

ALiant INC.

(Incorporated under the laws of Canada)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

September 30, 2005



ALIAN T INC.
Consolidated balance sheets
(Unaudited)

(thousands of dollars)

	Notes	As at September 30, 2005	As at December 31, 2004
			(as restated, note 1)
Assets			
Current assets			
Cash and cash equivalents		\$ 71,148	\$ 138,265
Note receivable from related party	1	300,000	185,000
Accounts receivable	2	259,535	251,054
Inventory		19,954	22,654
Prepayments		31,920	22,642
Income tax receivable	3	3,829	28,299
		686,386	647,914
Capital investments	4	1,913,073	1,920,282
Other assets			
Deferred charges		61,194	56,101
Future income tax asset	3	25,232	32,883
Accrued benefit asset	5	234,280	172,680
Goodwill	1	60,838	60,783
Indefinite-life intangibles	1	2,975	2,952
		384,519	325,399
Total assets		\$ 2,983,978	\$ 2,893,595
Liabilities and shareholders' equity			
Current liabilities			
Notes payable and bank advances		\$ 3,188	\$ 9,101
Payables and accruals	6	243,326	263,485
Income tax payable	3	63,871	1,865
Future income tax liability		460	4,840
Long-term debt due within one year		155,096	153,043
		465,941	432,334
Long-term debt	7	894,165	743,342
Accrued benefit liability	5	179,065	170,344
Deferred credits		8,760	11,660
		1,547,931	1,357,680
Non-controlling interest		3,972	5,242
Shareholders' equity			
Capital stock	8	1,186,106	1,216,993
Contributed surplus		618	-
Retained earnings		245,351	313,680
		1,432,075	1,530,673
Total liabilities and shareholders' equity		\$ 2,983,978	\$ 2,893,595

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 September 30

(thousands of dollars, except per share amounts)

	Note	Three months		Nine months	
		2005	2004	2005	2004
			(as restated, note 1)		(as restated, note 1)
Operating revenues		\$ 520,054	\$ 499,298	\$ 1,561,793	\$ 1,523,644
Expenses					
Operating expenses		317,645	326,941	976,287	976,630
Depreciation and amortization		98,244	98,570	295,820	298,078
Restructuring charge	6	-	642	-	5,198
		415,889	426,153	1,272,107	1,279,906
Operating income		104,165	73,145	289,686	243,738
Other income (expenses)		305	(2,716)	(1,943)	1,539
Interest charges					
Interest on long-term debt		19,186	19,619	54,562	57,243
Other interest expenses		454	146	928	329
		19,640	19,765	55,490	57,572
Income before underlisted items		84,830	50,664	232,253	187,705
Income taxes					
Current tax expense		32,640	16,907	81,842	69,876
Future tax expense (recovery)		609	(3,683)	4,389	(6,574)
		33,249	13,224	86,231	63,302
Income before non-controlling interest		51,581	37,440	146,022	124,403
Non-controlling interest		754	405	1,826	1,211
Net income		\$ 50,827	\$ 37,035	\$ 144,196	\$ 123,192
Earnings per common share					
Basic and diluted		\$ 0.37	\$ 0.26	\$ 1.05	\$ 0.87

See accompanying notes to the consolidated financial statements

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

(thousands of dollars)

	Notes	2005	2004
			(as restated, note 1)
Retained earnings, beginning of period, as previously reported		\$ 360,351	\$ 415,866
Changes in accounting policies	1	(46,670)	(40,282)
Retained earnings, beginning of period, as restated		\$ 313,681	\$ 375,584
Net income		144,196	123,192
Preferred share dividends		(7,153)	(7,153)
Common share dividends - paid in cash		(111,661)	(105,316)
Common share dividends - reinvested through dividend reinvestment plan		(3,958)	(4,146)
Excess of repurchase of common shares over stated value	8	(89,754)	(36,705)
Retained earnings, end of period		\$ 245,351	\$ 345,456

See accompanying notes to the consolidated financial statements

ALIANT INC.
Consolidated statements of cash flows
(Unaudited)
For the period ended September 30

