

Algonquin Power Income Fund



THIRD QUARTER REPORT
SEPTEMBER 30, 2000

ALGONQUIN POWER INCOME FUND

Interim Report to Unitholders

Nine Months Ended September 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 all but two of these facilities. The operational results for these facilities were consolidated in the accounts of the Fund commencing in 2000.

After taking into account these consolidation changes, the Fund reported revenues for the nine months ended September 30, 2000 of \$35.5 million compared with \$11.4 million reported during the same period in 1999. Net earnings of \$10.7 million were reported for the nine months ended September 30, 2000, compared with \$4.8 million reported during the same period in 1999.

For the three months ended September 30, 2000, the Fund reported total revenues of \$8.8 million compared with \$3.9 million reported in the prior year. Net earnings of \$1.2 million were reported for the three months ended September 30, 2000 compared with \$1.3 million reported in the prior year.

The Fund declared a distribution of \$0.2425 per Trust Unit to Unitholders of record on September 30, 2000 for payment November 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 September 30		9 months ended September 30	
			(\$000's)	
Total Consolidated Revenue				
Total Consolidated Energy Sales	8,688	5,293	35,784	20,276
Interest Income	159	297	345	1,305
Total Consolidated Revenue	<u>8,847</u>	<u>5,590</u>	<u>36,129</u>	<u>21,581</u>
Total Revenue reported	8,794	3,946	35,513	11,365
Add: Energy sales for non-consolidated hydroelectric facilities	365	2,552	1,719	13,280
Less: Interest income on facilities consolidated	(279)	(462)	(846)	(1,176)
Less: Participation income on facilities consolidated	(33)	(446)	(257)	(1,888)
	<u>8,847</u>	<u>5,590</u>	<u>36,129</u>	<u>21,581</u>

Operating Results

During the third quarter, the Fund's revenues were in line with forecast. Higher than expected revenues in New York State were offset by lower revenues in Quebec. New England, Ontario and Newfoundland were in line with forecast. Revenues were better than 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 and an additional three hydroelectric generating facilities in the third quarter of 2000.

Generally, expenses were higher than the prior year as a result of the additional hydroelectric plants acquired. Overall operating expenses were higher than forecast primarily due to higher repair and maintenance costs at several of the facilities and higher administrative costs. Interest expense has increased mainly due to the consolidation of facilities with project debt.

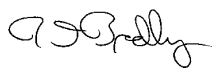
	3 months ended September 30		9 months ended September 30	
	2000	1999	2000	1999
	(\$000's)		(\$000's)	
Cash flow from operations excluding working capital changes	3,160	2,476	17,352	7,337
Repayment of long-term notes	(834)	(470)	(2,761)	(1,446)
Receipt of principal on notes receivable	177	754	229	3,861
Other	(197)	(614)	199	(414)
	<u>2,306</u>	<u>2,146</u>	<u>15,019</u>	<u>9,338</u>

Distributable cash flow for the nine months ended September 30, 2000 totalled \$15.0 million, which was \$5.7 million greater than the distributable cash flow of \$9.3 for the same period in 1999. For the 3 months ended September 30, 2000, the Fund generated \$2.3 million in distributable cash flow or \$0.2 million greater than the distributable cash flow of \$2.1 for the third quarter of 1999. Total distributions to Unitholders declared for the third quarter of 2000 were \$6.6 million or \$0.2425 per unit compared with \$4.9 million or \$0.2200 per unit in 1999. As the third quarter is traditionally a dry quarter, the Fund will utilize established reserves, in accordance with the Fund's policy, to supplement the distributable cash flow generated and achieve the declared distribution per unit.

Other Business

During the third quarter, the Fund completed an offering of 3,000,000 trust units at a price of \$9.15 per unit for gross proceeds of \$27,450,000. The net proceeds from the offering were used to repay debt, with the balance used to acquire an economic interest in additional generating facilities and for working capital. The Fund acquired three hydroelectric facilities: the Milton and Mine Falls facilities in New Hampshire; and the Great Falls facility in New Jersey for a total of \$13.0 million. Total installed generating capacity at these facilities is approximately 15,300 kilowatts. These acquisitions increase the Fund's interests in hydroelectric generating stations to a total of 41 with an installed total capacity of 116.3 MW. The Fund continues to look for acquisitions which are consistent with its strategy and which add value for 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
September 30, 2000 and December 31, 1999
(thousands of Canadian dollars)

	Unaudited	Audited
	September 30, 2000	December 31, 1999
Assets		
Current assets		
Cash and cash equivalents	\$ 23,203	\$ 9,602
Accounts receivable	4,068	6,859
Prepaid expenses	786	363
Future income tax asset	227	546
	<u>28,284</u>	<u>17,370</u>
Notes receivable	13,923	13,681
Participation and other interests, net of amortization	4,099	4,162
Capital assets, net of amortization	293,630	287,241
Funds held in reserve	1,886	1,914
Future non current income tax asset	434	719
Deferred financing fee	764	901
	<u>\$ 343,020</u>	<u>\$ 325,988</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 5,184	\$ 5,833
Due to Algonquin Power Group	1,685	2,746
Cash distribution payable	6,552	5,765
Current portion of long-term liabilities	1,746	3,194
Future income tax liability	1,517	-
Current income tax liability	296	67
	<u>16,980</u>	<u>17,605</u>
Other liabilities	781	533
Revolving credit facility	9,368	6,911
Long-term liabilities	72,470	73,880
Future non-current income tax liability	20,003	21,838
Unitholders' Equity		
Trust units (Note 1)	250,519	224,792
Deficit	(27,101)	(19,571)
	<u>223,418</u>	<u>205,221</u>
	<u>\$ 343,020</u>	<u>\$ 325,988</u>

