

Diversification • Stability • Growth



First Quarter Report, March 31, 2003



During the first quarter of 2003, the Algonquin Power Income Fund (the "Fund") distributed \$0.23 per trust unit, consistent with the first quarter of 2002. The Fund increased revenue to \$29.2 million from \$15.7 million and net earnings increased to \$6.5 million from \$6.1 million. Net earnings per trust unit decreased to \$0.10 from \$0.12. The Fund generated \$0.15 in cash per trust unit available for distribution, compared to \$0.16 during the first quarter of the prior year.

The Fund's Hydroelectric Division was adversely affected during the first quarter primarily due to low water flow conditions resulting from extreme cold weather experienced in the Fund's hydrological regions. The higher than average snow pack conditions combined with above average precipitation in most regions in which the Fund has facilities, should result in improved revenue for the Fund during the second quarter.

The Fund's Alternative Fuels Division experienced weakness during the quarter as a result of wet airline waste and generator repairs at the Peel facility combined with a planned overhaul at the Joliet facility. These problems have now been remedied as the Fund has increased the fees for wet waste and completed the repair of the generator at Peel and the overhaul at Joliet.

The Fund's Cogeneration Division generally met expectations during the quarter. Lower revenues and profits at Crossroads were offset by a stronger performance at Sanger and the addition of Windsor Locks during the quarter. The results of the Division are expected to improve during the second quarter due to the Windsor Locks acquisition and the higher contractual rates received at the Sanger facility.

The Infrastructure Division exceeded expectations as a result of increased revenues and reductions in operating costs. The strong performance from this Division is expected to continue as a result of the Litchfield Park Services Company acquisition and continued organic growth.

Notwithstanding the recent volatility in the US Dollar exchange rate, the Fund's practice has been to mitigate the impact of exchange rate fluctuations by utilizing forward contracts as required to fix the US Dollar exchange rate relative to expected future cash flows. As a result of these forward contracts and after deduction of expected operating and capital expenses, the Fund enjoys currency exchange rate protection of over 88% of its forecast 2003 and 2004 distributions which are denominated in US Dollars at an average rate of approximately \$1.52 Cdn. per U.S. Dollar. The Fund has entered into forward contracts which provide similar fixed exchange rate protection for approximately 55% of the forecast US Dollar denominated cash flows for 2005, 2006 and 2007.

The Fund remains committed to maintaining and improving the stability of distributions to Unitholders by improving the performance of the existing asset base and by acquiring assets that provide stable cash flow.

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



Ken Moore, Chairman

(All figures are in thousands of dollars, except per unit values)

For the quarter ended March 31, 2003, the Fund reported total revenue of \$29.2 million as compared to \$15.7 million for the same period in 2002. Net earnings for the quarter were \$6.5 million as compared to \$6.1 million for the same period in 2002. Net earnings per trust unit decreased to \$0.10 in the first quarter of 2003 from \$0.12 in the first quarter of 2002.

The Fund generated \$0.15 per trust unit of cash available for distribution, compared to \$0.16 during the first quarter of 2002. The Fund distributed \$0.23 per trust unit for the first quarter, consistent with the same period in 2002.

Operating Results

	Q1 2003	Q1 2002
Revenues	29,182	15,728
Net Income	6,520	6,126
Distribution to Unitholders	15,601	13,104
Cash Available for Distribution	10,175	8,317
Per Unit		
Net Income	0.10	0.12
Distribution to Unitholders	0.23	0.23
Cash Available for Distribution	0.15	0.16

Total revenues and operating expenses increased substantially due to the additions of the facilities acquired during 2002, which were included for the full first quarter of 2003. These include the Peel energy-from-waste facility, the Sanger and Crossroads cogeneration facilities, the Joliet biogas facility, the Bella Vista water distribution facility and the two Texas water reclamation facilities (Tall Timbers and Woodmark). The acquisitions of Litchfield Park Service Company (LPSCo) and Windsor Locks contributed to cash flows for approximately one month in the first quarter.

