ALIANT TELECOM INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2000 and 1999

AUDITORS' REPORT

To the Shareholder of
Aliant Telecom Inc.

We have audited the consolidated balance sheets of **Aliant Telecom Inc.** as at December 31, 2000 and 1999, and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999, and the results of its operations and its cash flow for the years then ended in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Halifax, Canada
February 9, 2001

Chartered Accountants

Aliant Telecom Inc.
Consolidated Balance Sheet
As at December 31

(thousands of dollars)	**2000**	1999
Assets		
Current assets		
Cash & equivalents	**$ 36,805**	$ 10,156
Accounts receivable	**363,919**	256,039
Notes receivable (Note 14)	**-**	55,938
Income taxes receivable	**5,864**	887
Due from affiliated companies (Note 14)	**3,250**	47,639
Prepayments	**16,420**	12,343
Future income taxes (Note 13)	**5,054**	**-**
Total current assets	**431,312**	383,002
Capital assets (Note 7)	**2,072,612**	1,963,123
Other assets		
Investments	**705**	784
Deferred charges	**30,850**	16,929
Prepaid pension cost (Note 10)	**-**	83,664
Total other assets	**31,555**	101,377
Total assets	**$ 2,535,479**	$ 2,447,502
Liabilities & shareholders' equity		
Current liabilities		
Accounts payable	**$ 224,406**	$ 190,090
Notes payable (Note 14)	**31,676**	-
Interest accrued	**20,844**	22,721
Dividends payable	**31,800**	68,046
Other current liabilities	**27,868**	26,842
Debt due within one year (Note 8)	**60,842**	228,364
Total current liabilities	**397,436**	536,063
Long-term debt (Note 9)	**998,418**	944,351
Future income taxes (Note 13)	**11,896**	17,302
Accrued benefits obligation (Note 10)	**42,063**	-
Deferred credits	**5,336**	5,725
Total liabilities	**1,455,149**	1,503,441
Non-controlling interest (Note 17)	**1,563**	-
Shareholders' equity		
Common stock (Note 12)	**736,805**	605,445
Contributed surplus (Note 2)	**187,657**	151,276
Retained earnings	**154,305**	187,340
Total shareholders' equity	**1,078,767**	944,061
Total liabilities & shareholders' equity	**$ 2,535,479**	$ 2,447,502

See accompanying notes.

Signed on behalf of the board of directors:

Charles White
Director

Edward Reevey
Director

Aliant Telecom Inc.
Consolidated Income Statement
For the year ended December 31

(thousands of dollars)		**2000**		1999	
Revenues					
Local service	**$**	**853,215**	$	850,315	
Long distance service			**439,773**		438,445
Wireless service		**216,299**		185,723	
Other revenues (Note 5)		**234,429**		130,587	
Total revenues		**1,743,716**		1,605,070	
Expenses					
Cost of revenues		**284,019**		199,143	
Depreciation and amortization		**311,759**		313,523	
Other operating expenses (Note 2)		**697,643**		760,117	
Total operating expenses		**1,293,421**		1,272,783	
Operating income		**450,295**		332,287	
Other income (Notes 6)		**4,212**		10,868	
Income before debt expenses and income taxes		**454,507**		343,155	
Interest and other debt expenses (Note 11)		**101,716**		98,497	
Income before underlisted items		**352,791**		244,658	
Income taxes (Note 13)					
Current		**154,080**		88,989	
Future		**7,312**		25,321	
Income before non-controlling interest			**191,399**		130,348
Non-controlling interest		**345**		-	
Net income	**$**	**191,054**	$	130,348	

Consolidated Retained Earnings Statement
For the year ended December 31

(thousands of dollars)		**2000**		1999
Balance at beginning of year	**$**	**187,340**	$	315,178
Net income		**191,054**		130,348
Dividends		**(157,483)**		(304,995)
Change in accounting policies (Note 1)		**(85,576)**		-
Other items (Note 2)		**18,970**		46,809
Balance at end of year	**$**	**154,305**	$	187,340

See accompanying notes.

