

SECOND QUARTER REPORT
JUNE 30, 2005



ALGONQUIN
 **POWER**
Income Fund

STABILITY PERFORMANCE OPPORTUNITY

Report to Unitholders

Algonquin Power Income Fund is pleased to report continued reliable generation for the second quarter of 2005 and six months ended June 30, 2005.

During the quarter the Fund distributed \$0.23 per trust unit, consistent with the second quarter of 2004. The Fund's diversified portfolio of assets contributes to stable and predictable cash distributions to unitholders.

Performance highlights from the second quarter of 2005 include:

- Revenue increased to \$45.0 million in Q2 2005 from \$41.9 million in Q2 2004.
- Net earnings of \$1.6 million in Q2 2005 compared to \$8.1 million in Q2 2004. The Q2 2004 results included \$3.6 million received for prepayment of the Cardinal Power note and Q2 2005 included a \$2.7 million write down related to the Crossroads facility.
- Net earnings per trust unit were \$0.02 in Q2 2005, compared to \$0.12 in Q2 2004.
- Cash available for distribution was \$16.6 million (\$0.24 per trust unit) in Q2 2005, down from \$18.3 million (\$0.27 per trust unit) in Q2 2004.

The Fund continues to progress with the integration of Land Fill Gas (LFG) facilities acquired late in 2004 and five water and waste water facilities acquired in March of 2005. The new facilities combined with higher than average results from the Cogeneration facilities and strong organic growth in the Infrastructure division have aided in the continuation of stable and predictable distributions to unitholders.

Operational Highlights

Hydroelectric

During the second quarter of 2005, the Fund's hydroelectric facilities generated electricity equal to 92% of long term averages compared to 99% during the same period in 2004, and 87% in the previous quarter. The Fund's hydroelectric performance was the result of continued low hydrology experienced in the Ontario, Quebec and New York regions. The lower performing regions were somewhat offset by stronger hydrology experienced in the Western region and continued strong energy generation in New England.

Operating profit for the hydroelectric division increased to \$8.4 million during the second quarter of 2005, up from \$8.0 million in the second quarter of 2004, even though revenue declined. The increase was achieved through lower repair and maintenance costs during the first half of 2005. Reduced property taxes in Quebec also contributed to increased operating profit.

Overall, operating profit in the Hydroelectric Division was below management expectations due to weaker than expected hydrology in the Ontario and Quebec regions.

Cogeneration

The Fund's Cogeneration Division experienced increased revenues over the same quarter in 2004, partly due to the Fund's two major co-generating facilities, Sanger and Windsor Locks having met or exceeded plan during the quarter. Higher fuel costs that are passed on to the customer at the Windsor Locks facility also contributed to increased revenue.

Second quarter 2005 operating expenses decreased over the second quarter of 2004, mainly due to lower repair and maintenance costs.

Interest income for the Fund was lower than in the comparable period in 2004 due to the repayment of the Cardinal Power of Canada LP Notes during the quarter.

Overall, operating profit in the Cogeneration Division met management's expectations for the second quarter of 2005.

Alternative Fuels

The Fund's Alternative Fuels Division posted increased revenues and operating profits during the second quarter of 2005 when compared to the second quarter of 2004. The increase in revenue results from the inclusion of production from the landfill gas ("LFG") facilities that were acquired at the end of the third quarter in 2004. Waste revenues were lower as a result of lower waste quantities processed at the Algonquin Energy-from-Waste facility ("EFW") due to equipment problems.

Interest income was higher primarily as a result of inclusion of interest income from loans to AirSource Power Fund I LP and Across America LLC.

Operating profit for the Alternative Fuels division increased to \$2.1 million for the second quarter of 2005, up from \$1.8 million in the second quarter of 2004.

Overall, the Alternative Fuels Division performed below management's expectations primarily due to lower revenue and higher costs at the EFW and LFG facilities.

Infrastructure

During the second quarter, the Fund's infrastructure division reported increased revenue and operating profit, posting revenues of \$7.6 million in the second quarter of 2005, up from \$6.0 million in the second quarter of 2004, and operating profits of \$4.7 million, up from \$2.9 million for the second quarter of

2004. The increase over 2004 is partially due to the inclusion of five water and wastewater facilities purchased in March 2005, resulting in increased revenue for the division. Organic growth also continues to contribute to increased results.

Water and wastewater facilities experienced annualized growth of 10% and 11% respectively during the first half of 2005.

Outlook

Reduced hydrology in Ontario region hydroelectric facilities has extended through the second quarter into the third quarter of 2005. Although improvements in Quebec and Western region hydrology may offset the dry conditions in Ontario, below average generation is anticipated for the third quarter of 2005. The Fund's cogeneration facilities are expected to continue performing at or above expectations during the third quarter of 2005, while the LFG and EFW facilities in the alternative fuels division are expected to perform below management's expectations. An action plan has been undertaken by the Fund to bring these facilities to adequate generating levels. The infrastructure division is set to perform on budget during the third quarter of 2005 based on continued strong organic growth.

Overall, Algonquin Power Income Fund achieved increased revenues and operating profit in the second quarter of 2005 when compared to the second quarter of 2004. These results can be attributed to both a technologically and geographically well balanced portfolio of high value assets. As always, the Algonquin Power Income Fund management team continues to focus on improving the performance of existing assets and securing accretive acquisitions to solidify the stability of distributions to unitholders.

Thank you for your continued support and commitment to Algonquin Power Income Fund.



Ken Moore
Chairman

Management's Discussion and Analysis

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

For the quarter ended June 30, 2005, the Fund reported total revenue of \$45.0 million compared to \$41.9 million for the same period in 2004. Revenue for the second quarter of 2005 increased due to the purchase of the Landfill Gas Facilities ("LFG") at the end of the third quarter in 2004, the five water and wastewater facilities purchased in March 2005 combined with higher cogeneration revenue and strong organic growth in the infrastructure division. These amounts were partially offset by lower hydrology experienced in the hydroelectric division. For the six months ended June 30, 2005, the Fund reported revenue of \$85.6 million compared to \$79.1 million for the same period in 2004. Revenue for the six months ended June 30, 2005 increased primarily for the reasons indicated in the discussion of the second quarter results above. A more detailed analysis of these factors is presented within the divisional analysis below.