Hydroelectric Division (C\$000)	Q1 2003	Q1 2002
Performance (MW-hrs sold)		
Quebec Region	38,942	55,811
Ontario Region	27,705	35,799
New England Region	17,774	8,216
New York Region	19,444	19,897
Western Region	9,451	7,854
TOTAL	113,316	127,577
Revenues		
Energy Sales	\$10,788	\$10,381
Other income	112	113
TOTAL	\$10,900	\$10,494
Expenses		
Operating Expenses	\$4,438	\$3,416
Division Operating Profit	\$6,462	\$7,078

First quarter revenue from the Hydroelectric Division was \$10.9 million in 2003 compared to \$10.5 million in 2002. First quarter production was 77% of long-term averages, compared to 82% in 2002. The extreme cold weather, specifically in the Quebec and Northern Ontario regions, was the primary reason for lower production figures during the quarter. This lower production was offset in part by higher power rates in Ontario, Quebec and New York. Operating expenses increased \$1.0 million for the first quarter of 2003 compared to 2002, as a result of a 42% increase in insurance costs, a 36% increase in regulatory fees, and a 49% increase in repair and maintenance costs. Operating expenses were in line with forecasts for the first quarter of 2003.

Division operating profit was below forecast and decreased to \$6.5 million from \$7.1 million for the same period in 2002 as a result of lower energy production and higher operating costs. Continued management emphasis is being placed on controlling costs and improving operational economies of scale.

During the first quarter of 2003, the Fund renegotiated with the Public Service of New Hampshire ("PSNH") the pricing terms of the power purchase agreements that were associated with the 13 small hydroelectric generating facilities that the Fund owns in New Hampshire. Subject to certain approvals and adjustments as consideration for the reduction in the above-market rates stipulated in these power purchase agreements, the Fund is expected to receive approximately \$30.6 million (U.S. \$20.4 million). After completion of this transaction, PSNH will continue to purchase the energy produced by these generating stations at the New England power pool (NEPOOL) market price.

Outlook

Moderate spring thaw characteristics will allow the Fund to capitalize on higher than average snow pack levels in regions in which the Fund's hydroelectric facilities are located. While lower than average water levels in the St. Lawrence River continue to impact production adversely at the Fund's Cote Ste. Catherine facility, storage reservoir water levels at a number of the Fund's hydroelectric facilities have returned to normal. Accordingly, it is expected that performance of the Hydroelectric Division will significantly improve during the second quarter.

Alternative Fuels Division (C\$000)	Q1 2003	Q1 2002
Performance (MW-hrs sold)	23,766	9,149
Performance (tonnes waste processed)	39,048	8,903
Revenues		
Energy Sales	\$1,650	\$733
Waste Disposal Sales	3,530	542
Interest and Dividend Income	313	1,072
TOTAL	\$5,493	\$2,347
Expenses		
Operating Expenses	\$3,190	\$739
Division Operating Profit	\$2,303	\$1,608

First quarter revenue from the Alternative Fuels Division totaled \$5.5 million in the first quarter of 2003 compared to \$2.3 million in 2002. The increase was due to a full quarter of production from the Peel and Joliet facilities, which were acquired in March 2002. Revenue was below forecast primarily due to wet waste received by the Peel facility from airline waste.

Operating costs were higher due to the full quarter production of the Peel and Joliet facilities. Operating expenses exceeded forecast due to higher repair and maintenance costs incurred at the Peel facility. A planned overhaul was also performed at the Joliet facility.

Operating profit for this period amounted to \$2.3 million as compared to \$1.6 in the first quarter of 2002. Actual operating profit was below forecast due to lower revenue and higher costs.

Outlook

The handling charges levied by the Peel facility for airline waste were increased in April 2003 to compensate for high moisture content of the waste. The Fund anticipates that cash flows from this initiative will be in accordance with expectations through the balance of 2003. The repairs and overhaul have been completed at the Peel and Joliet facilities, respectively.

In February 2003, the Fund announced that it had entered into agreements to purchase a 40% partnership interest in an 80 MW biomass-fired electric generating station located in Virginia. Closing of the acquisition of the partnership interest has been delayed subject to obtaining certain transfer approvals required.

