

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

March 31, 2007



BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated balance sheets

(Unaudited)

(millions of dollars)

	Notes	As at March 31, 2007	As at December 31, 2006
Assets			
Current assets			
Cash and cash equivalents		\$ 47.1	\$ 100.5
Note receivable from related parties	14	200.9	38.9
Accounts receivable		498.1	522.9
Due from related parties		6.9	-
Inventory		31.2	27.6
Prepayments		32.1	13.2
Future income tax asset		0.2	3.4
Income tax receivable		6.5	8.0
Current assets of discontinued operations	3	13.6	11.0
		836.6	725.5
Capital investments			
Property, plant and equipment		3,706.4	3,744.8
Finite-life intangibles		179.4	174.5
		3,885.8	3,919.3
Other assets			
Long-term receivable		49.1	48.9
Deferred charges		15.3	45.5
Derivative asset		0.3	-
Future income tax asset	4	22.5	22.5
Accrued benefit asset		380.6	379.3
Indefinite-life intangibles		15.7	16.7
Goodwill	5	5,434.9	5,446.2
Non-current assets of discontinued operations	3	0.1	0.2
		5,918.5	5,959.3
Total assets		\$ 10,640.9	\$ 10,604.1
Liabilities and partners' equity			
Current liabilities			
Bank advances		\$ 5.6	\$ 8.5
Payables and accruals		325.2	359.9
Due to related parties		4.2	-
Distributions / dividends payable		58.1	55.0
Income tax payable		18.4	25.0
Future income tax liability		15.7	0.2
Long-term debt due within one year	6	9.2	109.2
Current liabilities of discontinued operations	3	3.6	2.0
		440.0	559.8
Future income tax liability	4	127.0	169.0
Long-term debt	6	2,962.7	2,702.0
Accrued benefit liability		405.0	399.1
Deferred credits		16.8	16.6
Non-current liabilities of discontinued operations	3	2.2	1.9
		3,953.7	3,848.4
Non-controlling interest	7	1,907.1	1,919.1
Partners' equity	8	4,780.1	4,836.6
Total liabilities and partners' equity		\$ 10,640.9	\$ 10,604.1

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated statements of earnings

(Unaudited)

For the three months ended March 31

(millions of dollars, except per unit/share amounts)

	Note	2007	2006
Operating revenues		\$ 851.4	\$ 527.7
Expenses			
Operating expenses		531.4	339.9
Depreciation and amortization		147.9	98.7
Restructuring and other charges		0.5	0.3
		679.8	438.9
		171.6	88.8
Other expenses			
Financial derivative loss		-	13.1
Other expense (income)		2.2	(0.7)
		2.2	12.4
Interest charges			
Interest on long-term debt		36.2	17.3
Other interest expense		3.2	0.5
		39.4	17.8
Earnings before underlisted items		130.0	58.6
Income taxes			
Current tax expense (recovery)		(6.0)	24.6
Future tax expense (recovery)		1.4	(1.8)
		(4.6)	22.8
Earnings before non-controlling interest		134.6	35.8
Non-controlling interest		51.6	0.5
Net earnings from continuing operations		83.0	35.3
Net earnings from discontinued operations	3	5.5	4.9
Net earnings		\$ 88.5	\$ 40.2
Earnings per unit / common share			
Basic and diluted from continuing operations		\$ 0.54	\$ 0.26
Basic and diluted from discontinued operations		0.04	0.04
Basic and diluted		\$ 0.58	\$ 0.30

Consolidated statements of comprehensive earnings

(Unaudited)

For the three months ended March 31

(millions of dollars)

	Note	2007	2006
Net earnings		\$ 88.5	\$ 40.2
Other comprehensive earnings, net of tax	9	3.5	-
Comprehensive earnings		\$ 92.0	\$ 40.2

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated statements of partners' equity
(Unaudited)