Net earnings for the second quarter of 2005 were \$1.6 million compared to \$8.1 million for the same period in 2004. Net earnings for the second quarter of 2005 fell from the same period in 2004 due to the write down of the Fund's investment at the Crossroads facility in New Jersey, including the tax loss carry-forward associated with the facility. In addition, the Fund incurred higher interest expense. These factors were offset by improved earnings from organic growth in the Fund's infrastructure division, the purchase of five water and wastewater facilities in March 2005 and lower losses on foreign exchange. In addition, earnings in the comparable period of 2004 were increased due to the recognition of a one time gain in an amount of \$3.6 million on the prepayment of a note receivable. Net earnings for the six months ended June 30, 2005 were \$3.4 million, compared to \$11.4 million for the same period in 2004. On a year to date basis, earnings fell as a result of the write down related to the Crossroads facility, including the tax loss carry-forward associated with the facility and higher interest expenses from the comparable period of the prior year. In addition, net earnings for the 2004 period were increased due to the recognition of a one time gain on the prepayment of a note receivable. These factors were partially offset by organic growth and the purchase of five water and wastewater facilities in March 2005 in the infrastructure division, and a reduction in losses on foreign exchange. A more detailed analysis of these factors is presented within the divisional analysis below.

Net earnings per trust unit were \$0.02 in the second quarter of 2005 compared to \$0.12 in the second quarter of 2004. Net earnings per trust unit for the six months ended June 30, 2005 were \$0.05 compared to \$0.17 per trust unit for

the same period in the prior year. The Fund generated \$0.24 per trust unit of cash available for distribution for the second quarter 2005, compared to \$0.27 per trust unit for the second quarter of 2004. During the second quarter of 2005, the Fund maintained distributions at \$0.23 per trust unit, consistent with the same period in 2004.

The Fund generated \$0.44 per trust unit of cash available for distribution for the six months ended June 30, 2005 compared to \$0.46 for the same period in 2004. The Fund distributed \$0.46 per trust unit, consistent with the same period in 2004.

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Revenues	45,016	41,895	85,616	79,115
Net earnings	1,569	8,067	3,409	11,403
Distribution to unitholders	16,015	15,738	32,030	31,339
Cash available for distribution	16,591	18,283	30,511	31,346
Per unit				
Net earnings	0.02	0.12	0.05	0.17
Distribution to unitholders	0.23	0.23	0.46	0.46
Cash available for distribution	0.24	0.27	0.44	0.46

The information in this Management's Discussion and Analysis is supplemental to and should be read in conjunction with the Fund's unaudited consolidated financial statements for the six months ended June 30, 2005, as well as the audited consolidated financial statements and the related Management's Discussion and Analysis contained in the 2004 Annual Report. The Fund's financial statements are prepared in accordance with accounting principles generally accepted in Canada. The Fund's reporting currency is the Canadian dollar.

The term 'cash available for distribution' is used throughout this Management's Discussion and Analysis. Management uses this calculation to monitor the amount of cash generated by the Fund as compared to the amount of cash distributed by the Fund. 'Cash available for distribution' is not a recognized measure under accounting principles generally accepted in Canada. The Fund's method of calculating 'cash available for distribution' may differ from methods used by other companies and accordingly may not be comparable to similar measures presented by other companies. A calculation and analysis of 'cash available for distribution' can be found in this Management's Discussion and Analysis.



Hydroelectric Division

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Performance (MW-hrs sold)				
Quebec Region	82,343	88,494	131,964	149,351
Ontario Region	27,949	38,095	54,275	74,823
New England Region	28,589	26,836	51,362	43,403
New York Region	17,543	23,608	38,895	43,053
Western Region	21,631	15,221	31,556	24,807
Total	178,055	192,254	308,052	355,437
Revenues				
Energy sales	\$ 11,532	\$ 12,174	\$ 21,551	\$ 23,186
Expenses				
Operating expenses	\$ (3,286)	\$ (4,440)	\$ (6,702)	\$ (8,789)
Other income	202	233	323	304
Division operating profit (incl. other income)	\$ 8,448	\$ 7,967	\$ 15,172	\$ 14,701

Second quarter revenue from the Hydroelectric Division was \$11.5 million in 2005 compared to \$12.2 million in the second quarter of 2004. During the second quarter of 2005, the Fund's hydroelectric facilities generated electricity equal to 92% of long term averages compared to 99% during the same period in 2004. The decline in generated electricity is the result of below average hydrology experienced in the Ontario, Quebec and New York regions. The decreases were somewhat offset by above average hydrology experienced in the Western and New England regions and an improvement in the average power rates.

For the six months ended June 30, 2005, revenue from the Hydroelectric Division was \$21.6 million compared to \$23.2 million in the prior year. Above average energy generated in the Western and New England regions were offset by below average generation from the Ontario and Quebec regions.

Operating expenses decreased to \$3.3 million for the second quarter of 2005 compared to \$4.4 million in the second quarter of 2004. For the six months ended June 30, 2005, operating expenses were \$6.7 million compared to \$8.8 million in the prior year. The decrease is primarily due to lower operating costs as a result of reduced variable costs of production, fewer unplanned repair and maintenance projects initiated in the first two quarters and reduced property taxes in the Quebec region as compared to the same period in 2004.

For the second quarter of 2005, the Hydroelectric Division's operating profit increased to \$8.4 million from \$8.0 million in the second quarter of 2004. For

the six months ended June 30, 2005, operating profit increased to \$15.2 million compared to \$14.7 million for the same period in 2004. The increase in operating profit for both the quarter and year-to-date is primarily the result of fewer unplanned repair and maintenance projects in the first two quarters and reduced property taxes in the Quebec region offset by lower revenue. For both the quarter and on a year-to-date basis, operating profit was below management's expectations primarily due to below average hydrology in the Ontario and Quebec regions.

Outlook

The Hydroelectric Division is expected to generate below average electrical production during the third quarter. Continued above average hydrological conditions in the New England and Western regions plus improving conditions in the Quebec region are expected to offset below average hydrological conditions in the Ontario region. The Fund's New England facilities are expected to continue to benefit from higher market prices.



Cogeneration Division

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Performance (MW-hrs sold)	133,401	128,885	265,026	252,457
Revenues				
Energy sales	\$ 19,040	\$ 18,776	\$ 36,959	\$ 34,797
Expenses				
Operating expenses	\$ (12,792)	\$ (13,115)	\$ (25,943)	\$ (25,533)
Interest and dividend income	725	1,259	1,443	2,405
Division operating profit (incl. interest and dividend income)	\$ 6,973	\$ 6,920	\$ 12,459	\$ 11,669

Second quarter revenue from the Cogeneration Division totaled \$19.0 million compared to \$18.8 million in the second quarter of 2004. The increase in revenue is due to higher production and increased fuel costs, primarily at the Windsor Locks facility, where fuel costs are passed on to the customer. The Fund's major facilities, Sanger and Windsor Locks met or exceeded plan during the quarter. For the six months ended June 30, 2005, revenue was \$37.0 million compared to \$34.8 million during the same period in the prior year. The increased revenue is attributable to higher fuel costs where fuel costs are passed on to the customer and because the 2004 results were negatively impacted by an unplanned gas turbine outage at the Sanger facility. The Fund earned lower dividend income from its portfolio investments during the second quarter and for the six months ended June 30, 2005 compared to the same period in 2004 due to the repayment

of the Cardinal Power of Canada LP Notes ("Cardinal") in the second quarter of 2004.