While investments being made in capital improvements at the Drayton Valley biomass facility are focused on improving reliability, increased downtime and costs to complete such work is expected to reduce 2003 contribution. Management efforts are continuing to be focused on improving operational efficiencies and expanding capacity at the Peel facility.

Cogeneration Division (C\$000)	Q1 2003	Q1 2002
Performance (MW-hrs sold)	35,144	2,321
Revenues		
Energy Sales	\$8,284	\$395
Interest and Dividend Income	1,067	1,241
TOTAL	\$9,351	\$1,636
Expenses		
Operating Expenses	\$6,234	\$214
Division Operating Profit	\$3,117	\$1,422

First quarter revenue from the Cogeneration Division totaled \$9.4 million, as compared to \$1.6 million in 2002, resulting from a full quarter's results from the Sanger and Crossroads facilities acquired during 2002 and the addition of the Windsor Locks facility acquired in March of 2003. Revenue at Crossroads was lower than forecast due to a number of factors including gas supply being curtailed for a total of twenty days during the first quarter as a result of colder than normal temperatures in New Jersey.

Operating expenses were higher in the quarter due to the additional facilities in the portfolio. After adjusting for the natural gas expenses, operating expenses were in line with forecast.

Operating profit for this period amounted to \$3.1 million as compared to \$1.4 million in the first quarter of 2002. The lower profits at Crossroads were offset by higher than forecast operating results at Sanger and the addition of Windsor Locks during the quarter. As part of its scheduled major maintenance program, the Sanger facility went off-line in the last week of March and is targeted to be back on-line by the end of May. Actual operating profit for the division for the first quarter of 2003 was ahead of forecast.

In early March, the Fund completed the acquisition of the 56 MW Windsor Locks cogeneration facility for \$43.2 million (U.S. \$29.5 million). The facility delivers electricity to the Connecticut Light and Power Company pursuant to a long-term power purchase agreement ending in 2010. In addition, the facility delivers thermal steam energy and a small portion of its electrical energy to a specialty fiber composite mill located adjacent to the generating facility pursuant to an energy services agreement ending in 2018. Production from this facility has been in accordance with forecast.

Outlook

The Fund initiated the major overhaul of the 44MW Sanger facility in March 2003 and expects the facility to be well positioned to take advantage of the higher rates paid under its power purchase agreement in respect of the increased California summer energy loads. While the costs of the recent overhaul exceeded initial expectations due to unforeseen repair requirements, the Fund has completed certain improvements during the overhaul which are expected to increase operational efficiency through reduced fuel costs.

While the majority of the electrical output of the Crossroads facility is sold pursuant to a long term take-or-pay power purchase agreement, increased building vacancy rates have resulted in lower electricity and thermal energy sales by the Crossroads facility which is expected to reduce 2003 contributions.

Infrastructure Division (C\$000)	Q1 2003	Q1 2002
Performance		
Water reclamation connections	16,593	4,963
Water distribution connections	16,664	-
Revenues	\$3,348	\$1,120
Other income	5	9
TOTAL	\$3,353	\$1,129
Expenses		
Operating Expenses	\$1,654	\$572
Division Operating Profit	\$1,699	\$557

First quarter revenue from the Infrastructure Division totaled \$3.4 million, as compared to \$1.1 million in 2002. The increase in revenue is due to the addition of the LPSCo, Bella Vista, Tall Timbers and Woodmark facilities and the additional connections added in all the existing facilities.

Operating expenses increased due to the additional capacity added. Operating expenses were lower than forecast due to lower operating costs being incurred at the Bella Vista and Texas facilities.

Operating profit for this period amounted to \$1.7 million as compared to \$0.6 million in the first quarter of 2002. Operating profit for the first quarter of 2003 was ahead of forecast.

During the first quarter of 2003, the Fund completed the acquisition of LPSCo, for \$34.9 million (U.S. \$23.4 million). This utility provides the Fund with an additional 18,000 water reclamation and distribution connections.

Outlook

Continued strong organic growth in the customer base of the Fund's water reclamation and distribution facilities is expected in 2003 with approximately 5,000 new connections forecast.