For the period ended March 31, 2007		Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (loss)	Total partners' equity								
<i>(millions of dollars)</i>		Notes															
Balance December 31, 2006		\$	2,008.9	\$	-	\$	158.5	\$	(201.1)	\$	-	\$	2,870.3	\$	-	\$	4,836.6
Net earnings for the period			-		-		88.5		-		-		-		-		88.5
Distributions declared on:																	
Class 1 exchangeable limited partnership units			-		-		-		(19.7)		-		-		-		(19.7)
Class 2 limited partnership units			-		-		-		(89.6)		-		-		-		(89.6)
Stock options expense			-		0.2		-		-		-		-		-		0.2
Reclassification adjustment for gains (losses) on derivatives designated as cash flow hedges		1	-		-		0.8		-		-		(40.2)		-		(39.4)
Other comprehensive earnings, net of tax		9	-		-		-		-		-		3.5		-		3.5
Balance March 31, 2007			\$ 2,008.9		\$ 0.2		\$ 247.8		\$ (310.4)		\$ -		\$ 2,870.3		\$ (36.7)		\$ 4,780.1

For the period ended March 31, 2006		Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (loss)	Total Shareholders' equity								
<i>(millions of dollars)</i>																	
Balance December 31, 2005		\$	-	\$	0.9	\$	-	\$	-	\$	1,176.0	\$	235.0	\$	-	\$	1,411.9
Net earnings for the period			-		-		-		-		-		40.2		-		40.2
Dividends declared on:																	
Preferred shares			-		-		-		-		-		(2.4)		-		(2.4)
Common shares			-		-		-		-		2.9		(39.5)		-		(36.6)
Stock options expense			-		0.5		-		-		-		-		-		0.5
Shares issued from Treasury for stock option plan			-		-		-		-		3.8		-		-		3.8
Balance March 31, 2006			\$ -		\$ 1.4		\$ -		\$ -		\$ 1,182.7		\$ 233.3		\$ -		\$ 1,417.4

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated statements of cash flows
(Unaudited)

For the three months ended March 31

<i>(millions of dollars)</i>	Notes	2007	2006
Cash from (used in) operating activities			
Net earnings from continuing operations		\$ 83.0	\$ 35.3
Adjustments to reconcile net earnings to cash from operating activities			
Depreciation and amortization		147.9	98.7
Future income taxes		1.4	(1.8)
Net benefit plans cost	10	27.7	22.6
Funding of defined benefit pension and other post-employment benefit plans	10	(23.1)	(23.1)
Non-controlling interest		51.6	0.5
Financial derivative loss		-	13.1
Other		(0.9)	-
Other non-cash items		2.4	(4.3)
Change in operating assets and liabilities		(38.3)	(49.0)
		251.7	92.0
Cash from (used in) financing activities			
Repayments of bank advances		(2.9)	(8.6)
Proceeds of long-term debt	6	994.5	-
Repayments of long-term debt	6	(823.1)	(50.0)
Repayments of capital lease obligations		(2.0)	(1.1)
Decrease in non-controlling interest		(3.6)	-
Settlement of financial derivatives	11	(30.5)	-
Distributions paid by subsidiaries to non-controlling interest	7	(59.8)	-
Issuance of common shares		-	4.2
Dividends paid on preferred shares		-	(2.4)
Dividends paid on common shares		-	(74.5)
Distributions paid		(106.3)	-
		(33.7)	(132.4)
Cash from (used in) investing activities			
Issuance of notes receivable to related party	14	(200.9)	-
Purchase of capital investments		(115.3)	(80.9)
Proceeds on sale of indefinite-life intangibles		1.1	-
		(315.1)	(80.9)
Net decrease in cash from continuing operations		(97.1)	(121.3)
Net increase in cash from discontinued operations		4.8	7.1
Cash, beginning of period		139.4	195.8
Cash and cash equivalents, end of period		\$ 47.1	\$ 81.6
Supplementary disclosure			
Interest paid		\$ 62.9	\$ 13.5
Income taxes (recovered) paid, net		\$ (2.0)	\$ 76.2

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
March 31, 2007

On July 7, 2006, the Plan of Arrangement (the Arrangement) creating Bell Aliant Regional Communications Income Fund (the Fund) was completed in accordance with the arrangement steps described in the management information circular of Aliant Inc. (Aliant), dated April 14, 2006. The Arrangement included the formation of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP), a limited partnership established under the laws of the Province of Quebec, to hold the operating businesses of the Fund. All references to “we”, “us”, or “our” refer to Bell Aliant Holdings LP. After giving effect to the Arrangement, as discussed further in note 2, Bell Aliant Holdings LP holds the wireline operation in Atlantic Canada, information technology and other operations formerly owned by Aliant and the wireline operation in regional territories in Ontario and Quebec formerly owned by Bell Canada as well as an indirect then 63.4 per cent interest in Télébec, Limited Partnership (Télébec) and NorthernTel, Limited Partnership (NorthernTel), the operating partnerships of Bell Nordiq Income Fund, held by Bell Nordiq Group Inc. (Bell Nordiq Group).

