TELUS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2006

consolidated statements of income

Periods ended March 31 (millions except per share amounts)	Three months 2006	Three months 2005
OPERATING REVENUES	**$ 2,080.5**	$ 1,974.7
OPERATING EXPENSES		
Operations	**1,201.1**	1,109.1
Restructuring and workforce reduction costs (Note 4)	**16.7**	9.4
Depreciation	**339.2**	329.9
Amortization of intangible assets	**63.9**	72.3
	1,620.9	1,520.7
OPERATING INCOME	**459.6**	454.0
Other expense, net	**4.3**	1.5
Financing costs (Note 5)	**127.0**	138.4
INCOME BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**328.3**	314.1
Income taxes (Note 6)	**116.1**	70.3
Non-controlling interests	**2.1**	1.6
NET INCOME AND COMMON SHARE AND NON-VOTING SHARE INCOME	**$ 210.1**	$ 242.2
INCOME PER COMMON SHARE AND NON-VOTING SHARE (Note 7)		
– Basic	**$ 0.60**	$ 0.67
– Diluted	**$ 0.60**	$ 0.66
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE	**$ 0.275**	$ 0.20
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING		
– Basic	**349.3**	360.2
– Diluted	**352.9**	367.9

The accompanying notes are an integral part of these interim consolidated financial statements

consolidated statements of retained earnings

Periods ended March 31 (millions)	Three months 2006	Three months 2005
BALANCE AT BEGINNING OF PERIOD	**$ 849.7**	$ 1,008.1
Net income	**210.1**	242.2
	1,059.8	1,250.3
Common Share and Non-Voting Share dividends paid, or payable, in cash	**(95.9)**	(72.3)
Purchase of Common Shares and Non-Voting Shares in excess of stated capital (Note 13(f))	**(138.3)**	(89.9)
Adjustment for purchase of share options not in excess of their fair value	**2.1**	—
Adjustment of tax treatment of items charged directly to retained earnings	**1.2**	—
BALANCE AT END OF PERIOD (Note 13)	**$ 828.9**	$ 1,088.1

The accompanying notes are an integral part of these interim consolidated financial statements

consolidated balance sheets

As at (millions)	March 31, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and temporary investments, net	**$ —**	$ 8.6
Accounts receivable (Notes 9, 15(b))	**610.3**	610.3
Income and other taxes receivable	**—**	103.7
Inventories	**151.0**	138.8
Prepaid expenses and other (Note 15(b))	**243.2**	154.7
Current portion of future income taxes	**86.9**	226.4
	1,091.4	1,242.5
Capital Assets, Net (Note 10)		
Property, plant, equipment and other	**7,303.5**	7,339.4
Intangible assets subject to amortization	**589.9**	637.5
Intangible assets with indefinite lives	**2,965.8**	2,964.6
	10,859.2	10,941.5
Other Assets		
Deferred charges (Note 15(b))	**884.3**	850.2
Investments	**27.9**	31.2
Goodwill (Note 11)	**3,155.0**	3,156.9
	4,067.2	4,038.3
	$ 16,017.8	$ 16,222.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Cash and temporary investments, net	**$ 1.1**	$ —
Accounts payable and accrued liabilities (Note 15(b))	**1,346.0**	1,393.7
Income and other taxes payable	**8.7**	—
Restructuring and workforce reduction accounts payable and accrued liabilities (Note 4)	**41.5**	57.1
Advance billings and customer deposits (Note 15(b))	**575.4**	571.8
Current maturities of long-term debt (Note 12)	**75.5**	5.0
	2,048.2	2,027.6
Long-Term Debt (Note 12)	**4,513.4**	4,639.9
Other Long-Term Liabilities (Note 15(b))	**1,636.9**	1,635.3
Future Income Taxes	**997.3**	1,023.9
Non-Controlling Interests	**27.7**	25.6
Shareholders' Equity (Note 13)	**6,794.3**	6,870.0
	$ 16,017.8	$ 16,222.3

Commitments and Contingent Liabilities (Note 14)

The accompanying notes are an integral part of these interim consolidated financial statements

consolidated statements of cash flows

Periods ended March 31 (millions)	Three months 2006		Three months 2005	
OPERATING ACTIVITIES				
Net income	**$**	**210.1**	$	242.2
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization		**403.1**		402.2
Future income taxes		**113.1**		91.7
Share-based compensation		**8.4**		3.8
Net employee defined benefit plans expense		**(1.6)**		1.5
Employer contributions to employee defined benefit plans		**(30.5)**		(37.4)
Restructuring and workforce reduction costs, net of cash payments (Note 4)		**(15.6)**		(12.3)
Amortization of deferred gains on sale-leaseback of buildings, amortization of deferred charges and other, net		**15.9**		(4.4)
Net change in non-cash working capital (Note 15(c))		**(29.8)**		41.1
Cash provided by operating activities		**673.1**		728.4
INVESTING ACTIVITIES				
Capital expenditures (Notes 10, 17)		**(320.5)**		(273.2)
Acquisition		**—**		(27.5)
Proceeds from the sale of property and other assets		**7.4**		0.7
Change in non-current materials and supplies, purchase of investments and other		**(3.0)**		(6.2)
Cash used by investing activities		**(316.1)**		(306.2)
FINANCING ACTIVITIES				
Common Shares and Non-Voting Shares issued		**33.2**		87.9
Dividends to shareholders		**(95.9)**		—
Purchase of Common Shares and Non-Voting Shares for cancellation (Note 13(f))		**(231.6)**		(158.3)
Long-term debt issued (Note 12)		**180.6**		—
Redemptions and repayment of long-term debt (Note 12)		**(253.0)**		(1.0)
Cash used by financing activities		**(366.7)**		(71.4)
CASH POSITION				
Increase (decrease) in cash and temporary investments, net		**(9.7)**		350.8
Cash and temporary investments, net, beginning of period		**8.6**		896.5
Cash and temporary investments, net, end of period	**$**	**(1.1)**	$	1,247.3
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS				
Interest (paid)	**$**	**(13.1)**	$	(13.1)
Interest received	**$**	**22.5**	$	6.3
Income taxes received (paid), net	**$**	**95.7**	$	(1.1)

The accompanying notes are an integral part of these interim consolidated financial statements

MARCH 31, 2006

TELUS Corporation is one of Canada's largest telecommunications companies, providing a full range of telecommunications products and services. The Company is the largest incumbent telecommunications service provider in Western Canada and provides data, Internet protocol, voice and wireless services to Central and Eastern Canada.

Notes to consolidated financial statements	Description
1. Basis of presentation	Summary explanation of basis of presentation of interim consolidated financial statements
2. Accounting policy developments	Summary review of forthcoming generally accepted accounting principle developments that may affect the Company
3. Financial instruments	Summary schedule and review of financial instruments, including fair values thereof
4. Restructuring and workforce reduction costs	Summary continuity schedules and review of restructuring and workforce reduction costs
5. Financing costs	Summary schedule of items comprising financing costs by nature
6. Income taxes	Summary reconciliations of statutory rate income tax expense to provision for income taxes
7. Per share amounts	Summary schedules and review of numerators and denominators used in calculating per share amounts and related disclosures
8. Share-based compensation	Summary schedules and review of compensation arising from share options, restricted stock units and employee share purchase plan
9. Accounts receivable	Summary schedule and review of arm's-length securitization trust transactions and related disclosures
10. Capital assets	Summary schedule of items comprising capital assets
11. Goodwill	Summary schedule of goodwill and review of reported fiscal year acquisitions from which goodwill arises
12. Long-term debt	Summary schedule of long-term debt and related disclosures
13. Shareholders' equity	Summary schedules and review of shareholders' equity and changes therein including share option price stratification and normal course issuer bid summaries
14. Commitments and contingent liabilities	Summary review of contingent liabilities, labour negotiations, commitments, lease obligations, guarantees, claims and lawsuits
15. Additional financial information	Summary schedules of items comprising certain primary financial statement line items
16. Employee future benefits	Summary and review of employee future benefits and related disclosures
17. Segmented information	Summary disclosure of segmented information regularly reported to the Company's chief operating decision maker
18. Differences between Canadian and United States generally accepted accounting principles	Summary schedules and review of differences between Canadian and United States generally accepted accounting principles as they apply to the Company

1 interim financial statements

(a) Basis of presentation

The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in TELUS Corporation's annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the TELUS Corporation audited consolidated financial statements for the year ended December 31, 2005. These interim consolidated financial statements follow the same accounting policies and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2005, including that certain of the comparative amounts have been reclassified to conform with the presentation adopted currently.

The term "Company" is used to mean TELUS Corporation and, where the context of the narrative permits or requires, its subsidiaries.

2 accounting policy developments

(a) Earnings per share

Possibly commencing in the Company's 2006 fiscal year, proposed amendments to the recommendations of the Canadian Institute of Chartered Accountants ("CICA") for the calculation and disclosure of earnings per share (CICA Handbook Section 3500) may apply to the Company. These proposed amendments, in the Company's specific instance, may result in the diluted earnings per share denominator being adjusted, using the reverse treasury stock method, for the theoretical issuance of shares from treasury to settle obligations arising from the issuance of restricted stock units that have the possibility of equity settlement; for purposes of the calculation the Company will be required to assume that shares will be necessary to settle the obligation, and that the shares will be issued from Treasury. Restricted stock units are further described in Note 8(c). The restricted stock units issued by the Company that do not have the possibility of equity settlement will not be affected by these proposed amendments. The Company does not expect to be materially affected by the proposed amendments to the recommendations.

(b) Comprehensive income

Commencing with the Company's 2007 fiscal year, the new recommendations of the CICA for accounting for comprehensive income (CICA Handbook Section 1530), for the recognition and measurement of financial instruments (CICA Handbook Section 3855) and for hedges (CICA Handbook Section 3865) will apply to the Company. In the Company's specific instance, the transitional rules for these sections require implementation at the beginning of a fiscal year; the Company will not be implementing these recommendations in its 2006 fiscal year. The concept of comprehensive income for purposes of Canadian GAAP will be to include changes in shareholders' equity arising from unrealized changes in the values of financial instruments. Comprehensive income as prescribed by U.S. GAAP, and which is disclosed in Note 18(h), is largely aligned with comprehensive income as prescribed by Canadian GAAP. In the Company's specific instance, however, there is a difference in other comprehensive income in that U.S. GAAP currently includes the concept of minimum pension liabilities and Canadian GAAP does not.