Operating expenses decreased to \$12.8 million in the second quarter of 2005 from \$13.1 million in the second quarter of 2004. Reduced repair and maintenance costs incurred in the quarter and the strengthening Canadian dollar combined to effectively reduce operating costs from the prior period. Repair and maintenance costs incurred in the comparable period of 2004 included increased maintenance resulting from the unplanned outage in 2004 at the Sanger facility. Higher fuel costs offset the reductions in overall costs. For the six months ended June 30, 2005, expenses increased to \$25.9 million from \$25.5 million primarily due to higher fuel costs, partially offset by reduced repair and maintenance costs and the stronger Canadian dollar.

Operating profit for the second quarter of 2005 was \$7.0 million compared with \$6.9 million for the second quarter of 2004. Operating profit for the six months ended June 30, 2005 was \$12.5 million compared to \$11.7 million for the same period in 2004. Operating profit for the second quarter and first two quarters of 2005 met management's expectations.

During the second quarter, management reassessed its investment in the Crossroads facility. Based on its analysis, management determined that a write down of its investment in the facility to net realizable value was appropriate. As a result, in June 2005, the Fund recognized an expense of \$2.7 million, representing a write down of its investment in the Crossroads facility. The division operating profit does not reflect this expense as it is included in the Administrative section of this report. The Fund is currently assessing its options with regards to the ongoing operations at this facility.

Outlook

The Fund's major cogeneration facilities, Windsor Locks and Sanger, are expected to continue to perform at or above management's expectations during the third quarter. The Fund will continue to focus on maintaining the reliable supply of energy generation from its facilities and pursue opportunities to realize additional revenue.

Alternative Fuels Division

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Performance (MW-hrs sold)	49,298	21,733	106,163	44,725
Performance (tonnes of waste processed)	33,901	40,241	71,532	78,709
Revenues				
Energy sales				
Waste disposal sales	\$ 3,763	\$ 1,341	\$ 7,915	\$ 2,837
	<u>3,036</u>	<u>3,561</u>	<u>6,352</u>	<u>6,985</u>
Total revenues	\$ 6,799	\$ 4,902	\$ 14,267	\$ 9,822
Expenses				
Operating expenses	\$ (5,966)	\$ (3,365)	\$ (12,067)	\$ (6,590)
Interest and dividend income	1,259	235	2,177	453
Division operating profit (incl. interest and dividend income)	\$ 2,092	\$ 1,772	\$ 4,377	\$ 3,685

Second quarter revenue from the Alternative Fuels Division totaled \$6.8 million compared to \$4.9 million in 2004. For the six months ended June 30, 2005, revenue was \$14.3 million compared to \$9.8 million for the same period in the prior year. The increase in energy production revenue is the result of the inclusion of revenue and production from the LFG facilities, acquired at the end of the third quarter in 2004. These facilities contributed revenue of approximately \$2.3 million (\$5.1 million for the first six months of 2005). The increase in revenue was offset by lower waste quantities processed at the Algonquin Power Energy-from-Waste facility ("EFW") due to equipment problems and issues with the flue gas systems. The Joliet facility was permanently closed on May 10, 2005.

The Fund posted higher interest and dividend income earned by the portfolio investments during the second quarter of 2005 and in the first six months of 2005, as compared to the corresponding periods in 2004, as a result of income from the AirSource Power Fund I LP ("AirSource") loan as well as the addition of the Across America LFG LLC note. The Across America note was funded at the end of the third quarter of 2004. Funding for the AirSource note initially began in the fourth quarter of 2004. At the end of the second quarter of 2005, the Fund had advanced to AirSource a total of \$28.6 million.

Operating expenses for the second quarter of 2005 were \$6.0 million compared to \$3.4 million for the same period in 2004. For the six months ended June 30, 2005, operating expenses were \$12.1 million compared to \$6.6 million for the same period during 2004. The increase for both the quarter and six-month period is primarily the result of the inclusion of operating costs from the LFG facilities

of approximately \$2.4 million (\$4.7 million for the first six months of 2005). In addition, higher costs were incurred at the EFW facility as compared to the same period in 2004 resulting from equipment problems, issues with the flue gas systems and the strike by the Region of Peel's unionized workers.

Operating profit for the second quarter of 2005 amounted to \$2.1 million compared to \$1.8 million in the second quarter of 2004. Operating profit for the six months ended June 30, 2005 was \$4.4 million compared to \$3.7 million for the same period in 2004. Equipment availability and gas supply issues at the LFG facilities reduced operating profit and resulted in lower than expected production and greater costs to operate, repair, and maintain the equipment. In conjunction with lower revenue at the EFW facility, operating profit for both the second quarter and for the six months ended June 30, 2005 was below management's expectations.

Outlook

The Fund's LFG and EFW facilities continue to perform below management's expectations. At EFW, Management is in the process of revising the baghouse filter system which has been limiting the production. This work is expected to be completed by the end of August. At LFG, personnel changes and equipment repairs are expected to improve availability. The Valley Power facility is expected to perform in line with Management's expectations.



Infrastructure Division

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Number of				
Water reclamation customers	22,866	19,847	22,866	19,847
Water distribution customers	23,394	18,702	23,394	18,702
Revenues				
Water reclamation and distribution	\$ 7,645	\$ 6,043	\$ 12,839	\$ 11,310
Expenses				
Operating expenses	\$ (2,978)	\$ (3,171)	\$ (5,467)	\$ (5,772)
Other income	17	3	17	6
Division operating profit (incl. other income)	\$ 4,684	\$ 2,875	\$ 7,389	\$ 5,544

Second quarter 2005 revenue from the Infrastructure Division increased to \$7.7 million from \$6.0 million in 2004. Revenue for the six months ended June 30, 2005 increased to \$12.8 million from \$11.3 million for the same period during the prior year. The increase in revenue for the second quarter and for the six

months ended June 30, 2005 is primarily due to the inclusion of five water and wastewater facilities purchased on March 11, 2005, resulting in increased revenue of approximately \$1.0 million (\$1.1 million for the first six months of 2005) as well as continued organic growth in its existing facilities. The year-to-date increases were offset by lower revenues resulting from higher than normal rain in Arizona experienced in the first quarter of 2005.

Operating expenses decreased to \$3.0 million in the second quarter of 2005 from \$3.2 million in the second quarter of 2004. For the six months ended June 30, 2005, operating expenses were \$5.5 million compared to \$5.8 million for the same period during the prior year. Lower operating costs and the strengthening Canadian dollar combined to effectively reduce operating costs. The decrease was offset by higher costs of approximately \$0.4 million resulting from the inclusion of the facilities purchased in the first quarter.

