

ALIAN T INC.

(Incorporated under the laws of Canada)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

June 30, 2005



ALIAN T INC.
Consolidated balance sheets
(Unaudited)

(thousands of dollars)

	Notes	As at June 30, 2005	As at December 31, 2004
			(as restated, note 1)
Assets			
Current assets			
Cash and cash equivalents		\$ 157,444	\$ 138,265
Note receivable from related party	1	162,000	185,000
Accounts receivable	2	223,137	251,164
Inventory		18,231	22,654
Prepayments		44,060	21,876
Income tax receivable		19,326	28,299
Future income tax asset	3	6,313	-
		630,511	647,258
Capital investments	4	1,908,288	1,920,282
Other assets			
Deferred charges		56,631	56,101
Future income tax asset		20,502	31,792
Accrued benefit asset	5	233,597	172,680
Goodwill	6	60,838	60,783
Indefinite-life intangibles	1	2,975	2,952
		374,543	324,308
Total assets		\$ 2,913,342	\$ 2,891,848
Liabilities and shareholders' equity			
Current liabilities			
Notes payable and bank advances		\$ 1,900	\$ 9,101
Payables and accruals	7	198,938	259,856
Income tax payable	3	8,181	1,865
Future income tax liability		-	4,840
Long-term debt due within one year		153,938	153,043
		362,957	428,705
Long-term debt	8	891,542	743,342
Accrued benefit liability	5	176,283	170,344
Deferred credits		9,117	11,660
		1,439,899	1,354,051
Non-controlling interest		5,414	5,242
Shareholders' equity			
Capital stock	9	1,197,820	1,216,993
Contributed surplus		535	-
Retained earnings		269,674	315,562
		1,468,029	1,532,555
Total liabilities and shareholders' equity		\$ 2,913,342	\$ 2,891,848

See accompanying notes to the consolidated financial statements

Signed on behalf of the board of directors

Chairman:

Director:

ALIAN T INC.
Consolidated statements of income
(Unaudited)
For the period ended June 30

	Note	Three months		Six months	
		2005	2004	2005	2004
<i>(thousands of dollars, except per share amounts)</i>		<i>(as restated, note 1)</i>		<i>(as restated, note 1)</i>	
Operating revenues		\$ 517,325	\$ 508,261	\$ 1,041,739	\$ 1,022,769
Expenses					
Cost of operating revenues		70,197	69,182	159,158	143,677
Operating expenses		250,345	259,820	500,646	506,031
Depreciation and amortization		98,986	98,549	197,576	199,508
Restructuring charge	7	-	1,473	-	4,556
		419,528	429,024	857,380	853,772
Operating income		97,797	79,237	184,359	168,997
Other income (expenses)		(269)	2,106	(1,086)	5,116
Interest charges					
Interest on long-term debt		18,190	18,769	35,376	37,624
Other interest expenses (income)		275	(184)	474	183
		18,465	18,585	35,850	37,807
Income before underlisted items		79,063	62,758	147,423	136,306
Income taxes					
Current tax expense		25,212	24,226	49,202	52,970
Future tax expense (recovery)		3,397	(1,843)	3,780	(3,162)
		28,609	22,383	52,982	49,808
Income before non-controlling interest		50,454	40,375	94,441	86,498
Non-controlling interest		669	340	1,072	806
Net income		\$ 49,785	\$ 40,035	\$ 93,369	\$ 85,692
Earnings per common share					
Basic and diluted		\$ 0.36	\$ 0.28	\$ 0.67	\$ 0.61

See accompanying notes to the consolidated financial statements

ALIANT INC.
Consolidated statements of retained earnings
(Unaudited)
For the six months ended June 30

<i>(thousands of dollars)</i>	Notes	2005	2004
			<i>(as restated, note 1)</i>
Retained earnings, beginning of period, as previously reported		\$ 360,351	\$ 415,866
Changes in accounting policies	1	(44,789)	(38,296)
Retained earnings, beginning of period, as restated		\$ 315,562	\$ 377,570
Net income		93,369	85,692
Preferred share dividends		(4,769)	(4,769)
Common share dividends - paid in cash		(74,936)	(70,386)
Common share dividends - reinvested through dividend reinvestment plan		(2,629)	(2,750)
Excess of repurchase of common shares over stated value	9	(56,923)	(31,852)
Retained earnings, end of period		\$ 269,674	\$ 353,505