(c) Business combinations

Commencing with the Company's 2007 fiscal year, the proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date of January 1, 2007, or later. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any, occurring on or after January 1, 2007. Generally, the proposed recommendations will result in measuring business acquisitions at the fair value of the acquired entities and a prospectively applied shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

(d) Convergence with International Reporting Standards

In early 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards over a transitional period. During 2006, the Accounting Standards Board is expected to develop and publish a detailed implementation plan with a transition period expected to be approximately five years. As this convergence initiative is very much in its infancy as of the date of these interim consolidated financial statements, it would be premature to currently assess the impact of the initiative, if any, on the Company.

3 financial instruments

During the first quarter of 2006, the Company entered into a hedging relationship that fixes the Company's compensation cost arising from a specific grant of restricted stock units; hedge accounting has been applied to this relationship. Restricted stock units are further described in Note 8(c).

As at March 31, 2006, the Company had entered into foreign currency forward contracts that have the effect of fixing the exchange rate on U.S.$28 million of fiscal 2006 purchase commitments; hedge accounting has been applied to these foreign currency forward contracts, all of which relate to the Wireless segment.

In contemplation of the planned refinancing of the debt maturing June 1, 2007, as set out in Note 12, the Company has entered into forward starting interest rate swap agreements, as at March 31, 2006, that have the effect of fixing the underlying interest rate on up to $300 million of replacement debt. Hedge accounting has been applied to these forward starting interest rate swap agreements.

Fair value: The carrying value of cash and temporary investments, accounts receivable, accounts payable, restructuring and workforce reduction accounts payable, dividends payable and short-term obligations approximates their fair values due to the immediate or short-term maturity of these financial instruments. The carrying values of the Company's investments accounted for using the cost method would not exceed their fair values.

The fair values of the Company's long-term debt are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. The fair values of the Company's derivative financial instruments used to manage exposure to interest rate and currency risks are estimated similarly.

As at		**March 31, 2006**		December 31, 2005	
(millions)	Hedging item maximum maturity date	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Derivatives[1][2] used to manage changes in compensation costs arising from restricted stock units (Note 8(c))	November 2008	**$ 12.5**	**$ 17.6**	$ 12.2	$ 19.5
Derivatives[1][2] used to manage currency risks arising from U.S. dollar denominated purchases					
- To which hedge accounting is applied	June 2006	**$ —**	**$ 0.4**	$ —	$ —
- To which hedge accounting is not applied	June 2006	**$ —**	**$ 0.9**	$ —	$ —
Derivatives[1][2] used to manage interest rate risk associated with planned refinancing of debt maturing June 1, 2007	June 2007	**$ —**	**$ 1.4**	$ —	$ —
Liabilities					
Long-term debt					
Principal (Note 12)		**$ 4,588.9**	**$ 5,208.1**	$ 4,644.9	$ 5,371.6
Derivatives[1][2] used to manage interest rate and currency risks associated with U.S. dollar denominated debt	June 2011	**1,139.1**	**1,489.2**	1,154.3	1,470.5
		$ 5,728.0	**$ 6,697.3**	$ 5,799.2	$ 6,842.1
Derivatives[1][2] used to manage currency risks arising from U.S. dollar denominated purchases					
- To which hedge accounting is applied	June 2006	**$ —**	**$ —**	$ —	$ 0.1
- To which hedge accounting is not applied	March 2006	**$ —**	**$ —**	$ —	$ 0.4

(1) Notional amount of all derivative financial instruments outstanding is $5,192.0 (December 31, 2005 – $4,904.8).
(2) Designated as cash flow hedging items.

4 restructuring and workforce reduction costs

(a) Overview

Three-month periods ended March 31 (millions)	2006				2005
	General programs initiated in 2006	Office closures and contracting out	General programs initiated prior to 2006	Total	Total
Restructuring and workforce reduction costs					
Workforce reduction					
Voluntary	$ 0.3	$ —	$ —	**$ 0.3**	$ —
Involuntary	13.2	2.6	—	**15.8**	5.8
Lease termination	—	—	—	**—**	3.0
Other	0.4	0.2	—	**0.6**	0.6
	13.9	2.8	—	**16.7**	9.4
Disbursements					
Workforce reduction					
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	0.3	15.1	—	**15.4**	1.9
Involuntary and other	1.5	0.2	14.3	**16.0**	18.7
Lease termination	—	—	0.3	**0.3**	0.5
Other	0.4	0.2	—	**0.6**	0.6
	2.2	15.5	14.6	**32.3**	21.7
Expenses greater than (less than) disbursements	11.7	(12.7)	(14.6)	**(15.6)**	(12.3)
Change in restructuring and workforce reduction accounts payable and accrued liabilities					
Balance, beginning of period	—	25.5	31.6	**57.1**	70.7
Balance, end of period	$ 11.7	$ 12.8	$ 17.0	**$ 41.5**	$ 58.4

(b) Programs initiated in 2005

General: In 2005, the Company undertook a number of smaller initiatives, such as operational consolidation, rationalization and integrations. These initiatives aimed to improve the Company's operating and capital productivity. As at March 31, 2006, no future expenses remain to be accrued or recorded under the smaller initiatives, but variances from estimates currently recorded may be recorded in subsequent periods.

Office closures and contracting out: In connection with the collective agreement signed in the fourth quarter of 2005, an accompanying letter of agreement set out the planned closure, on February 10, 2006, of a number of offices in British Columbia. This initiative is a component of the Company's competitive efficiency program and is aimed at improving the Company's operating and capital productivity. The approximately 250 bargaining unit employees affected by these office closures were offered the option of redeployment or participation in a voluntary departure program (either the Early Retirement Incentive Plan or the Voluntary Departure Incentive Plan).

As at March 31, 2006, no future expenses remain to be accrued or recorded under the letter of agreement setting out the planned closure of a number of offices in British Columbia, but variances from estimates currently recorded may be recorded in subsequent periods. Other costs, such as other employee departures and those associated with real estate, will be incurred and recorded subsequent to March 31, 2006.

Similarly, an additional accompanying letter of agreement set out that the Company intends to contract out specific non-core functions over the term of the collective agreement. This initiative is a component of the Company's competitive efficiency program and is aimed at allowing the Company to focus its resources on those core functions that differentiate the Company for its customers. The approximately 250 bargaining unit employees currently affected by contracting out initiatives were offered the option of redeployment or participation in the voluntary departure program (either the Early Retirement Incentive Plan or the Voluntary Departure Incentive Plan.)

As at March 31, 2006, no future expenses remain to be accrued or recorded under the letter agreement setting out the contracting out of specific non-core functions, in respect of the approximately 250 bargaining unit employees currently affected, but variances from estimates currently recorded may be recorded in subsequent periods. Future costs will be incurred as the initiative continues.

Integration of Wireline and Wireless operations: On November 24, 2005, the Company announced the integration of its Wireline and Wireless operations, an initiative that will continue into future years and that is a component of the Company's competitive efficiency program.

(c) Programs initiated in 2006

General: In the first quarter of 2006, arising from its competitive efficiency program, the Company undertook a number of smaller initiatives, such as operational consolidation, rationalization and integration. These initiatives are aimed to improve the Company's operating productivity and competitiveness.

Also arising from its competitive efficiency program, the Company undertook an initiative for a departmental reorganization and reconfiguration, resulting in integration and consolidation. Approximately 600 bargaining unit employees may be affected by this initiative and were offered the option of redeployment or participation in a voluntary departure program (either the Early Retirement Incentive Plan or the Voluntary Departure Incentive Plan). Expenses under this initiative are expected to be recorded in the second quarter of 2006, as affected employees were not required to select an option until after March 31, 2006, and therefore the associated expenses were not eligible for recording during the three-month period ended March 31, 2006. Future costs will be incurred as the initiative continues.

Continuing with its competitive efficiency program for integration of Wireline and Wireless operations, for the three-month period ended March 31, 2006, $3.8 million of restructuring and workforce reduction costs were recorded in respect of this initiative and were included with general programs initiated in 2006.

The Company's estimate of restructuring and workforce reduction costs in 2006, arising from its competitive efficiency program, which includes the office closures and contracting out and integration of Wireline and Wireless operations, is not currently expected to exceed $100 million.

5 financing costs

	Three months	
Periods ended March 31 (millions)	**2006**	2005
Interest on long-term debt	**$ 125.4**	$ 157.8
Interest on short-term obligations and other	**1.6**	1.2
Foreign exchange	**1.1**	2.5
	128.1	161.5
Interest income		
Interest on tax refunds	**—**	(15.6)
Other interest income	**(1.1)**	(7.5)
	(1.1)	(23.1)
	$ 127.0	$ 138.4

6 income taxes

Periods ended March 31 (millions)	Three months 2006	Three months 2005
Current	**$ 3.0**	$ (21.4)
Future	**113.1**	91.7
	$ 116.1	$ 70.3

The Company's income tax expense differs from that calculated by applying statutory rates for the following reasons:

Three-month periods ended March 31 ($ in millions)	2006		2005	
Basic blended federal and provincial tax at statutory income tax rates	**$ 111.5**	**34.0%**	$ 108.7	34.6%
Share option award compensation	**1.5**		1.3	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(0.3)**		(11.3)	
Change in estimates of available deductible differences in prior years	**—**		(36.0)	
Other	**0.5**		2.4	
	113.2	**34.5%**	65.1	20.7%
Large corporations tax	**2.9**		5.2	
Income tax expense per Consolidated Statements of Income	**$ 116.1**	**35.4%**	$ 70.3	22.4%

7 per share amounts

Basic income per Common Share and Non-Voting Share is calculated by dividing Common Share and Non-Voting Share income by the total weighted average Common Shares and Non-Voting Shares outstanding during the period. Diluted income per Common Share and Non-Voting Share is calculated to give effect to share options and, in the comparative period, warrants and shares issuable on conversion of debentures.

