

Financial Statements

AltaLink, L.P.

Three and six months ended June 30, 2005 and July 31, 2004
(Unaudited)

ALTALINK, L.P.**BALANCE SHEET**

(Unaudited, in thousands of dollars)

	June 30, 2005		December 31, 2004
ASSETS			
Current			
Accounts receivable <i>[note 5]</i>	\$ 21,201	\$	16,465
Materials and supplies	938		900
Prepaid expenses and deposits	3,526		1,332
Regulatory assets <i>[note 6]</i>	7,743		-
	33,408		18,697
Property, plant and equipment	950,879		903,061
Deferred financing fees	6,039		6,575
Regulatory assets <i>[note 6]</i>	10,782		3,433
Accrued benefit pension asset	2,878		2,903
Materials and supplies	8,446		8,099
Goodwill	202,066		202,066
	\$ 1,214,498	\$	1,144,834
LIABILITIES AND PARTNERS' EQUITY			
Current			
Accounts payable and accrued liabilities <i>[note 5]</i>	\$ 24,565	\$	28,298
Other liabilities	978		410
Regulatory liabilities <i>[note 6]</i>	54		2,799
Short term debt <i>[note 3]</i>	59		144
	25,656		31,651
Accrued employment benefits liabilities <i>[note 4]</i>	1,135		1,052
Other liabilities	1,243		1,940
Regulatory liabilities <i>[notes 2 & 6]</i>	155,928		128,416
Asset retirement obligations <i>[note 2]</i>	55,291		54,162
Long term debt <i>[note 3]</i>	600,686		564,791
	839,939		782,012
Commitments & contingencies <i>[notes 6 & 8]</i>			
Partners' equity			
Partners' capital	338,536		338,536
Retained earnings	36,023		24,286
	374,559		362,822
	\$ 1,214,498	\$	1,144,834

See accompanying notes

ALTALINK, L.P.

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unaudited, in thousands of dollars)

	3 months ended June 30, 2005	3 months ended July 31, 2004	6 months ended June 30, 2005	6 months ended July 31, 2004
REVENUE				
Operating and miscellaneous revenue <i>[note 6]</i>	\$ 52,812	\$ 41,381	\$ 106,128	\$ 83,201
Allowance for equity funds used during construction	(4)	344	456	682
	52,808	41,725	106,584	83,883
EXPENSES				
Operating	21,256	12,991	36,581	28,016
Depreciation and accretion	15,570	12,485	34,662	24,629
	36,826	25,476	71,243	52,645
	15,982	16,249	35,341	31,238
Interest and amortization of deferred financing fees on short term debt	-	(2)	(1)	53
Interest and amortization of deferred financing fees on long term debt	(8,217)	(8,009)	(16,248)	(15,968)
Allowance for debt funds used during construction	(5)	395	509	763
	7,760	8,633	19,601	16,086
Gain on the sale of assets	100	249	136	268
Net income for the period	7,860	8,882	19,737	16,354
Retained earnings, beginning of period	32,163	12,593	24,286	8,421
Distributions	(4,000)	(2,500)	(8,000)	(5,800)
Retained earnings, end of period	\$ 36,023	\$ 18,975	\$ 36,023	\$ 18,975

See accompanying notes

ALTALINK, L.P.

STATEMENT OF CHANGES IN PARTNERS' EQUITY

(Unaudited, in thousands)

	Limited Partner Units		General Partner	Total
Balance at April 30, 2004	331,904	\$ 351,094	\$ 35	\$ 351,129
Net income for the period	-	20,991	2	20,993
Distributions	-	(9,299)	(1)	(9,300)
Balance at December 31, 2004	331,904	\$ 362,786	\$ 36	\$ 362,822
Net income for the period	-	19,735	2	19,737
Distributions	-	(7,999)	(1)	(8,000)
Balance at June 30, 2005	331,904	\$ 374,522	\$ 37	\$ 374,559

See accompanying notes

ALTALINK, L.P.

STATEMENT OF CASH FLOWS

(Unaudited, in thousands of dollars)

	3 months ended June 30, 2005	3 months ended July 31, 2004	6 months ended June 30, 2005	6 months ended July 31, 2004
OPERATING ACTIVITIES				
Net income for the period	\$ 7,860	\$ 8,882	\$ 19,737	\$ 16,354
Items not involving cash				
Depreciation, accretion and amortization of deferred financing fees	16,748	13,672	37,026	26,270
Allowance for funds used during construction	9	(739)	(965)	(1,445)
Gain on the sale of assets	(100)	(249)	(136)	(268)
Revenue accrued, but not received	(7,085)	(2,611)	(9,035)	(1,924)
Other non-cash items	(412)	454	(615)	299
Funds generated in operations	17,020	19,409	46,012	39,286
Change in non-cash working capital items	(12,194)	(10,790)	(13,927)	1,614
	4,826	8,619	32,085	40,900
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(24,462)	(22,088)	(59,972)	(30,510)
Proceeds from the sale of assets	110	673	146	698
	(24,352)	(21,415)	(59,826)	(29,812)
FINANCING ACTIVITIES				
Decrease in lease obligation	(6)	(28)	(29)	(28)
Increase in debt	23,231	14,030	35,895	13,984
Repayment of debt	(57)	(109)	(57)	(19,063)
Distributions paid	(4,000)	(2,500)	(8,000)	(5,800)
Additions to deferred financing fees	(68)	(95)	(68)	(334)
	19,100	11,298	27,741	(11,241)
Net decrease in cash and cash equivalents	(426)	(1,498)	-	(153)
Cash and cash equivalents, beginning of period	426	2,303	-	958
Cash and cash equivalents, end of period	\$ -	\$ 805	\$ -	\$ 805
Cash interest paid during the period	\$ 13,281	\$ 13,040	\$ 15,375	\$ 15,259