Operating profit for the second quarter of 2005 increased to \$4.7 million from \$2.9 million for the same period during the prior year. Operating profit for the six months ended June 30, 2005 increased to \$7.4 million from \$5.5 million in the prior year. The increases were due to organic growth and the inclusion of the additional facilities purchased at the end of the first quarter of 2005.

Outlook

Management anticipates the division will perform on budget during the upcoming quarter. Organic growth in the customer base of the Fund's water distribution and reclamation facilities is expected to continue in 2005 at similar rates achieved since the end of the first quarter of 2004. Excluding the impact of the facilities purchased late in the first quarter, the wastewater facilities experienced annualized growth of 10% in the first six months of 2005 while the water facilities experienced annualized growth of 11% in the first six months of 2005. Growth at the Litchfield Park facility in Arizona which is located in one of the fastest growing counties in the United States is expected to continue at historical rates

Administrative expenses

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Administrative expenses	\$1,390	\$1,328	\$2,635	\$2,627
Management costs	206	197	412	385
Withholding taxes	186	133	339	214
Loss on foreign exchange	784	2,024	1,116	3,434
Interest expense	3,995	2,698	7,879	5,380
Income from note receivable Prepayment	-	(3,634)	-	(3,634)
Write down of Fixed and Intangible Asset	2,721	-	2,721	-
Interest, dividend and other Income	(15)	(62)	(62)	(494)
Income tax expense (recovery)	2,358	526	3,499	(55)

Foreign exchange losses primarily represent unrealized losses on US dollar denominated debt and do not impact cash available for distribution. For the second quarter of 2005 the Fund posted a foreign exchange loss of \$0.8 million versus a foreign exchange loss of \$2.0 million for the second quarter of 2004. For the six months ended June 30, 2005 the Fund posted a foreign exchange loss of \$1.1 million compared to a foreign exchange loss of \$3.4 million for the same period in the prior year. At the end of the second quarter, the Fund had approximately \$42.9 million in US dollar denominated debt.

Interest expense increased to \$4.0 million in the second quarter of 2005 from \$2.7 million in the second quarter of 2004. For the six months ended June 30, 2005, interest expense increased to \$7.9 million from \$5.4 million for the same period in 2004. The increase is due in part to the issuance of \$85 million in convertible debentures at the beginning of the third quarter of 2004 which added \$1.4 million of interest expense in the second quarter (\$2.8 million for the six month period ended June 30, 2005). The increase debt service costs from the convertible debentures were offset by reduced interest expense from bank debt of approximately \$0.2 million (\$0.5 million for the six month period ended June 30, 2005).

The comparative period in 2004 includes a one-time income recognition of \$3.6 million for a note receivable prepayment. The Fund's loan to Cardinal totaling \$18.5 million was repaid during the previous year's quarter plus a prepayment fee of \$3.6 million.

For the six months ended June 30, 2005, other income decreased to \$0.1 million from \$0.5 million for the same period in 2004, primarily because in 2004 a break fee was earned by the Fund as a result of a failed transaction. During the first six months of 2005, the figure only included interest income.

Income tax expense increased to \$2.4 million in the second quarter of 2005 compared to an expense of \$0.5 million in the second quarter of 2004. For the six months ended June 30, 2005, income tax expense increased to \$3.5 million compared to a \$0.1 million income tax recovery for the same period in 2004. The increase is primarily the result of the write off of tax loss carry-forwards related to the Crossroads facility.

Cash Available for Distribution

	Three Months ended June 30		Six Months ended June 30	
	2005	2004	2005	2004
Cash flow from operating activities	\$ 19,741	\$ 18,293	\$ 21,513	\$ 29,615
Changes in working capital	(3,364)	839	6,691	2,062
Operating cash flow before working capital changes	16,379	19,132	28,204	31,677
Receipt of principal on notes receivable	1,344	1,076	3,052	2,603
Receipt of Commitment Fee from AirSource	-	-	988	-
Increase in reserves	(118)	(71)	(27)	(66)
Repayment of long-term liabilities	(444)	(173)	(682)	(355)
Maintenance capital expenditures	(549)	(690)	(1,001)	(1,226)
Other	(21)	(991)	(23)	(1,287)
Cash available for distribution	\$ 16,591	\$ 18,283	\$ 30,511	\$ 31,346
Cash available for distribution per trust unit	\$ 0.24	\$ 0.27	\$ 0.44	\$ 0.46
Distribution to unitholders	\$ 16,015	\$ 15,738	\$ 32,030	\$ 31,339
Distributions to unitholders per trust unit	\$ 0.23	\$ 0.23	\$ 0.46	\$ 0.46

During the second quarter of 2005 the Fund generated \$16.6 million in cash available for distribution compared to \$18.3 million for the same period during 2004. For the six months ended June 30, 2005, the Fund generated \$30.5 million of cash available for distribution compared to \$31.3 million for the same period in 2004. The Fund's payout ratio has been improving from 123.4% in 2002 to 106.9% in 2003 and 105.8% for all of 2004. At mid-year 2005 the Fund's payout ratio was 104.9% and the Fund expects to achieve continued improvement by the end of 2005. The shortfall between 'Cash available for distribution' and 'Distributions to unitholders' has been funded primarily by working capital. The Fund expects to be able to cover any shortfall in the current year between cash generated and cash distributed through working capital, cash on hand or its credit facility. Working capital has been built up over time from public offerings of units primarily in 2003.

On a per trust unit basis, the Fund generated \$0.24 of cash available for distribution for the second quarter of 2005 compared to \$0.27 for the second quarter of 2004 and \$0.44 for the six months ended June 30, 2005 compared to \$0.46 for the same period during the prior year. The Fund distributed \$16.0 million during the second quarter of 2005 compared to \$15.7 million for the second

quarter of 2004. For the six months ended June 30, 2005 the Fund distributed \$32.0 million compared to \$31.3 million for the same period during 2004.

On a per unit basis, the Fund maintained distributions at \$0.23 per trust unit for the second quarter of 2005, consistent with 2004, and \$0.46 for the six months ended June 30, 2005, consistent with 2004.

Under Canadian tax rules, cash distributions comprise of a return of capital portion (tax deferred) and a return on capital portion (taxable). During fiscal 2004, the Fund's posted return of capital was approximately 62%. Actual return of capital amounts for the year ended December 31, 2005 may differ from historical results as it is dependent upon the results of the current year's operations.

Liquidity and Capital Reserves

At the end of the second quarter of 2005 the Fund had \$9.0 million of cash and cash equivalents. As at June 30, 2005, the Fund had negative net working capital of \$0.3 million. The shortfall is primarily the result of financing the Fund's capital expenditures in the quarter from working capital.