The Infrastructure Division was originally contemplated as a small diversification initiative to provide stable and growing cash flows to the Fund with downside protection afforded through the regulatory authorities. A large number of consolidation opportunities in the high growth southwestern United States has caused performance and capital requirements to exceed initial expectations. Accordingly, the Fund is actively considering a number of strategic alternatives for the Infrastructure Division including the spin-off of this Division as a separately traded entity.

Administrative Expenses (C\$000)	Q1 2003	Q1 2002
Administrative Expenses	\$1,421	\$649
Management Costs	173	150
Withholding Taxes	123	197
(Gain)/Loss on foreign exchange	(5,225)	5
Interest Expense	2,063	1,456

Administrative expenses increased to \$1.4 million for the first quarter of 2003 compared to \$0.6 million for the first quarter of 2002. The increase is due to the larger size of the Fund resulting in a higher level of activity. Legal costs increased approximately \$400,000 due to litigation matters and Fund activity as well as the reimbursement of legal costs to the Manager for external legal services incurred. Additional administration personnel resulted in \$200,000 of higher costs and additional professional services and unit holder communication resulted in approximately \$100,000 of additional costs. The balance of the increase in administration costs is due to acquisition-related costs incurred.

The Fund posted an unrealized foreign exchange gain of \$5.2 million as a result of the decline in the U.S. dollar versus the Canadian dollar, thereby impacting the U.S. dollar denominated loans of the Fund. At the end of the first quarter, the Fund had approximately \$55 million in U.S. dollar denominated debt.

Interest expense increased to \$2.1 million in the first quarter of 2003 from \$1.5 million in the first quarter of 2002 as a result of the additional project level debt acquired with the acquisition of Sanger and LPSCo, and the utilization of the line of credit for part of the quarter during 2003.

Cash Available for Distribution (C\$000)	Q1 2003	Q1 2002
Operating Cash Flow before Working Capital Changes		
Receipt of principal on notes receivable	\$10,287	\$8,450
Decrease/(increase) in reserves	890	276
Repayment of long-term liabilities	(329)	(97)
Maintenance capital expenditures	(211)	(156)
Other	(243)	-
Cash Available for Distribution	\$10,175	\$8,317
Cash Available for Distribution per Trust Unit	\$0.150	\$0.160
Distribution to Unitholders	\$15,601	\$13,104
Distributions to Unitholders per Trust Unit	\$0.23	\$0.23

During the first quarter of 2003, the Fund generated \$10.2 million cash available for distribution compared with \$8.3 million in the same period in 2002. On a per unit basis, the Fund generated \$0.15 of cash available for distribution for the first quarter of 2003 compared with \$0.16 during the first quarter of 2002. The Fund distributed \$15.6 million during the first quarter of 2003 compared with \$13.1 million during the first quarter of 2002. On a per unit basis, the Fund maintained distributions at \$0.23 per trust unit for the first quarter of 2003, consistent with 2002.

Liquidity and Capital Reserves

At the end of the first quarter of 2003, the Fund had \$5.7 million of cash and cash equivalents. As at March 31, 2003, the Fund had a negative net working capital of \$4.3 million. Subsequent to the end of the quarter, the Fund increased its line of credit and intends to utilize these additional funds for operational and acquisition purposes.

Long-term liabilities increased to \$169.5 million as at the end of the first quarter 2003, as compared to \$86.5 million at the end of 2002. The increase in long-term liabilities is the result of the acquisition of LPSCo, which added non-recourse facility level debt.

The Fund increased its draw down of the revolving credit facility to fund the acquisitions of the Windsor Locks and LPSCo facilities.

Currency and Gas Protection

Notwithstanding the recent volatility in the U.S. Dollar exchange rate, the Fund's practice has been to mitigate the impact of exchange rate fluctuations by utilizing forward contracts as required to fix the U.S. Dollar exchange rate relative to expected future monthly cash flows. As a result of these forward contracts and after deduction of expected operating and capital expenses, the Fund enjoys currency exchange rate protection of over 88% of its forecast 2003 and 2004 distributions which are denominated in U.S. Dollars at an average rate of approximately \$1.52 Cdn. per U.S. Dollar. The Fund has entered into forward contracts which provide similar fixed exchange rate protection for approximately 55% of the forecast U.S. Dollar denominated cash flows for 2005, 2006 and 2007.