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. (BCE) were automatically exchanged for Fund units. The remaining Aliant common shares held by BCE and Bell Nordiq Group common shares held by BCE were exchanged for limited partnership units of Bell Aliant Holdings LP and Bell Canada’s wireline operation in its regional territories in Ontario and Quebec was exchanged for limited partnership units of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), which are all exchangeable into Fund units. As the original shareholders of Aliant have an interest in essentially the same underlying assets and liabilities but through a different legal vehicle, Bell Aliant Holdings LP, the reorganization to a limited partnership has been accounted for on a continuity of interest basis. Accordingly, the consolidated financial statements of Bell Aliant Holdings LP reflect the financial position, results of operations and cash flows as if the limited partnership had carried on the business of Aliant. Due to the reorganization to a limited partnership, certain information included in the consolidated financial statements for the prior year may not be directly comparable. For purposes of these consolidated financial statements, the share capital of Aliant is reported under Partners’ equity.

The distributions per unit paid by Bell Aliant Holdings LP to holders of exchangeable LP units are equal to the distributions per unit paid to the holders of Fund units.

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

We have prepared these unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) using the same basis of presentation and accounting policies as our audited consolidated financial statements for the year ended December 31, 2006, with the exception of the adoption of new accounting policies discussed below. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2006.

Financial instruments

Effective January 1, 2007, we adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

- Section 3855, Financial Instruments – Recognition and Measurement;
- Section 3865, Hedges;
- Section 1530, Comprehensive Income;
- Section 3251, Equity;
- Section 3862, Financial Instruments – Disclosure; and
- Section 3863, Financial Instruments – Presentation.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
March 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments (continued)

As a result of adopting these new accounting standards, certain financial assets and liabilities are measured at fair market value with the remainder recorded at amortized cost. The significant components of our implementation of the new standards include:

- Derivative financial instruments are recorded on the balance sheet at fair value as either other assets or other liabilities. Changes in fair value related to the effective portion of cash flow hedges or other derivative financial instruments are recorded in other comprehensive income, net of related income tax provisions. Changes in fair value related to the ineffective portion of cash flow hedges or other derivative financial instruments are reported in other income on the consolidated statement of earnings.

A reclassification adjustment of \$40.2 million was recorded in accumulated other comprehensive earnings (losses) and \$0.8 million was recorded as an adjustment to opening accumulated earnings on the balance sheet to reflect the fair value of the effective and ineffective portions of our cash flow hedges, respectively.

- We have transitioned from the straight-line method to the effective interest method to calculate the amortized cost of financial assets and financial liabilities, where it is practical to do so, and amortize the costs over the relevant period to maturity. The difference arising from recording long-term debt using the effective interest method instead of the straight-line method is not material. It is impracticable to use the effective interest method in circumstances such as bank operating credit facilities, which are drawn on or repaid frequently. Costs relating to these credit facilities will continue to be amortized using straight-line amortization over the life of the debt.

Debt issue costs in the amount of \$12.8 million were reclassified from deferred charges and applied against the long-term debt with which they are associated. Costs related to credit facilities that have not been drawn upon will continue to be classified as deferred charges and will be amortized on a straight-line basis over the life of the facility.

The following table summarizes the January 1, 2007, reclassification adjustments on our balance sheet to adopt the new standards:

Consolidated balance sheet <i>(millions of dollars)</i>	Increase (decrease)
Deferred charges	\$ (33.3)
Future income tax asset	13.5
Long-term debt	\$ (12.8)
Deferred credits	32.4
Accumulated earnings	0.8
Accumulated other comprehensive earnings (loss)	(40.2)

Prior period consolidated financial statements have not been restated and the above changes did not have any impact on our consolidated statement of earnings.