See accompanying notes to the consolidated financial statements

ALIAN T INC.
Consolidated statements of cash flows
(Unaudited)
For the period ended June 30

(thousands of dollars)	Notes	Three months		Six months	
		2005	2004	2005	2004
			(as restated, note 1)		(as restated, note 1)
Cash from (used in) operating activities					
Net income		\$ 49,785	\$ 40,035	\$ 93,369	\$ 85,692
Adjustments to reconcile net income to cash from operating activities					
Depreciation and amortization		98,986	98,549	197,576	199,508
Future income taxes		3,397	(1,842)	3,780	(3,161)
Net benefit plans' cost	5	22,633	16,742	45,066	33,477
Funding of defined benefit pension and other post-employment benefits plans	5	(19,956)	(17,994)	(100,045)	(59,833)
Non-controlling interest		669	340	1,072	806
Other non-cash items		2,281	(233)	6	3,309
Change in non-cash working capital		11,351	(45,161)	(39,178)	(60,297)
		169,146	90,436	201,646	199,501
Cash from (used in) financing activities					
Repurchase of accounts receivable	2	(5,000)	-	(5,000)	(5,000)
Collection of long-term receivable		-	-	4,823	4,874
Repayment of notes payable and bank advances		(1,291)	(3,585)	(7,200)	(12,373)
Proceeds of long-term debt	8	149,349	-	149,349	-
Repayment of long-term debt		-	(100)	(98)	(100)
Increase (decrease) in capital lease obligations		(420)	844	(807)	651
Increase (decrease) in non-controlling interest		245	(114)	(900)	(583)
Issuance of common shares		349	857	751	1,780
Repurchase of common shares	9	(46,284)	(23,858)	(79,476)	(43,504)
Preferred share dividends		(2,385)	(2,385)	(4,769)	(4,769)
Common share dividends		(37,260)	(35,096)	(74,936)	(70,386)
		57,303	(63,437)	(18,263)	(129,410)
Cash from (used in) investing activities					
Purchase of capital investments		(104,992)	(44,700)	(187,155)	(129,269)
Proceeds on sale of capital investments		28	768	28	768
Purchase of indefinite-life intangibles		(23)	-	(23)	(227)
Business acquisitions, net of cash		-	-	(54)	-
		(104,987)	(43,932)	(187,204)	(128,728)
Net increase (decrease) in cash		121,462	(16,933)	(3,821)	(58,637)
Cash, beginning of period		197,982	323,626	323,265	365,330
Cash, end of period		\$ 319,444	\$ 306,693	\$ 319,444	\$ 306,693
Cash consists of:					
Cash and cash equivalents		157,444	202,693	157,444	202,693
Notes receivable from related party		162,000	104,000	162,000	104,000
		\$ 319,444	\$ 306,693	\$ 319,444	\$ 306,693
Supplementary disclosure					
Interest paid		\$ 22,758	\$ 25,705	\$ 35,845	\$ 39,095
Net income taxes paid		\$ 13,015	\$ 41,131	\$ 37,922	\$ 90,812

See accompanying notes to the consolidated financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

We have prepared the unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) using the same basis of presentation and accounting policies as outlined in note 1 to the annual audited consolidated financial statements for the year ended December 31, 2004, except as noted below. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2004.

Note receivable from related party

The note receivable is from Bell Canada and represents a revolving loan that matures on the first day of each month and can be recalled at any time, bearing interest of 2.52 per cent per annum (December 31, 2004 – 2.56 per cent per annum). The presentation of note receivable from related party was reclassified from cash and cash equivalents in 2005.

Deferred charges

Deferred charges include contract costs, such as software development costs, licenses, bid pursuit and other up-front costs related to long-term customer contracts. They are amortized on a straight-line basis over the length of the customer contracts.