The following tables present the reconciliations of the numerators and denominators of the basic and diluted per share computations.

Periods ended March 31 (millions)	Three months 2006	Three months 2005
Net income	**$ 210.1**	$ 242.2
Add: Interest charges applicable to convertible debentures, net of income tax effects	**—**	1.6
Diluted Common Share and Non-Voting Share income	**$ 210.1**	$ 243.8

Periods ended March 31 (millions)	Three months 2006	Three months 2005
Basic total weighted average Common Shares and Non-Voting Shares outstanding	**349.3**	360.2
Effect of dilutive securities		
Exercise of share options	**3.6**	3.5
Exercise of warrants	**—**	0.4
Exercise of convertible debentures conversion option	**—**	3.8
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	**352.9**	367.9

For the three-month period ended March 31, 2006, certain outstanding share options, in the amount of 1.1 million (2005 – 2.1 million) were not included in the computation of diluted income per Common Share and Non-Voting Share because the share options' exercise prices were greater than the average market price of the Common Shares and Non-Voting Shares during the reported periods.

8 share-based compensation

(a) Details of share-based compensation expense

Reflected in the Consolidated Statements of Income as "Operations expense" are the following share-based compensation amounts:

	Three months	
Periods ended March 31 (millions)	**2006**	2005
Share option awards	**$ 4.5**	$ 4.2
Restricted stock units	**6.2**	3.7
Employee share purchase plan	**9.7**	8.1
Amounts recognized as Operations expense in consolidated statements of income	**20.4**	16.0
Less – Income tax benefit arising from share-based compensation (see Note 6)	**5.4**	4.1
	$ 15.0	$ 11.9

(b) Share option awards

The Company applies the fair value based method of accounting for share-based compensation awards granted to employees. Share option awards typically vest over a three-year period (the requisite service period), but may vest over periods of up to five years. The vesting method of share option awards, which is determined at the date of grant, may be either cliff or graded; all options granted subsequent to 2004 have been cliff vesting awards.

Some share option awards have a net-equity settlement feature. As discussed further in Note 13(e), it is at the Company's option whether the exercise of a share option is settled as a share option or using the net-equity settlement feature. So as to align with the accounting treatment that is afforded to the associated share options, the Company has selected the equity instrument fair value method of accounting for the net-equity settlement feature.

The weighted average fair value of option awards granted, and the weighted average assumptions used in the fair value estimation at the time of grant, using the Black-Scholes model (a closed-form option pricing model), are as follows:

	Three months	
Periods ended March 31	**2006**	2005
Share option award fair value (per share option)	**$ 12.35**	$ 11.26
Risk free interest rate	**4.0%**	3.7%
Expected lives(1) (years)	**4.6**	4.5
Expected volatility	**36.0%**	40.0%
Dividend yield	**2.6%**	2.3%

(1) The maximum contractual term of the share option awards granted in 2006 and 2005 was seven years.

The risk free interest rate used in determining the fair value of the share option awards is based on a Government of Canada yield curve that is current at the time of grant. The expected lives of the share option awards are based on historical share option exercise data of the Company. Similarly, expected volatility considers the historical volatility of the Company's Non-Voting Shares. The dividend yield is the annualized dividend current at the date of grant divided by the share option exercise price. Dividends are not paid on unexercised share option awards and are not subject to vesting.

(c) Restricted stock units

The Company uses restricted stock units as a form of incentive compensation. Each restricted stock unit is equal in value to one Non-Voting Share and the dividends that would have arisen thereon had it been an issued and outstanding Non-Voting Share; the notional dividends are recorded as additional issuances of restricted stock units during the life of the restricted stock unit. The restricted stock units become payable as they vest over their lives. Typically, the restricted stock units vest over a period of 33 months. The vesting method, which is determined at the date of grant, may be either cliff or graded.

The following table presents a summary of the activity related to the Company's restricted stock units.

Period ended March 31, 2006	Three months		
	Number of restricted stock units		Weighted average grant date fair value
	Non-vested	Vested	
Outstanding, beginning of period			
Non-vested	1,645,530	—	$ 32.16
Vested	—	62,437	26.43
Issued			
Initial allocation	588,749	—	43.83
In lieu of dividends	19,428	—	44.86
Vested	(899)	899	27.47
Settled in cash	—	(51,537)	29.42
Forfeited and cancelled	(17,216)	—	30.75
Outstanding, end of period			
Non-vested	2,235,592	—	35.29
Vested	—	11,799	$ 15.51

With respect to certain issuances of restricted stock units, the Company entered into cash-settled equity forward agreements that fix the cost to the Company, as set out in the following table:

	Number of restricted stock units	Cost fixed to the Company per restricted stock unit
Issued in first quarter of 2004; cliff vesting in the fourth quarter of 2006	652,550	$ 26.61
Issued in first quarter of 2005; cliff vesting in the fourth quarter of 2007	600,000	$ 40.91
Issued in fourth quarter of 2005; cliff vesting in the fourth quarter of 2008	160,000	$ 50.91
Issued in first quarter of 2006; cliff vesting in the fourth quarter of 2008	440,000	$ 50.02

The following is a schedule of vesting of the Company's non-vested restricted stock units outstanding as at March 31, 2006:

Years ending December 31	Number of restricted stock units
2006	699,786
2007	706,482
2008	829,324
	2,235,592

(d) Employee share purchase plan

The Company has an employee share purchase plan under which eligible employees can purchase Common Shares through regular payroll deductions by contributing between 1% and 10% of their pay. The Company contributes 45%, for the employee population up to a certain job classification, for every dollar contributed by an employee, to a maximum of 6% of employee pay; for more highly compensated job classifications, the Company contributes 40%. There are no vesting requirements and the Company records its contributions as a component of operating expenses.

Periods ended March 31 (millions)	Three months 2006	2005
Employee contributions	**$ 22.9**	$ 18.8
Company contributions	**9.7**	8.1
	$ 32.6	$ 26.9

Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to February 2001 and subsequent to November 1, 2004, all Common Shares issued to employees under the plan were purchased on the market at normal trading prices; in the intervening period, shares were also issued from Treasury.

(e) Unrecognized, non-vested share-based compensation
As at March 31, 2006, compensation cost related to non-vested share-based compensation that has not yet been recognized is set out in the following table and is expected to be recognized over a weighted average period of 1.7 years (December 31, 2005 – 2.3 years).

These disclosures are not likely to be representative of the effects on reported net income for future periods for the following reasons:

- these amounts reflect an estimate of forfeitures;
- these amounts do not reflect any provision for future awards;
- these amounts do not reflect any provision changes in the intrinsic value for vested restricted stock units; and
- for non-vested restricted stock units, these amounts reflect intrinsic values as at the balance sheet dates.

As at (millions)	**March 31, 2006**	December 31, 2005
Share option awards	**$ 39.2**	$ 27.1
Restricted stock units[1]	**51.9**	31.8
	$ 91.1	$ 58.9

(1) The compensation cost that has not yet been recognized in respect of non-vested restricted stock units is calculated based upon the intrinsic value of the non-vested restricted stock units as at the balance sheet dates, net of the impacts of associated cash-settled equity forward agreements.

9 accounts receivable

On July 26, 2002, TELUS Communications Inc., a wholly-owned subsidiary of TELUS, entered into an agreement, which was amended September 30, 2002, and March 1, 2006, with an arm's-length securitization trust under which TELUS Communications Inc. is able to sell an interest in certain of its trade receivables up to a maximum of $650 million. As a result of selling the interest in certain of the trade receivables on a fully-serviced basis, a servicing liability is recognized on the date of sale and is, in turn, amortized to earnings over the expected life of the trade receivables. This "revolving-period" securitization agreement has an initial term ending July 18, 2007. TELUS Communications Inc. is required to maintain at least a BBB (low) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the initial term; at March 31, 2006, the rating was A (low).

As at (millions)	**March 31, 2006**	December 31, 2005
Total managed portfolio	**$ 1,018.0**	$ 1,129.3
Securitized receivables	**(459.4)**	(599.2)
Retained interest in receivables sold	**51.7**	80.2
Receivables held	**$ 610.3**	$ 610.3

For the three-month period ended March 31, 2006, the Company recognized losses of $0.8 million (2005 – $0.4 million) on the sale of receivables arising from the securitization.

Cash flows from the securitization are as follows:

	Three months	
Periods ended March 31 (millions)	**2006**	2005
Cumulative proceeds from securitization, beginning of period	**$ 500.0**	$ 150.0
Proceeds from new securitizations	**75.0**	—
Securitization reduction payments	**(175.0)**	—
Cumulative proceeds from securitization, end of period	**$ 400.0**	$ 150.0
Proceeds from collections reinvested in revolving-period securitizations	**$ 890.0**	$ 352.7
Proceeds from collections pertaining to retained interest	**$ 126.7**	$ 54.5

10 capital assets

(a) Capital assets, net

As at (millions)	Cost	Accumulated Depreciation and Amortization	Net Book Value March 31, 2006	Net Book Value December 31, 2005
Property, plant, equipment and other				
Telecommunications assets	$ 17,379.4	$ 12,129.3	**$ 5,250.1**	$ 5,378.2
Assets leased to customers	736.7	567.6	**169.1**	176.1
Buildings and leasehold improvements	1,763.2	927.8	**835.4**	838.0
Office equipment and furniture	989.3	734.2	**255.1**	263.1
Assets under capital lease	18.4	6.9	**11.5**	12.4
Other	328.7	246.9	**81.8**	84.9
Land	46.4	—	**46.4**	46.7
Assets under construction	628.6	—	**628.6**	516.4
Materials and supplies	25.5	—	**25.5**	23.6
	21,916.2	14,612.7	**7,303.5**	7,339.4
Intangible assets subject to amortization				
Subscriber base	362.9	121.6	**241.3**	246.7
Software	1,200.4	917.9	**282.5**	322.7
Access to rights-of-way and other	119.6	53.5	**66.1**	68.1
	1,682.9	1,093.0	**589.9**	637.5
Intangible assets with indefinite lives				
Spectrum licences[1]	3,984.3	1,018.5	**2,965.8**	2,964.6
	$ 27,583.4	$ 16,724.2	**$ 10,859.2**	$ 10,941.5

(1) Accumulated amortization of spectrum licences is amortization recorded prior to 2002 and the transitional impairment amount.

