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Third quarter report 2007



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Bell Aliant Regional Communications Income Fund

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Bell Aliant Regional Communications Holdings, Limited Partnership

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News release

Bell Aliant Reports Third Quarter Results

Halifax, NS – Thursday, November 1, 2007 – Bell Aliant Regional Communications Income Fund (“Bell Aliant” or the “Fund”) (TSX: BA.UN) today reported distributions to its unitholders of \$90.5 million or \$0.705 per unit for the quarter ended September 30, 2007.

Bell Aliant Holdings LP’s third quarter financial highlights² are as follows:

<i>(In millions of dollars)</i>	Actual Q3 2007	Pro forma Q3 2006	Percentage Change	Actual YTD 2007	Pro forma YTD 2006	Percentage Change
Operating Revenue	837.9	825.1	1.6 %	2,514.7	2,461.9	2.1 %
EBITDA ³	372.4	366.7	1.6 %	1,080.0	1,082.8	(0.3)%
Capital Expenditures	140.2	132.2	6.1 %	398.9	386.4	3.2 %
Distributable Cash ⁴ (including fibre-to-the-node spending)	177.6	185.9	(4.5)%	531.9	536.1	(0.8)%

“Our third quarter results met our expectations and we are on track to achieve our targets for 2007,” said Stephen Wetmore, President and Chief Executive Officer. “I am also pleased that this quarter marked the beginnings of a more positive regulatory environment for local service. We have already acted on this to bring new offers to our customers and they will continue to benefit from our ability to more quickly and effectively meet their needs within this environment.”

Highlights of the third quarter of 2007 include the following:

- Operating revenue increased \$12.8 million (1.6 per cent) in the third quarter of 2007 compared to the same period a year ago with strong growth in data and Internet revenues (9.0 per cent).
- Internet revenue grew by \$5.5 million in the quarter with high-speed Internet subscribers growing by 19.0 per cent from a year ago. Other data revenues grew by \$9.6 million (10.6 per cent) compared to the same period last year.
- Information Technology revenue increased by \$3.7 million in the quarter compared to the same period last year with higher sales of computer hardware and software.
- Local service and long distance revenue declined by \$6.0 million (1.6 per cent) and \$4.5 million (3.5 per cent), respectively, in the third quarter of 2007 compared to the third quarter in 2006. Network access services (“NAS”) were 3.1 per cent lower than a year ago with net NAS declines of 20,676 in the quarter approximately 7.0 per cent lower than those experienced in each of the first two quarters of 2007.
- Higher revenues, cost containment achieved through productivity improvements and lower provincial capital taxes resulted in an EBITDA increase of \$5.7 million (1.6 per cent) in the third quarter of 2007 from the same period a year ago.
- In line with Bell Aliant’s business plan, distributable cash decreased by \$8.3 million (4.5 per cent) in the third quarter of 2007 from the same period 2006 as a result of the higher capital expenditures. Bell Aliant’s continued accelerated rollout of fibre-to-the-node (FTTN) technology in the third quarter more than accounted for the increase in total capital expenditures of \$8.0 million (6.1 per cent) over the same period in 2006.
- In the first quarter of 2007, Bell Aliant initiated a normal course issuer bid (NCIB) which allows the purchase of up to 13.7 million outstanding Bell Aliant units at market prices through the TSX until February 27, 2008. At the end of September 2007, 10.5 million units were purchased for cancellation, substantially funded with the proceeds from the sale of Bell Aliant’s share of the assets of Aliant Directory Services, completed earlier this year. At this time further purchases under the program have ceased.

- During the third quarter, the CRTC released several decisions dealing with Bell Aliant's residential and business local service forbearance applications. The CRTC granted forbearance for a number of communities in Atlantic Canada, and in addition granted conditional forbearance for numerous communities in Ontario, Quebec and Atlantic Canada, contingent upon meeting specified competitor quality of service criteria.
- During the quarter Bell Aliant recorded a \$20.8 million restructuring charge below EBITDA related to cost reduction to advance the organization's productivity initiatives.

Analyst conference call

A live audio webcast of the conference call can be accessed on bell.aliant.ca by following the links under the Investor Relations section. A replay of the webcast will be available on the website for one year.

Forward-looking Statements

This news release contains forward-looking statements concerning anticipated future events, results, circumstances or expectations, including the future anticipated impact of forbearance on our business. Unless otherwise indicated, such forward-looking statements describe our expectations at November 1, 2007. These statements are based on management's beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management's control. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate, including assumptions regarding the future impacts of forbearance on our business. Assumptions made and risk factors considered in the preparation of forward-looking statements are discussed in more detail in Bell Aliant Regional Communications Holdings, Limited Partnership's management's discussion and analysis for the period ended December 31, 2006, as updated by its management's discussion and analysis for the first, second and third quarters of 2007, copies of which can be found on the Bell Aliant Regional Communications Income Fund website at www.bell.aliant.ca or at www.sedar.com. Except as may be required by applicable law, we disclaim any intention and assume no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason. Readers should not place undue reliance on any forward-looking statements.

About Bell Aliant

Bell Aliant (TSX: BA.UN) is one of North America's largest regional communications providers. Through its operating entities it serves customers in six Canadian provinces with innovative information, communication and technology services including voice, data, Internet, video and value-added business solutions. Through its xwave offices, Bell Aliant also provides IT professional services in Canada and the US. Bell Aliant's 10,000 employees are committed to deliver the highest quality of customer service, choice and convenience.

¹ Bell Aliant commenced operations on July 7, 2006 following the completion of the plan of arrangement of Aliant Inc. ("Aliant") (the "Plan of Arrangement"), which was described in Aliant's management information circular, dated April 14, 2006. Bell Aliant derives all of its income from its indirect ownership in Bell Aliant Regional Communications Holdings, Limited Partnership ("Bell Aliant Holdings LP") and Bell Nordiq Trust. Bell Aliant Holdings LP's results combine Aliant's former wireline operation in Atlantic Canada, information technology and other operations and Bell Canada's former wireline operation in its regional territories in Ontario and Quebec, and indirect ownership in Telebec, Limited Partnership and NorthernTel, Limited Partnership.

² In order to provide meaningful year over year comparisons, Bell Aliant has provided pro forma results with all periods restated to reflect the operation of Bell Aliant Holdings LP as if the Plan of Arrangement had been completed on January 1, 2006.

³ We define EBITDA, a non-GAAP measure, as earnings before interest, income taxes, depreciation and amortization expense, net benefit plans cost, and restructuring and other charges.

⁴ We define distributable cash, a non-GAAP measure, as cash from operating activities plus operating items funded through cash reserves or borrowings, such as working capital, pension deficit funding, restructuring costs and cash taxes in excess of normalized levels, plus amounts for current income tax provisions, less capital expenditures, and the portion of distributable cash attributable to minority holders (other than Bell Canada and BCE Inc.) in controlled subsidiaries.



Bell Aliant Regional Communications Income Fund

Management's Discussion and Analysis

Third Quarter 2007

This document provides management's discussion and analysis (MD&A) of our financial condition as at, and results of operations for, the three and nine month periods ended September 30, 2007. This MD&A should be read in conjunction with our unaudited consolidated financial statements and accompanying notes for the period ended September 30, 2007, and our December 31, 2006, audited consolidated financial statements and accompanying notes, and related MD&A. In addition, refer to the unaudited consolidated financial statements and notes and MD&A of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) for the period ended September 30, 2007, and the Bell Aliant Holdings LP December 31, 2006, audited consolidated financial statements and accompanying notes, and related MD&A. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All amounts in this MD&A are in millions of Canadian dollars, except where otherwise noted.

Throughout this MD&A, "we", "us", "our" and the "Fund" refer to Bell Aliant Regional Communications Income Fund. References to Bell Aliant Holdings LP include Bell Aliant Holdings LP and its subsidiaries.

Quarterly reports, annual reports, annual information forms and information circulars, can be found under "financial reports" on the Bell Aliant Regional Communications Income Fund (the Fund) website at www.bell.aliant.ca. These and other continuous disclosure documents are also available at www.sedar.com.

Forward-looking information

This MD&A is dated October 31, 2007, and is current to that date, unless otherwise stated. This MD&A contains forward-looking statements related to our future financial condition and results of operations. These statements are based on current expectations and estimates about the markets in which we operate and management's beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking statements in this MD&A describe our expectations at October 31, 2007. In some cases, forward-looking statements may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will" and similar expressions. These statements are subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the factors which could cause results or events to differ materially from current expectations include but are not limited to: the performance of Bell Aliant Holdings LP; stock market volatility; market or business conditions; the federal government's administration of its recently enacted tax rules for publicly listed income trusts; and changing laws or regulations. Some of these factors are largely beyond our control. Should any factor affect us in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. All of the forward-looking statements made in this document and the documents referred to within are qualified by these cautionary statements. There can be no assurance that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences for us. Readers should not place undue reliance on any forward-looking statements. Please see the "Risk management" section for a further discussion of factors that may affect actual results.

About our business

We are an unincorporated, open-ended limited purpose 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. We did not engage in any activities for the period from establishment on March 30, 2006, to July 6, 2006. Accordingly, the comparative information is for the period beginning on July 7, 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 then 63.4 per cent indirect interest in NorthernTel, Limited Partnership (NorthernTel) and Télébec, Limited Partnership (Télébec), was completed as described in Aliant's management information circular dated April 14, 2006.

On January 30, 2007, we acquired the remaining 36.7 per cent indirect interest in NorthernTel and Télébec through privatizing Bell Nordiq Income Fund. The transaction involved Bell Nordiq Income Fund paying its unitholders of record at close of business on January 26, 2007, a special distribution of \$4.00 per unit in cash on January 29, 2007. On January 30, 2007, we acquired the assets and liabilities of Bell Nordiq Income Fund, in exchange for 13,467,791 Fund units. On January 30, 2007, Bell Nordiq Income Fund redeemed its units, exchanging 0.4113 Fund units for each outstanding Bell Nordiq Income Fund unit. Bell Nordiq Income Fund units were subsequently delisted from the Toronto Stock Exchange (TSX).

As a result, we indirectly own an 81.5 per cent equity interest in Bell Aliant Holdings LP, which in turn consolidates subsidiaries that hold the operations of the Combined Business, including Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP) and the 63.3 per cent interest in NorthernTel and Télébec. We also indirectly own an equity investment in the remaining 36.7 per cent of NorthernTel and Télébec. We equity account for these investments as we exercise significant influence over operating, investing and financial policies of these entities, but do not control them. BCE Inc. (BCE) and Bell Canada own the remaining 18.5 per cent interest of Bell Aliant Holdings LP and a 36.9 per cent interest in Bell Aliant LP. Under a Securityholders' Agreement, BCE has certain rights which give it control over the board of Bell Aliant Holdings LP. BCE and Bell Canada's interests in these entities are exchangeable into Fund units such that their ownership of us would be 44.2 per cent on a fully diluted basis.

Privatization of BCE

On June 30, 2007, our significant unitholder, BCE, announced it had entered into a definitive agreement to be acquired by an investment group led by Teachers Private Capital, the private investment arm of the Ontario Teachers Pension Plan, Providence Equity Partners Inc. and Madison Dearborn Partners, LLC. On September 21, 2007, the transaction received BCE shareholder approval. Upon receipt of certain other approvals, the transaction is expected to be completed in the first quarter of 2008. We are not a party to this transaction and cannot predict the impact that a change of ownership of BCE may have on our organization.

Enactment of tax changes for publicly-listed income trusts

As a result of the federal government's recent enactment of tax changes for publicly-listed income trusts, we will commence accounting for a future tax liability related to our share of income from NorthernTel and Télébec upon completion of the purchase price allocation for our acquisition of the 36.7 per cent indirect interest in NorthernTel and Télébec. We anticipate completion of the purchase price allocation by December 31, 2007.

