,528	198
Earnings before income taxes	6,004	2,156	10,339	3,540
Provision for (recovery of) income taxes				
Current income taxes	192	-	389	-
Future income taxes (note 2)	42	-	480	-
	<u>234</u>	<u>-</u>	<u>869</u>	<u>-</u>
Net earnings	5,770	2,156	9,470	3,540
Deficit, beginning of period	(21,696)	(10,515)	(19,571)	(8,517)
Cash distributions	(5,825)	(4,438)	(11,650)	(7,820)
Deficit, end of period	<u>\$ (21,751)</u>	<u>\$ (12,797)</u>	<u>\$ (21,751)</u>	<u>\$ (12,797)</u>
Net earnings per trust unit	<u>\$ 0.24</u>	<u>\$ 0.11</u>	<u>\$ 0.39</u>	<u>\$ 0.21</u>

Notes to Financial Statements

- At June 30, 2000, the Fund had 24,020,472 Trust units outstanding (December 31, 1999 - 24,020,472)
- The effect of the proposed reduction in the Canadian federal income tax rate from 28% to 27% effective January 1, 2001 (including the proposed reduction in the capital gains/losses inclusion rate from three quarters to two thirds for all capital gains realized after February 27, 2000) was reported as a \$605,000 reduction to the three months ended March 31, 2000 future income tax expense.
- The net earnings per trust unit for the six months ended June 30, 1999 has been restated for an error made in 1999. In addition, the reported cash flow for the six months ended June 30, 1999 has been amended to conform with the definition of cash applied at year end.

Algonquin Power Income Fund

Consolidated Statements of Cash Flows

For the six months ended June 30, 2000 and June 30, 1999

(thousands of Canadian dollars)

(unaudited)

	3 months ended		6 months ended	
	June 30		June 30	
	2000	1999	2000	1999
Operating Activities				
Net earnings	\$ 5,770	\$ 2,156	\$ 9,470	\$ 3,540
Items not affecting cash				
Amortization of capital assets	1,994	642	4,192	1,290
Other amortization	167	(18)	322	(36)
Distribution received in excess of equity income	15	-	16	-
Future income taxes	42	-	480	-
Unrealized foreign exchange loss (gain)	(211)	(40)	(288)	67
	<u>7,777</u>	<u>2,740</u>	<u>14,192</u>	<u>4,861</u>
Changes in non-cash operating working capital	997	5,866	(1,591)	6,392
	<u>8,774</u>	<u>8,606</u>	<u>12,601</u>	<u>11,253</u>
Financing Activities				
Cash distributions	(5,825)	(4,438)	(11,650)	(7,820)
Issue of trust units	-	83,854	-	83,835
Expenses of trust units offerings	-	(5,710)	-	(5,710)
Financing fee	(15)	-	(18)	-
Repayment of long-term liabilities and credit facility, net	(1,174)	(441)	(1,927)	(976)
	<u>(7,014)</u>	<u>73,265</u>	<u>(13,595)</u>	<u>69,329</u>
Investing Activities				
Increase / decrease funds held in reserve	103	(57,635)	75	(57,635)
Receipt of principal on notes receivable	52	1,579	52	3,107
Acquisition of notes receivable	-	(7,296)	-	(7,296)
Acquisition of operating entities	-	(8,026)	-	(8,026)
	<u>155</u>	<u>(71,378)</u>	<u>127</u>	<u>(69,850)</u>
Effect of exchange rate differences on cash and cash equivalents	52	(120)	68	(110)
Increase in cash and cash equivalents	1,967	10,373	(799)	10,622
Cash and cash equivalents, beginning of period	6,836	2,373	9,602	2,124
Cash and cash equivalents, end of period	<u>\$ 8,803</u>	<u>\$ 12,746</u>	<u>\$ 8,803</u>	<u>\$ 12,746</u>
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	\$ 2,176	\$ 100	\$ 4,197	\$ 198
Cash paid during the period for income taxes	\$ 166	\$ -	\$ 260	\$ -

Corporate Information

Trustees

R. Ian Bradley, Chairman of the Trustees
Chief Financial Officer, Forbes Medi-Tech Inc.

Kenneth Moore
Managing Partner, NewPoint Capital
Partners Inc.

George Steeves
President, Cumming Cockburn Limited

Algonquin Management Inc.

Chris K. Jarratt
Director and Chief Executive Officer

Peter Kampian
Chief Financial Officer

John M.H. Huxley
Director

David C. Kerr
Director

Ian E. Robertson
Director

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Stock Exchange

The Toronto Stock Exchange

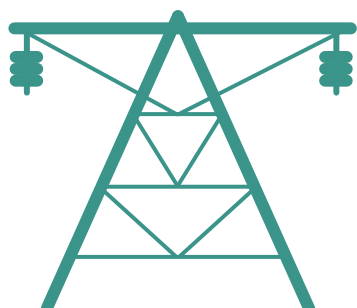
Symbol: "APF.UN"

Legal Counsel

Blake, Cassels & Graydon LLP
Toronto, Ontario

Auditors

KPMG LLP
Toronto, Ontario



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