See accompanying notes

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and six months ended June 30, 2005
Unaudited
(in thousands of dollars)

1. BASIS OF ACCOUNTING

The interim financial statements of AltaLink, L.P. (the "Partnership") have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the eight months ended December 31, 2004. These interim financial statements do not include all of the disclosures required in annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Partnership's financial statements for the eight months ended December 31, 2004. Operating results for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2005. Due to our change in year end, the three and six months ended June 30, 2005 are compared to the three and six months ended July 31, 2004.

2. ASSET RETIREMENT OBLIGATION

As of June 30, 2005, the estimated total undiscounted amount of interim asset retirement obligations was approximately \$149.3 million. The obligations will be settled over the useful life of the assets, with the majority of the retirements estimated to occur between 2005 and 2040. A discount rate of 5.67% was used to calculate the carrying value of the asset retirement obligations.

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

	June 30, 2005	December 31, 2004
Balance, beginning of period	\$ 54,162	\$ 52,816
Liabilities incurred in period	-	-
Liabilities settled in period	(390)	(642)
Accretion expense	1,519	1,988
Balance, end of period	\$ 55,291	\$ 54,162

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and six months ended June 30, 2005
Unaudited
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3. DEBT

	Effective Interest rate	Maturing	June 30, 2005	December 31, 2004
Series 3	8.01%	2012	\$ 85,000	\$ 85,000
Series 03-1	5.07%	2008	100,000	100,000
Series 03-2	5.71%	2013	326,135	326,202
Capital lease obligations	5.90%	2005	-	28
Credit facility	3.49%	2008	89,610	53,705
Total debt			600,745	564,935
Less: short term debt			59	144
Total long term debt			\$ 600,686	\$ 564,791

4. EMPLOYEE FUTURE BENEFITS

During the three and six months ended June 30, 2005 the Partnership recorded regulatory pension and other post employment benefit expenses of \$479 and \$921 (three and six months ended July 31, 2004 were \$398 and \$727). Pension expense is comprised of defined contribution expense of \$431 and \$825 for the three and six months ended June 30, 2005 (three and six months ended July 31, 2004 were \$348 and \$662), other post employment benefits of \$38 and \$76 for the three and six months ended June 30, 2005 (three and six months ended July 31, 2004 were \$36 and \$60), and supplemental pension expense of \$10 and \$20 for the three and six months ended June 30, 2005 (three and six months ended July 31, 2004 were \$14 and \$5).

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and six months ended June 30, 2005
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5. RELATED PARTY TRANSACTIONS

Amounts due from (to) related parties included in accounts receivable and accounts payable are:

	June 30, 2005	December 31, 2004
AltaLink Investment Management Ltd.	\$ 114	\$ 88
AltaLink Management Ltd.	248	262
AltaLink Investments, L.P.	(1,136)	(1,133)
SNC Lavalin ATP Inc.	(6,873)	(13,797)

In addition there is \$85,000 (December 31, 2004 - \$85,000) owing to AltaLink Investments, L.P. as at June 30, 2005 *[note 3]*.

6. REGULATORY DECISIONS

Tariff revenue received from the Alberta Electric System Operator (AESO) transmission administrator for the three and six months ended June 30, 2005, has been calculated based on an interim tariff set by the EUB. On March 12, 2005, the partnership received Decision 2005-019 which relates to the general tariff application for the period covering May 1, 2004 through December 31, 2006. On July 28, 2005 the EUB approved the Partnership's compliance with Decision 2005-019. The effect of this decision has been reflected in these financial statements for the three and six months ended June 30, 2005. The effect on net income from the decision reflected in June 30, 2005 financial statements is an increase of \$8,700.

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

ALTALINK, L.P.

NOTES TO FINANCIAL STATEMENTS

Three and six months ended June 30, 2005
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8. CONTINGENCY

The Partnership has been named as a party to an action commenced by the United Utility Workers Association and others, in respect of the use and control of pension funds acquired from TransAlta Utilities in connection with the purchase of TransAlta's transmission business. As the claim relates directly to actions taken by TransAlta prior to the acquisition of its transmission business by the Partnership it is the Partnership's position that the claim constitutes an excluded liability under the Partnership's purchase agreement with TransAlta and the Partnership has provided notice to TransAlta of its intention to seek indemnification in respect thereof from TransAlta.