

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

**September 30, 2006**



**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Consolidated balance sheet**  
**(Unaudited)**

**As at September 30, 2006**

*(millions of dollars)*

	<b>Notes</b>	
<b>Assets</b>		
Current assets		
Cash		\$ 0.5
Distributions receivable		28.5
		<u>29.0</u>
Investments	3	4,141.0
<b>Total assets</b>		<b>\$ 4,170.0</b>
<b>Liabilities</b>		
Current liabilities		
Distributions payable		\$ 28.3
<b>Unitholders' capital</b>	4	4,141.7
<b>Total liabilities and unitholders' equity</b>		<b>\$ 4,170.0</b>

*See accompanying notes to the consolidated financial statements*

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Consolidated statement of earnings**  
**(Unaudited)**

**From establishment on March 30, 2006, to September 30, 2006**

*(millions of dollars, except earnings per unit)*

	<b>Note</b>	
Operating revenues		\$ 78.6
Operating expenses		-
<b>Net earnings</b>		<b>\$ 78.6</b>
<b>Earnings per unit</b>		
Basic and diluted earnings per unit	6	\$ 0.63

*See accompanying notes to the consolidated financial statements*

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Consolidated statement of unitholders' capital**  
**(Unaudited)**

From establishment on March 30, 2006, to September 30, 2006

<i>(millions of dollars)</i>	Notes	Stated capital	Accumulated earnings	Distributions declared to unitholders	Total
Issuance of units	4	\$ 4,141.0	\$ -	\$ -	\$ 4,141.0
Distributions declared to unitholders	7	-	-	(77.9)	(77.9)
Net earnings for the period		-	78.6	-	78.6
<b>Balance September 30, 2006</b>		<b>\$ 4,141.0</b>	<b>\$ 78.6</b>	<b>\$ (77.9)</b>	<b>\$ 4,141.7</b>

*See accompanying notes to the consolidated financial statements*

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Consolidated statement of cash flows**  
**(Unaudited)**

**From establishment on March 30, 2006, to September 30, 2006**

*(millions of dollars)*

	<b>Note</b>	
<hr/>		
Cash from (used in) operating activities		
Net earnings		\$ 78.6
Adjustments to reconcile net earnings to cash from operating activities		
Distributions receivable		(28.5)
		<hr/> 50.1 <hr/>
Cash from (used in) financing activities		
Issuance of units		4,141.0
Purchase of units for distribution reinvestment plan	5	(2.3)
Cash distributions paid to unitholders		(47.3)
		<hr/> 4,091.4 <hr/>
Cash used in investing activities		
Increase in investments		(4,141.0)
Net increase in cash		0.5
Cash, beginning of period		-
<b>Cash, end of period</b>		<hr/> <b>\$ 0.5</b> <hr/>

*See accompanying notes to the consolidated financial statements*

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**September 30, 2006**  
**(Unaudited)**

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**1. THE FUND**

Bell Aliant Regional Communications Income Fund (the Fund) is an unincorporated, open-ended trust governed by the laws of the Province of Ontario pursuant to a Declaration of Trust dated March 30, 2006, as amended and restated on July 6, 2006.

On July 7, 2006, the Plan of Arrangement (the Arrangement) to combine Aliant Inc.'s (Aliant) wireline telecommunications operation in Atlantic Canada, information technology operation and other related operations with Bell Canada's wireline telecommunications operation in certain of its regional territories in Ontario and Québec (the Combined Business) and Bell Canada's 63.4 per cent indirect interest in NorthernTel, Limited Partnership and Télébec Limited Partnership (the Bell Nordiq Partnerships), was completed as described in Aliant's Management Information Circular dated April 14, 2006.

In connection with the Arrangement, the following transactions occurred on July 7, 2006:

- The Fund purchased 124,121,176 of the 127,146,292 issued and outstanding Aliant common shares in return for one newly issued unit of the Fund for each share purchased. The total number of Fund units issued was 124,121,176;
- The remaining Aliant common shares and 100 per cent of the common shares of Bell Nordiq Group Inc. (which holds a 63.4 per cent interest in the Bell Nordiq Income Fund assuming the exchange of the units of the Bell Nordiq Partnerships into units of Bell Nordiq Income Fund) held by BCE were exchanged for limited partnership units of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP), which are exchangeable into Fund units; and
- The Fund repurchased the initial 10 units issued on settling the Fund for \$100. (note 4)

As a result of the Arrangement, the Fund indirectly owns an 81.5 per cent equity interest in the Combined Business and the common shares of Bell Nordiq Group Inc.