Where the Fund has natural gas exposure, it has fixed the price until 2007. After 2007 there is no exposure on those facilities using natural gas because of pass through provisions in the energy agreement except for the Peel facility.

Outlook

The Fund believes that the recent acquisitions of LPSCo in the Infrastructure Division and Windsor Locks in the Cogeneration Division will improve the overall performance of the Fund over the balance of the year.

Although the Fund will continue to look for complementary diversification opportunities to balance further its portfolio of assets, emphasis will be placed for the balance of the year on integrating the recent acquisitions and improving the operating results and cash flows in all of its divisions. The Fund will continue to study opportunities to optimize the unique features of the growing Infrastructure Division.

Note


Certain statements contained in the information herein are forward-looking and reflect the Fund's and its Manager's views with respect to future events. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Forward-looking statements are not guarantees of the Fund's future performance or results and are subject to various factors, including, but not limited to, assumptions such as those relating to: the performance of the Fund's assets, commodity market prices, interest rates, and environmental and other regulatory requirements. Although the Fund and its Manager believe that the assumptions inherent in these forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only as of the dates hereof. The Fund and its Manager are not obligated nor do either of them intend to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

March 31, 2003 and December 31, 2002

(thousands of Canadian dollars)

	March 31, 2003 Unaudited	December 31, 2002
Assets		
Current assets		
Cash and cash equivalents	\$ 5,661	\$ 24,838
Accounts receivable	16,506	14,894
Prepaid expenses	1,557	692
Current portion of notes receivable	1,346	1,317
Future income tax asset	99	102
	<u>25,169</u>	<u>41,843</u>
Long-term investments	62,749	64,172
Future non-current income tax asset	4,987	4,083
Capital assets, net of amortization	655,067	547,880
Intangible assets, net of amortization	74,767	61,126
Funds held in reserve	4,648	2,548
Deferred costs	1,297	1,386
	<u>\$ 828,684</u>	<u>\$ 723,038</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,075	\$ 12,196
Due to Algonquin Power Group	823	1,241
Cash distribution payable	10,400	10,400
Current portion of long-term and other long-term liabilities	1,253	1,355
Current income tax liability	1,813	831
Future income tax liability	110	444
	<u>29,474</u>	<u>26,467</u>
Long-term liabilities	168,239	85,157
Other long-term obligations	9,470	7,392
Deferred credits	7,997	5,752
Future non-current income tax liability	70,817	46,839
Minority interest	13,997	13,660
Unitholders' equity		
Trust units	638,213	638,213
Deficit	(109,523)	(100,442)
	<u>528,690</u>	<u>537,771</u>
	<u>\$ 828,684</u>	<u>\$ 723,038</u>

Approved by the Trustees

For the three months ended March 31, 2003 and March 31, 2002
(thousands of Canadian dollars) Unaudited

	2003	2002
Revenue		
Energy sales	\$ 20,722	\$ 11,509
Waste disposal fees	3,530	542
Water reclamation and distribution	3,348	1,120
Interest, dividend and other income	1,582	2,557
	<u>29,182</u>	<u>15,728</u>
Expenses		
Operating	15,516	4,941
Amortization capital assets	5,191	3,014
Amortization intangible assets	1,147	225
Management costs	173	150
Administrative expenses	1,421	649
Withholding taxes	123	197
Loss / (gain) on foreign exchange	(5,225)	5
	<u>18,346</u>	<u>9,181</u>
Earnings before undernoted	10,836	6,547
Interest expense	2,063	1,456
Earnings before income taxes and minority interest	8,773	5,091
Current income taxes	304	59
Future income taxes	1,612	(1,094)
	<u>1,916</u>	<u>(1,035)</u>
Minority interest	337	(20)
Net earnings	6,520	6,126
Deficit, beginning of the period	(100,442)	(61,400)
Cash distributions	(15,601)	(13,104)
Deficit, end of the period	<u>\$ (109,523)</u>	<u>\$ (68,378)</u>
Basic and diluted earnings per trust unit	<u>\$ 0.10</u>	<u>\$ 0.12</u>

