



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*

Diversification • Stability • Growth



**Third Quarter Report
September 30, 2003**



The Algonquin Power Income Fund (the "Fund") distributed \$0.23 per trust unit for the third quarter of 2003, consistent with the third quarter, 2002. Other performance highlights for the third quarter, 2003 include:

- Revenue of \$39.9 million compared to \$25.1 million for the third quarter, 2002
- Net earnings of \$10.0 million compared to a loss of \$3.8 million for the third quarter, 2002
- Net earnings per trust unit increased to \$0.15 from a loss of \$0.07 in the third quarter, 2002.
- The Fund generated \$0.19 per trust unit of cash available for distribution compared to \$0.16 for the same period, 2002.

Nine months, 2003

The Fund reported revenue of \$113.4 million compared to \$69.1 million for the same period in 2002. Net earnings increased to \$38.1 million compared to \$12.7 million for the same period of 2002. Net earnings per trust unit increased to \$0.56 from \$0.23 in 2002. The Fund has generated \$0.60 per trust unit of cash available for distribution during 2003 compared to \$0.58 in 2002. Since the beginning of the second quarter, when the Fund put in place its current asset portfolio, the Fund has generated distributable cash equal to 99% of its actual cash distributions for the period. The Fund maintained year-to-date distributions per trust unit at \$0.69, consistent with 2002.

Activity Highlight - Third Quarter, 2003

The Peel energy-from-waste facility, Alternative Fuels Division, has entered into a short-term contract with the Ontario Electricity Financial Corporation to supply capacity power from a generator that was not in use.

Division Highlights

Revenue from the **Hydroelectric Division** increased by 1.3 million to \$7.9 million in the third quarter of 2003 compared to \$6.6 million for the same period in 2002. Overall total hydroelectric energy production for the third quarter of 2003 continues to improve but is slightly below long-term averages. Operating profits increased as a result of the higher revenue.

Revenue from the **Alternative Fuels Division** for the third quarter of 2003 increased \$0.1 million to \$5.3 million from \$5.2 million in the same period of 2002. Operating profit decreased during the third quarter of 2003 compared to the same period in 2002. This is primarily the result of higher repair and maintenance costs at both the Peel and Drayton Valley facilities.

Cogeneration Division revenue for the third quarter of 2003 increased \$10.3 million to \$20.6 million from \$10.3 million in the same period in 2002. The revenue for the third quarter this year included the full quarter results of the Windsor Locks facility which was acquired during the first quarter of 2003. Operating profit for the third quarter of 2003 was higher than the same period in 2002 due to the higher revenue.

Infrastructure Division third quarter revenue increased \$3.5 million to \$6.1 million in 2003 from \$2.6 million in 2002. The increase is due to the inclusion of the Litchfield Park Services Company water distribution and reclamation facility and two small water reclamation facilities in Texas for a full quarter. The Litchfield Park facility was acquired in February, 2003 and the two Texas facilities were acquired during the fourth quarter, 2002. The Infrastructure Division continues to grow its customer base organically with a third quarter increase of 5.0%. Operating profit for the third quarter of 2003 was higher than the same period in the prior year due to the higher revenue. Management reorganization initiatives added to the operating costs of the Division, but will help streamline its operations with the balance of the Fund's portfolio.

The Fund will continue to identify opportunities that will allow it to optimize the performance of its portfolio. Management is also focusing continuing efforts on integrating acquired facilities and identifying efficiency opportunities to enhance unitholder value. Based on long-term average hydrology and no unforeseen disruptions, the Fund is expecting to generate cash available for distribution in excess of its anticipated actual distributions in fourth quarter, 2003.

Thank you for your support as your Fund continues to focus on our strategy of diversification, stability and growth. Respectfully submitted on behalf of the Trustees and the Manager of the Algonquin Power Income Fund



Ken Moore, Chairman

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

For the quarter ended September 30, 2003, Algonquin Power Income Fund (the "Fund") reported revenue of \$39.9 million compared to \$25.1 million for the same period of 2002. Net earnings for the quarter increased to \$10.0 million from a loss of \$3.8 million for the same quarter during 2002. Net earnings per trust unit increased to \$0.15 in the third quarter of 2003 from a loss of \$0.07 in the third quarter of 2002. For the third quarter of 2003, the Fund generated \$0.19 per trust unit of cash available for distribution, compared to \$0.16 for the same period in 2002. The Fund maintained distributions during the quarter at \$0.23 per trust unit.