The Fund units began trading on the Toronto Stock Exchange at the commencement of trading on July 10, 2006, under the trading symbol "BA.UN".

Total consideration paid to acquire the net assets of the operations was \$7.3 billion, which was satisfied in the form of a \$1.256 billion cash settlement of a non-interest bearing demand promissory note, Aliant's wireless net assets, Aliant's shares of DownEast Ltd., and special voting units of the Fund and limited partnership units of Bell Aliant Holdings LP and its subsidiaries including:

- 72,205,024 Class B exchangeable limited partnership units of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), a subsidiary of Bell Aliant Holdings LP which owns the Combined Business; (note 4)
- 72,205,024 special voting units of the Fund in connection with the Class B exchangeable limited partnership units of Bell Aliant LP; (note 4)
- 28,168,803 Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP; (note 4); and,
- 28,168,803 special voting units of the Fund in connection with the Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP (note 4).

The Fund is entirely dependant on distributions from Bell Aliant Holdings LP to make its distributions.

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**September 30, 2006**  
**(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements consolidate financial information of the Fund and its wholly-owned subsidiary, Bell Aliant Holdings Trust. All significant intercompany transactions have been eliminated on consolidation.

Through Bell Aliant Holdings Trust, we have an 81.5 per cent equity interest in Bell Aliant Holdings LP, which in turn consolidates the subsidiaries operating the Combined Business and holding the interest in the Bell Nordiq Partnerships. These financial statements should be read in conjunction with the unaudited interim consolidated financial statements as at September 30, 2006, of Bell Aliant Regional Communications Holdings Limited Partnership.

The Fund did not carry on any business for the period from establishment on March 30, 2006, to July 7, 2006. Accordingly, the statement of earnings prepared by the Fund for the interim period ended September 30, 2006, reflects operations from July 7, 2006, to September 30, 2006.

*Accounting for investments*

We equity account for our investment in Bell Aliant Holdings LP as we exercise significant influence over operating, investing and financial policies but do not control the entity. Distributions received and receivable are recorded in the calculation of our net earnings.

*Financial Instruments*

Our financial instruments consist of distributions receivable and distributions payable. The carrying values of our financial instruments approximate fair values due to their short-term nature.

*Income taxes*

The Fund qualifies as a mutual fund trust for the purposes of the Income tax Act (Canada). As such the Fund is only taxable on any amounts not allocated to unitholders. These financial statements do not reflect any income taxes as the Fund is committed to distribute to its unitholders all or virtually all of its taxable income and taxable capital gains and the Fund intends to comply with the provisions of the Income Tax Act that permit the deduction of distributions to unitholders from the Fund's taxable income and taxable capital gains. Income tax liabilities related to distributions of the Fund are the obligations of the unitholders.

*Earnings per unit*

The earnings per unit are based on the weighted average number of units outstanding during the period. Diluted earnings per unit is computed in accordance with the treasury stock method and based on the weighted average number of units and dilutive unit equivalents.

*Distributions*

Distributions receivable from the Fund's indirect investment in Bell Aliant Holdings LP are recorded when declared. Distributions payable by the Fund to its unitholders are recorded when declared.

*Unit-based compensation plan*

We maintain an employees' unit purchase plan (EUPP) for employees of Bell Aliant LP and certain subsidiaries which is described in note 5. Compensation expense related to the EUPP is recorded in those subsidiaries.

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**September 30, 2006**  
**(Unaudited)**

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**3. INVESTMENTS**

On July 7, 2006, we acquired, through Bell Aliant Holdings Trust, 124,121,176 Class 2 Limited Partnership units of Bell Aliant Holdings LP in exchange for 124,121,176 Aliant common shares which had a fair value of \$4,141.0 million and 124,123,676 shares in Bell Aliant Regional Communications Holdings Inc. were purchased for a nominal amount.