Summary financial information

For the period ended September 30, 2007 (millions of dollars)	Three months			Nine months		
	2007	2006	% change	2007	2006	% change
Net earnings from continuing operations	\$68.8	\$45.1	52.5	\$187.1	\$45.1	n.m.
Net earnings from discontinued operations	0.4	4.1	(90.2)	217.0	4.1	n.m.
Net earnings	\$69.2	\$49.2	40.7	\$404.1	\$49.2	n.m.
Distributions declared	\$90.5	\$77.9	16.2	\$279.4	\$77.9	n.m.

n.m. - not meaningful

Net earnings

Net earnings for the third quarter represents operating revenues, which consist of interest income and our equity percentage ownership of Bell Aliant Holdings LP, NorthernTel and Télébec's net earnings, less \$1.1 million in Fund expenses. The financial performance of Bell Aliant Holdings LP for the period ended September 30, 2007, is discussed in its MD&A.

Distributions declared

We make monthly cash distributions to our unitholders. During the three months ended September 30, 2007, we declared distributions totalling \$90.5 million, or \$0.705 per unit. The year-over-year increase since 2006 reflects the partial distribution period in July 2006, as distributions began effective July 7, 2006, a higher average outstanding Fund unit balance and the higher distribution rate since February 2007. Quarterly total distributions have been declining during 2007 as we repurchase units under our normal course issuer bid (NCIB) discussed under "Fund units".

The distributions we make are generally taxable to the recipient unitholder. The tax attributes of our distributions may change from year to year. In 2006, our distributions consisted of 26.7 per cent dividend income, 73.1 per cent other taxable income and 0.2 per cent was a return of capital. We estimate that 2007 distributions will consist of approximately 85 to 90 per cent other taxable income and approximately 10 to 15 per cent dividend income, however the actual composition will not be finalized and reported to unitholders until early 2008.

We are entirely dependent on distributions from Bell Aliant Holdings LP and from our 36.7 per cent indirect interest in NorthernTel and Télébec to make our distributions. A complete discussion of distributions made by Bell Aliant Holdings LP can be found in its MD&A for the quarter ended September 30, 2007.

(millions of dollars)	As at September 30, 2007	As at December 31, 2006
Total assets	\$4,311.3	\$4,135.3
Total liabilities	\$30.6	\$29.4
Unitholders' equity	\$4,280.7	\$4,105.9

Assets and liabilities

At September 30, 2007, our assets mainly consist of our indirect investment in, and distributions and other amounts receivable from, Bell Aliant Holdings LP, NorthernTel and Télébec. As well, during the first quarter of 2007 we assumed a loan of \$131.0 million from Bell Aliant LP as part of the Bell Nordiq Income Fund privatization transaction. In addition, we borrowed \$69.9 million from Bell Aliant LP primarily for the repurchase of units under our NCIB, which commenced on February 28, 2007. Both of these advances were repaid during the second quarter using the funds we received from a return of capital from Bell Aliant Holdings LP in the amount of \$460.9 million. The remainder of the funds received from the return of capital have been used to repurchase units under our NCIB. At September 30, 2007, there remains \$10.5 million receivable from Bell Aliant Holdings LP, which is reflected in cash and cash equivalents as we expect to collect it in the fourth quarter as we complete our NCIB.

Our liabilities consist mainly of distributions payable to our unitholders.

Fund units

During the three months ended September 30, 2007, we redeemed or repurchased units as follows:

- Our NCIB allows us to purchase, from time to time, up to 13,738,000 of our outstanding units at market prices, with cash, through the facilities of the TSX. During the third quarter of 2007, we purchased for cancellation 3,710,100 units for an aggregate price of \$117.1 million. On a year to date basis, we have purchased for cancellation 10,486,500 units for an aggregate price of \$325.6 million.
- We redeemed 663 units according to their redemption terms. Year to date, 6,729 units have been redeemed.

At September 30, 2007, there were 127,094,626 Fund units outstanding, 100,373,827 exchangeable limited partnership units outstanding, and 777,992 units outstanding under our deferred unit plan. Only 317,733 of the deferred units are considered dilutive, as the remainder are subject to certain performance criteria being met. Therefore, there are 227,786,186 Fund units outstanding on a fully diluted basis.

As at October 30, 2007, there were 126,951,126 Fund units outstanding. The reduction in Fund units since September 30, 2007, is due to the repurchase of units under our NCIB for an aggregate price of \$4.6 million.

Pro forma summary financial information

We equity account for our 81.5 per cent indirect investment in Bell Aliant Holdings LP and our 36.7 per cent indirect investment in NorthernTel and Télébec, as we do not exercise control over these investments.

Bell Aliant Holdings LP controls NorthernTel and Télébec through its 63.3 per cent ownership and therefore, NorthernTel and Télébec's results of operations are consolidated in the Bell Aliant Holdings LP financial statements with a non-controlling interest of 36.7 per cent recorded, reflecting our indirect equity investment.

The following pro forma summary financial information reflects our financial results had we been able, under Canadian GAAP, to consolidate our equity investments in Bell Aliant Holdings LP, NorthernTel and Télébec:

<i>For the period ended September 30, 2007</i>								
<i>Unaudited (millions of dollars)</i>	Three months				Nine months			
	Bell Aliant Income Fund	Bell Aliant Holdings LP	Pro forma adjustments	Pro forma Fund consolidated	Bell Aliant Income Fund	Bell Aliant Holdings LP	Pro forma adjustments	Pro forma Fund consolidated
Operating revenues	\$69.9	\$837.9	(\$70.0)	\$837.8	\$193.4	\$2,514.7	(\$193.5)	\$2,514.6
Net earnings from continuing operations	\$68.8	\$72.7	(\$72.7)	\$68.8	\$187.1	\$200.6	(\$200.6)	\$187.1
Net earnings	\$69.2	\$73.2	(\$73.2)	\$69.2	\$404.1	\$466.9	(\$466.9)	\$404.1
Current assets					\$40.3	\$487.3	(\$39.9)	\$487.7
Non-current assets					\$4,271.0	\$9,994.8	(\$3,832.6)	\$10,433.2
Current liabilities					\$30.6	\$860.5	(\$39.9)	\$851.2
Non-current liabilities					-	\$3,282.5	-	\$3,282.5

The pro forma adjustments represent the elimination of the Fund's investments in Bell Aliant Holdings LP, Télébec and NorthernTel as well as intercompany receivables and payables. The excess of the cost of the Fund's investment in NorthernTel and Télébec over its carrying value is included as goodwill in non-current assets as the purchase price allocation has not yet been completed.

Stability ratings

Our stability ratings have not changed during the third quarter of 2007 and were re-confirmed in September and October, 2007.

Related party transactions

BCE owns, directly and indirectly, 44.2 per cent of the Fund units on a fully diluted basis at October 31, 2007. There have been no changes to the Securityholders' Agreement in the third quarter of 2007. During the nine months ended September 30, 2007, we entered into a series of loans and repayments with subsidiaries of Bell Aliant Holdings LP. We repaid all loans payable during the second quarter of 2007 and we had \$10.5 million of loans receivable outstanding at September 30, 2007. Refer to note 8 to our unaudited interim consolidated financial statements as at September 30, 2007, for a further discussion.

Significant accounting policies and critical accounting estimates

Our unaudited interim consolidated financial statements as at September 30, 2007, have been prepared in accordance with Canadian GAAP. Our accounting policies and methods and critical accounting estimates and assumptions are described in note 1 to our consolidated financial statements for the year ended December 31, 2006. As discussed in note 1 to our unaudited interim consolidated financial statements as at September 30, 2007, on January 1, 2007, we adopted sections 1530, 3251, 3855, 3862, 3863, and 3865 of the Canadian Institute of Chartered Accountants Handbook, relating to comprehensive income, financial instruments and hedges.

The adoption of these sections did not have any direct impact on the way we recognize and measure our financial assets and financial liabilities. Bell Aliant Holdings LP recorded a reclassification adjustment in accumulated other comprehensive earnings (losses) and opening accumulated earnings which related to the adoption of the standards, as well as other comprehensive earnings during the three and nine months ended September 30, 2007. As a result of our equity investment in Bell Aliant Holdings LP, we have recorded our indirect interest in these accounts.

We constantly monitor changes in accounting standards and guidelines to ensure that we continue to adhere to Canadian GAAP. Other than described above, there have not been any changes in accounting standards or guidelines which have resulted in changes to our accounting in the first nine months of 2007.

Risk management

For a discussion of risks that are unique to the Fund, refer to the "Risk and risk management" section of our December 31, 2006, MD&A. For a discussion of risks related to the business of Bell Aliant Holdings LP, refer to the "Risk and risk management" section of Bell Aliant Holdings LP's MD&A for the year ended December 31, 2006.

Internal controls over financial reporting

Management has designed internal controls over financial reporting (as defined in Canadian Securities Administrators' Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in our internal controls over financial reporting during the three months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Supplementary financial information

The accompanying table shows selected quarterly consolidated financial data. This quarterly information has been prepared on the same basis as the consolidated financial statements.

For the five quarters ended September 30 (millions of dollars, except for per unit amounts)	2006 ⁽¹⁾		2007		
	Q3	Q4	Q1 ⁽¹⁾	Q2	Q3
Operating revenues	\$45.1	\$75.4	\$74.8	\$48.7	\$69.9
Net earnings from continuing operations	45.1	74.4	72.8	45.5	68.8
Net earnings (loss) from discontinued operations	4.1	4.6	4.4	212.2	0.4
Net earnings	\$49.2	\$79.0	\$77.2	\$257.7	\$69.2
Basic earnings per unit from continuing operations	\$0.36	\$0.60	\$0.55	\$0.34	\$0.53
Basic earnings per unit from discontinued operations	0.03	0.04	0.03	1.59	0.00
Basic earnings per unit	\$0.40	\$0.64	\$0.58	\$1.93	\$0.54
Diluted earnings per unit from continuing operations	\$0.40	\$0.59	\$0.57	\$0.25	\$0.49
Diluted earnings per unit from discontinued operations	0.02	0.03	0.02	1.11	0.00
Diluted earnings per unit	\$0.42	\$0.61	\$0.59	\$1.36	\$0.49
Cash distributions declared	\$77.9	\$85.1	\$96.0	\$92.9	\$90.5

⁽¹⁾ The financial information for 2006 and Q1 2007 have been restated to reflect the correction of an error as described in note 2 to our unaudited interim consolidated financial statements as at September 30, 2007.