Indefinite-life intangibles

Indefinite-life intangible assets consist of spectrum licences. We assess these assets for impairment in the second quarter of every year, and when events or changes in circumstances indicate that an asset might be impaired. The annual impairment test was conducted during the second quarter of 2005 and no impairment loss was required.

Changes in accounting policies

Effective January 1, 2005, we changed certain accounting policies, as noted below. These changes have been retroactively applied with comparative financial information restated to conform to the presentation adopted for 2005.

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies (continued)

Subscriber acquisition costs

We changed our accounting policy for subscriber acquisition costs from deferring and amortizing over the life of the customer contract to expensing when services are activated. Subscriber acquisition costs include wireless and Internet commissions and cellular hardware subsidies. The following table outlines the impact of these changes.

<i>(thousands of dollars, except per share amounts)</i>	Three months ended June 30, 2004	Six months ended June 30, 2004	Year ended December 31, 2004
Consolidated statements of income			
Increase (decrease) to:			
Operating expenses	\$ 2,177	\$ 2,155	\$ 9,184
Income taxes	(799)	(791)	(3,347)
Net income	\$ (1,378)	\$ (1,364)	\$ (5,837)
Consolidated balance sheets			
Increase (decrease) to:			
Deferred charges	\$ (43,567)	\$ (43,567)	\$ (50,598)
Future income tax liability	(16,281)	(16,281)	(18,838)
Retained earnings	\$ (27,286)	\$ (27,286)	\$ (31,760)
Earnings per common share			
Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.04)

Directory revenue and expense recognition

We changed our method for recognizing revenues and expenses in our joint venture directory business, Aliant ActiMedia, from the publication-date method to the defer and amortize method. The publication-date method recognizes revenues and direct expenses when directories are published. Under the defer and amortize method, directory advertising revenues are generally billed in accordance with the contractual terms with advertisers, and recognized on a monthly basis over the estimated life of the print directory or electronic directory advertising, not exceeding 12 months, commencing with the delivery or display date, respectively. Amounts billed up-front for the directories are deferred and recognized over the billing period for which the corresponding directories are in circulation, not exceeding 12 months. Direct expenses, primarily printing and distribution costs, are recognized over the same period as the related revenue. The following table outlines the impact of these changes.

ALIANTE INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies (continued)

<i>(thousands of dollars, except per share amounts)</i>	Three months ended June 30, 2004	Six months ended June 30, 2004	Year ended December 31, 2004
Consolidated statements of income			
Increase (decrease) to:			
Operating revenues	\$ (17,323)	\$ (7,257)	\$ (1,714)
Operating expenses	(3,618)	(1,392)	(678)
Income taxes	(5,030)	(2,153)	(380)
Net income	\$ (8,675)	\$ (3,712)	\$ (656)
Consolidated balance sheets			
Increase (decrease) to:			
Accounts receivable	\$ (28,964)	\$ (28,964)	\$ (22,767)
Prepayments	2,817	2,817	1,725
Payables and accruals	(736)	(736)	(459)
Future income tax liability	(9,325)	(9,325)	(7,554)
Retained earnings	\$ (16,086)	\$ (16,086)	\$ (13,029)
Earnings per common share			
Basic and diluted	\$ (0.07)	\$ (0.03)	\$ (0.01)

2. TRANSFER OF RECEIVABLES

During the second quarter of 2005, we repurchased \$5.0 million of accounts receivable from the securitization trust which reduced our cumulative cash proceeds to \$120.0 million at June 30, 2005 (December 31, 2004 - \$125.0 million). The reduced cumulative cash proceeds lowered the security required at June 30, 2005, resulting in retained interest of \$41.6 million (December 31, 2004 - \$43.5 million).

3. INCOME TAXES

During the first quarter of 2005, we revised our estimate for the timing of the payout of the voluntary early retirement incentive program (ERIP), which resulted in an increase to current tax liability of \$10.0 million and a corresponding increase to the current portion of future income tax asset. As a result of ERIP payments made since the beginning of the year, \$2.3 million has been reclassified from future tax asset to current tax liability.