Aliant Telecom Inc.
Consolidated Cash Flow Statement
For the year ended December 31

(thousands of dollars)		**2000**		1999
Cash from (used in) operations				
Net income	**$**	**191,054**	$	130,348
Add (deduct) non-cash items :				
Depreciation & amortization		**311,759**		313,523
Other non-cash items		**51,442**		(24,331)
Minority Interest		**345**		-
		554,600		419,540
Change in non-cash working capital (Note 18)		**13,708**		8,000
		568,308		427,540
Cash from (used in) financing				
Proceeds from issuance of common shares		**131,360**		-
Charges related to business combination		**32,748**		109,316
Repurchase of accounts receivable		**(50,000)**		-
(Repayment) issuance of long-term debt		**(19,506)**		114,339
Issuance (Repayment) of short term debt and notes - net		**(6,335)**		(82,324)
Dividends		**(193,729)**		(247,238)
		(105,462)		(105,907)
Cash from (used in) investing				
Net capital expenditures		**(399,336)**		(343,765)
Interest during construction		**(1,833)**		(1,529)
Other capital related items		**(12,628)**		1,477
(Increase) in Deferred Charges		**(11,714)**		(1,626)
Acquisitions (Note 3)		**(14,165)**		-
Decrease in investments		**79**		2,255
Proceeds on sale of investments		**3,400**		25,386
		(436,197)		(317,802)
Increase in cash & equivalents		**26,649**		3,831
Cash & equivalents, beginning of year		**10,156**		6,325
Cash & equivalents, end of year	**$**	**36,805**	$	10,156

Supplemental cash flow disclosure

Interest paid	**$**	**103,325**	$	98,796
Income taxes paid	**$**	**159,057**	$	141,823

See accompanying notes.

1. Significant accounting policies

Aliant Telecom Inc. was incorporated on August 4, 1999 pursuant to the provisions of the Canada Business Corporations Act and is the wholly-owned telecommunications subsidiary of Aliant Inc. The term "Company" is used to mean Aliant Telecom Inc. and, where the context of the narrative text permits or requires, its subsidiaries.

The Company's principal subsidiaries provide telephone, data and a wide range of telecommunications services in the Atlantic provinces and are subject to regulation by the Canadian Radio – television and Telecommunications Commission ("CRTC").

Effective May 31, 1999 Bruncor Inc., Island Telecom Inc., Maritime Telegraph & Telephone Company, Limited, and NewTel Enterprises Limited combined their businesses to form Aliant Inc. through an exchange of shares. As of September 9, 1999, Aliant Inc. and its subsidiary transferred their shares in NBTel Inc., Island Telecom Inc., Maritime Telegraph & Telephone Company, Limited and Newtel Communications Inc. to Aliant Telecom Inc. in exchange for 10,000,000 common shares of the Company.

The combination has been accounted for in these financial statements using the continuity of interests method which reflects the combined historical carrying values of the assets, liabilities and shareholders' equity and the historical operating results of the predecessor companies.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in conformity with prevailing practices in the Canadian telecommunications industry.

Consolidated financial statements include the accounts of the Company's subsidiaries. The principal subsidiaries include Island Telecom Inc., Maritime Tel & Tel Limited, NBTel Inc., NewTel Communications Inc., MT&T Mobility Inc, and NewTel Mobility Limited.

Capital assets are recorded at cost. Depreciation is computed on a straight-line basis over the useful lives of the assets. Depreciation and amortization expense in 2000 was $311.5 million (1999 – $313.5 million). The average depreciation rate was 7.0 % for 2000 (1999, 8.5%). The cost of debt attributable to telecommunications plant under construction is added to the cost of the plant constructed. In 2000, $1.8 million was capitalized (1999 - $1.5 million). Gains and losses on the disposal of capital assets are included in income in the year they occur.

Post employment benefits

The Company maintains both contributory and non-contributory defined benefit final average pension plans for the benefit of employees of certain subsidiaries. The plans provide pensions based on length of service and final average earnings.

The Company also offers other non-pension post employment benefits to employees of certain subsidiaries, including life insurance and health care plans. Obligations under the employee benefit plans are accrued as the employees render the service necessary to earn the pension and other post employment benefits.

1. Significant accounting policies (continued)

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Company has adopted the following policies:

(a) The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
(b) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
(c) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
(d) The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.
(e) When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

Deferred charges include debt issue costs and are amortized on a straight-line basis over the term of the related debt.