The third quarter of 2006 represents results subsequent to July 7, 2006. The net earnings from discontinued operations in the second quarter of 2007 include our proportionate share of the gain on disposal of the net assets and operations of Aliant Directory Services.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Consolidated balance sheets
(Unaudited)

<i>(millions of dollars)</i>	Notes	As at September 30, 2007	As at December 31, 2006 <i>(as restated, note 2)</i>
Assets			
Current assets			
Cash and cash equivalents	8	\$ 10.9	\$ 0.7
Distributions receivable		27.9	28.5
Due from related parties		1.5	-
		40.3	29.2
Investments	3	4,271.0	4,106.1
Total assets		\$ 4,311.3	\$ 4,135.3
Liabilities and unitholders' equity			
Current liabilities			
Payables and accruals		\$ 0.7	\$ 0.2
Distributions payable	6	29.9	28.3
Due to related parties		-	0.9
		30.6	29.4
Unitholders' equity		4,280.7	4,105.9
Total liabilities and unitholders' equity		\$ 4,311.3	\$ 4,135.3

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Consolidated statements of earnings

(Unaudited)

For the three and nine months ended September 30, 2007

<i>(millions of dollars, except earnings per unit)</i>	Notes	Three months		Nine months	
		2007	2006 <i>(as restated, note 2)</i>	2007 <i>(as restated, note 2)</i>	2006 <i>(as restated, note 2)</i>
Operating revenues		\$ 69.9	\$ 45.1	\$ 193.4	\$ 45.1
Operating expenses		1.1	-	4.3	-
		68.8	45.1	189.1	45.1
Interest charges	8	-	-	2.0	-
Net earnings from continuing operations		68.8	45.1	187.1	45.1
Net earnings from discontinued operations		0.4	4.1	217.0	4.1
Net earnings		\$ 69.2	\$ 49.2	\$ 404.1	\$ 49.2
Earnings per unit	5				
Basic from continuing operations		\$ 0.53	\$ 0.36	\$ 1.42	\$ 0.36
Basic from discontinued operations		0.00	0.03	1.65	0.03
Basic		\$ 0.54	\$ 0.40	\$ 3.07	\$ 0.40
Diluted from continuing operations		\$ 0.49	\$ 0.40	\$ 1.31	\$ 0.40
Diluted from discontinued operations		0.00	0.02	1.15	0.02
Diluted		\$ 0.49	\$ 0.42	\$ 2.46	\$ 0.42

Consolidated statements of comprehensive earnings

(Unaudited)

For the three and nine months ended September 30, 2007

<i>(millions of dollars)</i>	Note	Three months		Nine months	
		2007	2006 <i>(as restated, note 2)</i>	2007 <i>(as restated, note 2)</i>	2006 <i>(as restated, note 2)</i>
Net earnings		\$ 69.2	\$ 49.2	\$ 404.1	\$ 49.2
Other comprehensive earnings (losses)	3	(5.2)	-	2.7	-
Comprehensive earnings		\$ 64.0	\$ 49.2	\$ 406.8	\$ 49.2

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Consolidated statements of unitholders' equity
(Unaudited)

For the period ended September 30, 2007

	Notes	Stated capital	Contributed surplus	Accumulated earnings	Distributions declared	Accumulated other comprehensive earnings (loss)	Unitholders' equity
Balance, December 31, 2006, as reported	2	\$ 4,140.7	\$ -	\$ 163.1	\$ (163.0)	\$ -	\$ 4,140.8
Correction of an error		-	-	(34.9)	-	-	(34.9)
Balance, December 31, 2006, as restated		\$ 4,140.7	\$ -	\$ 128.2	\$ (163.0)	\$ -	\$ 4,105.9
Net earnings, for the period		-	-	404.1	-	-	404.1
Distributions declared	6	-	-	-	(279.4)	-	(279.4)
Issuance of units	4	394.0	-	-	-	-	394.0
Redemption of units	4	(0.2)	-	-	-	-	(0.2)
Units purchased for cancellation	4	(345.8)	-	-	-	-	(345.8)
Excess of stated value over repurchase of units	4	-	20.2	-	-	-	20.2
Deferred unit plan	4,7	0.1	8.7	-	-	-	8.8
Reclassification adjustment of equity investee	1	-	-	0.6	-	(32.8)	(32.2)
Other comprehensive earnings of equity investee		-	-	-	-	2.7	2.7
Other equity adjustments of equity investee		-	0.2	2.4	-	-	2.6
Balance, September 30, 2007		\$ 4,188.8	\$ 29.1	\$ 535.3	\$ (442.4)	\$ (30.1)	\$ 4,280.7

For the period ended September 30, 2006
(as restated, note 2)

	Stated capital	Contributed surplus	Accumulated earnings	Distributions declared	Accumulated other comprehensive earnings (loss)	Unitholders' equity
Net earnings, for the period	\$ -	\$ -	\$ 49.2	\$ -	\$ -	\$ 49.2
Distributions declared	-	-	-	(77.9)	-	(77.9)
Issuance of units in exchange for Aliant common shares	4,141.0	-	-	-	-	4,141.0
Balance, September 30, 2006	\$ 4,141.0	\$ -	\$ 49.2	\$ (77.9)	\$ -	\$ 4,112.3

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Consolidated statements of cash flows
(Unaudited)
For the three and nine months ended September 30, 2007

<i>(millions of dollars)</i>	Notes	Three months		Nine months	
		2007	2006	2007	2006
			(as restated, note 2)	(as restated, note 2)	(as restated, note 2)
Cash from (used in) operating activities					
Net earnings from continuing operations		\$ 68.8	\$ 45.1	\$ 187.1	\$ 45.1
Adjustments to reconcile net earnings to cash from operating activities					
Income from equity investments		(69.3)	(45.1)	(190.9)	(45.1)
Change in operating assets and liabilities		1.2	-	1.6	-
		0.7	-	(2.2)	-
Cash from (used in) financing activities					
Repayment of loan to related party	8	-	-	(200.9)	-
Proceeds of loan received from related party	8	-	-	69.9	-
Issuance of units		-	4,141.0	-	4,141.0
Repurchase of units	4	(117.1)	-	(325.6)	-
Redemption of units	4	-	-	(0.2)	-
Purchase of units for distribution reinvestment and optional unit purchase plan	4	(3.2)	(2.3)	(9.7)	(2.3)
Cash distributions paid to unitholders	6	(88.1)	(47.3)	(268.1)	(47.3)
		(208.4)	4,091.4	(734.6)	4,091.4
Cash from (used in) investing activities					
Cash distributions received from equity investments	3	90.7	50.1	286.1	50.1
Return of capital	3	-	-	460.9	-
Increase in investments		-	(4,141.0)	-	(4,141.0)
		90.7	(4,090.9)	747.0	(4,090.9)
Net increase (decrease) in cash from continuing operations		(117.0)	0.5	10.2	0.5
Cash and cash equivalents, beginning of period		127.9	-	0.7	-
Cash and cash equivalents, end of period		\$ 10.9	\$ 0.5	\$ 10.9	\$ 0.5

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

Bell Aliant Regional Communications Income Fund is an unincorporated, open-ended limited purpose trust governed by the laws of Ontario pursuant to a Declaration of Trust dated March 30, 2006, as amended and restated on July 6, 2006. All references to “we”, “us”, “our” or the “Fund” refer to Bell Aliant Regional Communications Income Fund.

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 Quebec (the Combined Business) and Bell Canada’s then 63.4 per cent indirect interest in NorthernTel, Limited Partnership (NorthernTel) and Télébec, Limited Partnership (Télébec), was completed as described in Aliant’s management information circular dated April 14, 2006. As a result of the Arrangement, we hold an indirect interest in the Combined Business and NorthernTel and Télébec.

On January 30, 2007, we acquired the remaining 36.7 per cent indirect interest in NorthernTel and Télébec through privatizing Bell Nordiq Income Fund. The transaction involved Bell Nordiq Income Fund paying its unitholders of record at close of business on January 26, 2007, a special distribution of \$4.00 per unit in cash on January 29, 2007. On January 30, 2007, we acquired the assets and liabilities of Bell Nordiq Income Fund in exchange for 13,467,791 Fund units. On January 30, 2007, Bell Nordiq Income Fund redeemed its units, exchanging 0.4113 Fund units for each outstanding Bell Nordiq Income Fund unit. The Bell Nordiq Income Fund units were subsequently de-listed from the Toronto Stock Exchange (TSX).

Basis of presentation

We have prepared these unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles 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 and correction of an error discussed in note 2. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2006.

We consolidate the subsidiaries we control, Bell Aliant Holdings Trust and Bell Nordiq Trust, and equity account for the following investments over which we exercise significant influence:

- Through Bell Aliant Holdings Trust, we have an 81.5 per cent equity interest in Bell Aliant Regional Communications Holdings Inc. (Bell Aliant Holdings GP) and Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP), which consolidates the subsidiaries which operate the Combined Business, including Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), and which holds a 63.3 per cent interest in NorthernTel and Télébec. These financial statements should be read in conjunction with the unaudited interim consolidated financial statements of Bell Aliant Holdings LP as at September 30, 2007.
- Through Bell Nordiq Trust we hold the remaining 36.7 per cent equity interest in NorthernTel and Télébec.

All significant intercompany transactions have been eliminated on consolidation.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

The new standards require that we present a consolidated statement of comprehensive earnings which reflects changes in accumulated other comprehensive earnings (losses), which is shown as a separate component of unitholders' equity.

The adoption of these sections did not have any direct impact on the way we recognize and measure our financial assets and financial liabilities. Bell Aliant Holdings LP recorded a reclassification adjustment in accumulated other comprehensive earnings (losses) and opening accumulated earnings which related to the adoption of the standards, as well as other comprehensive earnings during the nine months ended September 30, 2007. As a result of our equity investment in Bell Aliant Holdings LP, we have recorded our indirect interest in these amounts.

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)
Investments	\$ (32.2)
Accumulated earnings	\$ 0.6
Accumulated other comprehensive losses	\$ (32.8)

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments with a maturity of less than 90 days, and notes receivable from Bell Aliant LP, as described in note 8, all of which are readily convertible to cash and subject to an insignificant risk of change in fair value.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

As a result of the recent enactment of Bill C-52, the Budget Implementation Act 2007, we will, beginning in 2011, be subject to tax as if we were a corporation. Upon completion of the notional purchase price allocation related to our acquisition of the remaining 36.7 per cent interest in NorthernTel and Télébec (note 3), we will commence reporting a non-cash charge to reflect future tax liabilities related to our share of the temporary differences between the accounting and tax basis of NorthernTel's and Télébec's assets and liabilities. The charge will not affect cash flows or distributions.

Economic dependence

The Fund is economically dependent on Bell Aliant Holdings LP, Télébec and NorthernTel. The ability to pay our distributions is entirely dependent on the distributions received from Bell Aliant Holdings LP, Télébec and NorthernTel. Significant events or transactions in Bell Aliant Holdings LP, Télébec, or NorthernTel could materially influence our ability to pay our distributions.

2. CORRECTION OF AN ERROR

During the second quarter of 2007, we determined that the method used to equity account for our proportionate share of net earnings related to our investment in Bell Aliant Holdings LP was incorrect. We have restated prior period balances to reflect the correction of the error in accordance with CICA Handbook, Section 1506, Accounting Changes. The effect of the restatement is as follows:

<i>(millions of dollars)</i>	January 1, 2007 to March 31, 2007	October 1, 2006 to December 31, 2006	July 7, 2006 to September 30, 2006	Total
Consolidated statements of earnings				
Increase (decrease) to:				
Operating revenues	\$ (21.9)	\$ (10.1)	\$ (33.5)	\$ (65.5)
Net earnings from continuing operations	\$ (21.9)	\$ (10.1)	\$ (33.5)	\$ (65.5)
Net earnings from discontinued operations	\$ 4.4	\$ 4.6	\$ 4.1	\$ 13.1
Net earnings	\$ (17.5)	\$ (5.5)	\$ (29.4)	\$ (52.4)
Consolidated balance sheets				
Increase to:				
Investments	\$ 17.5	\$ 5.5	\$ 29.4	\$ 52.4

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

2. CORRECTION OF AN ERROR (Continued)

	January 1, 2007 to March 31, 2007	October 1, 2006 to December 31, 2006	July 7, 2006 to September 30, 2006
Earnings per unit			
Increase (decrease) to:			
Basic from continuing operations	\$ (0.16)	\$ (0.08)	\$ (0.27)
Basic from discontinued operations	0.03	0.04	0.03
Basic	\$ (0.13)	\$ (0.04)	\$ (0.23)
Diluted from continuing operations	\$ (0.14)	\$ (0.09)	\$ (0.23)
Diluted from discontinued operations	0.02	0.03	0.02
Diluted	\$ (0.12)	\$ (0.07)	\$ (0.21)

3. INVESTMENTS

	As at September 30, 2007	As at December 31, 2006 (as restated, note 2)
<i>(millions of dollars)</i>		
Bell Aliant Holdings LP	\$ 3,742.0	\$ 4,106.1
Télébec and NorthernTel	529.0	-
	\$ 4,271.0	\$ 4,106.1

Distributions declared and received from our equity investments were as follows:

For the period ended <i>(millions of dollars)</i>	September 30, 2007		December 31, 2006	
	Declared	Received	Declared	Received
Bell Aliant Holdings LP	\$ 256.8	\$ 260.6	\$ 164.1	\$ 135.6
Télébec and Northern Tel	28.7	25.5	-	-
	\$ 285.5	\$ 286.1	\$ 164.1	\$ 135.6

Bell Aliant Holdings LP

On January 1, 2007, the investment in Bell Aliant Holdings LP decreased by \$32.2 million as a result of the adoption of the financial instruments standards, as discussed in note 1, which was partially offset by recording other comprehensive earnings in the amount of \$2.7 million for the nine months ended September 30, 2007.