**4. UNITHOLDERS' CAPITAL**

The Fund is authorized to issue an unlimited number of Fund units. Each Fund unit represents an equal fraction of undivided beneficial interest in the Fund. All units are transferable and share equally in all distributions from the Fund whether of net earnings, net realized capital gains or other amounts, and in the net assets of the Fund in the event of its termination or winding-up. All units rank among themselves equally and ratably without discrimination, preference or priority. Units are redeemable at a price per unit equal to the lesser of (a) 90 per cent of the market price of a unit calculated as of the date on which the units were tendered for redemption; and (b) 100 per cent of the closing market price on the redemption date.

The Fund is also authorized to issue an unlimited number of special voting units in connection with certain securities exchangeable or exercisable for, or convertible into Fund units. Special voting units are not entitled to any beneficial interest in any distribution from the Fund or in the net assets of the Fund in the event of a termination or winding-up of the Fund. Each special voting unit entitles the holder to a number of votes at any meeting of voting unitholders equal to the number of units into, or for which the related exchangeable security is exchangeable, exercisable or convertible.

*Issued and outstanding*

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

<i>(millions of dollars, except as otherwise stated)</i>	<b>Number of units</b>	<b>Stated Capital</b>
<b>Fund units</b>		
Issued on settlement	10	\$ -
Repurchase of units (note 1)	(10)	-
Units issued in exchange for Aliant common shares	124,121,176	4,141.0
Redemptions	(2,143)	-
Fractional unit adjustment	(400)	-
<b>Balance as at September 30, 2006</b>	<b>124,118,633</b>	<b>\$ 4,141.0</b>

As a result of the Arrangement, Aliant common shares held by the public and a certain number of Aliant common shares held by BCE Inc. were exchanged for Fund units on a one-for-one basis, effective at the close of business on July 7, 2006.

As unit certificates are issued for whole units, fractional Fund units are paid out in cash upon unitholder requests for certificates. As a result, adjustments totalling 400 units were made to the Fund unit register.

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**September 30, 2006**  
**(Unaudited)**

**4. UNITHOLDERS' CAPITAL (Continued)**

*Exchangeable limited partnership units and special voting units (continued)*

Exchangeable limited partnership units are issued by Bell Aliant Holdings LP and certain of its subsidiaries and are intended to be, to the greatest extent practicable, the economic equivalent of Fund units. Holders of exchangeable limited partnership units are entitled to receive distributions per unit from the partnerships equal, to the greatest extent practicable, to distributions per unit paid by the Fund to holders of Fund units. Each exchangeable limited partnership unit is exchangeable for a Fund unit on a one-for-one basis. The exchangeable limited partnership units are transferable subject to certain restrictions.

Each exchangeable limited partnership unit will be issued together with a special voting unit of the Fund entitling the holder to one vote at all meetings of unitholders of the Fund for each special voting unit held. Concurrent with the exchange of exchangeable limited partnership units for Fund units, any related special voting units will be cancelled.

<b>Issued and outstanding</b>	<b>Exchangeable Limited Partnership units</b>	<b>Special voting units</b>
Exchangeable Class 1 Limited Partnership units of Bell Aliant Holdings LP (note 1)	28,168,803	28,168,803
Exchangeable Class B Limited Partnership units of Bell Aliant LP (note 1)	72,205,024	72,205,024
<b>Balance as at September 30, 2006</b>	<b>100,373,827</b>	<b>100,373,827</b>

**5. UNIT-BASED COMPENSATION PLAN**

*Employees' unit purchase plan*

Effective July 7, 2006, we commenced two employees' unit purchase plans having similar plan terms for eligible full-time employees of Bell Aliant LP and certain subsidiaries over 80 per cent of which participate in the plan. To satisfy the employees' purchase of Fund units under this plan, we may issue up to 2,079,527 additional Fund units out of treasury or Fund units may be purchased on the open market.

Under the terms of the plans, employees can choose each year to have up to 10 to 12 per cent of their annual base earnings withheld to purchase Fund units. Bell Aliant LP and certain subsidiaries also contribute to the plan on behalf of participants based upon the employees' contributions using a prescribed formula. The purchase price of the Fund units, depending on which plan the employee participates in, is the arithmetic average of the closing price of the Fund units traded on the Toronto Stock Exchange on the last five days up to, and including, the distribution payment date, or the value paid by the trustee to purchase the units on the open market. Participants in the plan purchase additional Fund units in lieu of receiving cash distributions.