For the three months ended March 31, 2003 and March 31, 2002

(thousands of Canadian dollars) Unaudited

	2003	2002
Operating Activities		
Net earnings	\$ 6,520	\$ 6,146
Items not affecting cash		
Amortization of capital assets	5,191	3,014
Amortization of intangible assets	1,147	225
Other amortization	567	217
Minority interest	337	(20)
Distribution received less equity income	11	(18)
Future income taxes	1,612	(1,094)
Gain on foreign exchange	(5,098)	(20)
	<u>10,287</u>	<u>8,450</u>
Changes in non-cash operating working capital	(1,372)	(1,044)
	<u>8,915</u>	<u>7,406</u>
Financing Activities		
Cash distributions	(15,601)	(13,104)
Deferred costs	(65)	-
Other	(177)	-
Net increase (decrease) in long-term liabilities	64,989	(156)
Deferred credits	377	-
	<u>49,523</u>	<u>(13,260)</u>
Investing Activities		
Increase in reserve funds	(329)	(97)
Receipt of principal on notes receivable	890	276
Additions to capital assets	(1,308)	(541)
Acquisitions of operating entities (note 3)	(76,601)	(3,899)
	<u>(77,348)</u>	<u>(4,261)</u>
Effect of exchange rate differences on cash and cash equivalents	(267)	-
Decrease in cash	(19,177)	(10,115)
Cash and cash equivalents, beginning of the period	24,838	31,713
Cash and cash equivalents, end of the period	<u>\$ 5,661</u>	<u>\$ 21,598</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest expense	\$ 1,845	\$ 1,455
Cash paid during the year for income taxes	\$ 204	\$ 59

For the three months ended March 31, 2003 and March 31, 2002
(in thousands of Canadian dollars except as noted) Unaudited

1. Basis of Presentation

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2002, as set out in the 2002 Annual Report. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of computation as were used for the audited consolidated financial statements for the year ended December 31, 2002 except as noted below.

Effective January 1, 2003 the Fund adopted Accounting Guideline 14 which requires certain disclosures to be made by a guarantor of obligations. The Fund has no such guarantees to disclose.

Effective January 1, 2003 the Fund designated its United States dollar forward contracts as hedges of its future United States dollar revenues.

2. Seasonality

The operations of the Fund are seasonal. The Fund's hydroelectric energy assets are primarily "run-of-the-river" and as such fluctuate with the natural water flows. During the winter and summer periods, flows are generally slower while during the spring and fall periods flows are heavier.

3. Acquisition of facilities

On March 10, 2003 the Fund acquired a 56MW cogeneration generating facility in Windsor Locks, Connecticut and the related power sales contracts for total consideration of \$43,178 (U.S. \$29,461). The Windsor Locks generating station sells electricity to Connecticut Light and Power Company pursuant to a long term power purchase agreement ending in 2010. In addition, the facility delivers steam energy and a small portion of electricity to a speciality fiber composites mill located adjacent to the facility pursuant to an energy services agreement ending in 2018.

On February 25, 2003 the Fund acquired the shares of Litchfield Park Service Company located in Phoenix Arizona for \$34,875 (U.S. \$23,366) in the Infrastructure Division. The company currently services approximately 18,000 water and wastewater customers. This acquisition has contingent payments based on the level of growth in the customer base over the next five years.

The acquisitions have been accounted for using the purchase method, with earnings from operations included since the date of acquisition. The consideration paid by the Fund has been allocated to net assets acquired as follows:

	Windsor Locks	LPSCO	Total
Working capital	\$ -	\$ (795)	\$ (795)
Funds held in reserve	-	1,771	1,771
Capital assets	30,171	80,899	111,070
Intangible assets	13,007	1,781	14,788
Long term liabilities assumed	-	(20,749)	(20,749)
Other long term obligations assumed	-	(2,495)	(2,495)
Deferred credits	-	(2,128)	(2,128)
Future non current income tax liability	-	(23,409)	(23,409)
Total purchase price	43,178	34,875	78,053
Less: cash acquired	-	(1,452)	(1,452)
Cash consideration paid	<u>\$ 43,178</u>	<u>\$ 33,423</u>	<u>\$ 76,601</u>

The purchase price allocation has been based on the best information available at the reporting date; however, adjustments to the purchase price and purchase price allocation may be made in subsequent quarters as more information is obtained.