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

4. CAPITAL INVESTMENTS

As at June 30, 2005			
<i>(thousands of dollars)</i>	Cost	Accumulated depreciation and amortization	Net book value
Property plant and equipment			
Land	\$ 12,808	\$ -	\$ 12,808
Buildings and towers	358,318	167,353	190,965
Telecommunications facilities and equipment	4,196,567	2,753,312	1,443,255
Other equipment	228,899	147,513	81,386
Plant under construction	59,476	-	59,476
Materials and supplies	5,500	-	5,500
Total property plant and equipment	4,861,568	3,068,178	1,793,390
Finite-life intangibles			
Software	246,720	141,695	105,025
Customer relationships	6,357	2,172	4,185
Residual commissions	7,600	1,912	5,688
	\$ 5,122,245	\$ 3,213,957	\$ 1,908,288

As at December 31, 2004			
<i>(thousands of dollars)</i>	Cost	Accumulated depreciation and amortization	Net book value
Property plant and equipment			
Land	\$ 12,828	\$ -	\$ 12,828
Buildings and towers	367,494	179,652	187,842
Telecommunications facilities and equipment	4,507,451	3,044,641	1,462,810
Other equipment	276,166	197,070	79,096
Plant under construction	52,200	-	52,200
Materials and supplies	5,500	-	5,500
Total property plant and equipment	5,221,639	3,421,363	1,800,276
Finite-life intangibles			
Software	253,635	145,150	108,485
Customer relationships	6,357	1,736	4,621
Residual commissions	7,600	700	6,900
	\$ 5,489,231	\$ 3,568,949	\$ 1,920,282

In addition to normal disposal and retirement activity, during the second quarter, we performed a review of our capital investments which resulted in retiring assets with a cost of \$523.8 million and net book value of \$nil million.

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

5. ACCRUED BENEFIT ASSET (LIABILITY)

Components of net benefit plans' cost

The tables below shows the components of the net benefit plans' cost.

For the period ended June 30 (thousands of dollars)	Defined benefit (DB) pension plans			
	Three months		Six months	
	2005	2004	2005	2004
Current service cost	\$ 7,592	\$ 7,028	\$ 15,184	\$ 14,056
Interest on the accrued benefit obligation	27,525	24,777	55,050	49,554
Actual return on plan assets	(51,394)	13,936	(80,127)	(42,202)
Elements of employee future benefit plans' cost, before recognizing its long-term nature	\$ (16,277)	\$ 45,741	\$ (9,893)	\$ 21,408
Excess of actual return over expected return	\$ 25,803	\$ (37,580)	\$ 28,945	\$ (5,093)
Amortization of deferred amounts:				
Past service costs	1,375	-	2,750	-
Net actuarial losses	7,382	4,712	14,764	9,424
Adjustments to recognize long-term nature of employee future benefit plans' cost	\$ 34,560	\$ (32,868)	\$ 46,459	\$ 4,331
Net benefit plans' cost	\$ 18,283	\$ 12,873	\$ 36,566	\$ 25,739

For the period ended June 30 (thousands of dollars)	Other post employment benefit (OPEB) plans			
	Three months		Six months	
	2005	2004	2005	2004
Current service cost	\$ 1,390	\$ 1,144	\$ 2,580	\$ 2,288
Interest on the accrued benefit obligation	2,889	2,725	5,778	5,450
Elements of employee future benefit plans' cost, before recognizing its long-term nature	\$ 4,279	\$ 3,869	\$ 8,358	\$ 7,738
Amortization of deferred net actuarial losses	71	-	142	-
Net benefit plans' cost	\$ 4,350	\$ 3,869	\$ 8,500	\$ 7,738

Pension plan contributions

The table below shows the funding of DB pension and OPEB plans.

For the period ended June 30 (thousands of dollars)	Three months		Six months	
	2005	2004	2005	2004
DB pension plans				
Required contributions	\$ 18,713	\$ 16,686	\$ 37,483	\$ 32,643
2003 contributions received by the plans	-	-	-	25,000
Additional voluntary contributions	-	-	60,000	-
OPEBs plans contributions	1,243	1,308	2,562	2,190
Funding of DB pension and OPEBs plans	\$ 19,956	\$ 17,994	\$ 100,045	\$ 59,833

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

6. GOODWILL

The annual impairment test was conducted during the second quarter of 2005 and no impairment loss was required.