The new standards require that we present a consolidated statement of comprehensive earnings which reflects changes in accumulated other comprehensive earnings as a result of changes in the fair value of derivatives designated as cash flow hedges, to the extent that they are effective. Accumulated other comprehensive earnings (loss) is a separate component of partners' equity.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
March 31, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

Comparative figures

Certain comparative financial information has been reclassified to conform to the presentation adopted for 2007, including the restatement for discontinued operations as discussed further in note 3.

2. BUSINESS COMBINATIONS AND ACQUISITIONS

Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group

On July 7, 2006, the Arrangement creating the Fund was completed. Under the Arrangement, Bell Aliant Holdings LP, which was created to hold the operating businesses of the Fund, acquired Bell Canada's wireline operation in its regional territories in Ontario and Quebec and 100.0 per cent of the common shares of Bell Nordiq Group, which owned a 63.4 per cent interest in Télébec and NorthernTel. As part of the transaction, the net assets of the Aliant wireless operation and 100.0 per cent of the common shares of DownEast Ltd. were disposed of.

The total consideration paid, including direct acquisition costs, for the Arrangement was \$7,329.1 million (December 31, 2006 - \$7,333.2 million). Total consideration decreased by \$4.1 million relating to lower than anticipated deed transfer taxes included in direct acquisition costs.

The Arrangement is being accounted for at estimated fair values as the transactions are between related parties and there has been a substantive change in ownership. This requires the total consideration paid to be allocated to the assets acquired and liabilities assumed, based on their respective fair values on July 7, 2006, with the remainder being allocated to goodwill.

The allocation process requires an analysis of the value of customer relationships, acquired contractual rights and assumed contractual commitments and legal contingencies to identify and record the fair value of all assets acquired and liabilities assumed. In valuing acquired assets and assumed liabilities, fair values are based on, but are not limited to: quoted market prices, where available; expected future cash flows; current replacement cost for similar capacity for certain fixed assets; market rate assumptions for contractual obligations; and appropriate discount rates and growth rates. Any excess purchase price over the fair value of the identifiable assets and liabilities will be allocated to goodwill.

We are in the process of finalizing internal studies and third-party valuations of assets, including investments, property, plant and equipment, intangible assets and certain liabilities. As at December 31, 2006, \$1,932.1 million of the purchase price was allocated to net tangible assets and \$5,401.1 million was allocated to goodwill. During the three months ended March 31, 2007, an additional \$7.2 million has been allocated from goodwill to capital investments and future tax assets and there was a \$4.1 million decrease in direct acquisition costs (note 5). These changes resulted in a total of \$1,939.3 million of the purchase price being allocated to net tangible assets and \$5,389.8 million being allocated to goodwill as at March 31, 2007. These values are based on preliminary valuations and are subject to adjustment as additional information is obtained. Such additional information includes, but may not be limited to, the following: valuations and physical counts of property, plant and equipment; plans relative to the disposition of certain assets acquired; and exit from certain contractual obligations. This purchase price allocation is also subject to changes related to the final determination of future income tax assets or liabilities associated with the assets acquired and liabilities assumed. We will have finalized our valuations and completed our purchase equation by July 6, 2007. Changes to the valuation of property, plant and equipment may result in adjustments to the fair value of certain identifiable intangible assets acquired. These intangible assets may be subject to amortization and thus affect net earnings by a material amount. When finalized, material adjustments to goodwill may result.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
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3. DISCONTINUED OPERATIONS

For reporting purposes, the results of operations of SalesBridge Canada Corp. (SalesBridge), a subsidiary, in which we hold an indirect 51.0 per cent interest, have been presented as discontinued operations. SalesBridge was economically dependent on a single contract, which was terminated effective September 30, 2006, and as such it is the intention of the shareholders that SalesBridge be wound up. Accordingly, prior period financial statements have been reclassified to reflect this change.

The results of operations and net assets of Aliant Directory Services (ADS), a joint venture, in which we hold an indirect 87.14 per cent interest, have also been presented as discontinued operations for reporting purposes. On February 19, 2007, we entered into a memorandum of understanding with Yellow Pages Income Fund, the owners of 12.86 per cent of ADS, to acquire the net assets and operations of ADS. The transaction closed on April 30, 2007.