The following table presents items included in capital expenditures.

Periods ended March 31 (millions)	Three months 2006	Three months 2005
Additions of intangible assets		
– Subject to amortization	**$ 17.6**	$ 38.0
– With indefinite lives	**1.2**	8.8
	$ 18.8	$ 46.8

The following table presents items included in capital expenditures.

Periods ended March 31 (millions)	Three months 2006	Three months 2005
Capitalized internal labour costs	**$ 68.8**	$ 64.0

(b) Intangible assets subject to amortization

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at March 31, 2006, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2006 (balance of year)	**$ 158.3**
2007	**132.9**
2008	**45.7**
2009	**8.7**
2010	**8.0**

11 goodwill

Period ended March 31, 2006 (millions)	Three months
Balance, beginning of period	**$ 3,156.9**
Foreign exchange on goodwill of self-sustaining foreign operations	**0.1**
Other	**(2.0)**
Balance, end of period	**$ 3,155.0**

12 long-term debt

(a) Details of long-term debt

As at ($ in millions)

Series	*Rate of interest*	*Maturity*	**March 31, 2006**	December 31, 2005
TELUS Corporation Notes				
U.S. (2)	7.5%(1)	June 2007	**$ 1,360.8**	$ 1,354.4
U.S. (3)	8.0%(1)	June 2011	**2,240.6**	2,230.6
			3,601.4	3,585.0
TELUS Corporation Credit Facilities	5.50%	May 2008	**71.0**	142.0
TELUS Communications Inc. Debentures				
1	12.00%(1)	May 2010	**50.0**	50.0
2	11.90%(1)	November 2015	**125.0**	125.0
3	10.65%(1)	June 2021	**175.0**	175.0
5	9.65%(1)	April 2022	**249.0**	249.0
B	8.80%(1)	September 2025	**200.0**	200.0
			799.0	799.0
TELUS Communications Inc. First Mortgage Bonds				
U	11.50%(1)	July 2010	**30.0**	30.0
TELUS Communications Inc. Medium Term Notes				
1	7.10%(1)	February 2007	**70.0**	70.0
Capital leases issued at varying rates of interest from 4.1% to 16.7% and maturing on various dates up to 2013			**11.6**	12.5
Other			**5.9**	6.4
Total debt			**4,588.9**	4,644.9
Less – current maturities			**75.5**	5.0
Long-Term Debt			**$ 4,513.4**	$ 4,639.9

(1) Interest is payable semi-annually.
(2) Principal face value of notes is U.S.$1,166.5 million (December 31, 2005 – U.S.$1,166.5 million).
(3) Principal face value of notes is U.S.$1,925.0 million (December 31, 2005 – U.S.$1,925.0 million).

(b) Long-term debt maturities

Anticipated requirements to meet long-term debt repayments, calculated upon such long-term debts owing as at March 31, 2006, during each of the five years ending December 31 are as follows:

(millions)	Total(1)
2006 (balance of year)	**$ 3.6**
2007	**1,873.4**
2008	**76.5**
2009	**1.5**
2010	**81.7**

(1) Where applicable, repayments reflect hedged foreign exchange rates.

13 shareholders' equity

(a) Details of shareholders' equity

As at ($ in millions)		March 31, 2006	December 31, 2005
Preferred equity			
Authorized	Amount		
First Preferred Shares	1,000,000,000		
Second Preferred Shares	1,000,000,000		
Common equity			
Share capital			
Shares			
Authorized	Amount		
Common Shares	1,000,000,000		
Non-Voting Shares	1,000,000,000		
Issued			
Common Shares (b)		**$ 2,295.5**	$ 2,311.6
Non-Voting Shares (b)		**3,515.8**	3,556.7
		5,811.3	5,868.3
Options (c)		**5.0**	5.9
Cumulative foreign currency translation adjustment		**(6.6)**	(7.3)
Retained earnings		**828.9**	849.7
Contributed surplus (d)		**155.7**	153.4
Total Shareholders' Equity		**$ 6,794.3**	$ 6,870.0

(b) Changes in Common Shares and Non-Voting Shares

Period ended March 31, 2006 ($ in millions)	Three months	
	Number of shares	Share capital
Common Shares		
Beginning of period	**183,530,655**	**$ 2,311.6**
Common Shares issued pursuant to exercising of share options (e)	**180,121**	**6.3**
Purchase of shares for cancellation pursuant to normal course issuer bid (f)	**(1,783,300)**	**(22.4)**
End of period	**181,927,476**	**$ 2,295.5**
Non-Voting Shares		
Beginning of period	**166,566,504**	**$ 3,556.7**
Non-Voting Shares issued pursuant to exercising of share options (e)	**1,131,988**	**29.8**
Non-Voting Shares issued pursuant to use of share option award net-equity settlement feature (e)	**37,210**	**0.2**
Purchase of shares for cancellation pursuant to normal course issuer bid (f)	**(3,334,500)**	**(70.9)**
End of period	**164,401,202**	**$ 3,515.8**

Amounts credited to the Common Share capital account upon exercise of share options is cash received. Amounts credited to the Non-Voting Share capital account are comprised as follows:

Period ended March 31, 2006 (millions)	Three months
Non-Voting Shares issued pursuant to exercising of share options	
Cash received from share option exercises	**$ 26.9**
Amounts credited to share capital arising from intrinsic value accounting applied to former Clearnet Communications Inc. options (c)	**0.8**
Share option award expense reclassified from contributed surplus upon exercise of share options (d)	**2.1**
	$ 29.8

(c) Options

Upon its acquisition of Clearnet Communications Inc. in 2000, the Company was required to record the intrinsic value of Clearnet Communications Inc. options outstanding at that time. As these options are exercised, the corresponding intrinsic values are reclassified to share capital. As these options are forfeited, or as they expire, the corresponding intrinsic values are reclassified to contributed surplus. Proceeds arising from the exercise of these options are credited to share capital.

(d) Contributed surplus

The following table presents a summary of the activity related to the Company's contributed surplus for the three-month period ended March 31.

Period ended March 31, 2006 (millions)	Three months
Balance, beginning of period	$ **153.4**
Share option award expense recognized in period (Note 8)	**4.5**
Share option award expense reclassified to Non-Voting Share capital account upon exercise of share options	**(2.1)**
Share option award expense reclassified to Non-Voting Share capital account upon use of share option award net-equity settlement feature	**(0.2)**
Amounts credited to contributed surplus arising from intrinsic value accounting applied to former Clearnet Communications Inc. options (c)	**0.1**
Balance, end of period	$ **155.7**

(e) Share option plans

The Company has a number of share option plans under which officers and other employees may receive options to purchase Non-Voting Shares at a price equal to the fair market value at the time of grant; prior to 2001, options were also similarly awarded in respect of Common Shares. Prior to 2002, directors were also awarded options to purchase Non-Voting Shares and Common Shares at a price equal to the fair market value at the time of grant. Option awards currently granted under the plans may be exercised over specific periods not to exceed seven years from the time of grant; prior to 2003, share option awards were granted with exercise periods not to exceed ten years.

The following table presents a summary of the activity related to the Company's share option plans for the three-month period ended March 31.

Period ended March 31, 2006	Three months	
	Number of share options	Weighted average share option price
Outstanding, beginning of period	**13,894,601**	$ **28.14**
Granted	**1,500,919**	**43.04**
Exercised[1]	**(1,366,527)**	**24.92**
Forfeited	**(217,523)**	**25.84**
Outstanding, end of period	**13,811,470**	$ **30.12**

(1) The total intrinsic value of share options exercised for the three-month period ended March 31, 2006, was $29.2 million.

In 2006, certain outstanding grants of share option awards, which were awarded after 2001, had a net-equity settlement feature applied to them. This event does not result in the optionees receiving incremental value and therefore modification accounting is not required. The optionee does not have the choice of exercising the net-equity settlement feature. It is at the Company's discretion whether an exercise of the share option award is settled as a share option or using the net-equity settlement feature. The following table reconciles the number of share options exercised and the associated number of Common Shares and Non-Voting Shares issued.

Period ended March 31, 2006	Three months
Non-Voting Shares issued pursuant to share options	**1,131,988**
Non-Voting Shares issued pursuant to net-equity settlement feature	**37,210**
Impact of Company choosing to settle share option exercises using net-equity settlement feature	**17,208**
Non-Voting Shares issuable pursuant to exercising of share option awards	**1,186,406**
Common Shares issued and issuable pursuant to exercising of share option awards	**180,121**
Share option awards exercised	**1,366,527**

The following is an option life and exercise price stratification of the Company's share options outstanding as at March 31, 2006.