For the nine months ended September 30, 2003, the Fund reported revenue of \$113.4 million compared to \$69.1 million for the same period in 2002. Net earnings for the nine months ended September 30, 2003 increased to \$38.1 million compared to \$12.7 million for the same period in 2002. Net earnings per trust unit for the nine months ended September 30, 2003 increased to \$0.56 from \$0.23 for the same period in 2002. The Fund has generated \$0.60 per trust unit of cash available for distribution during 2003, compared to \$0.58 for the same period of 2002. Since the beginning of the second quarter, when the Fund put in place its current asset portfolio, the Fund has generated distributable cash equal to 99% of its actual cash distributions for the period. The Fund maintained year-to-date distributions per trust unit at \$0.69 for both 2003 and 2002.

Operating Results

All figures in thousands of dollars except as noted

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2003	2002	2003	2002
Revenue	39,947	25,057	113,363	69,145
Net Income / (Loss)	10,023	(3,782)	38,088	12,656
Distribution to Unitholders	15,600	13,325	46,802	39,591
Cash Available for Distribution	12,781	9,431	40,968	32,080
Per Unit				
Net Income	0.15	(0.07)	0.56	0.23
Distribution to Unitholders	0.23	0.23	0.69	0.69
Cash Available for Distribution	0.19	0.16	0.60	0.58

Revenue and net income increased during the third quarter of 2003 compared to the same period during 2002. The third quarter of 2003 included the revenue and net income for the full quarter from the Windsor Locks cogeneration facility, Litchfield Park Services Company water distribution and reclamation facility and two water reclamation facilities in Texas. Revenue and net income from these facilities were not included in results for the third quarter of 2002 because the acquisitions were not completed at that time. The third quarter of 2003 also included improved results from the Hydroelectric Division compared to the third quarter of 2002 as well as continued organic growth in the Infrastructure Division.

Despite the growth in revenue and net income during the quarter, results were impacted by lower than expected results in the Alternative Fuels Division. Higher than expected repair and maintenance costs and increased downtime at the Peel energy-from-waste facility and the Drayton Valley facility adversely affected the performance of the Alternative Fuels Division. Higher operating costs in the Cogeneration and Infrastructure Divisions also adversely impacted operating results.

For the nine months ended September 30, 2003, revenue and net income were higher than the prior year for the same period. The Fund included the results of the additional facilities acquired in early 2003, for the full third quarter of 2003. In addition, the revenue and net income for the nine months ended September 30, 2003 also includes the results of the Peel energy-from-waste facility, the Crossroads cogeneration facility and the Joliet biogas facility acquired at the end of the first quarter, 2002 as well as the Sanger cogeneration facility and the Bella Vista water distribution facility which were acquired during the second quarter, 2002. The results for the nine months ended September 30, 2003 were below management's expectations due to weaker operating results for the first quarter of the year in both the Hydroelectric and Alternative Fuels Divisions.

The information in this Management Discussion and Analysis is supplemental to and should be read in conjunction with the Fund's unaudited consolidated financial statements for the nine months ended September 30, 2003, as well as the audited consolidated financial statements and the related Management Discussion and Analysis contained in the 2002 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 Discussion and Analysis. 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 of Cash Available for Distribution can be found in this Management Discussion and Analysis.

Hydroelectric Division

All figures in thousands of dollars except as noted

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2003	2002	2003	2002
Performance (MW-hrs sold)				
Quebec Region	63,917	53,287	185,661	194,914
Ontario Region	34,482	27,446	92,798	102,205
New England Region	10,324	3,928	57,152	35,438
New York Region	11,508	3,249	61,703	48,243
Western Region	15,713	17,578	49,200	36,641
Revenues				
Energy Sales	7,817	6,508	33,073	30,779
Other Income	42	134	298	429
TOTAL	7,859	6,642	33,371	31,208
Expenses				
Operating Expenses	3,646	3,236	12,249	10,669
Division Operating Profit	4,213	3,406	21,122	20,539

Revenue from the Hydroelectric Division was \$7.9 million in the third quarter of 2003 compared to \$6.6 million for the same period in 2002. Overall total hydroelectric energy production improved for the third quarter of 2003, but was slightly below long-term averages. Above long-term average hydrologic conditions for the third quarter in the New York, New England and Ontario regions offset lower than long-term average production in the Alberta and Quebec regions. Hydroelectric revenue for the nine months ended September 30, 2003 was \$33.4 million compared to \$31.2 million in the year previous as a result of these hydrologic conditions.

Hydroelectric Division operating expenses for the third quarter of 2003 were \$3.6 million, higher than \$3.2 million for the third quarter of 2002. Hydroelectric Division operating expenses for the nine months ended September 30, 2003 were \$12.2 million, which were higher than the \$10.7 million during the same period of the prior year. This was the result of higher repair and maintenance costs and regulatory fees primarily incurred in the first quarter.