4. Segmented Information

The Fund and its subsidiaries operate in the independent power industry in both Canada and the United States. Information on operations by geographic area is as follows:

	March 31, 2003	March 31, 2002
Revenue		
Canada	\$ 12,374	\$ 10,919
United States	16,808	4,809
	<u>\$ 29,182</u>	<u>\$ 15,728</u>
	March 31, 2003	December 31, 2002
Capital Assets		
Canada	\$ 334,301	\$ 336,897
United States	320,766	210,983
	<u>\$ 655,067</u>	<u>\$ 547,880</u>
	March 31, 2003	December 31, 2002
Intangible Assets		
Canada	\$ 31,723	\$ 31,134
United States	43,044	29,992
	<u>\$ 74,767</u>	<u>\$ 61,126</u>

Operational segments

The Fund identifies four business categories it operates in: hydro, natural gas cogeneration, alternative fuels and infrastructure assets. The operations and assets for these segments are outlined below:

	Three months ended March 31, 2003					
	Hydro	Cogeneration	Alternative Fuels	Infrastructure	Admin	Total
Revenue						
Energy sales	10,788	8,284	1,650	-	-	20,722
Waste disposal fees	-	-	3,530	-	-	3,530
Water reclamation and distribution	-	-	-	3,348	-	3,348
Interest, dividend and other income	112	1,067	313	5	85	1,582
Total Revenue	<u>10,900</u>	<u>9,351</u>	<u>5,493</u>	<u>3,353</u>	<u>85</u>	<u>29,182</u>
Operating expenses	4,438	6,234	3,190	1,654	-	15,516
Operating profit	6,462	3,117	2,303	1,699	85	13,666
Other administration costs	(46)	-	(62)	(9)	3,625	3,508
Interest expense	(1,295)	(121)	(97)	(168)	(382)	(2,063)
Amortization of capital assets	(2,881)	(624)	(999)	(687)	-	(5,191)
Amortization of intangible assets	(103)	(492)	(540)	(12)	-	(1,147)
Earnings before income taxes and minority interest	2,137	1,880	605	823	3,328	8,773
Capital assets	328,986	93,724	92,478	139,879	-	655,067
Intangible assets	1,388	37,831	33,059	2,489	-	74,767
Capital expenditures	-	30,299	360	81,719	-	112,378
Intangible expenditures	-	13,007	-	1,781	-	14,788
	Three months ended March 31, 2002					
	Hydro	Cogeneration	Alternative Fuels	Infrastructure	Admin	Total
Revenue						
Energy sales	10,381	395	733	-	-	11,509
Waste disposal fees	-	-	542	-	-	542
Water reclamation and distribution	-	-	-	1,120	-	1,120
Interest, dividend and other income	113	1,241	1,072	9	122	2,557
Total Revenue	<u>10,494</u>	<u>1,636</u>	<u>2,347</u>	<u>1,129</u>	<u>122</u>	<u>15,728</u>
Operating expenses	3,416	214	739	572	-	4,941
Operating profit	7,078	1,422	1,608	557	122	10,787
Other administration expenses	(7)	-	-	-	(994)	(1,001)
Interest expense	(1,305)	-	-	-	(151)	(1,456)
Amortization of capital assets	(2,608)	(6)	(317)	(83)	-	(3,014)
Amortization of intangible assets	(107)	(37)	(81)	-	-	(225)
Earnings before income taxes and minority interest	3,051	1,379	1,210	474	(1,023)	5,091
Capital assets (Dec 31, 2002)	333,431	62,726	92,947	58,776	-	547,880
Intangible assets (Dec 31, 2002)	1,490	26,428	32,488	720	-	61,126
Capital expenditures	158	4,514	81,688	376	-	86,736
Intangible expenditures	-	13,252	28,289	-	-	41,541