Options outstanding[1]							Options exercisable	
Range of option prices						Total	Number of shares	Weighted average price
Low	$ 5.95	$ 9.08	$ 14.63	$ 21.99	$ 34.88	$ 5.95		
High	$ 8.43	$ 13.56	$ 19.92	$ 32.83	$ 46.75	$ 46.75		
Year of expiry and number of shares:								
2006	3,272	—	—	—	—	3,272	3,272	$ 8.14
2007	2,959	9,562	3,937	120,266	—	136,724	136,724	$ 28.67
2008	3,272	—	—	84,100	136,800	224,172	224,172	$ 40.08
2009	—	169,962	1,010,666	182,909	210,400	1,573,937	1,573,937	$ 20.07
2010	—	—	165,426	2,140,386	616,922	2,922,734	991,753	$ 31.86
2011	—	—	9,224	2,902,612	2,245,868	5,157,704	3,605,406	$ 30.89
2012	26,966	23,133	334,200	75,000	1,833,673	2,292,972	459,299	$ 16.67
2013	—	—	—	—	1,499,955	1,499,955	—	$ —
	36,469	202,657	1,523,453	5,505,273	6,543,618	13,811,470	6,994,563	$ 27.90
Weighted average remaining contractual life (years)	5.1	3.7	4.4	4.8	5.6	5.1		
Weighted average price	$ 8.05	$ 13.00	$ 16.07	$ 24.77	$ 38.55	$ 30.12		
Aggregate intrinsic value[2] (millions)	$ 1.4	$ 6.5	$ 44.3	$ 112.6	$ 44.2	$ 209.0		
Options exercisable								
Number of shares	36,469	202,657	1,507,479	2,037,968	3,209,990	6,994,563		
Weighted average remaining contractual life (years)	5.1	3.7	4.4	4.9	4.5	4.6		
Weighted average price	$ 8.05	$ 13.00	$ 16.05	$ 25.44	$ 36.19	$ 27.90		
Aggregate intrinsic value[2] (millions)	$ 1.4	$ 6.5	$ 43.9	$ 40.5	$ 29.5	$ 121.8		

(1) As at March 31, 2006, 13,606,429 share options, with a weighted average remaining contractual life of 5.1 years, a weighted average price of $29.94 and an aggregate intrinsic value of $208.2 million, are vested or were expected to vest.
(2) The aggregate intrinsic value is calculated upon March 31, 2006, per share prices of $45.82 for Common Shares and $45.17 for Non-Voting Shares.

As at March 31, 2006, 1.3 million Common Shares and 20.9 million Non-Voting Shares were reserved for issuance, from Treasury, under the share option plans.

(f) Purchase of shares for cancellation pursuant to normal course issuer bid

The Company purchased, for cancellation, Common Shares and Non-Voting Shares pursuant to a normal course issuer bid that runs for a twelve-month period ending December 19, 2006, for up to 12.0 million Common Shares and 12.0 million Non-Voting Shares. The excess of the purchase price over the average stated value of shares purchased for cancellation was charged to retained earnings. The Company ceases to consider shares outstanding on the date of the Company's purchase of its shares although the actual cancellation of the shares by the transfer agent and registrar occurs on a timely basis on a date shortly thereafter. As at March 31, 2006, 230,000 Common Shares and 230,000 Non-Voting Shares had been purchased and not yet cancelled.

Three-month period ended March 31, 2006 ($ in millions)		Purchase price		
	Number of shares	Paid	Charged to share capital	Charged to retained earnings
Common Shares purchased for cancellation				
Prior to beginning of period	634,469	$ 29.7	$ 8.0	$ 21.7
During current period	1,783,300	83.4	22.4	61.0
Cumulative total	2,417,769	$ 113.1	$ 30.4	$ 82.7
Non-Voting Shares purchased for cancellation				
Prior to beginning of period	607,700	$ 27.8	$ 12.9	$ 14.9
During current period	3,334,500	148.2	70.9	77.3
Cumulative total	3,942,200	$ 176.0	$ 83.8	$ 92.2

Three-month period ended March 31, 2006 ($ in millions)		Purchase price		
	Number of shares	Paid	Charged to share capital	Charged to retained earnings
Common Shares and Non-Voting Shares purchased for cancellation				
Prior to beginning of period	1,242,169	$ 57.5	$ 20.9	$ 36.6
During current period	5,117,800	231.6	93.3	138.3
Cumulative total	6,359,969	$ 289.1	$ 114.2	$ 174.9

(g) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire Non-Voting Shares through the reinvestment of dividends and additional optional cash payments. Excluding Non-Voting Shares purchased by way of additional optional cash payments, the Company, at its discretion, may offer the Non-Voting Shares at up to a 5% discount from the market price. During the three-month period ended March 31, 2006, the Company did not offer Non-Voting Shares at a discount. Shares purchased through optional cash payments are subject to a minimum investment of $100 per transaction and a maximum investment of $20,000 per calendar year.

Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to July 1, 2001, when the acquisition of shares from Treasury commenced, all Non-Voting Shares were acquired in the market at normal trading prices; acquisition in the market at normal trading prices recommenced on January 1, 2005.

In respect of Common Share and Non-Voting Share dividends declared during the three-month period ended March 31, 2006, $2.2 million (2005 – $1.9 million) was to be reinvested in Non-Voting Shares.

14 commitments and contingent liabilities

(a) Canadian Radio-television Telecommunications Commission Decisions 2002-34, 2002-43 and 2006-9 deferral accounts

On May 30, 2002, and on July 31, 2002, the Canadian Radio-television and Telecommunications Commission issued Decisions 2002-34 and 2002-43, respectively, and introduced the concept of a deferral account. The Company must make significant estimates and assumptions in respect of the deferral accounts given the complexity and interpretation required of Decisions 2002-34 and 2002-43. Accordingly, the Company estimates, and records, a liability of $163.3 million as at March 31, 2006 (December 31, 2005 – $158.7 million), to the extent that activities it has undertaken, other qualifying events and realized rate reductions for Competitor Services do not extinguish it. Management is required to make estimates and assumptions in respect of the offsetting nature of these items. If the Canadian Radio-television and Telecommunications Commission, upon its periodic review of the Company's deferral account, disagrees with management's estimates and assumptions, the Canadian Radio-television and Telecommunications Commission may adjust the deferral account balance and such adjustment may be material. Ultimately, this process results in the Canadian Radio-television and Telecommunications Commission determining if, and when, the deferral account liability is settled.

On March 24, 2004, the Canadian Radio-television and Telecommunications Commission issued Telecom Public Notice CRTC 2004-1 "Review and disposition of the deferral accounts for the second price cap period", which initiated a public proceeding inviting proposals on the disposition of the amounts accumulated in the incumbent local exchange carriers' deferral accounts during the first two years of the second price cap period.

On February 16, 2006, the Canadian Radio-television and Telecommunications Commission issued Decision CRTC 2006-9, "Disposition of funds in the deferral account". In its decision the Canadian Radio-television and Telecommunications Commission determined that the majority of the accumulated liability within the respective incumbent local exchange carrier's deferral account was to be made available for initiatives to expand broadband services within their incumbent local exchange carrier operating territories to rural and remote communities where service is currently not available. In addition, a minimum of 5 per cent of the accumulated deferral account balance must be used for initiatives that enhance accessibility to telecommunication services for individuals with disabilities. To the extent that the deferral account balance exceeds the approved initiatives, the remaining balance will be distributed in the form of a one-time rebate to local residential service customers in non-high cost serving areas. Finally, the Canadian Radio-television and Telecommunications Commission indicated that subsequent to May 31, 2006, no additional amounts are to be added to the deferral account and, instead, are to be dealt with via prospective rate reductions.

Due to the Company's use of the liability method of accounting for the deferral account, the Canadian Radio-television and Telecommunications Commission Decision 2005-6, as it relates to the Company's provision of Competitor Digital Network services, is not expected to affect the Company's revenues. To the extent that the Canadian Radio-television and Telecommunications Commission Decision 2005-6 requires the Company to provide discounts on Competitor Digital Network services, both for current and prior periods, the Company draws down the deferral account by an offsetting amount. For the three-month period ended March 31, 2006, the Company drew down the deferral account by $12.9 million (2005 – $18.4 million) in respect of discounts on Competitor Digital Network services.

(b) Guarantees

Canadian generally accepted accounting principles require the disclosure of certain types of guarantees and their maximum, undiscounted amounts. The maximum potential payments represent a "worst-case scenario" and do not necessarily reflect results expected by the Company. Guarantees requiring disclosure are those obligations that require payments contingent on specified types of future events. In the normal course of its operations, the Company enters into obligations that GAAP may consider to be guarantees. As defined by Canadian GAAP, guarantees subject to these disclosure guidelines do not include guarantees that relate to the future performance of the Company.

Performance guarantees: Performance guarantees contingently require a guarantor to make payments to a guaranteed party based on a third party's failure to perform under an obligating agreement. TELUS provides sales price guarantees in respect of employees' principal residences as part of its employee relocation policies. In the event that the Company is required to honour such guarantees, it purchases (for immediate resale) the property from the employee.

The Company has guaranteed third parties' financial obligations as part of a facility naming rights agreement. The guarantees, in total, run through to August 31, 2008, on a declining-balance basis and are of limited recourse.

As at March 31, 2006, the Company has no liability recorded in respect of the aforementioned performance guarantees.

Financial guarantees: In conjunction with its 2001 exit from the equipment leasing business, the Company provided a guarantee to a third party with respect to certain specified telecommunication asset and vehicle leases. If the lessee were to default, the Company would be required to make a payment to the extent that the realized value of the underlying asset is insufficient to pay out the lease; in some instances, the Company could be required to pay out the lease on a gross basis and realize the underlying value of the leased asset itself. As at March 31, 2006, the Company has a liability of $0.5 million (December 31, 2005 – $0.5 million) recorded in respect of these lease guarantees.

The following table quantifies the maximum undiscounted guarantee amounts as at March 31, 2006, without regard for the likelihood of having to make such payment.

(millions)	Performance guarantees(1)	Financial guarantees(1)	Total
2006	**$ 1.7**	**$ 1.1**	**$ 2.8**
2007	**1.0**	**0.6**	**1.6**
2008	**0.5**	**0.2**	**0.7**

(1) Annual amounts for performance guarantees and financial guarantees include the maximum guarantee amounts during any year of the term of the guarantee.

Indemnification obligations: In the normal course of operations, the Company may provide indemnification in conjunction with certain transactions. The term of these indemnification obligations range in duration and often are not explicitly defined. Where appropriate, an indemnification obligation is recorded as a liability. In many cases, there is no maximum limit on these indemnification obligations and the overall maximum amount of the obligations under such indemnification obligations cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of the transaction, historically the Company has not made significant payments under these indemnifications.