In May 2007, a series of transactions was undertaken to enable us to fund our normal course issuer bid (NCIB) and settle a related party loan. This included the receipt of \$460.9 million as a return of capital on the Class 2 limited partnership units we hold in Bell Aliant Holdings LP, which has reduced the carrying value of our investment in Bell Aliant Holdings LP.

Télébec and NorthernTel

On January 30, 2007, we acquired the remaining 36.7 per cent ownership interest in NorthernTel and Télébec through the acquisition of the assets and liabilities of Bell Nordiq Income Fund

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

3. INVESTMENTS (Continued)

Télébec and NorthernTel (Continued)

having a net book value of \$175.0 million. Bell Nordiq Income Fund held 100.0 per cent of the units and notes issued by Bell Nordiq Trust which in turn held a 36.7 per cent interest in NorthernTel and Télébec. We exchanged 13,467,791 Fund units, having a total value of \$394.0 million (note 4) for the assets and liabilities of Bell Nordiq Income Fund. The total value was calculated using the weighted average price of Fund units for the five days prior to January 30, 2007. The difference between the cost of the investment plus transaction costs of \$4.7 million and the net book value of the assets and liabilities purchased is \$223.7 million, which is included in the cost of the investment. As the notional purchase price allocation is not final, the total value has been allocated to equity goodwill.

The investment in NorthernTel and Télébec also includes a \$131.0 million loan (note 8) that was assumed as part of the acquisition transaction and has since been repaid.

4. UNITHOLDERS' CAPITAL

Issued and outstanding

The following tables provide the details of the change in the issued and outstanding units.

<i>(millions of dollars, except as otherwise noted)</i>	As at September 30, 2007		As at December 31, 2006	
	Number of units	Stated capital	Number of units	Stated capital
Fund units, beginning of period	124,115,890	\$ 4,140.7	-	\$ -
Issued on settlement	-	-	10	-
Repurchase of units	-	-	(10)	-
Issuance of units in exchange for Aliant common shares	-	-	124,121,176	4,141.0
Issuance of units (note 3)	13,467,791	394.0	-	-
Deferred unit plan units exercised (note 7)	4,380	0.1	-	-
Redemption of units	(6,729)	(0.2)	(4,864)	(0.3)
Fractional unit adjustment	(206)	-	(422)	-
Units purchased for cancellation	(10,486,500)	(345.8)	-	-
Fund units, end of period	127,094,626	\$ 4,188.8	124,115,890	\$ 4,140.7

We commenced an NCIB on February 28, 2007. The NCIB allows us to purchase, from time to time, up to 13,738,000 of our outstanding units, representing approximately 10.0 per cent of our public float outstanding on February 26, 2007. Purchases under the NCIB are made with cash, at market prices, through the facilities of the TSX. The NCIB will expire on February 27, 2008. For the nine months ended September 30, 2007, we purchased for cancellation 10,486,500 units for an aggregate price of \$325.6 million, which reduced our stated capital by \$345.8 million and increased contributed surplus by \$20.2 million.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

4. UNITHOLDERS' CAPITAL (Continued)

Distribution reinvestment and optional unit purchase plan

For the three and nine months ended September 30, 2007, we bought 116,728 and 370,277 units, respectively (July 7, 2006, to September 30, 2006 – 64,298 units), on the open market in lieu of paying \$3.2 million and \$9.7 million in distributions, respectively (July 7, 2006, to September 30, 2006 - \$2.3 million), and in respect of optional cash purchases of \$0.5 million and \$1.6 million, respectively (July 7, 2006, to September 30, 2006 – less than \$0.1 million).

5. EARNINGS PER UNIT

For the three and nine months ended September 30, 2007

<i>(millions of dollars, except per unit amounts)</i>	Three months		Nine months	
	2007	2006	2007	2006
		(as restated, note 2)		(as restated, note 2)
Basic:				
Net earnings from continuing operations	\$ 68.8	\$ 45.1	\$ 187.1	\$ 45.1
Net earnings from discontinued operations	0.4	4.1	217.0	4.1
Net earnings	\$ 69.2	\$ 49.2	\$ 404.1	\$ 49.2
Weighted average number of units outstanding	128,960,220	124,120,999	131,607,966	124,120,999
Basic earnings per unit from continuing operations	\$ 0.53	\$ 0.36	\$ 1.42	\$ 0.36
Basic earnings per unit from discontinued operations	0.00	0.03	1.65	0.03
Basic earnings per unit	\$ 0.54	\$ 0.40	\$ 3.07	\$ 0.40

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

5. EARNINGS PER UNIT (Continued)

For the three and nine months ended September 30, 2007

<i>(millions of dollars, except per unit amounts)</i>	Three months		Nine months	
	2007	2006	2007	2006
	<i>(as restated, note 2)</i>		<i>(as restated, note 2)</i>	
Diluted:				
Net earnings from continuing operations	\$ 68.8	\$ 45.1	\$ 187.1	\$ 45.1
Add non-controlling interest of holders of exchangeable units				
Bell Aliant Holdings LP	13.4	10.2	37.1	10.2
Bell Aliant LP	30.9	33.6	80.8	33.6
	113.1	88.9	305.0	88.9
Net earnings from discontinued operations	0.4	4.1	217.0	4.1
Add non-controlling interest of holders of exchangeable units				
Bell Aliant Holdings LP	0.1	0.9	49.3	0.9
	0.5	5.0	266.3	5.0
Diluted net earnings	\$ 113.6	\$ 93.9	\$ 571.3	\$ 93.9
Weighted average number of units outstanding	128,960,220	124,120,999	131,607,966	124,120,999
Add exchangeable limited partnership units:				
Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP	28,168,803	28,168,803	28,168,803	28,168,803
Class B exchangeable limited partnership units of Bell Aliant LP	72,205,024	72,205,024	72,205,024	72,205,024
Deferred units	317,733	-	317,733	-
	229,651,780	224,494,826	232,299,526	224,494,826
Diluted earnings per unit from continuing operations	\$ 0.49	\$ 0.40	\$ 1.31	\$ 0.40
Diluted earnings per unit from discontinued operations	0.00	0.02	1.15	0.02
Diluted earnings per unit	\$ 0.49	\$ 0.42	\$ 2.46	\$ 0.42

The exchangeable limited partnership units are intended to be, to the greatest extent practicable, the economic equivalent of our units. If holders of the exchangeable limited partnership units were to trigger an exchange for our units, the distributions currently being paid to the holders by Bell Aliant Holdings LP and Bell Aliant LP would be paid directly to us. The deferred units represent units outstanding under the deferred unit plan (DUP), as discussed in note 7. The deferred units included in this calculation represent deferred units relating to the 2006 grant as those are the only ones that meet the criteria for being dilutive.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

6. DISTRIBUTIONS TO UNITHOLDERS

<i>(millions of dollars, except per unit amounts)</i>	Monthly	Distributions
Record date	distributions	per unit
January 31, 2007	\$ 31.4	\$ 0.2283
February 28, 2007	32.3	0.2350
March 30, 2007	32.3	0.2350
April 30, 2007	31.3	0.2350
May 31, 2007	30.9	0.2350
June 29, 2007	30.7	0.2350
July 31, 2007	30.5	0.2350
August 31, 2007	30.1	0.2350
September 28, 2007	29.9	0.2350
Total distributions declared	\$ 279.4	\$ 2.1083

7. UNIT-BASED COMPENSATION PLAN

Employees' unit purchase plan

For the three and nine months ended September 30, 2007, we bought 377,531 units and 1,338,571 units, respectively (July 7, 2006, to September 30, 2006 – 473,354 units), on the open market for employees of subsidiaries of Bell Aliant Holdings LP. Compensation expense was recorded in these subsidiaries.

Deferred unit plan (DUP)

During the first quarter of 2007, we finalized a DUP for certain executives and senior management of Bell Aliant Holdings LP and its subsidiaries to further align their long-term incentive compensation with total unitholder returns.

Under this DUP, we may grant deferred units to eligible plan members in such number and at such times as we determine as a bonus or in respect of services rendered by the plan member for the year of 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 deferred units vest over a period of three years and are subject to certain performance criteria, with the exception of the 2006 grant, which was not made subject to performance criteria, as it was awarded in recognition of 2006 performance. The plan member may hold the deferred units in an account until the end of the second year following their termination or retirement. We may issue up to 1,195,620 additional units out of treasury to satisfy awards under this DUP.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

7. UNIT-BASED COMPENSATION PLAN (Continued)

Deferred unit plan (DUP) (continued)

A summary of the status of the DUP as at September 30, 2007, and changes during the 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
Granted through reinvested distributions	34,365
Forfeited	(22,452)
Exercised (note 4)	(4,380)
Deferred units outstanding, as at September 30, 2007	777,992

Compensation expense is recorded in subsidiaries of Bell Aliant Holdings LP. As this liability will be settled with Fund units, for the three and nine months ended September 30, 2007, we have recorded the equivalent of the compensation expense recorded in Bell Aliant Holdings LP subsidiaries of \$2.4 million and \$8.7 million, respectively, as contributed surplus.

During the third quarter of 2007, 4,380 deferred units were exercised at an average exercise price of \$31.44 per unit.

8. RELATED PARTY TRANSACTIONS

On January 30, 2007, as part of the transaction to acquire the 36.7 per cent indirect interest in NorthernTel and Télébec, Bell Aliant LP loaned \$131.0 million to Bell Nordiq Income Fund to enable it to make a special distribution to its unitholders. On the privatization of Bell Nordiq Income Fund, we indirectly assumed the loan. The loan was repaid on May 2, 2007, together with interest calculated thereon at 5.1 per cent per annum which amounted to \$1.7 million of interest charges being recorded.

On March 28, 2007, a subsidiary of Bell Aliant Holdings LP loaned us \$69.9 million to enable us to repurchase units under our NCIB. Similar loans were made in April 2007 through a series of promissory notes. All of the loans were repaid in April and May 2007, together with interest calculated thereon at 4.4 per cent to 4.42 per cent per annum which amounted to \$0.3 million of interest charges being recorded.

During the second and third quarters of 2007, we loaned our excess cash to Bell Aliant LP, through a series of promissory notes. Payments are requested as required to fund our NCIB program. All of these promissory notes were subsequently repaid, with interest calculated thereon from 4.42 per cent to 5.05 per cent per annum totalling \$2.5 million of interest charges being recorded, with the exception of the following:

- \$7.5 million loaned on September 27, 2007, payable together with interest calculated thereon at 4.97 per cent per annum; and
- \$3.0 million loaned on September 14, 2007, payable together with interest calculated thereon at 5.14 per cent per annum.

These balances are included in cash and cash equivalents.



Bell Aliant Regional Communications Holdings, Limited Partnership

Management's Discussion and Analysis

Third Quarter 2007

This document provides management's discussion and analysis (MD&A) of our financial condition as at, and results of operations for, the three and nine month periods ended September 30, 2007, compared to the corresponding periods in 2006. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements and accompanying notes for the period ended September 30, 2007, and our December 31, 2006, audited consolidated financial statements and accompanying notes, and related MD&A. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All amounts in this MD&A are in millions of Canadian dollars, except where otherwise noted.