Income taxes are accounted for under the liability method of accounting for income taxes in accordance with the new recommendations of the Canadian Institute of Chartered Accountants. Under this method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future tax assets or liabilities are expected to be realized or settled. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. The Company uses the indirect method to determine its' cash and cash equivalents.

Investments over which the Company has significant influence are accounted for using the equity basis of accounting, whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee companies and reduced by dividends received. Portfolio investments are accounted for on the cost basis. Declines in market value below cost are recognized when such declines are considered to be other than temporary.

Accounting changes

Effective January 1, 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with regard to Income Taxes and Employee Future Benefits. As permitted under the new rules, the Company retroactively adopted these policies without restatement of prior years' financial statements.

1. Significant accounting policies (continued)

(a) Income taxes

The cumulative effect of this change as of January 1, 2000, was to decrease opening retained earnings by $18.5 million.

(b) Employee future benefits

Previously, costs for employee future benefits other than pension were expensed as incurred and pension cost obligations were discounted at the long-term rate of return on net assets. In addition, actuarial gains and losses were amortized on a straight-line basis over the employees' average remaining service life.

As a result of this change, the January 1, 2000 accrued benefit liabilities increased and retained earnings decreased by $67.1 million. For the year ended December 31, 2000, employee benefits expense increased by $11.3 million, net income decreased by $6.2 million, accrued benefit liabilities increased by $11.3 million and retained earnings decreased by $6.2 million.

2. Business combination and asset transfers

As a result of the combination, the Company has charged $78 million to 1999 earnings for the costs associated with restructuring activities. This charge is included in other operating expenses and represents the estimated costs to complete restructuring activities associated with the combination. A significant portion of these expenses are for voluntary early retirement programs for employees. In addition, the business restructuring includes employee transfer costs and other expenses resulting from integration activities. At December 31, 2000 the balance of this provision totalled $11.3m (1999-$78.0 million).

In 1999, third party costs of $1.7 million related to the combination were charged to retained earnings. These costs include financial advisor fees, regulatory filing fees, legal and accounting fees and printing and mailing costs.

During 1999 the Company standardized the accounting methods and estimates of its subsidiaries. As a result, $6.7 million was recorded as a reduction in operating expenses.

As part of the combination, the Company transferred certain investments to related parties. The transfer of these investments has been accounted for on the continuity of interests basis with results of operations of these investments having been removed from the results of the Company for 1999. Any excess of proceeds over net book value has been recorded as an increase in contributed surplus and/or retained earnings. During the year the Company finalized certain of these transactions whereby the parent company indicated it would not seek repayment of amounts due to affiliates that resulted from these transactions. These amounts have been recorded as an increase to contributed surplus.

During the year the Company transferred fixed assets, intellectual property and other assets to related parties. Any excess of proceeds over net book value have been recorded as an increase in retained earnings.

3. Acquisitions

During the year the company acquired, Quality Connections Communications Inc. and Transtech Engineering Inc. for cash consideration totalling $14,165,000.

These acquisitions have been accounted for using the purchase method of accounting. The consolidated statement of income includes the results of operations of these entities from the dates of acquisition.

4. Segment information

The Company has two reportable segments: wireline and wireless, each of which provides telecommunications products and services.

a) Measurement of segment income and segment assets

The Company evaluates performance based on earnings before interest, income taxes, depreciation and amortization (EBITDA). The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

b) Factors management used to identify the enterprise's reportable segments

The Company's reportable segments are business units that offer different products and services and are each managed separately. Wireline services provide local and long distance telecommunications services. Wireless services represent the principal suppliers of wireless communications in the Atlantic provinces.

c) Segment information

Year ended December 31, 2000

	Wireline	**Wireless**	**Totals**
Revenues	**$ 1,527,417**	**$ 216,299**	**$ 1,743,716**
EBITDA	**676,403**	**89,863**	**766,266**

Year ended December 31, 1999

	Wireline	Wireless	Totals
Revenues	$ 1,419,347	$ 185,723	$ 1,605,070
EBITDA	589,665	67,013	656,678

5. Other revenues

	2000	1999
Internet and advanced solutions revenues	**$63,435**	$ 46,092
Equipment sales	**115,869**	51,110
Miscellaneous	**55,125**	33,384