<i>(thousands of dollars)</i>	Notes	Three months		Nine months	
		2005	2004	2005	2004
			(as restated, note 1)		(as restated, note 1)
Cash from (used in) operating activities					
Net income		\$ 50,827	\$ 37,035	\$ 144,196	\$ 123,192
Adjustments to reconcile net income to cash from operating activities					
Depreciation and amortization		98,244	98,570	295,820	298,078
Future income taxes		609	(3,683)	4,389	(6,574)
Net benefit plans' cost	5	22,533	14,250	67,599	47,727
Funding of defined benefit pension and other post-employment benefits plans	5	(20,434)	(17,406)	(120,479)	(77,239)
Non-controlling interest		754	405	1,826	1,211
Other non-cash items		303	(1,946)	309	2,715
Change in non-cash working capital		85,169	66,649	45,991	5,616
		238,005	193,874	439,651	394,726
Cash from (used in) financing activities					
Repurchase of accounts receivable	2	-	-	(5,000)	(5,000)
Collection of long-term receivable		-	-	4,823	4,874
Net proceeds (repayments) of notes payable and bank advances		1,287	(705)	(5,913)	(13,078)
Proceeds of long-term debt	7	-	-	149,349	-
Repayment of long-term debt		(53)	35	(151)	(65)
Decrease in capital lease obligations		(424)	(424)	(1,231)	(1,124)
Decrease in non-controlling interest		(2,196)	-	(3,096)	(583)
Issuance of common shares		275	411	1,026	2,191
Repurchase of common shares	8	(46,149)	(7,067)	(125,625)	(50,571)
Preferred share dividends		(2,384)	(2,384)	(7,153)	(7,153)
Common share dividends		(36,725)	(34,930)	(111,661)	(105,316)
		(86,369)	(45,064)	(104,632)	(175,825)
Cash from (used in) investing activities					
Purchase of capital investments		(99,766)	(51,438)	(286,921)	(180,707)
Proceeds on sale of capital investments		18	2,529	46	3,297
Purchase of indefinite-life intangibles		-	-	(23)	(227)
Increase in contributed surplus		(184)	-	(184)	-
Business acquisitions, net of cash		-	-	(54)	-
		(99,932)	(48,909)	(287,136)	(177,637)
Net increase in cash		51,704	99,901	47,883	41,264
Cash, beginning of period		319,444	306,693	323,265	365,330
Cash, end of period		\$ 371,148	\$ 406,594	\$ 371,148	\$ 406,594
Cash consists of:					
Cash and cash equivalents		71,148	207,094	71,148	207,094
Notes receivable from related party		300,000	199,500	300,000	199,500
		\$ 371,148	\$ 406,594	\$ 371,148	\$ 406,594
Supplementary disclosure					
Interest paid		\$ 12,980	\$ 13,015	\$ 48,825	\$ 52,110
Net income taxes paid (received)		\$ (34,392)	\$ (10,700)	\$ 3,530	\$ 80,112

See accompanying notes to the consolidated financial statements

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

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 2.71 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 and goodwill

Indefinite-life intangible assets consist of spectrum licences. We assess indefinite-life intangibles and goodwill 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.

ALIANTE INC.
(Unaudited)
Notes to the consolidated financial statements
September 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 September 30, 2004	Nine months ended September 30, 2004	Year ended December 31, 2004
Consolidated statements of income			
Increase (decrease) to:			
Operating expenses	\$ 1,539	\$ 3,694	\$ 9,184
Income taxes	(565)	(1,356)	(3,347)
Net income	\$ (974)	\$ (2,338)	\$ (5,837)
Consolidated balance sheets			
Increase (decrease) to:			
Deferred charges	\$ (45,106)	\$ (45,106)	\$ (50,598)
Future income tax liability	(16,846)	(16,846)	(18,838)
Retained earnings	\$ (28,260)	\$ (28,260)	\$ (31,760)
Earnings per common share			
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies (continued)

<i>(thousands of dollars, except per share amounts)</i>	Three months ended September 30, 2004	Nine months ended September 30, 2004	Year ended December 31, 2004
Consolidated statements of income			
Increase (decrease) to:			
Operating revenues	\$ 2,109	\$ (3,572)	\$ 55
Operating expenses	495	(57)	926
Income taxes	592	(1,289)	(319)
Net income	\$ 1,022	\$ (2,226)	\$ (552)
Consolidated balance sheets			
Increase (decrease) to:			
Accounts receivable	\$ (25,877)	\$ (25,877)	\$ (22,876)
Prepayments	3,159	3,159	2,491
Payables and accruals	3,479	3,479	3,169
Future income tax liability	(9,614)	(9,614)	(8,644)
Retained earnings	\$ (16,583)	\$ (16,583)	\$ (14,910)
Earnings per common share			
Basic and diluted	\$ 0.01	\$ (0.02)	\$ -

Comparative figures

The comparative financial information has been reclassified to conform to the presentation adopted for 2005.