Throughout this MD&A, unless otherwise specified or the context otherwise indicates, "we", "us", "our" and "Bell Aliant Holdings LP" refer to Bell Aliant Regional Communications Holdings, Limited Partnership and its subsidiaries. Throughout this MD&A, the term "Aliant" refers to the former Aliant Inc. and its subsidiaries.

Quarterly reports, annual reports and supplementary financial information, as well as annual information forms and information circulars, can be found under "financial reports" on the Bell Aliant Regional Communications Income Fund (the Fund) website at www.bell.aliant.ca. These and other continuous disclosure documents are also available at www.sedar.com.

Forward-looking information

This MD&A is dated October 31, 2007, and is current to that date, unless otherwise stated. This MD&A contains forward-looking statements related to our future financial condition and results of operations. These statements are based on current expectations and estimates about the markets in which we operate and management's beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking statements in this MD&A describe our expectations at October 31, 2007. In some cases, forward-looking statements may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will" and similar expressions. These statements are subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the factors which could cause results or events to differ materially from current expectations include but are not limited to: our ability to achieve strategies and plans; general economic conditions; the changing competitive environment; changing regulatory conditions or requirements; changing conditions in public debt markets; reliance on IT systems; changing technology; our relationship with BCE Inc. (BCE) and Bell Canada; the lack of assurance that our credit ratings will not be lowered in the future; and the federal government's administration of its recently enacted tax rules for publicly listed income trusts. Some of these factors are largely beyond our control. In addition, a number of assumptions were made by us in making forward-looking statements in this MD&A, such as certain Canadian economic assumptions, market assumptions, operational and financial assumptions, and assumptions about transactions. Refer to the "Assumptions made in the preparation of forward-looking statements" and "Risk management" sections of this MD&A for further discussion of these risk factors. Should any factor affect us in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. All of the forward-looking statements made in this document and the documents referred to within are qualified by these cautionary statements. There can be no assurance that the results or

developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences for us. Readers should not place undue reliance on any forward-looking statements.

OUR BUSINESS

Our core businesses

We are a regionally focused telecommunications service provider with operations primarily in Atlantic Canada, Quebec and Ontario. We have been serving customers for over a century. We provide a wide range of innovative and traditional voice and data communications services and an array of information technology (IT) consulting, infrastructure management and product fulfillment services.

Bell Aliant Holdings LP began operations on July 7, 2006, pursuant to the Plan of Arrangement (the Arrangement) that created the Fund. Details of the Arrangement can be found in Aliant's management information circular dated April 14, 2006. Our principal operations are carried on by Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), Télébec, Limited Partnership (Télébec) and NorthernTel, Limited Partnership (NorthernTel). We consolidate these and other subsidiary partnerships and corporations.

Our results are accounted for on a continuity of interest basis, therefore our comparative information for any period prior to July 7, 2006, is for Aliant. To allow for more meaningful period-over-period comparison and analysis, we have also presented certain of our results prior to July 7, 2006, on a pro forma basis assuming Bell Aliant Holdings LP was operational throughout all of 2006.

Our business environment

Competitive landscape

We face a number of different competitors across the regions we serve, with increasing competition from cable companies continuing to be one of the largest risks we face in our business. Many of our strategic initiatives in 2007 are designed to mitigate this risk. During the third quarter of 2007, cable competitors continued to expand their local service areas and launched aggressive promotional campaigns across our regions. The effects of the resulting local residential customer declines are discussed further in the "Results of operations" section. We expect continued growth in the competitive footprint, and as competition increases, we remain focused on the successful execution of our strategic priorities to mitigate its effect. We continue to enhance our products and services, promote our bundled service packages and innovate with customers to provide complete solutions, and we continue to invest in our communities and support activities that are important to our customers and employees.

In keeping with our strategy to advance our network to ensure our products and services remain competitive in this environment, we made a decision in early 2007 to accelerate our planned investment in Fibre-to-the-node (FTTN). By committing \$35 to \$45 million in additional capital spending during 2007, we are rolling out FTTN to our most competitive centers earlier than would have been achievable under our base capital investment plan. This will enable the delivery of higher bandwidth Internet Protocol (IP) services, including our IPTV service, to approximately 190,000 to 200,000 homes in Atlantic Canada by the end of the year.

Telecommunications regulatory developments

Our business is affected by decisions made by the Canadian Radio-television and Telecommunications Commission (CRTC or the Commission) and the federal government. There have been a number of regulatory reform events that could have a material effect on our future financial results. Details of significant regulatory developments that occurred in the third quarter of 2007 and up to and including October 31, 2007, are:

- *Local service regulation* - the Commission granted forbearance (i.e. removal of certain price regulation) of residential local telephone service in 72 of the 85 exchanges requested by us in Atlantic Canada and five of the six exchanges requested by Télébec. The Commission granted conditional forbearance of residential local services in five exchanges in Atlantic Canada and 39 exchanges in our central region.

The Commission also granted business local exchange service forbearance in 18 of the 69 exchanges we applied for in Atlantic Canada, and one of the six exchanges requested by Télébec. The Commission

granted conditional forbearance of business local service in 17 exchanges in our central region. Currently, Centrex services are excluded from business forbearance, however the Commission has initiated a proceeding to consider whether Centrex services are business local exchange services for the purposes of assessing forbearance applications.

The forbearance for exchanges granted conditional forbearance will take effect on the earlier of the date we meet required Quality of Service criteria in providing services to our competitors, or in the case of a small number of exchanges, a specified date that is 18 months following the launch of local telephone service by the competitor in the exchange.

- *Review of regulatory measures* - On July 11, 2007, the Commission announced its action plan for the review of existing Commission regulatory measures in light of the federal government's policy direction. Pursuant to that action plan, the Commission initiated a proceeding to review the general tariff bundling rules and the rules for market trials, and initiated a separate proceeding seeking comments on the continued appropriateness of the rules pertaining to mandatory customer notice on contract renewal and the regulatory requirements applicable to service de-standardization or withdrawal. The result of these reviews could be the elimination or scaling back of regulatory measures that are not efficient or which interfere with market forces.
- *Deferral account* - During the first quarter of 2007, the CRTC issued two decisions related to competitor digital network services. After assessing the deferral account impacts associated with these CRTC decisions, the estimated balance in our deferral account is zero, with an annual recurring over-contribution of \$4.8 million. This over-contribution represents funds we are permitted to recover through rate increases. Rate increases have been implemented resulting in the clearing and closing of our deferral account. On July 14, 2007, the CRTC issued its final determination regarding the compensation of the deferral account shortfall incurred by Télébec. Télébec is permitted to recover the shortfall through an adjustment of the exogenous factor in the price-cap formula over a four year period. The annual recurring value of the shortfall stands at \$3.0 million with an accumulated deficit of \$2.7 million.
- *Basic toll constraints* - On July 23, 2007, the Commission removed the upward price constraints that apply to rate schedules for our basic toll services, with the exception of discounts for registered or certified hearing- or speech-impaired teletypewriter users.
- *Rates* - In a decision issued on July 30, 2007, the CRTC concluded that the price cap framework applicable to large incumbent local exchange carriers (ILECs), would also apply to Télébec.
- *Bundling rule for customer-specific arrangements* - On August 17, 2007, the Commission determined that the tariff approval requirement and other rules applicable to certain customer-specific arrangements that consist of both regulated and non-regulated services do not apply provided that the price of the bundle at least equals the sum of the rates of all its tariffed components.
- *Wholesale Ethernet services* - On January 25, 2007, the CRTC issued a decision prescribing requirements for the provision of ILECs' wholesale Ethernet services which would have required a material redesign of our wholesale Ethernet service. As a result, we, and others, filed applications with the Commission requesting that the decision be reviewed and varied. On August 31, 2007, the Commission rescinded those portions of the Order that introduced new rates, terms, services, or conditions. The Commission noted that it intends to address the regulatory requirements for these services, among others, in the context of its current review of the regulatory framework applicable to wholesale services generally.
- *Wholesale services review* - the proceeding initiated by the Commission in 2006 to review the regulatory framework applicable to wholesale services provided by ILECs, competitive local exchange carriers, and cable companies to each other, continues with an oral hearing phase which began on October 9, 2007. This is the first comprehensive review of wholesale regulation ever undertaken by the Commission and presents an opportunity to apply the government's policy direction to rely on market forces to the maximum extent feasible.

Privatization of BCE

On June 30, 2007, our significant stakeholder, BCE, announced it had entered into a definitive agreement to be acquired by an investment group led by Teachers Private Capital, the private investment arm of the Ontario Teachers Pension Plan, Providence Equity Partners Inc. and Madison Dearborn Partners, LLC. On September 21, 2007, the transaction received BCE shareholder approval. Upon receipt of certain other approvals, the transaction is expected to be completed in the first quarter of 2008. We are not a party to the transaction and cannot predict the impact that a change of ownership of BCE may have on our organization.

QUARTER IN REVIEW

Summary of as reported results

<i>For the period ended September 30</i>	As reported					
	Three months			Nine months		
	2007	2006	% change	2007	2006	% change
<i>(millions of dollars)</i>						
Operating revenues	\$837.9	\$802.8	4.4	\$2,514.7	\$1,847.0	36.2
EBITDA ⁽¹⁾	\$372.4	\$355.6	4.7	\$1,080.0	\$783.6	37.8
Operating income ⁽¹⁾	\$142.3	\$184.4	(22.8)	\$369.7	\$364.9	1.3
Other income	(4.3)	(2,780.3)	(99.8)	(1.7)	(2,766.6)	(99.9)
Interest charges	38.5	37.1	3.8	119.6	70.9	68.7
Income tax expense (recovery)	(8.8)	(46.2)	(81.0)	(60.2)	2.5	n.m.
Non-controlling interest	44.2	43.7	1.1	111.4	44.8	148.7
Net earnings from continuing operations	\$72.7	\$2,930.1	(97.5)	\$200.6	\$3,013.3	(93.3)
Net earnings from discontinued operations	0.5	5.5	(90.9)	266.3	15.7	n.m.
Net earnings	\$73.2	\$2,935.6	(97.5)	\$466.9	\$3,029.0	(84.6)

n.m. - not meaningful

⁽¹⁾ EBITDA and operating income are non-GAAP financial measures. Refer to the "Non-GAAP financial measures" section for more details.

Operating revenues and expenses as reported in the third quarter of 2007 start to become more comparable to the same period in 2006.

A comparison of operating results for the third quarter of 2007 to the third quarter of 2006 needs to take into account the six day period from July 1, 2006, to July 6, 2006 for which results are for Aliant. Therefore, our "as reported" results for the 2007 period display slightly higher growth in operating revenues, expenses and EBITDA than on a pro forma adjusted basis. Operating income for the third quarter of 2007 declined as the \$16.8 million increase in EBITDA was offset by a \$41.9 million increase in depreciation and amortization and a \$17.0 million increase in restructuring and other charges. During the second quarter of 2007, the purchase price allocation for our Ontario and Quebec region was finalized and resulted in a \$125.3 million adjustment to depreciation and amortization, primarily related to finite-life intangibles, for the period from July 7, 2006, to June 30, 2007. In addition to depreciation and amortization associated with our larger capital base since the Arrangement, ongoing depreciation and amortization expense is also affected by the amortization of finite-life intangibles, which was approximately \$34 million higher in the third quarter of 2007 compared to the same period in 2006. As well, during the third quarter of 2007, we have recorded a \$20.8 million restructuring charge related to costs to advance the organization's productivity initiatives leading into 2008. The charge covers costs of severance and benefits. The results for the third quarter of 2006 also reflect items that were recorded specific to our creation in early July 2006, in particular a \$1.95 billion gain on disposal of Aliant's wireless operation and shares of DownEast Ltd., a \$1.0 billion dilution gain, and a \$147.8 million charge related to debt prepayment premiums. The income

tax recovery for the third quarter of 2007 reflects the significant reduction in our effective tax rate related to our income trust structure as well as the future tax recovery related to amortization of the intangible assets that were accounted for on the finalization of our purchase price allocation. The income tax recovery in the third quarter of 2006 included \$43.0 million of future taxes related to debt prepayment premiums and also was affected by the non-taxable nature of certain items that were recorded specific to our creation in early July, 2006. Non-controlling interest in our earnings for the third quarter includes the 35.8 per cent interest in Bell Aliant LP held by Bell Canada and the 36.7 per cent interest in Télébec and NorthernTel held indirectly by the Fund, through Bell Nordiq Trust. Net earnings from discontinued operations have declined quarter-over-quarter as we sold our 87.14 per cent indirect interest in the net assets and operations of Aliant Directory Services (ADS) effective April 30, 2007.