In connection with its 2001 disposition of TELUS' directory business, the Company agreed to bear a proportionate share of the new owner's increased directory publication costs if the increased costs were to arise from a change in the applicable Canadian Radio-television and Telecommunications Commission regulatory requirements. The Company's proportionate share would be 80% through May 2006, declining to 40% in the next five-year period and then to 15% in the final five years. As well, should the Canadian Radio-television and Telecommunications Commission take any action which would result in the owner being prevented from carrying on the directory business as specified in the agreement, TELUS would indemnify the owner in respect of any losses that the owner incurred.

As at March 31, 2006, the Company has no liability recorded in respect of indemnification obligations.

(c) Claims and lawsuits

General: A number of claims and lawsuits seeking damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon legal assessment and information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position, excepting the items enumerated following.

Pay equity: On December 16, 1994, the Telecommunications Workers Union filed a complaint against BC TEL, a predecessor of TELUS Communications Inc., with the Canadian Human Rights Commission, alleging that wage differences between unionized male and female employees in British Columbia were contrary to the equal pay for work of equal value provisions in the *Canadian Human Rights Act*. As a term of the settlement between TELUS Communications Inc. and the Telecommunications Workers Union that resulted in the collective agreement effective November 20, 2005, the parties have agreed to settle this complaint without any admission of liability, on the basis that the Company will establish a pay equity fund of $10 million to be paid out during the term of the new collective agreement; the Telecommunications Workers Union withdrew and discontinued this complaint on December 21, 2005. During the first quarter of 2006, the Canadian Human Rights Commission advised the Company that it accepted this settlement and that it would close its file on the complaint.

TELUS Corporation Pension Plan and TELUS Edmonton Pension Plan: Two statements of claim were filed in the Alberta Court of Queen's Bench on December 31, 2001, and January 2, 2002, respectively, by plaintiffs alleging to be either members or business agents of the Telecommunications Workers Union. In one action, the three plaintiffs alleged to be suing on behalf of all current or future beneficiaries of the TELUS Corporation Pension Plan and in the other action, the two plaintiffs alleged to be suing on behalf of all current or future beneficiaries of the TELUS Edmonton Pension Plan. The statement of claim in the TELUS Corporation Pension Plan related action named the Company, certain of its affiliates and certain present and former trustees of the TELUS Corporation Pension Plan as defendants, and claims damages in the sum of $445 million. The statement of claim in the TELUS Edmonton Pension Plan related action named the Company, certain of its affiliates and certain individuals who are alleged to be trustees of the TELUS Edmonton Pension Plan and claims damages in the sum of $15.5 million. On February 19, 2002, the Company filed statements of defence to both actions and also filed notices of motion for certain relief, including an order striking out the actions as representative or class actions. On May 17, 2002, the statements of claim were amended by the plaintiffs and include allegations, *inter alia*, that benefits provided under the TELUS Corporation Pension Plan and the TELUS Edmonton Pension Plan are less advantageous than the benefits provided under the respective former pension plans, contrary to applicable legislation, that insufficient contributions were made to the plans and contribution holidays were taken and that the defendants wrongfully used the diverted funds, and that administration fees and expenses were improperly deducted. The Company filed statements of defence to the amended statements of claim on June 3, 2002. The Company believes that it has good defences to the actions. As a term of the settlement reached between TELUS Communications Inc. and the Telecommunications Workers Union that resulted in a collective agreement effective November 20, 2005, the Telecommunications Workers Union has agreed to not provide any direct or indirect financial or other assistance to the plaintiffs in these actions, and to communicate to the plaintiffs the Telecommunications Workers Union's desire and recommendation that these proceedings be dismissed or discontinued. The Company has been advised by the Telecommunications Workers Union that the plaintiffs have not agreed to dismiss or discontinue these actions. Should the lawsuits continue because of the actions of the court, the plaintiffs or for any other reason, and their ultimate resolution differ from management's assessment and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

Uncertified class action: A class action was brought August 9, 2004, under the Class Actions Act (Saskatchewan), against a number of past and present wireless service providers including the Company. The claim alleges that each of the carriers is in breach of contract and has violated competition, trade practices and consumer protection legislation across Canada in connection with the collection of system access fees, and seeks to recover direct and punitive damages in an unspecified amount. The class has not been certified. The Company believes that it has good defences to the action.

Similar proceedings have been filed by, or on behalf of, plaintiffs' counsel in other provincial jurisdictions, but will not proceed until the Saskatchewan action has been decided.

Should the ultimate resolution of this action differ from management's assessments and assumptions, a material adjustment to the Company's financial position and the results of its operations could result.

15 additional financial information

(a) Income statement

Periods ended March 31 (millions)	Three months 2006	Three months 2005
Operations expense[(1)]:		
Cost of sales and service	**$ 660.4**	$ 616.5
Selling, general and administrative	**540.7**	492.6
	$ 1,201.1	$ 1,109.1
Advertising expense	**$ 54.0**	$ 37.0

(1) Cost of sales and service include cost of goods sold and costs to operate and maintain access to and usage of the Company's telecommunication infrastructure. Selling, general and administrative costs include sales and marketing costs (including commissions), customer care, bad debt expense, real estate costs and corporate overhead costs such as information technology, finance (including billing services, credit and collection), legal, human resources and external affairs.
Employee salaries, benefits and related costs are included in one of the two components of operations expense to the extent that the costs are related to the component functions.

(b) Balance sheet

As at (millions)	March 31, 2006	December 31, 2005
Accounts receivable		
Customer accounts receivable	**$ 470.3**	$ 451.1
Accrued receivables – customer	**88.7**	113.2
Allowance for doubtful accounts	**(56.2)**	(57.2)
	502.8	507.1
Accrued receivables – other	**100.0**	94.3
Other	**7.5**	8.9
	$ 610.3	$ 610.3
Prepaid expense and other		
Prepaid expenses	**$ 141.0**	$ 87.7
Deferred customer activation and connection costs	**63.8**	66.4
Other	**38.4**	0.6
	$ 243.2	$ 154.7
Deferred charges		
Recognized transitional pension assets and pension plan contributions in excess of charges to income	**$ 722.2**	$ 687.9
Deferred customer activation and connection costs	**108.0**	104.4
Cost of issuing debt securities, less amortization	**22.1**	23.5
Other	**32.0**	34.4
	$ 884.3	$ 850.2
Accounts payable and accrued liabilities		
Accrued liabilities	**$ 487.9**	$ 508.6
Payroll and other employee-related liabilities	**312.7**	388.7
Asset retirement obligations	**4.1**	4.1
	804.7	901.4
Trade accounts payable	**327.1**	394.4
Interest payable	**163.1**	54.8
Other	**51.1**	43.1
	$ 1,346.0	$ 1,393.7
Advance billings and customer deposits		
Advance billings	**$ 328.7**	$ 322.4
Regulatory deferral accounts (Note 14(a))	**163.3**	158.7
Deferred customer activation and connection fees	**63.8**	66.4
Customer deposits	**19.6**	24.3
	$ 575.4	$ 571.8

As at (millions)		**March 31, 2006**		December 31, 2005
Other Long-Term Liabilities				
Deferred hedging liability	**$**	**1,139.1**	$	1,154.3
Pension and other post-retirement liabilities		**191.3**		189.1
Deferred customer activation and connection fees		**108.0**		104.4
Deferred gain on sale-leaseback of buildings		**78.7**		81.1
Asset retirement obligations		**28.9**		28.9
Other		**90.9**		77.5
	$	**1,636.9**	$	1,635.3

(c) Supplementary cash flow information

Periods ended March 31 (millions)	Three months	**2006**		2005
Net change in non-cash working capital				
Accounts receivable	**$**	**—**	$	(2.2)
Inventories		**(12.2)**		22.3
Prepaid expenses and other		**(88.5)**		(62.4)
Accounts payable and accrued liabilities		**(45.1)**		122.9
Income and other taxes receivable and payable, net		**112.4**		(40.2)
Advance billings and customer deposits		**3.6**		0.7
	$	**(29.8)**	$	41.1

16 employee future benefits

(a) Defined benefit plans

The Company's net defined benefit plan costs were as follows:

Three-month periods ended March 31 (millions)	**2006**			2005		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Pension benefit plans						
Current service cost	**$ 24.3**	**$ —**	**$ 24.3**	$ 17.1	$ —	$ 17.1
Interest cost	**78.9**	**—**	**78.9**	79.8	—	79.8
Return on plan assets	**(267.1)**	**155.8**	**(111.3)**	(122.9)	24.8	(98.1)
Past service costs	**—**	**0.2**	**0.2**	—	0.2	0.2
Actuarial loss (gain)	**10.5**	**—**	**10.5**	5.0	—	5.0
Valuation allowance provided against accrued benefit asset	**—**	**6.5**	**6.5**	—	6.4	6.4
Amortization of transitional asset	**—**	**(11.2)**	**(11.2)**	—	(11.2)	(11.2)
	$ (153.4)	**$ 151.3**	**$ (2.1)**	$ (21.0)	$ 20.2	$ (0.8)

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

Three-month periods ended March 31 (millions)	**2006**			2005		
	Incurred in period	Matching adjustments(1)	Recognized in period	Incurred in period	Matching adjustments(1)	Recognized in period
Other benefit plans						
Current service cost	**$ 0.9**	**$ —**	**$ 0.9**	$ 2.8	$ —	$ 2.8
Interest cost	**0.5**	**—**	**0.5**	0.5	—	0.5
Return on plan assets	**(0.6)**	**—**	**(0.6)**	(0.6)	—	(0.6)
Actuarial loss (gain)	**(0.5)**	**—**	**(0.5)**	(0.7)	—	(0.7)
Amortization of transitional obligation	**—**	**0.2**	**0.2**	—	0.2	0.2
	$ 0.3	**$ 0.2**	**$ 0.5**	$ 2.0	$ 0.2	$ 2.2

(1) Accounting adjustments to allocate costs to different periods so as to recognize the long-term nature of employee future benefits.