Hydroelectric Division operating profit was \$4.2 million for the third quarter of 2003, compared to \$3.4 million for the same period in 2002. Operating profit for the nine months ended September 30, 2003 was \$21.1 million, higher than 2002 operating profit of \$20.5 million.

Outlook

Subject to normal hydrology and taking into account seasonal fluctuations, management anticipates the Hydroelectric Division will perform in accordance with expectations for the balance of the year.

Alternative Fuels Division

All figures in thousands of dollars except as noted

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2003	2002	2003	2002
Performance (MW-hrs sold)	23,639	25,535	72,392	59,585
Performance (tonnes waste processed)	36,398	37,828	113,896	87,808
Revenues				
Energy Sales	1,663	2,204	4,836	4,239
Waste Disposal Sales	3,213	2,663	10,317	6,336
Interest and Dividend Income	448	354	1,055	1,631
TOTAL	<u>5,324</u>	<u>5,221</u>	<u>16,208</u>	<u>12,206</u>
Expenses				
Operating Expenses	3,233	3,024	9,654	6,880
Division Operating Profit	2,091	2,197	6,554	5,326

Revenue from the Alternative Fuels Division for the third quarter of 2003 increased to \$5.3 million from \$5.2 million in the same period of 2002. Lower levels of waste processing and energy production at the Peel energy from-waste facility adversely impacted revenues. For the nine months ended September 30, 2003 revenue was \$16.2 million, which was higher than the \$12.2 million generated in the prior year due to the acquisition of the Peel and Joliet facilities at the end of the first quarter, 2002.

Operating expenses were \$3.2 million in the third quarter of 2003, higher than \$3.0 million in the prior year. Higher repair and maintenance costs at Peel and Drayton Valley were the primary contributors. For the first nine months ended September 30, 2003, operating expenses were \$9.7 million compared to \$6.9 million during the same period in the prior year, due primarily to the addition of the Peel and Joliet facilities at the end of the first quarter in 2002.

Division operating profit was \$2.1 million for the third quarter of 2003 compared to \$2.2 million for the same period in 2002. For the nine months ended September 30, 2003, operating profit was \$6.6 million compared to \$5.3 million during the same period in 2002.

Outlook

The Fund continues to focus its efforts on improving performance at the Alternative Fuels facilities by identifying efficiencies, reducing costs and seeking new revenue streams. Management anticipates results for the Division to be in line with expectations for the balance of the year, pending any unforeseen operational disruptions.

Cogeneration Division

All figures in thousands of dollars except as noted

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2003	2002	2003	2002
Performance (MW-hrs sold)	136,865	43,918	306,652	72,070
Revenues				
Energy Sales	19,300	9,664	44,711	16,349
Interest and Dividend Income	1,254	665	3,814	2,843
TOTAL	<u>20,554</u>	<u>10,329</u>	<u>48,525</u>	<u>19,192</u>
Expenses				
Operating Expenses	12,600	4,718	30,596	7,994
Division Operating Profit	7,954	5,611	17,929	11,198

Cogeneration Division revenue for the third quarter of 2003 increased to \$20.6 million from \$10.3 million in the same period in 2002. The revenue for the third quarter of 2003 included the full quarter results of the Windsor Locks facility. Cogeneration Division revenue for the nine months ended September 30, 2003 increased to \$48.5 million from \$19.2 million for the same period of 2002 due to the addition of the Sanger and Crossroads facilities, acquired in 2002, and the Windsor Locks facility acquired in 2003.

Third quarter Cogeneration Division operating expenses were \$12.6 million compared to \$4.7 million in the same period of 2002. The increased expenses were the result of the Windsor Locks facility being included in the portfolio for the full third quarter of 2003. For the nine months ended September 30, 2003, operating expenses were \$30.6 million compared to \$8.0 million during the same period in 2002 due to the additional facilities added to the portfolio. In addition, higher gas costs were incurred at the Sanger facility as a result of a requirement to run weekends which was outside the normal operating schedule.

Cogeneration Division operating profit for the third quarter increased to \$8.0 million from \$5.6 million in 2002. For the nine months ended September 30, 2003, operating profit increased to \$17.9 million from \$11.2 million in the same period of 2002.

Outlook

The Fund's focus continues to be identification of efficiency opportunities that will improve the performance of the Cogeneration Division. Management anticipates results for the Division to be in line with expectations for the balance of the year.