Operating results for the nine months ended September 30, 2007, compared to the same period in 2006 reflect the increased scale of operations since July 7, 2006, resulting in higher operating revenues and expenses. However, operating income for the nine months displays only modest growth of 1.3 per cent as a result of the \$125.3 million adjustment to depreciation and amortization, as discussed above. Net earnings from continuing operations has declined significantly given the gains recorded in 2006 that were specific to the Arrangement, also discussed above. The 2007 year-to-date results for net earnings from discontinued operations reflect the after-tax gain on disposal of ADS in April 2007 of \$258.9 million.

Summary of pro forma results

<i>For the period ended September 30</i>	Pro forma ⁽¹⁾					
	Three months			Nine months		
	2007 ⁽¹⁾	2006	% change	2007 ⁽¹⁾	2006	% change
<i>(millions of dollars)</i>						
Pro forma operating revenues ⁽²⁾	\$837.9	\$825.1	1.6	\$2,514.7	\$2,461.9	2.1
Pro forma EBITDA ⁽²⁾	\$372.4	\$366.7	1.6	\$1,080.0	\$1,082.8	(0.3)
Pro forma operating income ⁽²⁾	\$142.3	\$194.2	(26.7)	\$369.7	\$546.6	(32.4)

⁽¹⁾ The periods ended September 30, 2007, represent as reported results and are not pro forma.

⁽²⁾ Pro forma operating revenues, pro forma EBITDA and pro forma operating income are non-GAAP financial measures. Refer to the "Non-GAAP financial measures" section for more details.

Operating revenues increased by 1.6 per cent for the third quarter of 2007 compared to pro forma operating revenues for the same period in 2006.

During the third quarter of 2007, pro forma growth in operating revenues from Internet and other data, wireless and IT services and fulfillment more than offset declines in local and access and long distance.

- Internet and other data revenue increased by 9.0 per cent in the third quarter of 2007 compared to the third quarter of 2006. The increase was driven by year-over-year high-speed Internet customer growth of 19.0 per cent which was partially offset with a 3.2 per cent decline in residential high-speed average revenue per customer (ARPC), which was affected by promotional pricing during the period.
- Wireless revenue grew by 10.2 per cent in the third quarter, driven by an 11.5 per cent increase in customers, but tempered by a 1.5 per cent decline in ARPC due mainly to a change in the prepaid / postpaid service mix.
- IT services and fulfillment revenue increased by 6.1 per cent for the third quarter. Growth in product sales primarily to government and related agencies fuelled a 14.3 per cent growth in IT fulfillment revenue for the quarter.
- Local and access revenues declined by 1.6 per cent and long distance revenues declined by 3.5 per cent in the third quarter of 2007, compared to the same period in 2006. Selected price increases and higher

revenues from bundled offerings and features have helped to mitigate the effect on revenues of customer losses resulting from competitive pressures and technology substitution of traditional voice services.

Operating income decreased by 26.7 per cent for the third quarter of 2007 compared to pro forma operating income for the same period in 2006.

Higher operating revenues coupled with lower capital taxes contributed to a 1.6 per cent increase in EBITDA for the third quarter of 2007 compared to pro forma EBITDA for the same period in 2006. However, on a year-to-date basis an increase in capital taxes was the main contributor to the 0.3 per cent decline in EBITDA, as capital taxes were included in other expenses prior to July 7, 2006, thus not reflected in EBITDA. Higher depreciation and amortization expense and restructuring and other charges incurred in the third quarter of 2007 more than offset the increased EBITDA, causing the quarter-over-quarter decline in operating income. As previously explained, amortization of finite-life intangibles contributed approximately \$34 million and increased restructuring and other charges contributed \$17.0 million to the decline.

<i>For the period ended September 30</i>	Pro forma ⁽¹⁾					
	Three months			Nine months		
	2007 ⁽¹⁾	2006	% change	2007 ⁽¹⁾	2006	% change
<i>(millions of dollars)</i>						
Distributable cash ⁽²⁾	\$177.6	\$185.9	(4.5)	\$531.9	\$536.1	(0.8)
Cash distributions declared	\$161.3	\$141.0	14.4	\$491.0	\$448.6	9.5

⁽¹⁾ The periods ended September 30, 2007, represent as reported results and are not pro forma.

⁽²⁾ Distributable cash is a non-GAAP financial measure. Refer to the "Non-GAAP financial measures" section for more details.

Distributable cash declined by 4.5 per cent for the third quarter of 2007 compared the third quarter of 2006.

The decline in distributable cash for the third quarter of 2007, compared to pro forma distributable cash for the third quarter of 2006, is primarily due to the disposal of ADS in April 2007 as well as the acceleration of our capital investment in FTTN. These declines were partially offset by incremental distributable cash from the Fund's acquisition of the minority interests in Télébec and NorthernTel when Bell Nordiq Income Fund was privatized in January 2007. The disposal of ADS has contributed \$8.3 million to the decline in distributable cash in the quarter and \$11.9 million on a year-to-date basis. The proceeds from the sale of ADS have been used by the Fund to repurchase units under its normal course issuer bid (NCIB), thereby mitigating the decline in distributable cash on a per unit basis. The accelerated FTTN investment accounts for the higher capital spending for the third quarter and year-to-date. The incremental distributable cash attributable to the acquisition of the minority interests in Télébec and NorthernTel, net of incremental interest expense attributable to the acquisition, is estimated to be \$7.0 million in the third quarter of 2007 and \$25.0 million year-to-date.

Apart from the above variances, distributable cash is experiencing some negative pressure from higher current service pension contributions and higher expenses of the Fund. These are mostly offset by growth in EBITDA experienced this quarter and lower normalized cash capital taxes. Current service pension contributions are higher due to growth in pensionable earnings as well as a lower long-term discount rate used in recent funding valuations. Higher Fund expenses reflect higher costs for unitholder administration as a result of the much higher number of unitholders of the Fund compared to former shareholders of Aliant. Finally, starting in the third quarter of 2007, normalized capital taxes that are deducted from distributable cash are nil as the governments of all Canadian provinces where we operate have announced intentions to phase-out corporate capital taxes by 2012.

The following table provides a summary reconciliation of distributable cash to cash from operating activities for the three and nine month periods ended September 30, 2007. The table provides additional information on the relationship between cash from operating activities, net earnings and cash distributions declared for the periods.

In addition, we have commenced presentation of standardized distributable cash, a measure recently introduced by the Canadian Institute of Chartered Accountants (CICA) in an effort to improve comparability and transparency in the reporting of financial performance of income trusts. Standardized distributable cash is defined in the “Non-GAAP financial measures” section.

<i>For the periods ended September 30</i>				
<i>(millions of dollars)</i>	Three months			Nine months ⁽¹⁾
	2007	2006	% change	2007
Cash from operating activities	\$304.3	\$111.4	173.2	\$888.8
<i>Add (deduct):</i>				
Cash from operating activities of the Fund and discontinued operations	0.9	15.7	(94.3)	10.5
Capital expenditures	(140.2)	(130.5)	7.4	(398.9)
Standardized distributable cash attributable to minority interests in subsidiaries	-	(9.6)	n.m.	-
Standardized distributable cash ⁽²⁾	\$165.0	(\$13.0)	n.m.	\$500.4
<i>Add (deduct):</i>				
Operating items funded through cash reserves or borrowing ⁽³⁾	28.4	197.8	(85.6)	37.3
Other adjustments	(15.8)	1.1	n.m.	(5.8)
Distributable cash ⁽²⁾	\$177.6	\$185.9	(4.5)	\$531.9
Net earnings	\$73.2	\$2,935.6	(97.5)	\$466.9
Cash distributions declared	\$161.3	\$141.0	14.4	\$491.0
Excess (shortfall) of cash from operating activities ⁽⁴⁾ over cash distributions declared	\$143.9	(\$13.9)	n.m.	\$408.3
Excess (shortfall) of net earnings over cash distributions declared	(\$88.1)	\$2,794.6	n.m.	(\$24.1)

n.m. - not meaningful

⁽¹⁾ Comparative information for the nine months ended September 30, 2006, is not available.

⁽²⁾ Refer to the “Non-GAAP financial measures” section for a definition and reconciliation of cash from operating activities to standardized distributable cash and distributable cash.

⁽³⁾ During the three months ended September 30, 2006, \$147.8 million of debt prepayment premiums were included in our expenses but were paid from cash reserves generated by Aliant prior to July 7, 2006. Other operating items funded through cash reserves include working capital changes, pension deficit funding and restructuring and other charges.

⁽⁴⁾ Cash from operating activities includes that generated by the Fund and discontinued operations.

Cash from operating activities in the third quarter of 2006 includes a one-time charge of \$147.8 million related to prepayment of debt premiums on Aliant’s long-term debt as a result of the Arrangement. After adjusting for these debt prepayment premiums, standardized distributable cash for the third quarter of 2007 increased by 22.4 per cent over the same period in 2006. The increase is mainly due to the change in operating assets and liabilities, or working capital, as the change in working capital during the third quarter of 2007 generated \$2.7 million in cash whereas the change in working capital for the same period in 2006 used cash of \$29.2 million.

Our working capital requirements fluctuate throughout the year, and changes can be quite large, up to approximately \$50 million positive or negative, from one quarter to the next. This variability is partially due to the large monthly unit distribution requirements, the large monthly cash settlements of inter-company transactions with Bell Canada and the seasonality that can be displayed in both our accounts receivable and payable. For example, the first quarter of the year typically requires the largest working capital funding for the

year as we generate IT fulfillment sales near the end of the quarter but cash is not received until subsequent quarters, employee year-end cash incentive payments are made and our medium-term notes require us to make semi-annual interest payments. The 2006 comparable periods were also influenced by the timing of payment of cash income taxes and certain costs of the Arrangement.

The positive contribution to cash flows from the change in working capital during the third quarter of 2007 of \$2.7 million and year-to-date of \$17.3 million reflects the results of an increased focus on cash flow timing. After experiencing some growing cash flow requirements to fund working capital, due partly to the increased size of our operations and also a modest extension of the age of accounts receivable, we have stepped-up our collection efforts in 2007. We have also reduced inventory balances, particularly in Atlantic Mobility Products (AMP), our wholesale hand-set distributor. The third quarter of 2007 also reflects the accrual of restructuring and other charges.

Because working capital needs fluctuate during the year, but are fairly modest and reflect our normal growth over a full year, we do not include these cash flows in distributable cash calculations. Instead these amounts are financed throughout the year with cash reserves or short-term borrowing. However, these fluctuations are included in the standardized distributable cash definition proposed by the CICA.