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 from our accounts receivable securitization program to \$120.0 million at September 30, 2005 (December 31, 2004 - \$125.0 million). The security required under the program recorded as retained interest, was \$41.6 million at September 30, 2005 (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, \$5.5 million has been reclassified from future tax asset to current tax liability.

Receipt of outstanding tax refunds of \$55 million combined with lower tax instalments as compared to current tax expense resulted in an \$86 million increase in net income tax liability since the beginning of the year.

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

4. CAPITAL INVESTMENTS

As at September 30, 2005			
<i>(thousands of dollars)</i>	Cost	Accumulated depreciation and amortization	Net book value
Property plant and equipment			
Land	\$ 12,787	\$ -	\$ 12,787
Buildings and towers	357,377	168,282	189,095
Telecommunications facilities and equipment	4,263,492	2,817,668	1,445,824
Other equipment	233,391	150,778	82,613
Plant under construction	62,845	-	62,845
Materials and supplies	5,500	-	5,500
Total property plant and equipment	4,935,392	3,136,728	1,798,664
Finite-life intangibles			
Software	258,877	153,494	105,383
Customer relationships	6,319	2,375	3,944
Residual commissions	7,600	2,518	5,082
	\$ 5,208,188	\$ 3,295,115	\$ 1,913,073

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 of 2005, we performed a review of our capital investments which resulted in removing retired assets with a cost of \$523.8 million and net book value of nil.

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

5. ACCRUED BENEFIT ASSET (LIABILITY)

Components of net benefit plans' cost

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

For the period ended September 30 (thousands of dollars)	Defined benefit (DB) pension plans			
	Three months		Nine months	
	2005	2004	2005	2004
Current service cost	\$ 7,592	\$ 4,618	\$ 22,776	\$ 18,674
Interest on the accrued benefit obligation	27,525	24,756	82,575	74,310
Actual return on plan assets	(62,117)	(5,331)	(142,244)	(47,533)
Elements of employee future benefit plans' cost, before recognizing its long-term nature	\$ (27,000)	\$ 24,043	\$ (36,893)	\$ 45,451
Excess of actual return over expected return	\$ 36,526	\$ (18,374)	\$ 65,471	\$ (23,467)
Amortization of deferred amounts:				
Past service costs	1,375	-	4,125	-
Net actuarial losses	7,382	4,712	22,146	14,136
Adjustments to recognize long-term nature of employee future benefit plans' cost	\$ 45,283	\$ (13,662)	\$ 91,742	\$ (9,331)
Net benefit plans' cost	\$ 18,283	\$ 10,381	\$ 54,849	\$ 36,120

For the period ended September 30 (thousands of dollars)	Other post employment benefit (OPEB) plans			
	Three months		Nine months	
	2005	2004	2005	2004
Current service cost	\$ 1,290	\$ 1,144	\$ 3,870	\$ 3,432
Interest on the accrued benefit obligation	2,889	2,725	8,667	8,175
Elements of employee future benefit plans' cost, before recognizing its long-term nature	\$ 4,179	\$ 3,869	\$ 12,537	\$ 11,607
Amortization of deferred net actuarial losses	71	-	213	-
Net benefit plans' cost	\$ 4,250	\$ 3,869	\$ 12,750	\$ 11,607

Pension plan contributions

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

For the period ended September 30 (thousands of dollars)	Three months		Nine months	
	2005	2004	2005	2004
DB pension plans				
Required contributions	\$ 18,967	\$ 16,314	\$ 56,450	\$ 48,957
2003 contributions received by the plans	-	-	-	25,000
Additional voluntary contributions	-	-	60,000	-
OPEBs plans contributions	1,467	1,092	4,029	3,282
Funding of DB pension and OPEBs plans	\$ 20,434	\$ 17,406	\$ 120,479	\$ 77,239

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

6. 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 nine months ended September 30, 2004, of \$0.6 million and \$5.2 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 September 30, 2005, is \$ 14.4 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. Alternatively, the employee may opt to defer part of their payment to the January following the year of their retirement.