Infrastructure Division

All figures in thousands of dollars except as noted

	Three Months Ended		Nine Months Ended	
	September 30 2003	September 30 2002	September 30 2003	September 30 2002
Performance				
Water Reclamation Customers	18,095	5,564	18,095	5,564
Water Distribution Customers	17,500	6,970	17,500	6,970
Revenues				
Water Reclamation and Distribution	6,095	2,523	14,990	5,465
Other Income	14	47	32	93
TOTAL	6,109	2,570	15,022	5,558
Expenses				
Operating Expenses	2,790	1,130	6,700	2,537
Division Operating Profit	3,319	1,440	8,322	3,021

Infrastructure Division third quarter revenue increased to \$6.1 million in 2003 from \$2.6 million in 2002. The increase is primarily due to the inclusion of the Litchfield Park Services Company water distribution and reclamation facility and two small water reclamation facilities in Texas for a full quarter. The Litchfield Park facility was acquired in February, 2003. The two Texas facilities were acquired during the fourth quarter, 2002. In addition to the acquisition of these facilities, the Infrastructure Division continues to build its customer base organically with a third quarter increase of 5.0%. For the nine months ended September 30, 2003, revenue increased to \$15.0 million from \$5.6 million in 2002 as a result of the additional acquisitions and organic growth.

Operating expenses were \$2.8 million in the third quarter of 2003, compared to \$1.1 million for the same period in 2002. For the nine months ended September 30, 2003, operating expenses increased to \$6.7 million from \$2.5 million for the same period in 2002. The increased costs for both the quarter and year-to-date were the result of the additional facilities acquired and costs required to service the additional customers added organically. In addition, costs were incurred relating to management reorganization initiatives which will help the Division streamline its operations with the balance of the Fund's asset portfolio.

Operating profit for this period increased to \$3.3 million from \$1.4 million in the third quarter of 2002. For the nine months ended September 30, 2003, operating profit increased to \$8.3 million from \$3.0 million for the same period in 2002.

Outlook

Organic growth is anticipated to continue at a strong pace in the Fund's Infrastructure Division for the balance of the year. However, management anticipates additional costs will be incurred as it continues to integrate the newly acquired facilities.

Administrative Expenses

All figures in thousands of dollars except as noted

	Three Months Ended		Nine Months Ended	
	September 30 2003	September 30 2002	September 30 2003	September 30 2002
Administrative Expenses	1,051	1,127	3,946	2,840
Unsuccessful Acquisitions	13	-	572	-
Management Costs	169	173	514	518
Withholding Taxes	148	(64)	428	458
(Gain) / Loss on Foreign Exchange	(823)	4,532	(14,554)	3,129
Interest Expense	3,207	2,232	8,403	5,793
Income Taxes	(5,024)	2,991	(6,109)	1,653

Administrative expenses remained constant at \$1.1 million for the third quarter, 2003 and 2002. For the nine months ended September 30, 2003, administrative expenses increased to \$3.9 million from \$2.8 million. The increase for the nine months ended September 30, 2003 was mainly the result of the additional costs associated with the growth of the Fund. This includes higher unitholder communication costs and other professional services including legal, audit and tax-related costs.

The strengthening of the Canadian dollar against the U.S. dollar resulted in an unrealized foreign exchange gain of \$0.8 million for the third quarter of 2003 compared to a loss of \$4.5 million in the same period, 2002. The unrealized foreign exchange gain is \$14.6 million for the nine months ended September 30, 2003 compared to a loss in 2002 of \$3.1 million primarily as a result of the Fund holding U.S. dollar denominated loans.

Interest expense increased to \$3.2 million in the third quarter, 2003 from \$2.2 million in the third quarter, 2002 as a result of increased utilization of the acquisition line of credit and the additional project level debt that the Fund assumed when it acquired the Litchfield Park facility. For the nine months ended September 30, 2003, interest expense increased to \$8.4 million from \$5.8 million for the same period in 2002.

During the third quarter of 2003, the Fund recorded a \$5.0 million future tax recovery mainly relating to the tax losses in the KMS Power Income Fund entities and adjustments to asset tax basis to reflect actual tax filings. The Fund anticipates utilizing the KMS entities' tax losses before they expire.

Cash Available for Distribution

All figures in thousands of dollars except as noted

	Three Months Ended		Nine Months Ended	
	September 30 2003	September 30 2002	September 30 2003	September 30 2002
Operating Cash Flow before Working Capital Changes	13,538	9,228	41,338	31,434
Capital Changes				
Receipt of Principal on Notes Receivable	289	619	1,846	1,578
Decrease / (Increase) in Reserves	11	231	209	1,355
Repayment of Long-term Liabilities	(145)	(226)	(499)	(793)
Maintenance Capital Expenditures	(696)	(84)	(1,172)	(386)
Other	(216)	(337)	(754)	(1,108)
Cash Available for Distribution	12,781	9,431	40,968	32,080
Cash Available for Distribution per trust unit	0.19	0.16	0.60	0.58
Distribution to Unitholders	15,600	13,325	46,802	39,591
Distribution to Unitholders per trust unit	0.23	0.23	0.69	0.69

During the third quarter of 2003, the Fund increased cash available for distribution to \$12.8 million from \$9.4 million in the same period of 2002. On a per unit basis, the Fund generated \$0.19 of cash available for distribution in the third quarter of 2003, compared with \$0.16 during the third quarter of 2002. For the nine months ended September 30, 2003, the Fund generated \$41.0 million of cash available for distribution compared to \$32.1 million during the same period in 2002. This equates to \$0.60 per trust unit for the nine months ended September 30, 2003 and \$0.58 for the same period in 2002.