(b) Defined contribution plans

The Company's total defined contribution pension plan costs recognized were as follows:

Periods ended March 31 (millions)	Three months 2006	2005
Union pension plan and public service pension plan contributions	**$ 8.7**	$ 10.7
Other defined contribution pension plans	**4.9**	3.7
	$ 13.6	$ 14.4

17 segmented information

The Company's reportable segments are Wireline and Wireless. The Wireline segment includes voice local, voice long distance, data and other telecommunication services excluding wireless. The Wireless segment includes digital personal communications services, equipment sales and wireless Internet services. Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, the distribution channels used and regulatory treatment. Intersegment sales are recorded at the exchange value, which is the amount agreed to by the parties. The following segmented information is regularly reported to the Company's Chief Executive Officer (the Company's chief operating decision maker).

Three-month periods ended March 31 (millions)	Wireline 2006	Wireline 2005	Wireless 2006	Wireless 2005	Eliminations 2006	Eliminations 2005	Consolidated 2006	Consolidated 2005
Operating revenues								
External revenue	**$ 1,198.6**	$ 1,222.2	**$ 881.9**	$ 752.5	**$ —**	$ —	**$ 2,080.5**	$ 1,974.7
Intersegment revenue	**23.5**	22.6	**5.9**	5.8	**(29.4)**	(28.4)	**—**	—
	1,222.1	1,244.8	**887.8**	758.3	**(29.4)**	(28.4)	**2,080.5**	1,974.7
Operating expenses								
Operations expense	**740.4**	716.6	**490.1**	420.9	**(29.4)**	(28.4)	**1,201.1**	1,109.1
Restructuring and work-force reduction costs	**14.9**	9.4	**1.8**	—	**—**	—	**16.7**	9.4
	755.3	726.0	**491.9**	420.9	**(29.4)**	(28.4)	**1,217.8**	1,118.5
EBITDA(1)	**$ 466.8**	$ 518.8	**$ 395.9**	$ 337.4	**$ —**	$ —	**$ 862.7**	$ 856.2
CAPEX(2)	**$ 259.0**	$ 213.6	**$ 61.5**	$ 59.6	**$ —**	$ —	**$ 320.5**	$ 273.2
EBITDA less CAPEX	**$ 207.8**	$ 305.2	**$ 334.4**	$ 277.8	**$ —**	$ —	**$ 542.2**	$ 583.0

	2006	2005
EBITDA (from above)	**$ 862.7**	$ 856.2
Depreciation	**339.2**	329.9
Amortization	**63.9**	72.3
Operating income	**459.6**	454.0
Other expense, net	**4.3**	1.5
Financing costs	**127.0**	138.4
Income before income taxes and non-controlling interests	**328.3**	314.1
Income taxes	**116.1**	70.3
Non-controlling interests	**2.1**	1.6
Net income	**$ 210.1**	$ 242.2

(1) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is a non-GAAP measure and is defined by the Company as operating revenues less operations expense and restructuring and workforce reduction costs. The Company has issued guidance on, and reports, EBITDA because it is a key measure used by management to evaluate performance of its business segments and is utilized in measuring compliance with certain debt covenants.

(2) Total capital expenditures ("CAPEX").

18 differences between Canadian and United States generally accepted accounting principles

The consolidated financial statements have been prepared in accordance with Canadian GAAP. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income of the Company:

Periods ended March 31 (millions except per share amounts)	Three months 2006	Three months 2005
		(restated – (b))
Net income in accordance with Canadian GAAP	**$ 210.1**	$ 242.2
Adjustments:		
Operating expenses		
Operations (b)	**(4.2)**	(4.2)
Amortization of intangible assets (c)	**(13.1)**	(20.5)
Financing costs (e)	**—**	0.9
Accounting for derivatives (f)	**1.8**	3.4
Taxes on the above adjustments (g)	**5.3**	7.1
Net income in accordance with U.S. GAAP	**199.9**	228.9
Other comprehensive income (loss) (h)		
Foreign currency translation adjustment	**0.7**	(3.1)
Change in unrealized fair value of derivatives designated as cash flow hedges	**(23.1)**	(108.4)
Change in minimum pension liability	**(1.4)**	(0.7)
	(23.8)	(112.2)
Comprehensive income in accordance with U.S. GAAP	**$ 176.1**	$ 116.7
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share		
- Basic	**$ 0.57**	$ 0.64
- Diluted	**$ 0.57**	$ 0.60

The following is an analysis of retained earnings (deficit) reflecting the application of U.S. GAAP:

Periods ended March 31 (millions except per share amounts)	Three months 2006	Three months 2005
		(restated – (b))
Schedule of retained earnings (deficit) under U.S. GAAP		
Balance at beginning of period	**$ (785.5)**	$ (590.2)
Transitional amount for share-based compensation arising from share options (b)	**—**	(185.5)
Adjusted opening balance	**(785.5)**	(775.7)
Net income in accordance with U.S. GAAP	**199.9**	228.9
	(585.6)	(546.8)
Common Share and Non-Voting Share dividends paid, or payable, in cash	**(95.9)**	(72.3)
Purchase of Common Shares and Non-Voting Shares in excess of stated capital	**(95.3)**	(34.4)
Adjustment to purchase of share options not in excess of their fair value	**2.1**	—
Balance at end of period	**$ (774.7)**	$ (653.5)

The following is an analysis of major balance sheet categories reflecting the application of U.S. GAAP:

As at (millions)	March 31, 2006	December 31, 2005
Current Assets	**$ 1,091.4**	$ 1,242.5
Capital Assets		
Property, plant, equipment and other	**7,303.5**	7,339.4
Intangible assets subject to amortization	**2,234.5**	2,295.2
Intangible assets with indefinite lives	**2,965.8**	2,964.6
Goodwill	**3,573.6**	3,575.5
Other Assets	**747.8**	736.3
	$ 17,916.6	$ 18,153.5
Current Liabilities	**$ 2,048.2**	$ 2,027.5
Long-Term Debt	**4,513.4**	4,639.9
Other Long-Term Liabilities	**2,046.7**	2,024.9
Deferred Income Taxes	**1,366.2**	1,410.8
Non-Controlling Interest	**27.7**	25.6
Shareholders' Equity	**7,914.4**	8,024.8
	$ 17,916.6	$ 18,153.5

The following is a reconciliation of shareholders' equity incorporating the differences between Canadian and U.S. GAAP:

	Shareholders' Equity							
As at March 31, 2006 (millions)	Common Shares	Non-Voting Shares	Options and warrants	Retained earnings (deficit)	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Contributed surplus	Total
Under Canadian GAAP	$ 2,295.5	$ 3,515.8	$ 5.0	$ 828.9	$ (6.6)	$ —	$ 155.7	$ 6,794.3
Adjustments:								
Merger of BC TELECOM and TELUS (a), (c), (d)	1,807.9	1,045.7	—	(1,465.1)	—	—	—	1,388.5
Share-based compensation (b)	8.3	55.7	—	(135.6)	—	—	71.6	—
Acquisition of Clearnet Communications Inc.								
Goodwill (d)	—	131.4	—	(7.9)	—	—	—	123.5
Convertible debentures	—	(2.9)	—	4.1	—	—	(1.2)	—
Accounting for derivatives (f)	—	—	—	0.9	—	—	—	0.9
Accumulated other comprehensive income (loss) (h)	—	—	—	—	6.6	(399.4)	—	(392.8)
Under U.S. GAAP	$ 4,111.7	$ 4,745.7	$ 5.0	$ (774.7)	$ —	$ (399.4)	$ 226.1	$ 7,914.4

As at December 31, 2005 (millions)	Common Shares (b)	Non-Voting Shares (b)	Options and warrants	Retained earnings (deficit) (b)	Cumulative foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Contributed surplus (b)	Total
	Shareholders' Equity (restated – (b))							
Under Canadian GAAP	$ 2,311.6	$ 3,556.7	$ 5.9	$ 849.7	$ (7.3)	$ —	$ 153.4	$ 6,870.0
Adjustments:								
Merger of BC TELECOM and TELUS (a), (c) – (e)	1,824.8	1,069.0	—	(1,493.9)	—	—	—	1,399.9
Share-based compensation (b)	7.4	50.3	—	(137.2)	—	—	79.5	—
Acquisition of Clearnet Communications Inc.								
Goodwill (d)	—	131.4	—	(7.9)	—	—	—	123.5
Convertible debentures	—	(2.9)	—	4.1	—	—	(1.2)	—
Accounting for derivatives (f)	—	—	—	(0.3)	—	—	—	(0.3)
Accumulated other comprehensive income (loss) (h)	—	—	—	—	7.3	(375.6)	—	(368.3)
Under U.S. GAAP	$ 4,143.8	$ 4,804.5	$ 5.9	$ (785.5)	$ —	$ (375.6)	$ 231.7	$ 8,024.8

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS Corporation (renamed TELUS Holdings Inc., which was wound up June 1, 2001) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS Holdings Inc. resulted in a restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS (TELUS Holdings Inc.) being acquired by BC TELECOM for $4,662.4 million (including merger related costs of $51.9 million) effective January 31, 1999.

(b) Operating expenses – Operations

Periods ended March 31 (millions)	Three months 2006	Three months 2005
Future employee benefits	**$ (4.2)**	$ (4.2)

Future employee benefits: Under U.S. GAAP, TELUS' future employee benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for future employee benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

Share-based compensation: Effective January 1, 2004, Canadian GAAP required the adoption of the fair value method of accounting for share-based compensation for awards made after 2001. The Canadian GAAP disclosures for share-based compensation awards are set out in Note 8(b).

Effective January 1, 2006, U.S. GAAP required the adoption of the fair value method of accounting for share-based compensation for awards made after 1994. Prior to the adoption of the fair value method of accounting, the intrinsic value based method was used to account for share options granted to employees. The Company has selected the modified-retrospective transition method and such method results in share option expense being recognized in net income in accordance with U.S. GAAP in fiscal years prior to 2006. The share option expense that is recognized in fiscal years subsequent to 2005 is in respect of share options granted after 1994 and vesting in fiscal periods subsequent to 2005.

As the Company has selected the modified-retrospective transition method, it must disclose the impact on net income in accordance with U.S. GAAP, and net income in accordance with U.S. GAAP per Common Share and Non-Voting Share, as if the fair value based method of accounting for the share-based compensation had been applied in the comparative period.