7. LONG-TERM DEBT

During the third quarter of 2005, we entered into a 36 month, \$4.7 million capital lease obligation for the acquisition of computer equipment, bearing implicit interest of 3.75 per cent.

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.

8. 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	
	September 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 purchased for cancellation	(4,524,522)	(35,870)	(1,732,130)	(13,410)
Shares issued				
under business acquisition	-	-	582,081	15,000
under dividend reinvestments	163,360	4,577	229,316	6,405
under stock option plan	22,727	406	47,822	936
Common shares, end of period	128,405,574	\$ 1,013,842	132,744,009	\$ 1,044,729

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

8. 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 NCIB on a pro rata basis. In 2004, we acquired common shares under a similar NCIB, which ended on August 5, 2004. For the nine months ended September 30, 2005, we purchased for cancellation 4,524,522 shares (September 30, 2004 - 1,732,130 shares) for an aggregate price of \$125.6 million (September 30, 2004 - \$50.6 million), which reduced capital stock by \$35.8 million (September 30, 2004 - \$13.4 million), contributed surplus by nil (September 30, 2004 - \$0.5 million) and retained earnings by \$89.8 million (September 30, 2004 - \$36.7 million).

Included in the common share purchases for the nine months ended September 30, 2005, were 2,336,222 shares purchased at market value from Bell Canada (September 30, 2004 - 827,497 shares) for an aggregate price of \$64.8 million (September 30, 2004 - \$24.2 million).

Stock option plan

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

	As at September 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	(57,904)	\$ 31.82	(226,389)	\$ 33.31
Exercised	(22,727)	\$ 17.85	(47,822)	\$ 19.58
Options outstanding, end of period	2,897,666	\$ 30.25	2,496,777	\$ 30.37
Options exercisable, end of period	2,089,654	\$ 30.34	1,703,581	\$ 30.38

For the three and nine months ended September 30, 2005, compensation expense in the amount of \$0.5 million and \$1.5 million, respectively (September 30, 2004 - \$0.2 million and \$0.8 million, respectively) related to stock options granted was recorded.

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

8. CAPITAL STOCK (Continued)

Stock option plan (continued)

For the three and nine months ended September 30, 2004, the pro-forma adjustment to net income for compensation expense related to the 2002 stock options was \$0.3 million, and \$0.9 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 and PSUs are similar except that the PPSUs have 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 September 30, 2005	As at December 31, 2004
	Number of units	Number of units
Units outstanding, beginning of period	109,322	61,121
Granted	144,890	50,193
Forfeited	(16,464)	-
Exercised	(15,991)	(1,992)
Units outstanding, end of period	221,757	109,322

For the three and nine months ended September 30, 2005, compensation expense in the amount of \$0.5 million and \$1.5 million, respectively (September 30, 2004 - \$0.2 million and \$0.7 million, respectively) related to the PSUs and PPSUs granted was recorded.

Employees' stock savings plan

The total number of common shares bought for employees during the three and nine months ended September 30, 2005, was 299,800 and 1,010,827, respectively, (September 30, 2004 - 238,900 and 792,900 respectively). Compensation expense related to the employees' stock savings plan of \$2.0 million and \$5.4 million, respectively, for the three and nine months ended September 30, 2005 (September 30, 2004 - \$1.3 million and \$4.0 million, respectively) was recorded.

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

9. SEGMENTED INFORMATION

For the three months ended September 30, 2005 (thousands of dollars)	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 466,223	\$ 53,400	\$ 431	\$ -	\$ 520,054
Intersegment revenue	2,081	29,287	-	(31,368)	-
Operating revenues	468,304	82,687	431	(31,368)	520,054
Operating expenses	261,513	78,069	8,710	(30,647)	317,645
Depreciation and amortization	97,476	1,125	297	(654)	98,244
Other income	1,138	62	53,523	(54,418)	305
Interest charges	19,224	131	2,230	(1,945)	19,640
Income taxes (recovery)	33,743	2,424	(2,955)	37	33,249
Non-controlling interest	754	-	-	-	754
Net income	\$ 56,732	\$ 1,000	\$ 45,672	\$ (52,577)	\$ 50,827
Purchase of capital investments	\$ 98,545	\$ 1,221	\$ -	\$ -	\$ 99,766
Total assets	\$ 2,817,262	\$ 202,520	\$ 1,796,271	\$ (1,832,075)	\$ 2,983,978