The summarized statements of earnings for the discontinued operations are as follows:

<i>(millions of dollars)</i>	SalesBridge		ADS		Total
For the three months ended March 31, 2007					
Operating revenues	\$	-	\$	14.7	\$ 14.7
Expenses		0.3		6.0	6.3
Income taxes (recovery)		(0.1)		3.1	3.0
Non-controlling interest		(0.1)		-	(0.1)
Net earnings (loss) from discontinued operations	\$	(0.1)	\$	5.6	\$ 5.5
For the three months ended March 31, 2006					
Operating revenues	\$	3.8	\$	13.4	\$ 17.2
Expenses		3.8		6.0	9.8
Income taxes		-		2.5	2.5
Net earnings from discontinued operations	\$	-	\$	4.9	\$ 4.9

4. INCOME TAXES

The taxation year ends for certain of our corporate subsidiaries differ from the partnership year ends. This results in a deferral of partnership income for tax purposes. At March 31, 2007, we recorded a current future tax liability of \$18.0 million relating to this deferral.

A long-term future tax asset of \$17.0 million has been recorded relating to pension and other post employment benefit liabilities which were acquired from Bell Canada as part of the Arrangement (note 5).

A long-term future tax asset of \$13.5 million was recorded in relation to the implementation of new financial instruments accounting standards, as discussed in note 1, which offset a previously existing future tax liability.

5. GOODWILL

<i>(millions of dollars)</i>	
Goodwill, as at December 31, 2006	\$ 5,446.2
Acquisition of Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group (note 2):	
Allocation to future tax asset (note 4)	(17.0)
Allocation to capital investments	9.8
Direct acquisition costs (note 2)	(4.1)
Goodwill, as at March 31, 2007	\$ 5,434.9

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
March 31, 2007

6. LONG-TERM DEBT

During the three months ended March 31, 2007, we had the following transactions in long-term debt:

- Repaid at maturity, \$100.0 million of Aliant Telecom Inc. medium-term notes, bearing interest at 5.35 per cent per annum;
- Issued \$400.0 million of unsecured medium-term notes, bearing interest at 4.95 per cent per annum, maturing in February 2014;
- Issued \$300.0 million of unsecured medium-term notes, bearing interest at 5.52 per cent per annum, maturing in February 2019;
- Issued \$300.0 million of unsecured medium-term notes, bearing interest at 6.17 per cent per annum, maturing in February 2037; and
- Repaid \$722.3 million of the non-revolving bank term facility.

Debt issue costs of \$5.4 million were incurred in relation to the issue of medium-term notes and have been applied against the long-term debt with which they are associated. In addition, debt issue costs of \$12.8 million were reclassified from deferred charges with the implementation of new financial instruments accounting standards, as discussed in note 1. During the three months ended March 31, 2007, we recorded \$4.0 million of amortization on debt issue costs.

In addition, during the three months ended March 31, 2007, we repaid principal amounts as they came due for obligations under capital leases, mortgage and other long-term debt totalling \$2.6 million.

7. NON-CONTROLLING INTEREST

<i>(millions of dollars)</i>	As at	
	March 31, 2007	December 31, 2006
Bell Aliant LP	\$ 1,816.6	\$ 1,825.6
Télébec and NorthernTel	89.4	92.3
SalesBridge Canada Corp.	1.1	1.2
	\$ 1,907.1	\$ 1,919.1

Distributions declared and paid by subsidiaries to non-controlling interest were as follows:

For the three months ended March 31, 2007			
<i>(millions of dollars)</i>	Declared		Paid
Bell Aliant LP	\$	50.4	\$ 49.9
Télébec and NorthernTel		9.5	9.9
	\$	59.9	\$ 59.8

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
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8. UNIT-BASED COMPENSATION PLANS

Performance share unit (PSU) plan

A summary of the status of the PSU plan as at March 31, 2007, and changes during the three month period ended on that date is presented below:

	<i>number of share units</i>
Share units outstanding, as at December 31, 2006	24,544
Granted through reinvested distributions	592
Share units outstanding, as at March 31, 2007	25,136

For the three months ended March 31, 2007, no compensation expense related to the PSUs outstanding was recorded (March 31, 2006 - \$1.1 million).