5. Subsequent Events

- a) In February, 2003 the Alternative Fuels Division announced that it entered into an agreement to purchase a 40% interest in an 80 MW biomass-fired electric generating facility located in Virginia. Under the terms of the purchase and sale agreement the Fund cannot disclose details of the transaction prior to closing. Closing of the acquisition of the partnership interest will be subject to, among other things, obtaining certain required transfer approvals.
- b) The Fund has renegotiated with the Public Service Company of New Hampshire ("PSNH") the pricing terms of the power purchase agreements associated with 13 small hydroelectric generating facilities in New Hampshire. Subject to certain approvals and adjustments, as consideration for a reduction in the above-market rates stipulated in these power purchase agreements, the Fund is expected to receive approximately \$30,600 (U.S. \$20,400). After completion of these transactions, PSNH will continue to purchase the energy produced by these generating stations at the New England power pool market price.
- c) Subsequent to the end of the first quarter, the Fund negotiated a \$15 million permanent increase to its line of credit to \$115 million. The Fund also negotiated a \$15 million temporary increase to its line of credit requirements until the Funds are received from the renegotiation of the PSNH contracts, in anticipation of completing the biomass transaction referred to above.

Trustees

Christopher J. Ball

Corpfinance International Limited, Executive Vice-President

George Steeves

Energy Consultant

Kenneth Moore, *Chairman of the Trustees*

NewPoint Capital Partners Inc., Managing Partner

Algonquin Power Management Inc.

Chris K. Jarratt, *Director and Chief Executive Officer*

John M.H. Huxley, *Director*

Ian E. Robertson, *Director*

David C. Kerr, *Director*

Peter Kampian, *Chief Financial Officer*

Head Office

2845 Bristol Circle

Oakville, Ontario L6H 7H7

Telephone: 905-465-4500

Fax: 905-465-4514

E-mail: apif@algonquinpower.com

Web Site: www.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

Auditors

KPMG LLP, Toronto, Ontario

Legal Counsel

Blake, Cassels & Graydon LLP, Toronto, Ontario



Alternative Fuels

Brooklyn, Nova Scotia • Joliet, Illinois • Chapais, Québec • Drayton Valley, Alberta • KMS Peel, Ontario



Cogeneration

*Cardinal, Ontario • Cochrane, Ontario • Kirkland Lake, Ontario • Crossroads, New Jersey
Sanger, California • Windsor Locks, Connecticut*



Hydroelectric

*Adams, New York • Arthurville, Québec • Ashuelot, New England • Avery, New England
Belleterre, Québec • Burgess Dam, Ontario • Burt Dam, New York • Campbellford, Ontario
Christine Falls, New York • ChuteFord, Québec • Clement Dam, New England
Cranberry Lake, New York • Dickson Dam, Alberta • Donnacona, Québec • Drag Lake, Ontario
Forestport, New York • Franklin, New England • Great Falls, New Jersey • Gregg Falls, New England
Hadley, New England • Herkimer, New York • Hollow Dam, New York • Hopkinton, New England
Hurdman Dam, Ontario • Kayuta Lake, New York • Kings Falls, New York • Lakeport, New England
Lochmere, New England • Long Sault Rapids, Ontario • Lower Robertson, New England • Milton, New England
Mine Falls, New England • Moretown, New England • Mont-Laurier, Québec • Odgensburg, New York
Otter Creek, New York • Pembroke, New England • Phoenix, New York • Rattle Brook, Newfoundland
Rawdon, Québec • Rivière-du-Loup, Québec • Saint-Alban, Québec • Ste-Brigitte, Québec
Ste-Catherine, Québec • St-Hyacinthe, Québec • St-Raphaël, Québec • Worcester, New England*



Infrastructure

*Bella Vista, Arizona • Black Mountain, Arizona • Gold Canyon, Arizona • Litchfield Park, Arizona
Tall Timbers, Texas • Woodmark, Texas*