For the three months ended September 30, 2004 (thousands of dollars)	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 451,350	\$ 47,451	\$ 497	\$ -	\$ 499,298
Intersegment revenue	1,424	31,970	-	(33,394)	-
Operating revenues	452,774	79,421	497	(33,394)	499,298
Operating expenses	281,757	71,446	6,758	(33,020)	326,941
Depreciation and amortization	97,154	2,079	370	(1,033)	98,570
Restructuring charge	126	516	-	-	642
Other income (expenses)	(4,802)	1,161	33,790	(32,865)	(2,716)
Interest charges	19,614	282	1,045	(1,176)	19,765
Income taxes (recovery)	14,216	882	(2,172)	298	13,224
Non-controlling interest	405	-	-	-	405
Net income	\$ 34,700	\$ 5,377	\$ 28,286	\$ (31,328)	\$ 37,035
Purchase of capital investments	\$ 49,899	\$ 1,472	\$ 67	\$ -	\$ 51,438
Total assets	\$2,682,007	\$186,280	\$1,886,778	\$ (1,868,217)	\$ 2,886,848

ALIAN T INC.
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9. SEGMENTED INFORMATION (Continued)

For the nine months ended September 30, 2005 <i>(thousands of dollars)</i>	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 1,366,389	\$ 194,085	\$ 1,319	\$ -	\$ 1,561,793
Intersegment revenue	6,156	79,338	-	(85,494)	-
Operating revenues	1,372,545	273,423	1,319	(85,494)	1,561,793
Operating expenses	782,734	250,556	26,302	(83,305)	976,287
Depreciation and amortization	291,516	5,100	912	(1,708)	295,820
Other income (expenses)	(2,685)	76	150,485	(149,819)	(1,943)
Interest charges	54,478	238	4,822	(4,048)	55,490
Income taxes (recovery)	89,698	7,344	(10,819)	8	86,231
Non-controlling interest	1,826	-	-	-	1,826
Net income	\$ 149,608	\$ 10,261	\$ 130,587	\$ (146,260)	\$ 144,196
Purchase of capital investments	\$ 282,914	\$ 3,998	\$ 9	\$ -	\$ 286,921
Goodwill acquired	\$ 54	\$ -	\$ -	\$ -	\$ 54
Total assets	\$ 2,817,262	\$ 202,520	\$ 1,796,271	\$ (1,832,075)	\$ 2,983,978

For the nine months ended September 30, 2004 <i>(thousands of dollars)</i>	Telecom- munications	Information Technology	Corporate and others	Eliminations	Consolidated
Revenue from external customers	\$ 1,340,205	\$ 182,078	\$ 1,361	\$ -	\$ 1,523,644
Intersegment revenue	5,595	81,035	-	(86,630)	-
Operating revenues	1,345,800	263,113	1,361	(86,630)	1,523,644
Operating expenses	799,716	243,007	19,495	(85,588)	976,630
Depreciation and amortization	293,553	6,532	1,044	(3,051)	298,078
Restructuring charge	2,356	2,842	-	-	5,198
Other income (expenses)	(1,562)	1,369	126,997	(125,265)	1,539
Interest charges	57,318	633	3,703	(4,082)	57,572
Income taxes	61,998	2,375	(1,977)	906	63,302
Non-controlling interest	1,210	1	-	-	1,211
Net income	\$ 128,087	\$ 9,092	\$ 106,093	\$ (120,080)	\$ 123,192
Purchase of capital investments	\$ 176,491	\$ 4,055	\$ 161	\$ -	\$ 180,707
Total assets	\$ 2,682,007	\$ 186,280	\$ 1,886,778	\$ (1,868,217)	\$ 2,886,848

ALIAN T INC.
(Unaudited)
Notes to the consolidated financial statements
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10. 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	\$ 13,754	\$ 43,223	\$ 38,624	\$ 36,704	\$ 35,235	\$ 136,768
Purchase commitments	15,239	33,642	5,594	4,143	1,854	-
	\$ 28,993	\$ 76,865	\$ 44,218	\$ 40,847	\$ 37,089	\$ 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.

11. CONTINGENCIES

- (a) On September 21, 2005, the action that was commenced against us by 132 former employees who took early retirement under a 1998 early retirement incentive program was discontinued on the basis that the parties bear their own legal costs.
- (b) 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 \$36 million. A liability, should one arise, will be charged to operating income or capital investments, as appropriate.