7. RESTRUCTURING CHARGE

In 2004, we restructured our operations by reducing the workforce in certain areas, which resulted in a pre-tax charge against earnings for the three and six months ended June 30, 2004, of \$1.5 million and \$4.6 million, respectively (December 31, 2004 - \$5.7 million). As well, in October 2004, we offered a voluntary ERIP to all eligible employees with the retirement date for most employees being January 1, 2005. The ERIP was accepted by 693 employees and resulted in a pre-tax charge against earnings of \$66.6 million in 2004.

The restructuring charge balance in payables and accruals at June 30, 2005, is \$ 24.3 million (December 31, 2004 - \$68.6 million). As the employees leave the organization in 2005, the cash payments associated with the ERIP will be charged against this balance.

8. LONG-TERM DEBT

During the second quarter of 2005, we issued \$150.0 million of unsecured medium-term notes, bearing interest at 4.52 per cent per annum, maturing in May 2012, and callable at any time at the greater of par and the Canada Yield Price.

9. CAPITAL STOCK

The following table provides the details of the change in the issued and outstanding common shares.

<i>(thousands of dollars, except as otherwise noted)</i>	As at		As at	
	June 30, 2005		December 31, 2004	
	Number	Stated	Number	Stated
	of shares	capital	of shares	capital
Common shares, beginning of period	132,744,009	\$ 1,044,729	133,616,920	\$ 1,035,798
Common shares issued	-	-	582,081	15,000
Common shares purchased for cancellation	(2,848,879)	(22,553)	(1,732,130)	(13,410)
Dividend reinvestments	110,368	3,067	229,316	6,405
Stock option plan	17,986	313	47,822	936
Common shares, end of period	130,023,484	\$ 1,025,556	132,744,009	\$ 1,044,729

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

9. CAPITAL STOCK (Continued)

Common shares purchased for cancellation

We commenced a normal course issuer bid (NCIB) on February 4, 2005, which will allow us to purchase, from time to time, up to 6,637,200 of our outstanding common shares at the market price with cash through the facilities of the Toronto Stock Exchange, representing approximately 5.0 per cent of our issued and outstanding common shares as of January 31, 2005, being 132,744,009 common shares. Purchases of common shares may be made up to February 3, 2006, and Bell Canada, our majority shareholder, will sell shares into the normal course issuer bid on a pro rata basis. In 2004, we acquired common shares under a similar NCIB, which ended on August 5, 2004. For the six months ended June 30, 2005, we purchased for cancellation 2,848,879 shares (June 30, 2004 - 1,463,284 shares) for an aggregate price of \$79.5 million (June 30, 2004 - \$43.5 million), which reduced capital stock by \$22.6 million (June 30, 2004 - \$11.4 million), contributed surplus by \$nil million (June 30, 2004 - \$0.2 million) and retained earnings by \$56.9 million (June 30, 2004 - \$31.9 million).

Included in the common share purchases for the six months ended June 30, 2005, were 1,476,479 shares purchased at market value from Bell Canada (June 30, 2004 - 714,784 shares) for an aggregate price of \$41.2 million (June 30, 2004 - \$21.2 million).

Stock option plan

A summary of the status of our stock option plan as at June 30, 2005, and December 31, 2004, and changes during the periods ended on those dates is presented below:

	As at June 30, 2005		As at December 31, 2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	2,496,777	\$ 30.37	2,338,367	\$ 30.06
Granted	481,520	\$ 29.24	432,621	\$ 32.39
Forfeited	(42,402)	\$ 31.76	(226,389)	\$ 33.31
Exercised	(17,986)	\$ 16.75	(47,822)	\$ 19.58
Options outstanding, end of period	2,917,909	\$ 30.62	2,496,777	\$ 30.37
Options exercisable, end of period	2,106,192	\$ 30.00	1,703,581	\$ 30.38

For the three and six months ended June 30, 2005, compensation expense in the amount of \$0.5 million and \$1.0 million, respectively (June 30, 2004 - \$0.3 million and \$0.6 million, respectively) related to stock options granted was recorded.