Both standardized distributable cash and our calculation of distributable cash reflect higher capital spending for the third quarter and year-to-date 2007. Capital expenditures are expected to be approximately 16.0 to 16.5 per cent of operating revenues in 2007, as this reflects the accelerated investment in FTTN planned in the range of \$35 to \$45 million. We are strongly committed to maintaining and enhancing our network assets in order to support growing demand for high bandwidth IP services. Our legacy telephony and related business continues to be our foundation, and notwithstanding recent technological advances and improvements in the lives and productivity capacity of our core assets, our maintenance capital expenditures have remained relatively stable over time. Approximately 25 to 30 per cent of our capital expenditures are related to maintenance of base infrastructure, routine replacements and commitments driven by local governments or the CRTC. The balance of our capital investments allow us to evolve, at a measured pace, to the next generation of IP network capabilities to accommodate delivery of new services necessary to support sustainability and modest growth in our revenues. Our capital expenditures for the third quarter of 2007 were 16.7 per cent of revenues, reflecting the ramp-up of our planned FTTN spending, and bringing the year-to-date percentage to 15.9 per cent, approximately in line with our target for the year.

It is our expectation that distributable cash generated by ongoing operations, net of normal capital expenditures, will be sufficient to maintain and modestly grow our cash distributions to the Fund and its unitholders up until the year 2011, at which time we anticipate being subject to corporate income taxes on our earnings. Since it is our intention to indirectly distribute to Fund unitholders approximately 90 per cent of distributable cash, there will be approximately 10 per cent of distributable cash that will be available to fund other cash requirements, such as funding working capital, paying restructuring and other charges, funding pension deficits, repaying long-term debt, and making small acquisitions. In any single period, actual cash flow may differ from what we have determined to be distributable cash. These fluctuations in cash flow may also be funded through this 10 per cent cash reserve or through temporary borrowing. It is not our intention to borrow to fund regular distributions.

Our distribution payout ratio as a percentage of distributable cash for the quarter was 90.8 per cent, and for the year-to-date has been 92.3 per cent. This exceeds our intended target of 90 per cent payout due to the funding of the accelerated FTTN capital plan for the year. At December 31, 2006, we had \$139.4 million of cash and equivalents, including notes receivable from a related party, on hand and intended to fund the \$35 to \$45 million in additional FTTN capital investment out of this balance. However, for ongoing reporting purposes, these capital expenditures are deducted from 2007 distributable cash and are causing the reported payout ratio to exceed our 90 per cent target.

Our distribution strategy and our financing plans are consistent with our objective of maintaining our debt levels in the range of two times EBITDA. We believe this is appropriate given our anticipated distributable cash stability and our desire to maintain investment grade credit ratings. Our use of a portion of our cash reserves and, if necessary, borrowing to fund working capital fluctuations, pension deficits and cash taxes in excess of normalized levels is consistent with our overall leverage targets.

FOCUS AND STRATEGY FOR 2007

Our key strategic priorities for 2007 are as follows:

Superior customer experience

We believe that delivering a superior customer experience is vital to creating and maintaining customer loyalty. A superior customer experience is created by providing exceptional customer service, offering outstanding value through our leading products and services, and having strong community involvement.

Customer service

We are implementing extensive changes in the way we serve our customers. These changes will make it easier for customers to do business with us, when and where it is convenient for them.

During the third quarter of 2007, residential customers rated us 10 per cent higher than during the same period in 2006 for overall satisfaction when they had a recent transaction, while business customers rated us 8 per cent higher. These increases were driven by an 8 per cent quarter-over-quarter improvement in total commitments met as a result of improvements in provisioning and service assurance. To better serve customers we now offer two-hour appointment windows in six major Atlantic Canadian cities, and our capacity for Saturday high-speed Internet installations has increased 25 per cent since the beginning of 2007. We also released our new, improved bill format in French during the third quarter, further reducing the volume of bill inquiries.

Providing value through leading products and services

Providing value is about offering the right products and services to customers at a competitive price. We are continually developing and introducing new and innovative products and services that will offer convenience and ease of use for residential customers and a source of competitive advantage for our business customers.

During the third quarter of 2007, we continued our focus on introducing a differentiated customer experience for Value Package and multi-product customers. In our central region, the Home Phone package was used extensively in all acquisition, winback and retention efforts. In Atlantic Canada, customers have greater bundled choices with the launch of our two new Value Packages that include local service, unlimited features and the choice of unlimited Atlantic Canadian or unlimited North American long distance service.

In the small and medium business market, we continue to enhance our service offerings with bundled solutions continuing to be the key driver of growth and retention. The Start-up bundle and the Business Essentials bundle, both launched in a large section of our central region earlier in 2007, experienced strong sales as business customers identify the value provided by this choice of packages. In Atlantic Canada, our business Value Package, launched in the second quarter of 2007, is also proving to be very popular. Additionally, during the third quarter we concluded a number of information and communications technology (ICT) sales with mid-market customers, including IP-VPN network services and business expansions.

We continue to manage our customers' evolution to IP in our enterprise market. During the third quarter of 2007, we established a program to improve the end-to-end IP customer experience and service delivery and we expanded IP-enabling and IP-ready wide area network services to an additional 18 locations in Atlantic Canada, bringing total IP sites to 80. During the third quarter, we received CRTC approval for Centrex IP, a hosted Voice-over IP (VoIP) service, and subsequently launched Centrex IP services to customers. We achieved strong growth in managed services during the quarter, driven by our outsourcing, managed hosting and managed security services, reflecting our continued momentum in helping customers converge their telecommunications and IT infrastructures.

Community

The third element of customer experience is community involvement. We believe that local initiatives and strong relationships at the community level clearly differentiate us from our competitors. We continue to support a variety of programs primarily focused on children and youth in the communities we serve. One example of this is our "Backpacks for Kids" program. In September, we distributed thousands of backpacks filled with school supplies to children in need. The supplies and backpacks were donated, assembled and distributed by our employees and local volunteers.

Operational efficiency

We are continuing to execute on our cost management program and driving top line revenue growth in order to improve cash available for distribution and thus deliver value to Fund unitholders. Improvements in operational efficiency and reduction of costs can be attributed to our scale of operations, investments in network and technology, and our relationship with Bell Canada.

In the third quarter of 2007, our productivity program delivered approximately \$29 million in benefits through efficient utilization of our workforce, tightening of discretionary spending, reduced costs from the commercial agreements with Bell Canada and decreased real estate expenses. Approximately \$61 million in benefits have been achieved in the first nine months of 2007.

RESULTS OF OPERATIONS

At December 31, 2006, our results of operations were in three reportable segments; Bell Aliant, Bell Nordinq Group and Other Subsidiaries. With the privatization of Bell Nordinq Income Fund in January 2007 and the sale of the net assets and operations of ADS in April 2007, we have been managing our business and classifying our operations for planning and performance measurement purposes as one segment in 2007. In addition to distributable cash, our financial performance is measured by growth in operating revenues, EBITDA and operating income.

As reported results and analysis

<i>For the period ended September 30</i>	As reported					
	Three months			Nine months		
	2007	2006	% change	2007	2006	% change
<i>(millions of dollars)</i>						
Local and access	\$361.6	\$351.0	3.0	\$1,077.4	\$646.3	66.7
Long distance	124.7	123.9	0.6	358.4	232.4	54.2
Data	182.3	161.5	12.9	532.3	331.2	60.7
IT services and fulfillment	64.4	60.7	6.1	242.0	206.0	17.5
Wireless	17.3	24.1	(28.2)	47.4	254.9	(81.4)
Other revenues	87.6	81.6	7.4	257.2	176.2	46.0
Operating revenues	\$837.9	\$802.8	4.4	\$2,514.7	\$1,847.0	36.2
Operating expenses	465.5	447.2	4.1	1,434.7	1,063.4	34.9
EBITDA ⁽¹⁾	\$372.4	\$355.6	4.7	\$1,080.0	\$783.6	37.8
Net benefit plans cost	26.0	26.0	-	83.8	73.8	13.6
Depreciation & amortization	183.3	141.4	29.6	604.3	331.9	82.1
Restructuring and other charges	20.8	3.8	n.m.	22.2	13.0	70.8
Operating income ⁽¹⁾	\$142.3	\$184.4	(22.8)	\$369.7	\$364.9	1.3

n.m. - not meaningful

⁽¹⁾ EBITDA and operating income are non-GAAP financial measures. Refer to the "Non-GAAP financial measures" section for more details.

Operating revenues and operating expenses, as reported in our financial statements, increased significantly in the nine months ended September 30, 2007, compared to the same period in 2006, reflecting the much larger geographic area and customer base since July 7, 2006. Partially offsetting this is a decline in wireless revenue as Aliant's wireless operations were transferred to Bell Canada pursuant to the Arrangement. For the three months ended September 30, 2007, our results have started to become more comparable as results for only six days in the third quarter of 2006 were related to Aliant.

Explanations for our increased depreciation and amortization and restructuring and other charges are discussed in the "QUARTER IN REVIEW" section. Net benefit plans cost for the third quarter of 2007 was consistent with

the prior year, but lower than the cost incurred in each of the first two quarters of 2007, as the December 31, 2006 actuarial valuations that were completed in June and July of 2007 resulted in reduced pension expense on a go-forward basis.

In order to assess the underlying growth, certain of our results prior to July 7, 2006, are presented on a pro forma basis as follows.

Pro forma results and analysis

<i>For the period ended September 30</i>	Pro forma ⁽¹⁾					
	Three months			Nine months		
	2007	2006	% change	2007	2006	% change
<i>(millions of dollars)</i>						
Local and access	\$361.6	\$367.6	(1.6)	\$1,077.4	\$1,093.6	(1.5)
Long distance	124.7	129.2	(3.5)	358.4	371.9	(3.6)
Data	182.3	167.2	9.0	532.3	489.7	8.7
IT services and fulfillment	64.4	60.7	6.1	242.0	206.4	17.2
Wireless	17.3	15.7	10.2	47.4	41.5	14.2
Other revenues	87.6	84.7	3.4	257.2	258.8	(0.6)
Pro forma operating revenues ⁽²⁾	\$837.9	\$825.1	1.6	\$2,514.7	\$2,461.9	2.1
Operating expenses	465.5	458.4	1.5	1,434.7	1,379.1	4.0
Pro forma EBITDA ⁽²⁾	\$372.4	\$366.7	1.6	\$1,080.0	\$1,082.8	(0.3)
Net benefit plans cost	26.0	26.3	(1.1)	83.8	84.8	(1.2)
Depreciation & amortization	183.3	142.4	28.7	604.3	438.4	37.8
Restructuring and other charges	20.8	3.8	n.m.	22.2	13.0	70.8
Pro forma operating income ⁽²⁾	\$142.3	\$194.2	(26.7)	\$369.7	\$546.6	(32.4)

n.m. - not meaningful

⁽¹⁾ The periods ended September 30, 2007, represent as reported results and are not pro forma.

⁽²⁾ Pro forma operating revenues, pro forma EBITDA and pro forma operating income are non-GAAP financial measures. Refer to the "Non-GAAP financial measures" section for more details.

Local and access

Local and access revenue is earned through the provision of network access services (NAS), enhanced service features, contribution payments and competitor network access payments.

The majority of our local and access revenue is earned through the provision of NAS. Local and access revenue per NAS customer increased by 1.5 per cent in the third quarter of 2007 compared to the same period in 2006. Despite a 3.1 per cent drop in NAS customers, rate increases in certain markets, increased adoption of bundled services and increased features penetration have contained the local and access revenue declines for the quarter to 1.6 per cent.

At September 30, 2007, the number of residential NAS customers was 4.0 per cent lower than at the same date in 2006, reflecting competitive losses, reduction in second lines and adoption of wireless and VoIP services. The number of business NAS customers at September 30, 2007, was 1.2 per cent lower than at September 30, 2006.

The NAS net customer decline was slightly lower than that experienced in the first and second quarters of 2007, and reflected improving trends in more mature competitive areas.

Long distance

Long distance revenue is earned through toll and long distance terminating services.