On a prospective basis, commencing January 1, 2006, this will result in there no longer being a difference between Canadian GAAP and U.S. GAAP share-based compensation expense recognized in the results of operations arising from current share-based compensation awards. As share options granted subsequent to 1994 and prior to 2002 are captured by U.S. GAAP, but are not captured by Canadian GAAP, differences in shareholders' equity accounts arising from these awards will continue.

The application of the modified-retrospective transition method had the following effect on comparative net income amounts presented:

Three-month period ended March 31 (millions except per share amounts)		2005
Net income in accordance with U.S. GAAP		
As previously reported	$	233.1
Deduct: Share-based compensation arising from share option awards determined under fair value based method for all awards(1)		(4.2)
As currently reported	$	228.9
Net income in accordance with U.S. GAAP per Common Share and Non-Voting Share		
Basic		
As previously reported (using intrinsic value method)	$	0.65
As currently reported (using fair value method)	$	0.64
Diluted		
As previously reported (using intrinsic value method)	$	0.64
As currently reported (using fair value method)	$	0.62

(1) The effect of the fair value method of accounting for share-based compensation arising from share option awards on income before income taxes and non-controlling interest and net income does not differ. Further, the fair value method of accounting for share-based compensation arising from share option awards does not affect cash flows from operating activities nor does it affect cash flows from financing activities.

To reflect the fair value of option awards granted subsequent to 1994, and vesting prior to 2006, certain components of shareholders' equity, reflecting the application of U.S. GAAP, as at December 31, 2005, have been restated as follows:

	Shareholders' Equity						
(millions)	Common Shares	Non-Voting Shares	Options and warrants	Retained earnings (deficit)	Accumulated other comprehensive income	Contributed surplus	Total
Cumulative transition adjustment for share-based compensation arising from share options granted in fiscal years ending December 31:							
2002 and 2003 (total Canadian GAAP transitional amounts)	$ —	$ 0.4	$ —	$ (25.1)	$ —	$ 24.7	$ —
2004 and 2005	—	25.7	—	(33.3)	—	7.6	—
Total Canadian GAAP amounts recognized as at December 31, 2005	—	26.1	—	(58.4)	—	32.3	—
Cumulative transition adjustment for share-based compensation (and associated effects) arising from share options granted in fiscal years ending December 31, 1995 through 2001, inclusive(1)	7.4	50.3	—	(137.2)	—	79.5	—
Total U.S. GAAP transitional amounts	7.4	76.4	—	(195.6)	—	111.8	—
December 31, 2005, U.S. GAAP amounts, as previously reported	4,136.4	4,728.1	5.9	(589.9)	(375.6)	119.9	8,024.8
January 1, 2006, U.S. GAAP amounts	$ 4,143.8	$ 4,804.5	$ 5.9	$ (785.5)	$ (375.6)	$ 231.7	$ 8,024.8

(1) As share options granted subsequent to 1994 and prior to 2002 are captured by U.S. GAAP, but are not captured by Canadian GAAP, differences in shareholders' equity accounts arising from these awards will continue.

To reflect the fair value of option awards granted subsequent to 1994, and vesting prior to 2005, certain components of shareholders' equity, reflecting the application of U.S. GAAP, as at December 31, 2004, have been restated as follows:

	Shareholders' Equity						
(millions)	Common Shares	Non-Voting Shares	Options, warrants and other	Retained earnings (deficit)	Accumulated other comprehensive income	Contributed surplus	Total
Cumulative transition adjustment for share-based compensation arising from share options granted in fiscal years ending December 31:							
2002 and 2003 (total Canadian GAAP transitional amounts)	$ —	$ 0.4	$ —	$ (25.1)	$ —	$ 24.7	$ —
2004	—	14.7	—	(19.1)	—	4.4	—
Total Canadian GAAP amounts recognized as at December 31, 2004	—	15.1	—	(44.2)	—	29.1	—
Cumulative transition adjustment for share-based compensation (and associated effects) arising from share options granted in fiscal years ending December 31, 1995 through 2001, inclusive(1)	3.4	10.5	—	(141.3)	—	127.4	—
Total U.S. GAAP transitional amounts	3.4	25.6	—	(185.5)	—	156.5	—
December 31, 2004, U.S. GAAP amounts, as previously reported	4,341.0	4,700.8	27.7	(590.2)	(249.2)	119.9	8,350.0
January 1, 2005, U.S. GAAP amounts	$ 4,344.4	$ 4,726.4	$ 27.7	$ (775.7)	$ (249.2)	$ 276.4	$ 8,350.0

(1) As share options granted subsequent to 1994 and prior to 2002 are captured by U.S. GAAP, but are not captured by Canadian GAAP, differences in shareholders' equity accounts arising from these awards will continue.

(c) Operating expenses – Amortization of intangible assets

As TELUS' intangible assets on acquisition have been recorded at their fair value (see (a)), amortization of such assets, other than for those with indefinite lives, needs to be included under U.S. GAAP; consistent with prior years, amortization is calculated using the straight-line method.

The incremental amounts recorded as intangible assets arising from the TELUS acquisition above are as follows:

As at (millions)	Cost	Accumulated Amortization	Net Book Value **March 31, 2006**	Net Book Value December 31, 2005
Intangible assets subject to amortization				
Subscribers – wireline	$ 1,950.0	$ 305.4	**$ 1,644.6**	$ 1,692.6
Subscribers – wireless	250.0	250.0	**—**	46.9
	2,200.0	555.4	**1,644.6**	1,739.5
Intangible assets with indefinite lives				
Spectrum licences(1)	1,833.3	1,833.3	**—**	—
	$ 4,033.3	$ 2,388.7	**$ 1,644.6**	$ 1,739.5

(1) Accumulated amortization of spectrum licences is amortization recorded prior to 2002 and the transitional impairment amount.

Estimated aggregate amortization expense for intangible assets subject to amortization, calculated upon such assets held as at March 31, 2006, for each of the next five fiscal years is as follows:

Years ending December 31 (millions)	
2006 (balance of year)	**$ 187.1**
2007	**171.3**
2008	**84.1**
2009	**47.1**
2010	**46.4**

(d) Goodwill

Merger of BC TELECOM and TELUS: Under the purchase method of accounting, TELUS' assets and liabilities at acquisition (see (a)) have been recorded at their fair values with the excess purchase price being allocated to goodwill in the amount of $403.1 million. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill is periodically tested for impairment.

Additional goodwill on Clearnet purchase: Under U.S. GAAP, shares issued by the acquirer to effect an acquisition are measured at the date the acquisition was announced; however, under Canadian GAAP, at the time the transaction took place, shares issued to effect an acquisition were measured at the transaction date. This results in the purchase price under U.S. GAAP being $131.4 million higher than under Canadian GAAP. The resulting difference is assigned to goodwill. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill is periodically tested for impairment.

(e) Financing costs

Merger of BC TELECOM and TELUS: Under the purchase method, TELUS' long-term debt on acquisition has been recorded at its fair value rather than at its underlying cost (book value) to TELUS. Therefore, interest expense calculated on the debt based on fair values at the date of acquisition under U.S. GAAP will be different from TELUS' interest expense based on underlying cost (book value). As of December 31, 2005, the amortization of this difference had been completed.

(f) Accounting for derivatives

Under U.S. GAAP, all derivatives need to be recognized as either assets or liabilities and measured at fair value. This is different from the Canadian GAAP treatment for financial instruments. Under U.S. GAAP, derivatives which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income and derivatives which are cash flow hedges will be marked to market with adjustments reflected in comprehensive income (see (h)).

(g) Income taxes

	Three months	
Periods ended March 31 (millions)	**2006**	2005
Current	**$ 3.0**	$ (21.4)
Deferred	**107.8**	84.6
	$ 110.8	$ 63.2

The Company's income tax expense (recovery), for U.S. GAAP purposes, differs from that calculated by applying statutory rates for the following reasons:

Three-month periods ended March 31 ($ in millions)	**2006**		2005	
Basic blended federal and provincial tax at statutory income tax rates	**$ 106.2**	**34.0%**	$ 101.8	34.6%
Share option award compensation	**1.5**		1.3	
Tax rate differential on, and consequential adjustments from, reassessment of prior year tax issues	**(0.3)**		(11.3)	
Change in estimates of available deductible differences in prior years	**—**		(36.0)	
Other	**0.5**		2.2	
	107.9	**34.5%**	58.0	19.5%
Large corporations tax	**2.9**		5.2	
U.S. GAAP income tax expense (recovery)	**$ 110.8**	**35.4%**	$ 63.2	21.2%

(h) Additional disclosures required under U.S. GAAP – Comprehensive income

U.S. GAAP requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP prior to fiscal periods beginning on or after January 1, 2007.

Three-month periods ended March 31 (millions)	2006				2005			
	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total	Cumulative foreign currency translation adjustment	Unrealized fair value of derivative cash flow hedges	Minimum pension liability	Total
Amount arising	**$ 0.7**	**$ (35.0)**	**$ (2.2)**	**$ (36.5)**	$ (3.1)	$ (165.3)	$ (0.9)	$ (169.3)
Income tax expense (recovery)	**—**	**(11.9)**	**(0.8)**	**(12.7)**	—	(56.9)	(0.2)	(57.1)
Net	**0.7**	**(23.1)**	**(1.4)**	**(23.8)**	(3.1)	(108.4)	(0.7)	(112.2)
Accumulated other comprehensive income (loss), beginning of period	**(7.3)**	**(200.6)**	**(167.7)**	**(375.6)**	(2.2)	(121.1)	(125.9)	(249.2)
Accumulated other comprehensive income (loss), end of period	**$ (6.6)**	**$ (223.7)**	**$ (169.1)**	**$ (399.4)**	$ (5.3)	$ (229.5)	$ (126.6)	$ (361.4)

(i) Recently issued accounting standards not yet implemented

As would affect the Company, there are no U.S. accounting standards currently issued and not yet implemented that would differ from Canadian accounting standards currently issued and not yet implemented.