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

9. CAPITAL STOCK (Continued)

Stock option plan (continued)

For the three and six months ended June 30, 2004, the pro-forma adjustment to net income for compensation expense related to the 2002 stock options was \$0.3 million, and \$0.6 million respectively, which did not impact basic or diluted earnings per common share. There is no pro-forma adjustment in 2005 related to compensation expense on the 2002 stock options as it was fully recognized over the vesting period, being three years.

Performance share unit plan

During the second quarter of 2005, the performance share unit plan (PSU) was amended to include a supplementary personal performance share unit plan (PPSU) component which was approved by the Board of Directors. The PPSU plan was established for certain executives and senior management. The PPSUs are similar to the PSUs with the exception of the performance-based criteria for vesting of share unit grants, which are based on the achievement of personal objectives supporting specific key corporate objectives rather than overall corporate performance. The 2004 PSU grant was repurposed as a PPSU grant in the second quarter of 2005.

	As at June 30, 2005	As at December 31, 2004
	Number of units	Number of units
Units outstanding, beginning of period	109,322	61,121
Granted	143,026	50,193
Forfeited	(14,800)	-
Exercised	(13,150)	(1,992)
Units outstanding, end of period	224,398	109,322

For the three and six months ended June 30, 2005, compensation expense in the amount of \$0.7 million and \$1.0 million, respectively (June 30, 2004 - \$0.3 million and \$0.5 million, respectively) related to the PSU's and PPSU's granted was recorded.

Employees' stock savings plan

The total number of common shares bought for employees during the three and six months ended June 30, 2005, was 330,977 and 711,027, respectively, (June 30, 2004 - 243,926 and 554,000 respectively). Compensation expense related to the employees' stock savings plan of \$1.8 million and \$3.4 million, respectively, for the three and six months ended June 30, 2005 (June 30, 2004 - \$1.2 million and \$2.7 million, respectively) was recorded.

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

10. SEGMENTED INFORMATION

For the three months ended June 30, 2005 <i>(thousands of dollars)</i>	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 456,304	\$ 60,577	\$ 444	\$ -	\$ 517,325
Intersegment revenue	2,107	25,329	-	(27,436)	-
Operating revenues	458,411	85,906	444	(27,436)	517,325
Operating expenses	260,285	77,311	9,555	(26,609)	320,542
Depreciation and amortization	97,188	2,030	307	(539)	98,986
Other income (expenses)	(1,465)	239	52,527	(51,570)	(269)
Interest charges	18,124	27	1,382	(1,068)	18,465
Income taxes (recovery)	30,589	1,880	(3,816)	(44)	28,609
Non-controlling interest	669	-	-	-	669
Net income	\$ 50,091	\$ 4,897	\$ 45,543	\$ (50,746)	\$ 49,785
Purchase of capital investments	\$ 105,052	\$ (60)	\$ -	\$ -	\$ 104,992
Total assets	\$ 2,714,545	\$ 179,197	\$ 1,793,456	\$ (1,773,856)	\$ 2,913,342

For the three months ended June 30, 2004 <i>(thousands of dollars)</i>	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 446,704	\$ 60,873	\$ 684	\$ -	\$ 508,261
Intersegment revenue	2,047	24,354	-	(26,401)	-
Operating revenues	448,751	85,227	684	(26,401)	508,261
Operating expenses	268,720	79,344	6,999	(26,061)	329,002
Depreciation and amortization	97,060	2,134	369	(1,014)	98,549
Restructuring charge	309	1,164	-	-	1,473
Other income (expenses)	485	178	47,777	(46,334)	2,106
Interest charges (income)	18,758	(112)	1,248	(1,309)	18,585
Income taxes	19,213	501	2,364	305	22,383
Non-controlling interest	340	-	-	-	340
Net income	\$ 44,836	\$ 2,374	\$ 37,481	\$ (44,656)	\$ 40,035
Purchase of capital investments	\$ 42,415	\$ 2,227	\$ 58	\$ -	\$ 44,700
Total assets	\$ 2,652,515	\$ 191,113	\$ 1,817,674	\$ (1,739,636)	\$ 2,921,666