Distributable cash earned by the Fund since the beginning of the second quarter, the time when the full current asset base was put in place, totalled \$30.8 million. This represents 99% of distributions for the same period. The shortfall in cash available for distribution will be funded out of working capital.

The Fund distributed \$15.6 million during the third quarter of 2003, up from \$13.3 million in the third quarter of 2002. On a per unit basis, the Fund distributed \$0.23 per trust unit for the third quarter in both 2003 and 2002. For the nine months ended September 30, 2003, the Fund distributed \$46.8 million during 2003 compared to \$39.6 million during the same period in 2002 with per unit distributions at \$0.69 per trust unit for the nine months ended September for both 2003 and 2002.

Liquidity and Capital Reserves

At the end of the third quarter of 2003, the Fund had \$21.3 million of cash and cash equivalents. As at September 30, 2003 the Fund had a positive net working capital of \$5.5 million.

Long-term liabilities were \$160.6 million at the end of the third quarter 2003, compared to \$85.2 million at the end of 2002. The increase in long-term liabilities since the end of 2002 is due to the addition of non-recourse facility level debt related to the Litchfield Park acquisition in the first quarter of 2003, as well as use of the Fund's credit line for the acquisition of the Windsor Locks and Litchfield Park facilities.

Currency and Gas Protection

The Fund continues to enjoy the benefits of forward contracts to fix its U.S. dollar exchange rate relative to expected future monthly cash flows. This provides for currency exchange protection of over 88% of the Fund's forecasted 2003 and 2004 distributions which are denominated in U.S. dollars at an average rate of \$1.51 Cdn. per U.S. dollar. The Fund has entered into forward contracts that provide similar fixed exchange rate protection for approximately 55% of the forecasted U.S. dollar denominated cash flows for 2005, 2006 and 2007.

The Fund has also fixed the price of its natural gas exposure until 2007. After 2007, there is no exposure on those facilities using natural gas because of pass through provisions in their respective energy agreements, except for the Peel facility, which will be rehedged on a rolling basis.

Outlook

The Fund will continue to identify opportunities that will allow it to optimize the performance of its portfolio. Management is focusing its efforts on integrating recently acquired facilities and identifying efficiency opportunities to enhance unitholder value. Assuming long-term average hydrology continues for the balance of the fourth quarter and no unforeseen events, the Fund is expecting to generate cash available for distribution in excess of its anticipated distribution in the fourth quarter, 2003.

The Fund will continue to look for opportunities to expand. The Fund anticipates investing approximately \$6 million in the Infrastructure Division by the end of 2003 for the expansion of the current facilities to accommodate growth.

Note

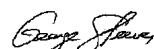
Certain statements contained in the information herein are forward-looking and reflect the Fund's and its Manager's views with respect to future events. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Forward-looking 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.

September 30, 2003 and December 31, 2002

(Thousands of Canadian dollars) Unaudited

	September 30 2003	December 31 2002
Assets		
Current assets		
Cash and cash equivalents	\$ 21,258	\$ 24,838
Accounts receivable	17,390	14,894
Due from Algonquin Power Group	104	-
Prepaid expenses	2,087	692
Current portion of notes receivable	1,450	1,317
Future income tax asset	74	102
	<u>42,363</u>	<u>41,843</u>
Long-term investments	61,045	64,172
Future non-current income tax asset	6,990	4,083
Capital assets, net of amortization	625,214	547,880
Intangible assets, net of amortization	81,394	61,126
Funds held in reserve	4,111	2,548
Deferred costs	1,040	1,386
	<u>\$ 822,157</u>	<u>\$ 723,038</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,292	\$ 12,196
Due to Algonquin Power Group	-	1,241
Cash distribution payable	10,400	10,400
Current portion of long-term and other long-term liabilities	1,191	1,355
Current income tax liability	1,335	831
Future income tax liability	664	444
	<u>36,882</u>	<u>26,467</u>
Long-term liabilities	160,611	85,157
Other long-term obligations	9,706	7,392
Deferred credits	7,467	5,752
Future non-current income tax liability	63,740	46,839
Minority interest	14,694	13,660
Unitholders' equity		
Trust units	638,213	638,213
Deficit	(109,156)	(100,442)
	<u>529,057</u>	<u>537,771</u>
	<u>\$ 822,157</u>	<u>\$ 723,038</u>