	$ 234,429	$130,586

6. Other income

	2000	1999
Investment and miscellaneous other income	**$ 2,166**	$ 6,866
Gain on sale of assets	**2,046**	4,002
	$ 4,212	$ 10,868

7. Capital assets

As at December 31, 2000

	Cost	**Accumulated Depreciation**	**Net Book Value**
Central office equipment	**$ 1,900,525**	**$ 1,125,012**	**$ 775,513**
Outside plant	**1,603,868**	**892,965**	**710,903**
Station equipment	**313,146**	**195,779**	**117,367**
Application software	**250,773**	**109,540**	**141,233**
Buildings	**320,511**	**164,803**	**155,708**
Other equipment	**168,825**	**106,991**	**61,834**
Plant under construction	**60,743**	**-**	**60,743**
Land	**14,349**	**-**	**14,349**
Construction materials	**34,962**	**-**	**34,962**
	$ 4,667,702	**$ 2,595,090**	**$ 2,072,612**

As at December 31, 1999

	Cost	**Accumulated Depreciation**	**Net Book Value**
Central office equipment	**$ 1,755,179**	**$ 1,033,680**	**$ 721,499**
Outside plant	**1,538,747**	**849,719**	**689,028**
Station equipment	**311,762**	**190,697**	**121,065**
Application software	**243,739**	**97,197**	**146,542**
Buildings	**273,249**	**126,146**	**147,103**
Other equipment	**170,328**	**98,056**	**72,272**
Plant under construction	**29,417**	**-**	**29,417**
Land	**15,232**	**-**	**15,232**
Construction materials	**20,965**	**-**	**20,965**
	$ 4,358,618	**$ 2,395,495**	**$ 1,963,123**

8. Debt due within one year

	2000	1998
Bank advances	**$ -**	$ 98,204
Line of credit	**4,255**	-
Long-term debt due within one year (Note 9)	**56,587**	130,160
	$ 60,842	$ 228,364

The company has a line of credit available of $5 million. The average interest rate was 7.6% in 2000 (1999 - 5.8%).

9. Long-term debt

	Fixed rate %	**Maturity**	**2000**	1999
Bonds:				
Maritime Tel & Tel Limited				
AB	10.95	December 15, 2005	$ -	$ 40,000
AC	10.25	August 1, 2006	**50,000**	50,000
AD	10.45	March 1, 2013	**50,000**	50,000
Island Telecom Inc.				
Q	11.25	March 15, 2006	**4,000**	4,000
R	12.25	October 15, 2007	**5,000**	5,000
S	11.45	July 20, 2008	**7,500**	7,500
T	10.60	July 14, 2009	**3,500**	3,500
U	11.15	March 1, 2010	**6,500**	6,500
V	9.77	March 1, 2018	**5,000**	5,000
W	8.76	January 15, 2019	**5,000**	5,000
Newtel Communications Inc.				
S	9.75	May 6, 2006	**50,000**	50,000
T	10.75	June 12, 2014	**75,000**	75,000
V	11.40	July 5, 2010	**40,000**	40,000
W	8.40	May 10, 2000	**-**	75,000
			301,500	416,500

9. Long-term debt (continued)

	Fixed rate %	Maturity	2000	1999
Debentures:				
Maritime Tel & Tel Limited				
Series 2	8.30	January 15, 2019	**50,000**	50,000
Series 4	9.70	October 31, 2019	**50,000**	50,000
Series 5	9.05	June 16, 2025	**60,000**	60,000
NBTel Inc.				
AG	7.80	October 11, 2000	**-**	50,000
AH	7.35	July 23, 2001	**55,000**	55,000
AE	10.00	June 15, 2002	**50,000**	50,000
AI	6.40	June 16, 2003	**65,000**	65,000
T	10.00	September 16, 2006	**30,000**	30,000
AA	11.125	July 19, 2013	**40,000**	40,000
			400,000	450,000
Notes:				
Aliant Telecom Inc.				
Series 1	6.459	October 15, 2004	**100,000**	100,000
Series 2	6.65	October 15, 2009	**100,000**	100,000
Series 3	6.70	November 24, 2005	**150,000**	-
MT&T Mobility Inc.	12.25	November 28, 2000	**-**	4,000
Other	P+3.00%	July 31, 2002	**32**	-
			350,032	204,000
			1,051,532	1,070,500
Present value of obligation under capital leases			**3,473**	4,011
			1,055,005	1,074,511
Less amount due within one year (Note 8)			**56,587**	130,160
			$ 998,418	$ 944,351