During the second quarter of 2005, the Fund incurred capital expenditures of \$5.5 million, as compared to \$2.6 million in the comparable period in 2004. During the first six months of 2005, the Fund incurred capital expenditures of \$10.5 million, as compared to \$5.2 million in the comparable period in 2004. Capital expenditure requirements are anticipated to be approximately \$20 million for all of fiscal 2005. The majority of these investments in 2005 relate to the infrastructure division expansion and to requirements to comply with new rules pertaining to arsenic levels. The Fund generally finances capital expenditures through working capital, its revolving credit facility and additional trust unit offerings.

Long-term liabilities decreased to \$151.9 million at the end of the second quarter 2005 compared to \$166.6 million at the end of the second quarter of 2004. Long term liabilities primarily comprise of project level debt of approximately \$90.0 million and an amount of \$61.5 million drawn on the Fund's revolving credit facility as compared to project level debt of \$95.5 million and an amount of \$71.0 million drawn on the Fund's revolving credit facility at the end of the second quarter of 2004. Project debt is paid at the project level where adequate cash flows are available to fund the project debt requirements and the debt is generally non-recourse to the Fund. Project debt repayments are deducted in the calculation of cash available for distribution.

The Fund has in place a \$145 million revolving credit facility, of which \$125 million is to be used for acquisitions, investments, and letters of credit, and the

balance of the \$20 million is to be used for operating requirements. At the end of the quarter, the Fund did not have any funds drawn on the operating portion of the revolving credit facility. The Fund has \$61.5 million drawn on the acquisition portion of the credit facility.

During the second quarter of 2005, the Fund drew an additional \$23.5 million on the revolving credit facility, primarily to fund the requirements of AirSource. Subsequent to the end of the quarter, the Fund drew an additional \$12.4 million from its revolving credit facility, primarily to fund the requirements of AirSource. The Fund's total commitment to AirSource is \$69.3 million of which the Fund intends to finance initially by utilizing the revolving credit facility. Since the Fund utilizes the revolving credit for growth capital expenditures including acquisitions, the revolving credit has been reduced in the past by the issuance of units to the public. It is anticipated that the revolving credit would be repaid by a future offering of units. At the end of the second quarter of 2005, the Fund has advanced \$28.6 million to AirSource in addition to providing letters of credit of \$15.4 million, for a total advance of \$44.0 million.

At the end of the second quarter of 2005 the Fund maintained a long-term debt-to-equity ratio (including long term liabilities, other long term liabilities and convertible debentures) of 53 %. The Fund may settle these debentures, at its option, in cash, or, subject to certain conditions, in Fund units. Accordingly, if the convertible debentures are excluded from this calculation (calculated as equity), the long term debt-to-equity ratio would be reduced to 29%.

Contractual Obligations

Information concerning contractual obligations is shown below:

	Total	Due less than 1 year	Due 2 to 3 years	Due 4 to 5 years	Due after 5 years
Long-term debt obligations	237,879	976	63,707	2,666	170,530
Other obligations	36,632	722	30,368	695	4,847
Total obligations	274,511	1,698	94,075	3,361	175,377

Long term obligations normally include regular payments related to long-term debt and other obligations. These payments are included as a reduction to cash available for distribution. Obligations included in the 2-3 year time frame are related to the Fund's credit facility and commitment to fund requirements of AirSource of \$25.3 million. The credit facility is part of the long term debt obligations, and AirSource is included in other obligations. The Fund's obligation to Airsource will be funded initially utilizing the Fund's credit facility. The Fund's intentions are to repay the credit facility as discussed above by raising funds through a public unit offering. In addition, the Fund annually extends its revolving

credit facility for an additional year. This year's extension is planned for the end of August 2005.

Dealings with Algonquin Power Group

During the second quarter of 2005 companies related to the Manager provided operations and technical services on a cost-recovery basis. Details of the quarterly payments are outlined in note 6 of the financial statements.

When appropriate for use in its operations, the Fund utilizes chartered aircraft, including the use of an aircraft owned by an affiliate of the Manager. The Fund entered into an agreement whereby the Fund will remit \$1.3 million to such affiliate as an advance against expense reimbursement (including engine utilization reserves) for the Fund's business use of this aircraft. Under the terms of this arrangement, the Fund will have priority access to make use of the aircraft for a specified number of hours at a cost equal solely to the third party direct operating costs incurred when flying the aircraft; such direct operating costs do not provide the affiliate with any profit or return on or of the capital committed to the aircraft. During the quarter, the Fund advanced \$140,000 to the Manager under this agreement. The balance was advanced subsequent to the end of the quarter.

Risk Management

A comprehensive assessment of the Fund's business risks is set out in the 2004 Annual Information Form. These risks include the dependence upon Fund businesses, regulatory climates and permits, US versus Canadian dollar exchange rates, tax related matters and commodity prices.

The Fund is entirely dependent upon operations and assets of the Fund businesses. Accordingly, distributions to unitholders are dependent upon the profitability of each of the Fund businesses. The Fund continues to diversify its operations, both operationally (Hydroelectric, Cogeneration, Alternative Fuels and Infrastructure) and geographically (Canada and US).

Profitability of the Fund businesses will be in part dependent on regulatory climates. In the case of some hydroelectric facilities, water rights are generally owned by governments who reserve the right to control water levels which may affect revenue. The water and waste water facilities are highly regulated and are subject to rate settings by state regulators. The Fund continually works with these authorities to manage the affairs of the business.

The Fund continues to benefit from forward contracts to hedge its U.S. dollar exchange rate relative to expected future monthly cash flows. At the end of the second quarter of 2005, the Fund had forward contracts to sell US dollars for the remainder of 2005 totalling US \$13.4 million at an average rate of \$1.40

Canadian per US dollar. The Fund has entered into forward contracts that provide similar fixed exchange rate protection for 2006 to the beginning of 2010 totalling US\$ 82.2 million carrying an average rate of \$1.38. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

Although the Fund is of the view that all expenses being claimed by the Fund are reasonable, there can be no assurance that the related tax authorities will agree. If these authorities successfully challenge the deductibility of these expenses, there may be an adverse effect on unitholders.

The Fund has fixed the price of its natural gas exposure until 2006 at the Sanger facility and to 2007 at the EFW facility. After this time, the EFW facility is the Fund's only natural gas exposure as the other facilities have pass through provisions in their energy agreements. Natural gas at the EFW facility will be re-contracted on a rolling basis.

The Fund has adequate insurance on all of its facilities. This includes property and casualty, boiler and machinery and liability insurance.

Outlook

The Fund will continue to identify opportunities to optimize the performance of its portfolio. Management is focusing its efforts on integrating recently acquired facilities including the LFG Facilities and water/waste water facilities and identifying efficiency opportunities to enhance unitholder value.