Approved by the Trustees

For the nine months ended September 30, 2003 and September 30, 2002

(Thousands of Canadian dollars) Unaudited

	3 months ended September 30		9 months ended September 30	
	2003	2002	2003	2002
Revenue				
Energy sales	\$ 28,780	\$ 18,378	\$ 82,620	\$ 51,367
Waste disposal fees	3,213	2,663	10,317	6,336
Water reclamation and distribution	6,095	2,523	14,990	5,465
Interest, dividend and other income	1,859	1,493	5,436	5,977
	<u>39,947</u>	<u>25,057</u>	<u>113,363</u>	<u>69,145</u>
Expenses				
Operating	22,269	12,108	59,199	28,080
Amortization capital assets	7,305	4,587	18,233	11,729
Amortization intangible assets	1,234	825	3,594	1,843
Management costs	169	173	514	518
Administrative expenses	1,051	1,127	3,946	2,840
Business development costs	13	-	572	-
Withholding taxes	148	(64)	428	458
Loss / (gain) on foreign exchange	(823)	4,532	(14,554)	3,129
	<u>31,366</u>	<u>23,288</u>	<u>71,932</u>	<u>48,597</u>
Earnings before undernoted	8,581	1,769	41,431	20,548
Interest expense	3,207	2,232	8,403	5,793
Earnings before income taxes and minority interest	5,374	(463)	33,028	14,755
Current income taxes	418	288	1,231	496
Future income taxes	(5,442)	2,703	(7,340)	1,157
	<u>(5,024)</u>	<u>2,991</u>	<u>(6,109)</u>	<u>1,653</u>
Minority interest	375	328	1,049	446
Net earnings	10,023	(3,782)	38,088	12,656
Deficit, beginning of the period	(103,578)	(71,228)	(100,442)	(61,400)
Cash distributions	(15,601)	(13,325)	(46,802)	(39,591)
Deficit, end of the period	<u>\$ (109,156)</u>	<u>\$ (88,335)</u>	<u>\$ (109,156)</u>	<u>\$ (88,335)</u>
Basic and diluted earnings per trust unit	<u>\$ 0.15</u>	<u>\$ (0.07)</u>	<u>\$ 0.56</u>	<u>\$ 0.23</u>

For the nine months ended September 30, 2003 and September 30, 2002

(Thousands of Canadian dollars) Unaudited

	3 months ended September 30		9 months ended September 30	
	2003	2002	2003	2002
Operating Activities				
Net earnings	\$ 10,023	\$ (3,782)	\$ 38,087	\$ 12,656
Items not affecting cash				
Amortization of capital assets	7,305	4,587	18,233	11,729
Amortization of intangible assets	1,234	825	3,594	1,843
Other amortization	636	308	2,078	962
Minority interest	375	328	1,049	446
Distribution received less equity income	77	34	78	51
Future income taxes	(5,442)	2,703	(7,340)	1,157
Gain on foreign exchange	(670)	4,225	(14,441)	2,590
	13,538	9,228	41,338	31,434
Changes in non-cash operating working capital	1,798	1,437	4,338	2,457
	15,336	10,665	45,676	33,891
Financing Activities				
Cash distributions	(15,601)	(13,325)	(46,802)	(39,591)
Deferred costs	(22)	(337)	(199)	(1,108)
Other	188	505	(5)	505
Bank indebtedness	-	(3,473)	-	(1,033)
Net increase (decrease) in long-term liabilities	(145)	3,849	64,701	64,834
Deferred credits	(257)	-	353	-
	(15,837)	(12,781)	18,048	23,607
Investing Activities				
Increase in reserve funds	11	231	209	1,355
Receipt of principal on notes receivable	289	619	1,846	1,578
Additions to capital assets	(1,736)	(1,111)	(9,758)	(4,556)
Additions to intangible assets	(289)	-	(289)	-
Power Purchase contract renegotiation (note 4)	-	-	25,357	-
Sale of Bakery	-	920	-	920
Acquisitions of operating entities (note 3)	(6,570)	(1,166)	(83,856)	(69,600)
	(8,295)	(507)	(66,491)	(70,303)
Effect of exchange rate differences on cash and cash equivalents	329	729	(813)	80
Increase (decrease) in cash and cash equivalents, beginning of the period	(8,467)	(1,894)	(3,580)	(12,725)
Cash and cash equivalents, end of the period	\$ 21,258	\$ 18,988	\$ 21,258	\$ 18,988
Supplemental disclosure of cash flow information				
Cash paid during the period for interest expense	\$ 2,630	\$ 1,846	\$ 7,079	\$ 5,174
Cash paid during the period for income taxes	\$ 240	\$ 244	\$ 703	\$ 352

For the nine months ended September 30, 2003 and September 30, 2002

(Thousands of Canadian dollars) 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 U.S. dollar forward contracts as hedges of its future United States dollar revenues.