Employees' stock savings plan / unit purchase plans

The total number of Fund units bought on the open market for our employees during the three months ended March 31, 2007, was 566,816 (March 31, 2006 – Aliant common stock - 270,073). Compensation expense related to the employees' unit purchase plans of \$2.4 million for the three months ended March 31, 2007, (March 31, 2006 – Aliant's employees' stock savings plan - \$1.9 million) was recorded.

Deferred unit plan (DUP)

During the three months ended March 31, 2007, the Fund finalized the DUP for certain of our executives and senior management to further align their long-term incentive compensation with total unitholder returns. Under this DUP, the Fund may grant deferred units to eligible plan members in such number and at such times as is determined as a bonus or in respect of services rendered by the plan member in the year of the grant. On the grant date, plan members will be credited with the deferred units granted to them. Grantees are also entitled to receive additional deferred units based on cash distributions that would have been received had the deferred unit been converted to a Fund unit. The plan member may hold the deferred units in an account until the end of the second year following their termination or retirement.

A summary of the status of the DUP as at March 31, 2007, and changes during the three month period ended on that date is presented below:

	<i>number of deferred units</i>
Granted - service period fiscal 2006 to 2008	316,717
Granted - service period March 2007 to March 2010	453,742
Forfeited	(1,279)
Deferred units outstanding, as at March 31, 2007	769,180

For the three months ended March 31, 2007, compensation expense of \$1.5 million (March 31, 2006 - nil) related to the deferred units outstanding was recorded.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
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9. OTHER COMPREHENSIVE EARNINGS

Components of other comprehensive earnings and the related tax effects are as follows:

For the three months ended March 31, 2007					
<i>(millions of dollars)</i>					
	Pre tax		Income tax		Net of tax
Gains on derivatives designated as cash flow hedges	\$	2.4	\$	-	\$ 2.4
Amortization and other		1.3		0.2	1.1
Other comprehensive earnings	\$	3.7	\$	0.2	\$ 3.5

Certain deferred charges relating to effective cash flow hedges are being amortized as we make the interest payments they were designed to hedge.

10. PENSION AND POST-EMPLOYMENT BENEFIT PLANS

Net benefit plans cost

The following table shows the components of the net benefit plans cost.

For the three months ended March 31		Defined benefit (DB) pension plans		Other post-employment benefit (OPEB) plans	
<i>(millions of dollars)</i>		2007	2006	2007	2006
Current service cost	\$	16.7	\$ 11.6	\$ 0.7	\$ 0.6
Interest on the accrued benefit obligation		38.6	30.8	2.9	2.3
Expected return on plan assets		(38.7)	(33.6)	-	-
Amortization of deferred amounts:					
Past service costs		1.4	1.4	(1.5)	(1.5)
Net actuarial losses		7.0	10.0	0.6	1.0
Transitional asset		(0.1)	-	0.1	-
Net benefit plans cost	\$	24.9	\$ 20.2	\$ 2.8	\$ 2.4

Pension plan contributions

Our contributions to DB and defined contribution (DC) pension plans as well as OPEB plans are as follows:

For three months ended March 31		2007		2006	
<i>(millions of dollars)</i>					
DB pension plans required contributions		\$	21.2	\$	21.5
OPEB plans contributions			1.9		1.6
Funding of DB pension and OPEB plans		\$	23.1	\$	23.1
DC pension plans contributions			1.7		1.4
Total contributions		\$	24.8	\$	24.5

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
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11. FINANCIAL INSTRUMENTS

Derivative financial instruments

At December 31, 2006, we had forward fixed-floating interest rate swaps outstanding with notional amounts totalling \$1.25 billion and with effective dates ranging from February 28, 2007, to August 31, 2007. Upon the issuance of fixed-rate long-term debt, as further detailed in note 6, interest rate swaps totalling \$1.0 billion were settled by paying cash of \$30.5 million. With the application of hedge accounting, the cash settlement has been deferred to other comprehensive income and is being amortized as interest charges in conjunction with the long-term debt coupon payments these swaps were designed to hedge.

At March 31, 2007, we have a forward fixed-floating interest rate swap outstanding with a notional amount of \$250.0 million which is being accounted for as a cash flow hedge related to anticipated future long-term debt refinancing. The fair value at March 31, 2007, is \$0.3 million in our favour and is recorded as a derivative asset.