Approved by the Trustees:



Trustee



Trustee

Algonquin Power Income Fund

Consolidated Statements of Earnings and Deficit

For the nine months ended September 30, 2000 and September 30, 1999

(thousands of Canadian dollars)

(unaudited)

	3 months ended September 30		9 months ended September 30	
	2000	1999	2000	1999
Revenue				
Energy sales	\$ 8,298	\$ 2,500	\$ 33,995	\$ 6,990
Interest income and income from participation agreements	496	1,446	1,518	4,375
	<u>8,794</u>	<u>3,946</u>	<u>35,513</u>	<u>11,365</u>
Expenses				
Operating	3,050	943	9,421	2,591
Amortization	2,051	1,046	6,243	2,336
Management fees	(147)	102	306	306
Operations supervisory fees	77	77	231	231
Administrative expenses	503	153	1,485	360
(Gain) loss on foreign exchange	(125)	(172)	(425)	6
	<u>5,409</u>	<u>2,149</u>	<u>17,261</u>	<u>5,830</u>
Earnings before interest expense	3,385	1,797	18,252	5,535
Interest expense	2,286	503	6,814	701
Earnings before income taxes	1,099	1,294	11,438	4,834
Provision for (recovery of) income taxes				
Current income taxes	86	-	475	-
Future income taxes (note 2)	(189)	-	291	-
	<u>(103)</u>	<u>-</u>	<u>766</u>	<u>-</u>
Net earnings	1,202	1,294	10,672	4,834
Deficit, beginning of period	(21,751)	(12,797)	(19,571)	(8,517)
Cash distributions	(6,552)	(4,881)	(18,202)	(12,701)
Deficit, end of period	<u>\$ (27,101)</u>	<u>\$ (16,384)</u>	<u>\$ (27,101)</u>	<u>\$ (16,384)</u>
Net earnings per trust unit	<u>\$ 0.05</u>	<u>\$ 0.05</u>	<u>\$ 0.44</u>	<u>\$ 0.26</u>

Notes to Financial Statements

1: At September 30, 2000, the Fund had 27,020,472 Trust units outstanding (December 31, 1999 - 24,020,472)

2: 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 and nine months ended September 30, 2000.

Algonquin Power Income Fund

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2000 and September 30, 1999

(thousands of Canadian dollars)

(unaudited)

	3 months ended September 30		9 months ended September 30	
	2000	1999	2000	1999
Operating Activities				
Net earnings	\$ 1,202	\$ 1,294	\$ 10,672	\$ 4,834
Items not affecting cash				
Amortization of capital assets	2,051	926	6,243	2,216
Other amortization	170	57	492	21
Distribution received in excess of equity income	47	6	63	6
Future income taxes	(181)	-	299	-
Unrealized foreign exchange loss (gain)	(129)	193	(417)	260
	3,160	2,476	17,352	7,337
Changes in non-cash operating working capital	3,285	(1,299)	1,694	5,093
	<u>6,445</u>	<u>1,177</u>	<u>19,046</u>	<u>12,430</u>
Financing Activities				
Cash distributions	(6,552)	(4,881)	(18,202)	(12,701)
Drawdown of revolving credit facility	2,457	-	2,457	-
Issue of trust units	27,450	-	27,450	83,835
Expenses of trust units offerings	(1,723)	(282)	(1,723)	(5,992)
Financing fee	-	(496)	(18)	(496)
Repayment of long-term liabilities	(834)	(470)	(2,761)	(1,446)
	<u>20,798</u>	<u>(6,129)</u>	<u>7,203</u>	<u>63,200</u>
Investing Activities				
Increase / decrease funds held in reserve	(47)	55,334	28	(2,301)
Receipt of principal on notes receivable	177	754	229	3,861
Acquisition of notes receivable	-	-	-	(7,296)
Acquisition of operating entities	(12,978)	(54,812)	(12,978)	(62,838)
	<u>(12,848)</u>	<u>1,276</u>	<u>(12,721)</u>	<u>(68,574)</u>
Effect of exchange rate differences on cash and cash equivalents	5	72	73	(38)
Increase in cash and cash equivalents	14,400	(3,604)	13,601	7,018
Cash and cash equivalents, beginning of period	8,803	2,373	9,602	2,124
Cash and cash equivalents, end of period	<u>\$ 23,203</u>	<u>\$ (1,231)</u>	<u>\$ 23,203</u>	<u>\$ 9,142</u>
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	\$ 2,075	\$ 503	6,272	\$ 701
Cash paid during the period for income taxes	\$ 131	\$ -	247	\$ -

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

Head Office

2085 Hurontario Street, Suite 210
Mississauga, Ontario
L5A 4G1
Telephone: 905-273-8900
Fax: 905-273-8914

Web Site: www.algonquinpower.com
E-mail: apif@algonquinpower.com

Registrar and Transfer Agent

CIBC Mellon Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6

Stock Exchange

The Toronto Stock Exchange

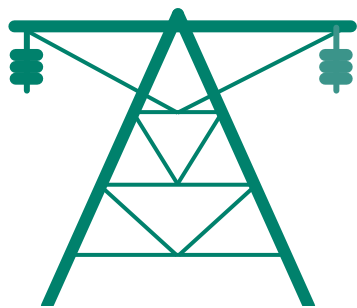
Symbol: "APF.UN"

Legal Counsel

Blake, Cassels & Graydon LLP
Toronto, Ontario

Auditors

KPMG LLP
Toronto, Ontario



Algonquin Power Income Fund