The Fund is expecting to generate cash available for distribution consistent with anticipated distributions for 2005 assuming a number of factors including: further organic growth in water distribution and reclamation services; expansion of generating capacity of the LFG Facilities as gas production continues to increase with additional waste placement; income generated from its subordinated debt to AirSource; continuing average to near average long-term hydrologic conditions; the escalation of power prices in certain hydroelectric power purchase agreements, coupled with no unforeseen events.

The Fund continues to be an industry leader in the areas of the environment and health and safety. The Fund maintains continuous health and safety training for all its operations and maintenance staff. All of the Fund's facilities are in compliance in all material respects with local and federal environmental regulations. The Fund continues to upgrade the facilities' environmental controls utilizing best available technology.

The Fund is investing in information technology to reduce administrative costs by continuing the implementation of supply chain management systems and integrated billing and customer protocols.

In keeping with the emerging Ontario Securities Commission requirements, the Fund is in the process of completing the review and documentation of its controls and procedures for annual certification of the financial statements.

Quarterly Financial Information

The following is a summary of unaudited quarterly financial information for the two years ended June 30, 2005.

millions of dollars except per trust unit amounts

	3rd Qtr 2004	4th Qtr 2004	1st Qtr 2005	2nd Qtr 2005	Total
Revenues	40.7	40.7	40.6	45.0	167.0
Net earnings	11.5	(0.1)	1.8	1.6	14.8
Net earnings per trust unit	0.16	0.00	0.03	0.02	0.21
Total Assets	834.2	823.9	813.1	822.1	822.1
Long-term debt	214.6	226.2	235.6	261.8	261.8
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

	3rd Qtr 2003	4th Qtr 2003	1st Qtr 2004	2nd Qtr 2004	Total
Revenues	38.1	39.7	37.2	41.9	156.9
Net earnings	10.0	6.5	3.3	8.1	27.9
Net earnings per trust unit	0.15	0.09	0.05	0.12	0.41
Total Assets	822.2	808.6	812.5	809.0	809.0
Long-term debt	177.8	185.4	186.4	189.7	189.7
Distribution per trust unit	0.23	0.23	0.23	0.23	0.92

Note:

The operations of the Fund are impacted by seasonal fluctuations. 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.

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.

Consolidated Balance Sheets
June 30, 2005 and December 31, 2004
(thousands of Canadian dollars)

	30-June-05 Unaudited	31-Dec-04
Assets		
Current assets		
Cash and cash equivalents	\$ 9,008	\$ 34,197
Accounts receivable	24,355	25,343
Prepaid expenses	1,564	1,790
Current portion of notes receivable	2,863	2,589
Future income tax asset	9	18
	<u>37,799</u>	<u>63,937</u>
Long-term investments (note 4)	68,233	48,561
Future non-current income tax asset	1,597	6,425
Capital assets, net of amortization	622,812	610,756
Intangible assets, net of amortization	77,836	83,677
Funds held in reserve	8,329	3,728
Deferred costs	5,518	6,815
	<u>\$ 822,124</u>	<u>\$ 823,899</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,197	\$ 30,481
Due to Algonquin Power Group	1,296	1,826
Cash distribution payable	10,677	10,677
Current portion of long-term liabilities	1,698	1,666
Current income tax liability	318	596
Future income tax liability	865	1,449
	<u>38,051</u>	<u>46,695</u>
Long-term liabilities	151,904	120,085
Convertible debentures	85,000	85,000
Other long-term liabilities	10,624	8,960
Deferred credits	14,226	12,124
Future non-current income tax liability	55,669	55,764
Unitholders' equity		
Trust units	654,176	654,176
Deficit	<u>(187,526)</u>	<u>(158,905)</u>
	<u>466,650</u>	<u>495,271</u>
	<u>\$ 822,124</u>	<u>\$ 823,899</u>

See accompanying notes to financial statements

Approved by the Trustees

George Howe

A. Moore

Consolidated Statements of Earnings and Deficit
For the six months ended June 30, 2005 and June 30, 2004
(thousands of Canadian dollars)
Unaudited

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Revenue				
Energy sales	\$ 34,335	\$ 32,291	\$ 66,425	\$ 60,820
Waste disposal fee	3,036	3,561	6,352	6,985
Water reclamation and distribution	7,645	6,043	12,839	11,310
	<u>45,016</u>	<u>41,895</u>	<u>85,616</u>	<u>79,115</u>
Expenses				
Operating	25,022	24,091	50,179	46,684
Amortization of capital assets	7,036	6,492	13,941	12,889
Amortization of intangible assets	1,967	1,325	3,508	2,633
Management costs	206	197	412	385
Administrative expenses	1,390	1,328	2,635	2,627
Withholding taxes	186	133	339	214
Loss on foreign exchange	784	2,024	1,116	3,434
	<u>36,591</u>	<u>35,590</u>	<u>72,130</u>	<u>68,866</u>
Earnings before undernoted	8,425	6,305	13,486	10,249
Interest expense	3,995	2,698	7,879	5,380
Interest, dividend and other income	(2,218)	(1,792)	(4,022)	(3,662)
Income from note receivable prepayment	-	(3,634)	-	(3,634)
Write down of facility (note 7)	2,721	-	2,721	-
	<u>4,498</u>	<u>(2,728)</u>	<u>6,578</u>	<u>(1,916)</u>
Earnings before income taxes and minority interest	3,927	9,033	6,908	12,165
Current income taxes	252	336	504	584
Future income taxes	2,106	190	2,995	(639)
	<u>2,358</u>	<u>526</u>	<u>3,499</u>	<u>(55)</u>
Minority interest	-	440	-	817
Net earnings	1,569	8,067	3,409	11,403
Deficit, beginning of the period	(173,080)	(130,602)	(158,905)	(118,337)
Cash distributions	<u>(16,015)</u>	<u>(15,738)</u>	<u>(32,030)</u>	<u>(31,339)</u>
Deficit, end of the period	<u>\$ (187,526)</u>	<u>\$ (138,273)</u>	<u>\$ (187,526)</u>	<u>\$ (138,273)</u>
Basic and diluted net earnings per trust unit	<u>\$ 0.02</u>	<u>\$ 0.12</u>	<u>\$ 0.05</u>	<u>\$ 0.17</u>

See accompanying notes to financial statements

Consolidated Statements of Cash Flows
For the six months ended June 30, 2005 and June 30, 2004
(thousands of Canadian dollars)