Fair value of financial instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. We base fair values on estimates using present value and other valuation methods. These estimates are affected significantly by assumptions we make about the amount and timing of estimated future cash flows and discount rates, which all reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were actually settled.

The carrying value of all financial instruments approximate fair value with the exception of long-term debt, which at March 31, 2007, has a carrying value of \$2,971.9 million and a fair value of \$2,996.2 million (December 31, 2006 – \$2,811.2 million and \$2,826.8 million, respectively).

12. SEGMENTED INFORMATION

During 2007, there were several events which occurred that caused us to reorganize the management of our business and our reportable segments:

- In January 2007, the Fund acquired the non-controlling interest in, and subsequently privatized, Bell Nordiq Income Fund. As a result of the acquisition, the governance and key decision makers are now similar to those of our Bell Aliant segment. As well, the products and services offered by Bell Nordiq Group are similar to our Bell Aliant segment. As a result, we have combined the Bell Nordiq Group segment with the Bell Aliant segment.
- In February 2007, we entered into a memorandum of understanding for Yellow Pages Income Fund to acquire the net assets of ADS. As a result we have presented the results of operations of ADS as discontinued operations. The remaining subsidiaries in the Other subsidiaries segment have either changed their key decision makers to be similar to the Bell Aliant segment or do not meet the quantitative thresholds for disclosure as a reportable segment.

As a result of these changes we now operate as one business segment, which is driven by our products and services, in order to provide customers with integrated communication services. This represents the manner in which we are organized and managed for assessing performance and making resource allocation decisions. Our operations, including all revenues from customers, capital investments and goodwill are concentrated in Canada.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
March 31, 2007

13. COMMITMENTS

Operating leases and purchase commitments

The estimated future minimum lease payments under operating leases and purchase commitments are as follows:

<i>(millions of dollars)</i>	<i>Remainder of</i>					
	2007	2008	2009	2010	2011	Thereafter
Operating leases	\$ 28.2	\$ 34.0	\$ 31.5	\$ 29.2	\$ 27.2	\$ 320.6
Purchase commitments	318.0	385.3	345.8	324.8	316.0	2,898.3
	\$ 346.2	\$ 419.3	\$ 377.3	\$ 354.0	\$ 343.2	\$ 3,218.9

Purchase commitments primarily relate to various information systems and technology agreements and obligations under service agreements.

Deferral account

During the three months ended March 31, 2007, the Canadian Radio-television and Telecommunications Commission's (CRTC) issued two decisions, related to competitor digital network services. These decisions will mean additional rebates to competitors of approximately \$1.8 million. We have assessed the deferral account impact associated with these CRTC decisions and estimate the balance in Bell Aliant LP's deferral account to be \$3.8 million, with an annual recurring over contribution of \$4.2 million.

Due to the nature and number of uncertainties which remain concerning the disposition of the accumulated balance in the deferral accounts, we are unable to estimate the impact on our consolidated financial results.

14. RELATED PARTY TRANSACTIONS

As part of the transaction for the Fund to acquire the indirect 36.7 per cent interest in Télébec and NorthernTel, we loaned to Bell Nordiq Income Fund \$131.0 million to enable them to make a special distribution to their unitholders. On the privatization of Bell Nordiq Income Fund, the Fund indirectly assumed the loan. The loan is payable on demand at an interest rate of 5.1 per cent per annum. At March 31, 2007, the balance of this loan is \$131.0 million. Although it is a current asset, it is not considered readily convertible to cash.

On March 28, 2007, we loaned the Fund \$69.9 million to enable the repurchase of units under a normal course issuer bid. The loan is payable on April 27, 2007, together with interest calculated thereon at 4.4 per cent per annum. At March 31, 2007, the balance of this loan is \$69.9 million. Although it is a current asset, it is not considered readily convertible to cash.

The note receivable from Bell Canada at December 31, 2006, in the amount of \$38.9 million was repaid during the three months ended March 31, 2007.

15. SUBSEQUENT EVENT

On April 18, 2007, the Fund announced that it had allowed its offer to purchase all of the outstanding units of Amtelecom Income Fund to expire.