

# Algonquin Power Income Fund



FIRST QUARTER REPORT  
*MARCH 31, 2000*

---

## ALGONQUIN POWER INCOME FUND

Interim Report to Unitholders  
Three Months Ended March 31, 2000

### Report to Unitholders

Algonquin Power Income Fund (the "Fund") is an unincorporated open-ended trust that was established under the laws of Ontario in September, 1997, to acquire direct or indirect equity interests in hydroelectric generating facilities. The Fund currently owns 38 facilities strategically spread across Ontario (5), Quebec (11), Newfoundland (1), New York State (9), New Hampshire (11) and Vermont (1). At March 31, 2000, the Fund had 24,020,472 Trust Units outstanding.

For the three months ended March 31, 2000, the Fund recorded revenues from energy sales of \$12.2 million and interest and income from participation agreements of \$0.4 million for total revenue of \$12.6 million compared with the prior year of \$3.5 million. Net earnings for the three months ended March 31, 2000 were \$3.7 million compared with \$1.4 million in the prior year. The Fund declared a distribution of \$0.2425 per Trust Unit to Unitholders of record on March 31, 2000 for payment May 15, 2000.

The Fund's results are a combination of (i) revenues and expenses from the facilities in which it has an effective ownership interest and (ii) interest and participation income from the facilities in which the Fund has a note or partial equity interest. At the end of 1999, management has determined that effective ownership had passed to the Fund for all but two of the hydroelectric facilities. The chart below reports revenue by region on a total consolidated basis and reconciles the amount to that reported in the quarterly financial statements.

	\$ 000's	
	2000	1999
	Unaudited	
<b>Total Consolidated Revenue</b>		
<b>United States Sites</b>		
New York	3,057	2,897
New England	3,322	1,150
	<u>6,379</u>	<u>4,047</u>
<b>Canadian Sites</b>		
Quebec	4,099	1,407
Ontario	2,150	2,085
Newfoundland	118	147
	<u>6,367</u>	<u>3,639</u>
<b>Total Consolidated Energy Sales</b>	<u>12,746</u>	<u>7,686</u>
Interest income	75	125
<b>Total Consolidated Revenue</b>	<u>12,821</u>	<u>7,811</u>
Total Revenue reported	12,585	3,462
Add: Energy sales for non-consolidated hydroelectric facilities	600	5,133
Less: Interest income on facilities consolidated	(286)	(350)
Less: Participation income on facilities consolidated	(78)	(434)
	<u>12,821</u>	<u>7,811</u>

During the first quarter, the Fund was able to generate revenues which were slightly better than management's expectations due to hydrologic conditions in all regions in which the Fund's facilities operate. Revenues were ahead of the prior year as a result of overall improved hydrologic conditions compared to the prior year combined with the acquisition of nine additional hydroelectric generating facilities during the second half of 1999.

Generally, expenses were higher than the prior year as a result of the addition of nine hydroelectric plants during the latter half of 1999. Costs were in line with management's expectations with the exception of repair costs. Several of the facilities required higher than normal unplanned repairs during the quarter. In addition, operating costs such as water lease payments which are linked to production levels were higher due to the improved hydrologic conditions. Interest expense has increased due to the consolidation of facilities with project debt.

Distributable cash flow (\$000's)

	2000	1999
	<u>Unaudited</u>	
Cash flow from operations excluding working capital changes	6,415	2,121
Repayment of long-term notes	(753)	(535)
Receipt of principal on notes receivable	-	1,528
Other	268	-
	<u>5,930</u>	<u>3,114</u>


Distributable cash flow for the first quarter of 2000 totaled \$5.9 million (1999-\$3.1 million) and was sufficient to allow the Fund to invest \$0.1 million in the hydrology reserve fund to be used for the future equalization of distributions due to seasonal fluctuations. Total distributions to Unitholders declared for the first quarter of 2000 were \$5.8 million (1999 - \$3.4 million) or \$.2425 per unit (1999 - \$.2400 per unit).

### Outlook

The Fund continues to look for acquisitions that are consistent with its acquisition strategy and add value to its Unitholders.

Assuming average waterflows for the balance of the year, the Fund expects to maintain the current level of distributions for the balance of 2000.

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



R. Ian Bradley  
Chairman

**Algonquin Power Income Fund**  
 Consolidated Balance Sheets  
 March 31, 2000 and December 31, 1999  
*(thousands of Canadian dollars)*  
*(unaudited)*

	<b>2000</b>	<b>1999</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,836	\$ 9,602
Accounts receivable	7,607	6,859
Prepaid expenses	609	363
Future income tax asset	409	546
	15,461	17,370
Notes receivable	13,789	13,681
Participation and other interests, net of amortization	4,161	4,162
Capital assets, net of amortization	284,862	287,241
Funds held in reserve	1,942	1,914
Future non current income tax asset	535	719
Deferred financing fee	1,009	901
	\$ 321,759	\$ 325,988
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 4,667	\$ 5,833
Due to Algonquin Power Group	2,273	2,746
Cash distribution payable	5,825	5,765
Current portion of long-term liabilities	2,783	3,194
Future income tax liability	1,639	-
Current income taxes payable	169	67
	17,356	17,605
Revolving credit facility	6,904	6,911
Other liabilities	616	533
Long-term liabilities	73,477	73,880
Future income taxes payable	20,310	21,838
<b>Unitholders' Equity</b>		
Trust units	224,792	224,792
Deficit	(21,696)	(19,571)
	203,096	205,221
	\$ 321,759	\$ 325,988