Unaudited

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Operating Activities				
Net earnings	\$ 1,569	\$ 8,067	\$ 3,409	\$ 11,403
Items not affecting cash				
Amortization of capital assets	7,036	6,492	13,941	12,889
Amortization of intangible assets	1,967	1,325	3,508	2,633
Other amortization	306	536	674	1,104
Minority interest	-	440	-	817
Distribution received in excess of equity income	7	2	66	114
Write down of facility (note 7)	2,721	-	2,721	-
Future income taxes	2,106	190	2,995	(639)
Unrealized loss on foreign exchange	667	2,080	890	3,356
	<u>16,379</u>	<u>19,132</u>	<u>28,204</u>	<u>31,677</u>
Changes in non-cash operating working capital	<u>3,364</u>	<u>(839)</u>	<u>(6,691)</u>	<u>(2,062)</u>
	<u>19,743</u>	<u>18,293</u>	<u>21,513</u>	<u>29,615</u>
Financing Activities				
Cash distributions	(16,015)	(15,738)	(32,030)	(31,339)
Expenses of trust unit offering	-	(700)	-	(700)
Deferred costs	(205)	(568)	(452)	(580)
Net increase/ (decrease) in long-term liabilities	23,056	(173)	30,798	(355)
Deferred credits	48	702	1,066	805
Other	181	(480)	393	(737)
	<u>7,065</u>	<u>(16,957)</u>	<u>(225)</u>	<u>(32,906)</u>
Investing Activities				
Increase in reserve funds (note 3)	(118)	(71)	(4,602)	(66)
Receipt of principal on notes receivable	1,344	18,900	3,052	20,427
Additions to capital assets	(5,476)	(2,574)	(10,545)	(5,239)
Increase in note receivable	(22,100)	-	(23,088)	-
Acquisitions of operating entities (note 3)	(695)	(718)	(11,637)	(1,582)
	<u>(27,045)</u>	<u>15,537</u>	<u>(46,820)</u>	<u>13,540</u>
Effect of exchange rate differences on cash and cash equivalents	<u>135</u>	<u>178</u>	<u>343</u>	<u>291</u>
Increase / (decrease) in cash	(102)	17,051	(25,189)	10,540
Cash and cash equivalents, beginning of the period	<u>9,110</u>	<u>14,727</u>	<u>34,197</u>	<u>21,238</u>
Cash and cash equivalents, end of the period	<u>\$ 9,008</u>	<u>\$ 31,778</u>	<u>\$ 9,008</u>	<u>\$ 31,778</u>
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	\$ 2,993	\$ 2,860	\$ 7,945	\$ 5,339
Cash paid during the period for income taxes	\$ 200	\$ 196	\$ 341	\$ 324

See accompanying notes to financial statements

Notes to the Consolidated financial Statements
For the six months ended June 30, 2005 and June 30, 2004
(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, 2004, as set out in the 2004 Annual Report since they do not contain all the disclosures that are in accordance with Canadian generally accepted accounting principles for annual financial statements. 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, 2004.

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 facility

On March 11, 2005, the Fund purchased all the assets used in the operation of five water and waste water facilities ("the systems") from Silverleaf Resorts Inc. for cash consideration of \$11.2 million (US \$ 9.4 million). The systems, which in aggregate serve approximately 5,500 equivalent residential connections, are located in Texas and Illinois. The purchase and sale agreement provides for the acquisition of 3 additional assets located in Missouri serving approximately 1500 customers, for a purchase price of \$4.6 million (US \$3.8 million). The acquisition of the Missouri assets requires formal approval from the regulator in the state of Missouri. The Fund has deposited \$4.6 million (US \$3.8 million) in an escrow account to be released when the purchase of the Missouri assets is approved. This amount has been included in funds held in reserve on the balance sheet. The Fund also incurred \$0.4 million (US \$0.3 million) of acquisition costs.

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

Fixed assets	\$ 8,939
Intangible assets	<u>2,710</u>
Total Purchase Price	\$ 11,649

Intangible assets include customer relationships (connections) which are amortized over 40 years.

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.

In accordance with the purchase and sale agreement for Litchfield Park Service Company and Woodmark Utility Company, the Fund is required to make additional payments to the previous owners for each additional customer connected to the utility. For Litchfield Park, these payments continue until 2008 and for Woodmark until 2007. As of June 30, 2005 the Fund has accrued \$1,358 (U.S. \$1,099) as a growth premium, and increased intangible assets by a similar amount, gross of future tax liabilities of \$839.

4. Commitment to AirSource

During the first quarter 2005, the Fund has provided an additional \$1.0 million of financing to Airsource Power Fund I LP ("AirSource") for the construction of the wind farm in St. Leon. The Fund also received a \$1.0 million commitment fee, recorded as deferred credits at March 31, 2005. The fee is being amortized over the term of the financing facility. The Fund's total commitment to AirSource is \$69.3 million. At the end of the second quarter of 2005, the Fund has advanced \$28.6 million to AirSource in addition to providing letters of credit of \$15.4 million, for a total advance of \$44.0 million. Subsequent to the end of the quarter, the Fund advanced an additional \$10.3 million to AirSource.

5. Long term debt

During the second quarter of 2005, the Fund drew an additional \$23.5 million on the revolving credit facility. Subsequent to the end of the quarter, the Fund drew an additional \$12.4 million on the revolving credit facility.

During the first quarter 2005, the Fund drew an additional \$8.0 million on the revolving credit facility to fund the acquisition of the 8 water and waste water facilities in Texas, Missouri and Illinois. (note 3)

6. Algonquin Power Group

In accordance with the management agreement, on a cost recovery basis, the Fund paid Algonquin Power Management Inc. ("APMI") and its related companies for services provided on a cost recovery basis. For the period ended June 30, 2005, the Fund paid APMI \$412 (2004 - \$385) for management services. In addition, the Fund paid Algonquin Power Systems Inc. \$5,648 (2004 - \$5,651) and Algonquin Water Services Inc. \$2,665 (2004 - \$2,324) for direct operational services.

The Fund entered into an agreement with the Manager whereby the Fund would pay \$1.3 million to the Manager as an advance against expense reimbursement (including engine utilization reserves) for the Fund's business purpose use of the aircraft owned by an affiliate of the Manager. Under the terms of this arrangement, the Fund will have the right to use the aircraft for a specified number of hours at a cost equal solely to the direct operating costs of the aircraft. During the quarter, the Fund advanced \$140,000 to the Manager under this agreement. The balance was advanced subsequent to the end of the quarter.

7. Crossroads facility

During the quarter, the Fund wrote down the cost of both the capital asset and intangible asset related to the Crossroads facility located in New Jersey to its net realizable value.