Annual repayment of long-term debt is as follows:

2001	**$ 56,587**
2002	**51,918**
2003	**65,000**
2004	**100,000**
2005	**150,000**
Thereafter	**631,500**
	$1,055,005

9. Long-term debt (continued)

Bonds

All Bonds are redeemable at the option of the Company prior to maturity at the prices, times, and conditions specified in each series. The Bonds are secured by a Deed of Trust and Mortgage and by supplemental deeds. These instruments contain a first fixed and specific mortgage, a pledge and charge upon all real and immovable property and equipment of the Company, and a floating charge on all other property of the Company, both present and future.

Debentures

All Debentures are redeemable at the option of the Company prior to maturity at the prices, times and conditions specified in each series. The Debentures are issued under a trust indenture and are unsecured.

Aliant Telecom Inc.

The notes are issued under a trust indenture and are unsecured.

MT&T Mobility Inc.

The note is secured by debentures containing floating charges over certain assets.

10. Accrued benefits obligation

The Company maintains both contributory defined contribution and non-contributory defined benefit final average pension plans for the benefit of employees of certain subsidiaries. The Company also provides other retirement and post employment benefits to most of its employees.

The total expense for the Company's defined contribution plans providing pension benefits was $ 7,850 (1999 - $ 6,485).

Information about the Company's defined benefit plans in aggregate are as follows:

	Pension Benefit Plans		Other Benefit Plans
	2000	1999	2000

Accrued benefit obligation			
Balance at beginning of year	$ 932,087	$ 884,716	$ -
Adjustment to opening balance for			
Change in accounting policy	182,515	-	121,290
Current service cost	19,358	23,235	2,738
Interest cost	80,630	74,916	8,613
Benefits paid	(56,891)	(50,249)	-
Actuarial gains	-	-	-
Corporate restructuring giving rise to:			
Curtailments	-	(531)	-
Balance at end of year	$ 1,157,699	$ 932,087	$ 132,641

10. Accrued benefits obligation (continued)

	Pension Benefit Plans		Other Benefit Plans
	2000	1999	2000
Plan assets			
Fair value at beginning of year	$ 1,276,611	$ 1,113,696	$ -
Actual return on plan assets	78,980	216,705	-
Employer contributions	-	-	-
Employees' contributions	-	-	-
Benefits paid	(56,891)	(50,249)	-
Fund expenses	(4,071)	(3,541)	-
Fair value at end of year	1,294,629	1,276,611	-
Funded status – plan surplus (deficit)	136,930	344,524	(132,641)
Unamortized net actuarial gain	(46,352)	(260,860)	-
Accrued benefit asset (liability)	90,578	83,664	(132,641)
Valuation allowance	-	-	-
Net asset recognized on the balance sheet	$ 90,578	$ 83,664	$ (132,641)

The plan does not directly own common shares of the parent company. The plan does own units of index funds which may hold shares of the parent company by virtue of the fact that the shares of the parent company are listed on the relevant index.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of December 31):

	Pension Benefit Plans		Other Benefit Plans
	2000	1999	2000
Discount rate	7.25%	8.48%	7.25%
Expected long-term rate of return on			

plan assets	9.00%	8.12%	-
Rate of compensation increase	3.00%	3.24%	3.00%

For measurement purposes, a 6.5 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 5 years. The rate was assumed to decrease gradually to 4.5 percent for 5 years and then to 2.0 percent and remain at that level thereafter.

10. Accrued benefits obligation (continued)

The Company's net benefit plan expense is as follows:

	Pension Benefit Plans		Other Benefit Plans
	2000	1999	2000
Current service cost	$ 19,358	$ 23,235	$ 2,738
Interest cost	80,630	74,916	8,613
Expected return on plan assets	(111,754)	(96,850)	-
Amortization of net actuarial loss		(18,200)	-
Curtailment gains		(117)	-
Net benefit plan expense	$ (11,766)	$ (17,016)	$ 11,351

11. Interest and other debt expenses

	2000	1999
Interest on long-term debt	**$ 92,969**	$ 93,401
Interest on short-term debt	**9,386**	6,073
Interest on assets under construction	**(1,833)**	(1,529)
Other	**1,194**	552
	$ 101,716	$ 98,497

12. Common stock

Authorized
Authorized capital stock consists of an unlimited number of common shares without nominal or par value.