Approved by the Trustees:

  
Trustee

  
Trustee

**Algonquin Power Income Fund**  
 Consolidated Statements of Earnings and Deficit  
 For the three months ended March 31, 2000 and 1999  
*(thousands of Canadian dollars)*  
*(unaudited)*

	2000	1999
<b>Revenue</b>		
Energy sales	\$ 12,149	\$ 2,551
Interest income and income from participation agreements	436	911
	<u>12,585</u>	<u>3,462</u>
<b>Expenses</b>		
Operating	3,250	803
Amortization	2,198	648
Management fees	102	102
Operations supervisory fees	77	77
Administrative expenses	401	85
(Gain) loss on foreign exchange	(72)	265
	<u>5,956</u>	<u>1,980</u>
<b>Earnings before interest expense</b>	6,629	1,482
Interest expense	2,294	98
<b>Earnings before income taxes</b>	4,335	1,384
<b>Provision for income taxes</b>		
Current income taxes	197	-
Future income taxes (note 1)	438	-
	<u>635</u>	<u>-</u>
<b>Net earnings</b>	3,700	1,384
Deficit, beginning of period	(19,571)	(8,517)
Cash distributions	(5,825)	(3,382)
Deficit, end of period	<u>\$ (21,696)</u>	<u>\$ (10,515)</u>
<b>Net earnings per trust unit</b>	<u>\$ 0.15</u>	<u>\$ 0.10</u>

Note 1:

The effect of the proposed reduction in the Canadian federal income tax rate from 28% to 27% effective January 1, 2001 (including the proposed reduction in the capital gains/losses inclusion rate from three quarters to two thirds for all capital gains realized after February 27, 2000) is reported as a \$605,000 reduction to the current period's future income tax expense.

**Algonquin Power Income Fund**  
Consolidated Statements of Cash Flows  
For the three months ended March 31, 2000 and 1999  
(thousands of Canadian dollars )  
(unaudited)

	2000	1999
<b>Operating Activities</b>		
Net earnings	\$ 3,700	\$ 1,384
Items not affecting cash		
Amortization of capital assets	2,198	608
Other amortization	155	22
Distribution received in excess of equity income	1	-
Future income taxes	438	-
Unrealized foreign exchange loss (gain)	(77)	107
	<u>6,415</u>	<u>2,121</u>
Changes in non-cash operating working capital	(2,588)	526
	<u>3,827</u>	<u>2,647</u>
<b>Financing Activities</b>		
Cash distributions	(5,825)	(3,382)
Expenses of trust units offerings	-	(19)
Financing fee	(3)	-
Repayment of long-term liabilities and credit facility	(753)	(535)
	<u>(6,581)</u>	<u>(3,936)</u>
<b>Investing Activities</b>		
Increase funds held in reserve	(28)	-
Receipt of principal on notes receivable	-	1,528
	<u>(28)</u>	<u>1,528</u>
Effect of exchange rate differences on cash and cash equivalents	16	10
Increase in cash and cash equivalents	(2,766)	249
Cash and cash equivalents, beginning of period	9,602	2,124
Cash and cash equivalents, end of period	<u>\$ 6,836</u>	<u>\$ 2,373</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the period for interest expense	\$ 2,021	\$ 98
Cash paid during the period for income taxes	\$ 94	\$ -

---

## Corporate Information

### Trustees

R. Ian Bradley, Chairman of the Trustees  
Vice-President of Finance, Dylex Limited

Kenneth Moore  
Managing Partner, NewPoint Capital  
Partners Inc.

George Steeves  
President, Cumming Cockburn Limited

### Algonquin Management Inc.

Chris K. Jarratt  
Director and Chief Executive Officer

Peter Kampian  
Chief Financial Officer

John M.H. Huxley  
Director

David C. Kerr  
Director

Ian E. Robertson  
Director

### Head Office

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

Web Site: [www.algonquinpower.com](http://www.algonquinpower.com)  
E-mail: [apif@algonquinpower.com](mailto:apif@algonquinpower.com)

### Registrar and Transfer Agent

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

### Stock Exchange

The Toronto Stock Exchange

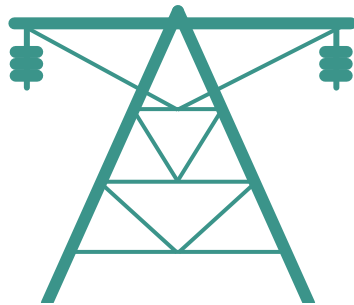
Symbol: "APF.UN"

### Legal Counsel

Blake, Cassels & Graydon LLP  
Toronto, Ontario

### Auditors

KPMG LLP  
Toronto, Ontario



Algonquin Power  
Income Fund