The total number of Fund units bought on the open market for employees from July 7, 2006, to September 30, 2006, was 473,354. Compensation expense was recorded in Bell Aliant LP and certain subsidiaries.

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**September 30, 2006**  
**(Unaudited)**

**5. UNIT-BASED COMPENSATION PLAN (Continued)**

*Distribution reinvestment and optional unit purchase plan*

Effective July 5, 2006, we implemented a distribution reinvestment and optional unit purchase plan. Under the provisions of the plan, unitholders can elect to purchase additional Fund units in lieu of receiving cash distributions. Each participant in the plan may also make optional cash payments, subject to certain dollar value and timeframe restrictions, to purchase additional Fund units. To satisfy the purchase of Fund units under this plan, we may issue Fund units out of treasury or Fund units may be purchased on the open market.

From July 5, 2006, to September 30, 2006, we bought 64,298 Fund units on the open market in lieu of paying \$2.3 million in distributions.

**6. EARNINGS PER UNIT**

The weighted-average number of units outstanding is shown below:

For the period from July 7, 2006, to September 30, 2006	
<i>(millions of dollars, except per unit amounts)</i>	
<b>Basic:</b>	
Net earnings	\$ 78.6
Weighted average number of units outstanding	124,120,999
Basic earnings per unit	\$ 0.63
<b>Diluted:</b>	
Net earnings	\$ 78.6
Add distributions on exchangeable Limited Partnership units in:	
Bell Aliant Holdings LP	17.6
Bell Aliant LP	45.3
	\$ 141.5
Weighted average number of units outstanding	124,120,999
Class 1 exchangeable Limited Partnership units of Bell Aliant Holdings LP	28,168,803
Class B exchangeable Limited Partnership units of Bell Aliant LP	72,205,024
	224,494,826
Diluted earnings per unit	\$ 0.63

The exchangeable limited partnership units are intended to be, to the greatest extent practicable, the economic equivalent of Fund units. Holders of exchangeable limited partnership units are entitled to receive distributions on a per-unit basis from the partnership equal, to the greatest extent practicable, to distributions on a per-unit basis paid by the Fund to holders of Fund units. If holders of the exchangeable limited partnership units were to trigger an exchange for Fund units, the distributions currently being paid to the holders by Bell Aliant Holdings LP and Bell Aliant LP would be paid directly to the Fund.

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**September 30, 2006**  
**(Unaudited)**

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**7. DISTRIBUTIONS TO UNITHOLDERS**

<i>(millions of dollars except per unit amounts)</i>		
<b>Record date</b>	<b>Amount</b>	<b>Amount per unit</b>
August 31, 2006	\$ 49.6	\$ 0.3996
September 30, 2006	28.3	0.2283
<b>Total distributions declared</b>	<b>\$ 77.9</b>	<b>\$ 0.6279</b>

The monthly distributions are dependent on Bell Aliant Holdings LP's monthly distributions to the Fund, which for the period July 7, 2006 to September 30, 2006 have amounted to \$0.6334 per unit.

**8. SUBSEQUENT EVENT**

On October 11, 2006, Bell Aliant Regional Communications Income Fund announced that it had made a proposal to take Bell Nordiq Income Fund private. We currently hold a 63.4 per cent voting interest in Bell Nordiq Income Fund.

Under our proposal, Bell Nordiq Income Fund unitholders would receive \$4.75 in cash and 0.4113 of a Fund unit for each Bell Nordiq unit held. This represents \$19.00 per Bell Nordiq unit based on the closing price of Fund units on October 10, 2006, which is an approximate 8 per cent premium over the volume weighted average price for the last five trading days of Bell Nordiq units ending October 10, 2006.

The proposal is conditional upon approval by the Bell Nordiq Income Fund unitholders, including by a majority of the votes cast by holders other than us and our affiliates and other insiders. The transaction is also subject to applicable securities laws, including the Ontario and Quebec rules regarding business combination transactions of this nature.