8. 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

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Revenue				
Canada	\$ 12,702	\$ 17,191	\$ 24,081	\$ 29,482
United States	32,314	24,704	61,535	49,633
	<u>\$ 45,016</u>	<u>\$ 41,895</u>	<u>\$ 85,616</u>	<u>\$ 79,115</u>
	June 30, 2005		December 31, 2004	
Capital Assets				
Canada		\$ 317,340		\$ 319,445
United States		305,472		291,311
		<u>\$ 622,812</u>		<u>\$ 610,756</u>
		June 30, 2005		December 31, 2004
Intangible Assets				
Canada		\$ 26,260		\$ 27,262
United States		51,576		56,415
		<u>\$ 77,836</u>		<u>\$ 83,677</u>

Operational segments

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

	Three months ended June 30, 2005					
Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	11,532	19,040	3,763	-	-	34,335
Waste disposal fees	-	-	3,036	-	-	3,036
Water reclamation and distribution	-	-	-	7,645	-	7,645
Total Revenue	11,532	19,040	6,799	7,645	-	45,016
Operating expenses	3,286	12,792	5,966	2,978	-	25,022
Operating profit	8,246	6,248	833	4,667	-	19,994
Other administration costs	(37)	-	(35)	(30)	(2,464)	(2,566)
Interest expense	(1,267)	(237)	(93)	(292)	(2,106)	(3,995)
Interest, dividend income and other income	202	725	1,259	17	15	2,218
Write down of facility	-	(2,721)	-	-	-	(2,721)
Amortization of capital assets	(2,276)	(1,897)	(1,259)	(1,604)	-	(7,036)
Amortization of intangible assets	-	(1,227)	(564)	(176)	-	(1,967)
Earnings before income taxes and minority interest	4,868	891	141	2,582	(4,555)	3,927
Capital assets	280,545	95,826	93,288	153,153	-	622,812
Intangible assets	20	26,072	26,058	25,686	-	77,836
Capital expenditures	226	1,854	(4)	3,361	39	5,476
Acquisition of operating entities	-	-	-	695	-	695
Total Assets	298,088	156,961	166,365	192,344	8,366	822,124

	Three months ended June 30, 2004					
Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	12,174	18,776	1,341	-	-	32,291
Waste disposal fees	-	-	3,561	-	-	3,561
Water reclamation and distribution	-	-	-	6,043	-	6,043
Total Revenue	12,174	18,776	4,902	6,043	-	41,895
Operating expenses	4,440	13,115	3,365	3,171	-	24,091
Operating profit	7,734	5,661	1,537	2,872	-	17,804
Other administration costs	(59)	-	(22)	(25)	(3,576)	(3,682)
Interest expense	(1,314)	(193)	(91)	(329)	(771)	(2,698)
Interest, dividend income and other income	233	1,259	235	3	62	1,792
Income on note receivable prepayment	-	-	-	-	3,634	3,634
Amortization of capital assets	(2,462)	(1,500)	(1,119)	(1,411)	-	(6,492)
Amortization of intangible assets	-	(678)	(521)	(126)	-	(1,325)
Earnings before income taxes and minority interest	4,132	4,549	19	984	(651)	9,033
Capital assets	289,028	94,303	89,327	143,039	-	615,697
Intangible assets	22	35,268	29,098	17,888	-	82,276
Capital expenditures	-	(60)	270	2,328	36	2,574
Acquisition of operating entities	-	-	-	718	-	718
Total Assets	308,665	173,812	128,620	171,694	26,186	808,977

	Six months ended June 30, 2005					
Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	21,551	36,959	7,915	-	-	66,425
Waste disposal fees	-	-	6,352	-	-	6,352
Water reclamation and distribution	-	-	-	12,839	-	12,839
Total Revenue	21,551	36,959	14,267	12,839	-	85,616
Operating expenses	6,702	25,943	12,067	5,467	-	50,179
Operating profit	14,849	11,016	2,200	7,372	-	35,437
Other administration costs	(95)	-	(70)	(54)	(4,283)	(4,502)
Interest expense	(2,534)	(451)	(197)	(580)	(4,117)	(7,879)
Interest, dividend income and other income	323	1,443	2,177	17	62	4,022
Write down of facility	-	(2,721)	-	-	-	(2,721)
Amortization of capital assets	(4,651)	(3,747)	(2,440)	(3,103)	-	(13,941)
Amortization of intangible assets	-	(1,974)	(1,207)	(327)	-	(3,508)
Earnings before income taxes and minority interest	7,892	3,566	463	3,325	(8,338)	6,908
Capital assets	280,545	95,826	93,288	153,153	-	622,812
Intangible assets	20	26,072	26,058	25,686	-	77,836
Capital expenditures	226	2,308	485	7,410	116	10,545
Acquisition of operating entities	-	-	-	11,637	-	11,637
Total assets	298,088	156,961	166,365	192,344	8,366	822,124

	Six months ended June 30, 2004					
Revenue	Hydro	Co-generation	Alternative Fuel	Infrastructure	Admin	Total
Energy sales	23,186	34,797	2,837	-	-	60,820
Waste disposal fees	-	-	6,985	-	-	6,985
Water reclamation and distribution	-	-	-	11,310	-	11,310
Total Revenue	23,186	34,797	9,822	11,310	-	79,115
Operating expenses	8,789	25,533	6,590	5,772	-	46,684
Operating profit	14,397	9,264	3,232	5,538	-	32,431
Other administration costs	(115)	-	(39)	(37)	(6,469)	(6,660)
Interest expense	(2,612)	(373)	(164)	(541)	(1,690)	(5,380)
Interest, dividend income and other income	304	2,405	453	6	494	3,662
Income on note receivable prepayment	-	-	-	-	3,634	3,634
Amortization of capital assets	(4,832)	(3,027)	(2,250)	(2,780)	-	(12,889)
Amortization of intangible assets	-	(1,355)	(1,043)	(235)	-	(2,633)
Earnings before income taxes and minority interest	7,142	6,914	189	1,951	(4,031)	12,165
Capital assets	289,028	94,303	89,327	143,039	-	615,697
Intangible assets	22	35,268	29,098	17,888	-	82,276
Capital expenditures	-	172	173	4,800	94	5,239
Acquisition of operating entities	-	-	-	1,582	-	1,582
Total assets December 31, 2004	307,105	158,023	150,234	175,437	33,100	823,899

Corporate Information and Contacts

Trustees

Kenneth Moore, Chairman – Managing Partner, NewPoint Capital Partners Inc.
Christopher J. Ball – Executive Vice-President, Corpfinance International Limited
George Steeves – Principal, True North Energy (1169417 Ontario Inc.)

The Management Group

Algonquin Power Management Inc.
Chris K. Jarratt, Chief Executive Officer and Director
John M.H. Huxley, Director
Ian E. Robertson, Director
David C. Kerr, Director

Algonquin Power Income Fund

Peter Kampian, Chief Financial Officer

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Stock Exchange
The Toronto Stock Exchange: APF:UN

Auditors

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Toronto, Ontario

Legal Counsel

Blake, Cassels & Graydon LLP
Toronto, Ontario



HYDROELECTRIC



COGENERATION



ALTERNATIVE FUELS



INFRASTRUCTURE