The Fund has adopted early the recommendations of the Canadian Institute of Chartered Accountants' Handbook under the new handbook section 3063: "Impairment of Long-lived Assets". These recommendations require the Fund to test long-lived assets for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss should be recognized when the carrying amount of a long-lived asset is not recoverable. An impairment loss should be measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. If an impairment loss is recognized, the adjusted carrying amount becomes the new cost basis of the asset. Under early adoption, the Fund is required to apply the recommendations of this section retroactively to the beginning of its current fiscal year and restate prior interim financial statements of this year. During the first quarter, the Fund did not have any changes in circumstances to indicate that the carrying amounts of long-lived assets were not recoverable. During the second quarter, the Fund renegotiated its contracts with the Public Service Company of New Hampshire (see note 4). As a result of this change in circumstance, the Fund applied the recommendations of section 3063 and determined that there were no impairment adjustments required to the respective New Hampshire assets.

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 \$43,863 (U.S. \$29,928). 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 specialty 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 operating segment. 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. To September 30, 2003, the Fund has accrued \$6,070 (U.S. \$4,246) as monies due to the previous owner and increased intangible assets by a similar amount, net of future tax liabilities of \$3,816.

In accordance with the purchase and sale agreement for Gold Canyon Sewer Company, the Fund is required to make additional payments to the previous owner for each additional customer connected to the utility. This agreement ended in July, 2003. As of September 30, 2003 the Fund has accrued \$500 (U.S. \$350) as a growth premium to be paid to the vendor of Gold Canyon Sewer Company, and increased intangible assets by a similar amount, net of future tax liabilities of \$315.

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:

	CoGeneration	Infrastructure	Total
Working capital	\$ -	\$ (795)	\$ (795)
Funds held in reserve	-	1,771	1,771
Capital assets	31,614	80,899	112,513
Intangible assets	12,249	1,781	24,730
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	-	(27,539)	(27,539)
Total purchase price	43,863	41,445	85,308
Less: cash acquired	-	(1,452)	(1,452)
Cash consideration paid	\$ 43,863	\$ 39,993	\$ 83,856

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

4. Power Purchase Contract Renegotiation

On May 31, 2003, the Fund completed the renegotiation of 13 power purchase agreements with rate orders with Public Service Company of New Hampshire ("PSNH"). This represents the total New Hampshire hydroelectric portfolio of the Fund. The total proceeds from this transaction were \$28,295 (US\$20,437). Of the total proceeds, \$2,938 (US\$2,122) has been placed into escrow pending the resolution of payment of certain lease obligations with the State of New Hampshire. The financial statements do not reflect any balance for the funds held in escrow as the certainty of the Fund receiving these proceeds is not known at this time. The net proceeds of \$25,357 have been used to pay down debt and fund working capital. The respective assets of the New Hampshire operations have been reduced by the amount of the net proceeds, accordingly no gain or loss has been recognized. The Fund will continue to own and operate the 13 small hydroelectric generating facilities and will sell all the electrical output from the facilities to PSNH at current market rates.

5. Segmented Information

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

	3 months ended September 30		9 months ended September 30	
	2003	2002	2003	2002
Revenue				
Canada	\$ 10,493	\$ 11,806	\$ 37,738	\$ 36,625
United States	29,454	13,251	75,625	32,520
	\$ 39,947	25,057	113,363	69,145

	September 30, 2003	December 31, 2002
Capital Assets		
Canada	\$ 330,645	\$ 336,897
United States	294,569	210,983
	\$ 625,214	547,880

	September 30, 2003	December 31, 2002
Intangible Assets		
Canada	\$ 29,632	\$ 31,134
United States	51,762	29,992
	\$ 81,394	61,126