Issued

	Number of Shares	Value
Balance, January 1, 2000	10,000,000	$605,445
Issued for cash - May 2000	602,330	100,000
Issued for cash - December 2000	90,451	31,360
Balance, December 31, 2000	10,692,781	$736,805

13. Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities are presented below:

	December 31,2000
Future income tax (asset) liability	
Capital assets	$ 46,393
Pension and other employee benefits	(21,141)
Deferred charges	(8,558)
Other	(9,852)
Net future tax liability	6,842
Less: current portion (asset)	(5,054)
Long-term portion of future income tax liability	$ 11,896

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	2000	1999
Statutory income tax rate (including surtax)	**45.12 %**	45.05 %
Interest during construction	**-**	0.79
Federal large corporation tax	**1.11**	0.87
Tax rate change - future asset	**(1.05)**	-
Other permanent differences	**0.57**	0.01
	45.75 %	46.72 %

14. Related-party transactions

BCE Inc. beneficially owned and controlled 53.1% of the outstanding common shares of the Company as at December 31, 2000 (41.23% as at December 31, 1999).

In the normal course of business, the company had transactions with related parties as follows:

		2000	1999
Related Party (relationship)	**Nature of Transactions**		
Controlled investees of BCE Inc.	Purchase of Telecommunications and other services	**$ 80,279**	$ 103,622
	Sale of Services	$ **24,002**	$ 12,780

14. Related-party transactions (continued)

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The balances due to and due from affiliates are non-interest bearing, are under normal credit terms and have arisen from the sales of product and provision of services referred to above.

The notes payable and receivable are due to and from affiliated companies, are payable on demand and are interest-bearing at rates varying from 5.8% to 6.5%.

15. Commitments

Operating leases

The future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year at December 31, 2000 are as follows:

2001	$ 26,467
2002	24,461
2003	22,977
2004	23,651
2005	23,831
Thereafter	225,704
	$ 347,091

16. Financial Instruments

Under an agreement dated December 12, 1997, the Company sold, with minimal recourse, accounts receivable for aggregate cash proceeds of $ 50,000,000. During the year, the Company re-purchased the accounts receivable for cash proceeds of $ 50,000,000.

Credit risk

The Company is exposed to credit risk from customers. However, the Company has a large number of diverse customers, which minimizes concentration of this risk.

Currency exposures

At December 31, 2000, principal amounts owed under cross-currency contracts include 5.25 million to MCI.

16. Financial Instruments (continued)

Fair value

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments have not been reflected in the fair values. Therefore, due to the use of subjective judgment and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

At December 31, 2000 and 1999, the carrying value of all financial instruments approximates fair value with the exception of long-term debt which has been estimated to be $1,201,189 (1999 - $1,220,401) with a carrying value of $1,059,260 (1999 - $ 1,074,511).

17. Non- controlling interest

The non-controlling interest consists of common equity of subsidiary companies held by third parties.

	2000	1999
Transtech Engineering	**$ 57**	$ -
Atlantic Mobility Products Ltd (AMP)	**412**	
Sablecom	**1,094**	
	$ 1,563	$ -

18. Changes in non-cash working capital

	2000	1999
Cash provided by (used in):		

Accounts receivable	**$ (107,880)**	$ (48,090)
Due to / from affiliate	**44,389**	(8,344)
Prepayments	**(4,077)**	3,472
Accounts payable	**34,316**	65,542
Income taxes receivable	**(4,977)**	(14,330)
Interest and other current liabilities	**(851)**	9,750
	(39,080)	8, 000
Effect of re-purchase of accounts receivable (Note 16)	**50,000**	-
Effect of acquisitions	**2,788**	-
	$ 13,708	$ 8,000

19. Subsequent events

Subsequent to year-end the Company amalgamated with its' subsidiaries effective January 1, 2001.