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

10. SEGMENTED INFORMATION (Continued)

For the six months ended June 30, 2005 (thousands of dollars)	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 900,166	\$ 140,685	\$ 888	\$ -	\$ 1,041,739
Intersegment revenue	4,075	50,051	-	(54,126)	-
Operating revenues	904,241	190,736	888	(54,126)	1,041,739
Operating expenses	522,314	172,579	17,569	(52,658)	659,804
Depreciation and amortization	194,040	3,975	615	(1,054)	197,576
Other income (expenses)	(2,730)	106	96,939	(95,401)	(1,086)
Interest charges	35,254	107	2,592	(2,103)	35,850
Income taxes (recovery)	55,955	4,920	(7,864)	(29)	52,982
Non-controlling interest	1,072	-	-	-	1,072
Net income	\$ 92,876	\$ 9,261	\$ 84,915	\$ (93,683)	\$ 93,369
Purchase of capital investments	\$ 184,369	\$ 2,777	\$ 9	\$ -	\$ 187,155
Goodwill acquired	\$ 54	\$ -	\$ -	\$ -	\$ 54
Total assets	\$ 2,714,545	\$ 179,197	\$ 1,793,456	\$ (1,773,856)	\$ 2,913,342

For the six months ended June 30, 2004 (thousands of dollars)	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 887,278	\$ 134,627	\$ 864	\$ -	\$ 1,022,769
Intersegment revenue	4,171	49,065	-	(53,236)	-
Operating revenues	891,449	183,692	864	(53,236)	1,022,769
Operating expenses	518,002	171,561	12,714	(52,569)	649,708
Depreciation and amortization	196,399	4,453	674	(2,018)	199,508
Restructuring charge	2,230	2,326	-	-	4,556
Other income (expenses)	4,123	208	93,185	(92,400)	5,116
Interest charges	37,704	351	2,658	(2,906)	37,807
Income taxes	47,510	1,493	196	609	49,808
Non-controlling interest	805	1	-	-	806
Net income	\$ 92,922	\$ 3,715	\$ 77,807	\$ (88,752)	\$ 85,692
Purchase of capital investments	\$ 126,590	\$ 2,584	\$ 95	\$ -	\$ 129,269
Total assets	\$ 2,652,515	\$ 191,113	\$ 1,817,674	\$ (1,739,636)	\$ 2,921,666

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
June 30, 2005

11. COMMITMENTS

The estimated future minimum lease payments under operating leases and purchase commitments are as follows:

<i>(thousands of dollars)</i>	Remainder of					
	2005	2006	2007	2008	2009	Thereafter
Operating leases	\$ 26,090	\$ 43,724	\$ 38,801	\$ 36,704	\$ 36,235	\$ 136,768
Purchase commitments	27,135	25,024	5,594	4,143	1,854	-
	\$ 53,225	\$ 68,748	\$ 44,395	\$ 40,847	\$ 38,089	\$ 136,768

Purchase commitments primarily relate to various information systems and technology agreements, obligations under service contracts, and a billing system for our wireless services.

12. CONTINGENCY

Deferral account

On May 30, 2002, the CRTC released its price cap decision that prescribed new rules to determine the rates charged for certain telecommunications services provided by incumbent local exchange carriers (ILECs) for the four years beginning June 1, 2002. The price caps decision requires the use of a new mechanism, the deferral account, to mitigate the potential adverse effects on competition in the local market as a result of mandated rate reductions. The deferral account may be reduced by one or a combination of the following:

- Rate reductions for residential local services that are proposed as the result of competitive pressures;
- Certain rate reductions for services provided to competitors;
- The approval of exogenous factors for matters beyond control of the ILECs;
- Rate increases less than the amount by which inflation exceeds productivity;
- Subscriber rebates; and
- Funding initiatives that would benefit residential customers in other ways.

We await clarification from the CRTC regarding application of the deferral account rules and allowable cost mitigation features. Accordingly, we have not recognized the deferral account as a liability in our financial statements. Given the circumstances outlined, we estimate the deferral account balance could be between \$7 million and \$33 million. A liability, should one arise, will be charged to operating income or capital investments, as appropriate.