Operational segments

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

	Three months ended September 30, 2003					
	Hydro	Cogeneration	Alternative Fuels	Infrastructure	Admin	Total
Revenue						
Energy sales	7,817	19,300	1,663	-	-	28,780
Waste disposal fees	-	-	3,213	-	-	3,213
Water reclamation and distribution	-	-	-	6,095	-	6,095
Interest, dividend and other income	42	1,254	448	14	101	1,859
Total Revenue	7,859	20,554	5,324	6,109	101	39,947
Operating expenses	3,646	12,600	3,233	2,790	-	22,269
Operating profit	4,213	7,954	2,091	3,319	101	17,678
Other administration costs	44	-	(86)	(66)	(450)	(558)
Interest expense	(1,311)	(187)	(86)	(709)	(914)	(3,207)
Amortization of capital assets	(2,091)	(2,289)	(1,031)	(1,894)	-	(7,305)
Amortization of intangible assets	(71)	(638)	(506)	(19)	-	(1,234)
Earnings before income taxes and minority interest	784	4,840	382	631	(1,263)	5,374
Capital assets	293,209	96,695	91,827	143,483	-	625,214
Intangible assets	91	37,216	30,646	13,441	-	81,394
Capital expenditures	-	1,017	56	774	-	1,735
Intangible expenditures	-	-	-	10,989	-	10,989

	Three months ended September 30, 2002					
	Hydro	Cogeneration	Alternative Fuels	Infrastructure	Admin	Total
Revenue						
Energy sales	6,508	9,664	2,204	-	-	18,376
Waste disposal fees	-	-	2,663	-	-	2,663
Water reclamation and distribution	-	-	-	2,523	-	2,523
Interest, dividend and other income	134	665	354	47	295	1,495
Total Revenue	6,642	10,329	5,221	2,570	295	25,057
Operating expenses	3,236	4,718	3,024	1,130	-	12,108
Operating profit	3,406	5,611	2,197	1,440	295	12,949
Other administration expenses	(46)	-	(62)	-	(5,660)	(5,768)
Interest expense	(1,293)	(105)	(41)	(57)	(736)	(2,232)
Amortization of capital assets	(2,202)	(1,111)	(782)	(492)	-	(4,587)
Amortization of intangible assets	(99)	(236)	(490)	-	-	(825)
Earnings before income taxes and minority interest	(234)	4,159	822	891	(6,101)	(463)
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	546	3,989	3,965	2,430	-	10,930
Intangible expenditures	-	-	-	-	-	-

Nine months ended September 30, 2003

	Alternative					Total
	Hydro	Cogeneration	Fuels	Infrastructure	Admin	
Revenue						
Energy sales	33,073	44,711	4,836	-	-	82,620
Waste disposal fees	-	-	10,317	-	-	10,317
Water reclamation and distribution	-	-	-	14,990	-	14,990
Interest, dividend and other income	298	3,814	1,055	32	237	5,436
Total Revenue	33,371	48,525	16,208	15,022	237	113,363
Operating expenses	12,249	30,596	9,654	6,700	-	59,199
Operating profit	21,122	17,929	6,554	8,322	237	54,164
Other administration costs	(129)	-	(210)	(85)	9,518	9,094
Interest expense	(3,887)	(479)	(242)	(1,491)	(2,304)	(8,403)
Amortization of capital assets	(7,523)	(4,009)	(3,046)	(3,655)	-	(18,233)
Amortization of intangible assets	(277)	(1,750)	(1,518)	(49)	-	(3,594)
Earnings before income taxes and minority interest	9,306	11,691	1,538	3,042	7,451	33,028
Capital assets	293,209	96,695	91,827	143,483	-	625,214
Intangible assets	91	37,216	30,646	13,441	-	81,394
Capital expenditures	-	37,809	406	84,056	-	122,271
Intangible expenditures	-	12,249	-	12,770	-	25,019

Nine months ended September 30, 2002

	Alternative					Total
	Hydro	Cogeneration	Fuels	Infrastructure	Admin	
Revenue						
Energy sales	30,779	16,349	4,239	-	-	51,367
Waste disposal fees	-	-	6,336	-	-	6,336
Water reclamation and distribution	-	-	-	5,465	-	5,465
Interest, dividend and other income	429	2,843	1,631	93	981	5,977
Total Revenue	31,208	19,192	12,206	5,558	981	69,145
Operating expenses	10,669	7,994	6,880	2,537	-	28,080
Operating profit	20,539	11,198	5,326	3,021	981	41,065
Other administration expenses	(260)	-	(62)	-	(6,623)	(6,945)
Interest expense	(3,901)	(182)	(105)	(85)	(1,520)	(5,793)
Amortization of capital assets	(7,604)	(1,371)	(1,942)	(812)	-	(11,729)
Amortization of intangible assets	(304)	(478)	(1,061)	-	-	(1,843)
Earnings before income taxes and minority interest	8,470	9,167	2,156	2,124	(7,162)	14,755
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	705	72,294	87,957	39,532	-	200,488
Intangible expenditures	-	28,177	28,289	731	-	57,197

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