Long distance revenue declined by 3.5 per cent in the third quarter of 2007 compared to pro forma revenue for the third quarter of 2006, in line with declines that have been experienced over the past two quarters. Long distance minutes were 6.7 per cent lower in the third quarter of 2007 compared to the third quarter of 2006 due to declining NAS customers, substitution by cellular calling and IP-based services, and dial-around erosion. Selected price increases and changes to plans offered to customers helped to contain some of the revenue decline during the quarter. Customers have been shifting away from rate-per-minute plans in favour of unlimited or large usage packages for a set monthly price.

Data

Data revenue is earned through data access revenue, data circuit revenue, high-speed and dial-up Internet service, and enhanced services and applications, such as TV on my PC™, security services, music download service and dial-up accelerator.

The pro forma growth in data revenue for the third quarter of 2007 over the same period in 2006 was 9.0 per cent. Customer acquisition programs involving introductory promotional pricing continued in the quarter, increasing the net high-speed Internet customer activations by 19.0 per cent from a year ago, with growth primarily in the residential market. Promotional pricing resulted in a residential high-speed Internet ARPC decline of 3.2 per cent in the third quarter of 2007, to \$33.59 from \$34.70 for the third quarter of 2006. ARPC is expected to increase as the promotion periods expire.

IT services and fulfillment revenue

IT services and fulfillment revenue is earned primarily by our xwave division through systems integration, software engineering, business consulting and infrastructure services, such as data centre, help desk, security and technical support services.

In the third quarter of 2007, IT services and fulfillment revenue grew 6.1 per cent over pro forma revenues for the third quarter of 2006. IT services revenue for the quarter was comparable to the prior year, as growth in managed services revenue and IT project activity within the healthcare, defence and aerospace industry verticals was offset by declines in the justice and public safety industry. Declines are related to the timing of customer contracts and are expected to be temporary.

IT fulfillment revenue grew by 14.3 per cent in the third quarter, driven by new business in the healthcare sector and growth in sales to the federal government and agencies.

Wireless

Wireless revenue is earned through the provision of cellular, paging and mobile radio services over the analog and digital wireless networks of Télébec and NorthernTel.

Wireless revenue increased by 10.2 per cent in the third quarter of 2007 compared to the pro forma wireless revenue for the third quarter of 2006, driven by an 11.5 per cent increase in cellular customers. The overall average revenue per customer decreased by 1.5 per cent due mainly to an increase in the number of customers adopting prepaid service.

Other revenues

Other revenues consist of AMP revenues, Innovatia revenues, terminal rentals and sales, PC sales, TV revenue, professional services, building rental revenue, and revenue generated by our outsourcing arrangement with Bell Mobility.

Other revenues increased by 3.4 per cent in the third quarter of 2007 compared to pro forma other revenues for the same period in 2006. AMP's revenue from the sale of cellular sets and related accessories increased due to a higher priced mix of cellular sets sold. Also, growth was experienced in business terminal sales through strong sales to call centres.

Operating expenses

<i>For the period ended September 30</i>	Pro forma ⁽¹⁾					
	Three months			Nine months		
	2007	2006	% change	2007	2006	% change
<i>(millions of dollars)</i>						
Cost of sales	\$153.0	\$137.5	11.3	\$479.5	\$440.5	8.9
Salaries, benefits, contract labour and consulting	169.0	159.4	6.0	505.0	478.2	5.6
Selling, general and administrative	141.7	156.7	(9.6)	439.1	455.0	(3.5)
Capital taxes	1.8	4.8	(62.5)	11.1	5.4	105.6
Operating expenses	\$465.5	\$458.4	1.5	\$1,434.7	\$1,379.1	4.0

⁽¹⁾ The periods ended September 30, 2007, represent as reported results and are not pro forma.

Operating expenses increased by 1.5 per cent in the third quarter of 2007 compared to the same period in the prior year, mainly due to higher cost of sales and higher labour costs. Cost of sales increased by 11.3 per cent in the third quarter of 2007, and 8.9 per cent year-to-date over the same periods in 2006. Cost of sales is highly influenced by the level of IT fulfillment revenues and AMP and other product sales, from which the collective growth in revenue of 16.1 per cent and 14.9 per cent for the quarter and year-to-date, respectively, drove higher cost of goods sold. Increased salaries, benefits, contract labour and consulting mainly represent annual wage increases and an increase in IT services contract labour costs.

Largely offsetting these increases were declines in selling, general and administrative costs and capital taxes. Selling, general and administrative costs for the third quarter of 2007 were 9.6 per cent lower than for the third quarter of 2006 mainly due to cost containment achieved through our productivity initiatives that have continued to ramp-up throughout the year. The reduction in capital taxes for the third quarter of 2007, as compared to the same period in 2006, is a result of a reduction in capital tax rates in 2007 over 2006 and a reallocation of taxable capital amongst provinces upon the wind-up of one of our subsidiaries. For the nine-month period, provincial capital taxes related primarily to our larger capital structure since the Arrangement have resulted in a \$5.7 million increase in operating expenses year to date over the same period in 2006.

Other expenses

The following other expenses are analyzed on an as reported basis, as they were not subject to pro forma adjustments, except for the purposes of calculating distributable cash as discussed in the “QUARTER IN REVIEW” section.

Interest charges

The year-to-date increase in interest charges of 68.7 per cent reflects the significant long-term debt incurred to complete the Arrangement. This was partially offset by lower overall rates of interest compared to those related to Aliant’s long-term debt, which was almost all repaid and refinanced as part of the Arrangement. The 3.8 per cent increase in the third quarter of 2007 compared to the same period in 2006 predominantly reflects the additional debt incurred to allow the Fund to finance the acquisition of the minority interests in Télébec and NorthernTel.

Income tax expense (recovery)

A portion of our income is earned through partnerships. Therefore, that portion of our income is not subject to tax at the partnership level, as the taxable income is allocated directly to our partners. The tax provision reported relates to our corporate subsidiaries that are subject to tax on their taxable income. Our effective tax recovery rate for the nine months ending September 30, 2007, was 23.9 per cent of our pre-tax earnings, a significant reduction from the effective tax rate of 0.1 per cent for the same period in 2006. This significant reduction in our effective tax rate is a result of several factors including the following:

- A 39.4 percentage point reduction related to intercompany interest income earned in non-taxable entities;
- A 15.8 percentage point reduction related to taxable income allocated to non-controlling interest for which we do not recognize a tax provision; and
- A 13.6 percentage point reduction mainly due to the revaluation of net future tax assets and liabilities as a result of tax rate changes.

Non-controlling interest

Non-controlling interest represents Bell Canada’s 35.8 per cent interest in Bell Aliant LP and the Fund’s 36.7 per cent indirect interest in Télébec and NorthernTel. The distributions attributable and paid to Bell Canada are equal, to the greatest extent practicable, to per-unit distributions paid by the Fund to holders of Fund units. The non-controlling interest related to Bell Canada’s interest in Bell Aliant LP is based on Bell Canada’s pro-rata share of cash distributions from Bell Aliant LP. During the three months ended September 30, 2007, we recorded non-controlling interest in our earnings of \$44.2 million. Distributions declared by our subsidiaries to the non-controlling interest in the same period were \$60.5 million, of which \$50.9 million was from Bell Aliant LP to Bell Canada and \$9.6 million was from Télébec and NorthernTel indirectly to the Fund.

FINANCIAL AND CAPITAL MANAGEMENT

Summary of cash flows

For the period ended September 30 (millions of dollars)	Three months			Nine months		
	2007	2006	% change	2007	2006	% change
Cash from (used in):						
Operating activities	\$304.3	\$111.4	173.2	\$888.8	\$320.5	177.3
Financing activities	(186.8)	1,507.2	n.m.	(953.0)	1,348.9	n.m.
Investing activities	(140.1)	(1,397.2)	(90.0)	(397.7)	(1,582.1)	(74.9)
Net increase (decrease) in cash from continuing operations	(\$22.6)	\$221.4	n.m.	(\$461.9)	\$87.3	n.m.
Net increase in cash from discontinued operations	0.4	6.5	(93.8)	330.6	16.7	n.m.
Net increase (decrease) in cash for the period	(\$22.2)	\$227.9	n.m.	(\$131.3)	\$104.0	n.m.

n.m. - not meaningful

We used \$22.6 million in cash from continuing operations during the third quarter of 2007. Cash from operating activities was \$192.9 million higher in the third quarter of 2007 compared to the same period in 2006, mainly resulting from higher net earnings from our larger operation in 2007 and the inclusion of \$147.8 million in debt prepayment premiums in 2006 net earnings. Net financing and investing activities used \$326.9 million in cash which mainly reflects the distributions paid by us and our subsidiaries to non-controlling interests of \$161.5 million and capital investments of \$140.2 million. In the third quarter of 2006, financing and investing activities mainly related to the Arrangement.

Key components of our net decrease in cash in the third quarter were as follows.

DB pension and other post-employment benefit (OPEB) plans

Total funding of our DB pension plans for the third quarter of 2007 was \$23.7 million, compared to \$27.3 million for the third quarter of 2006. Included in this total funding for the third quarter of 2007 is \$13.9 million for current service cost funding and \$9.8 million for funding special deficit-reducing payments. Actuarial valuations of our pension plans were performed as of December 31, 2006, and filed in June and July 2007. All plans reflected funding deficits as measured on a going-concern basis, however as the funded positions of our plans continue to improve, all but one plan reflected a funding surplus as measured on a solvency basis. We are still required to fund special deficit-reducing payments over the next 5 to 15 years and we estimate the present value of these special payments to be approximately \$330 million, including approximately \$18 million to fund the deficits of the Télébec and NorthernTel plans, which were previously excluded from our funding estimates. Total special deficit-reducing payments required for 2007 are approximately \$36 million, which reflects 10-year solvency funding schedules for many plans and is net of the application of prior years' voluntary contributions.

OPEB funding increased by 6.7 per cent to \$1.6 million in the third quarter of 2007 compared to \$1.5 million in the same period in 2006, mainly a result of more retired beneficiaries and increasing costs of benefits provided under legacy plans.

Change in operating assets and liabilities

The change in operating assets and liabilities generated cash of \$2.7 million in the third quarter of 2007, and used cash of \$29.2 million in the same period in 2006. At September 30, 2007, compared to June 30, 2007, accounts payable increased due to the restructuring and other charge that was recorded, prepaid expenses decreased representing a return to lower levels after being seasonally higher in the second quarter of 2007, and inventory decreased due to a controlled reduction in inventory balances. These sources of operating cash flow were largely offset by an increase in trade accounts receivable at September 30, 2007, compared to June 30, 2007, due to a seasonal increase in accounts receivable related to higher revenues in September with the return of students to school. In addition, income taxes receivable increased as a result of normal instalment payment

activity during the third quarter. In the third quarter of 2006, higher tax payments, resulting from an acceleration of payments of cash taxes due to various tax years triggered as a result of the Arrangement, and payment of other costs of the Arrangement contributed to the use of cash during the period.

Changes in long-term debt and other financing

During the third quarter of 2007, we repaid \$10.0 million in cash to reduce our accounts receivable securitization program as the mix of our receivables between those eligible for the program and those ineligible shifted due to normal collection efforts. Also, we repaid a net \$116.5 million to the Fund as it required a return of cash loaned to us as it continued to execute its NCIB. In order to fund these repayments, we drew a net \$98.6 million on our short-term credit facilities.

Year-to-date financing activities also reflect \$994.5 million in net proceeds from the issuance of medium-term notes in February 2007, the repayment of \$1,134.7 million of term bank loans, \$100.0 million repayment of Aliant medium-term notes, and \$7.9 million in repayment of other long-term debt.

Notes receivable from the Fund, notes payable to the Fund, and repayment of partners' capital

As mentioned above, we repaid a net \$116.5 million in loans from the Fund this quarter. In the first quarter of 2007, we loaned \$131.0 million to Bell Nordiq Income Fund to finance a special distribution to its unitholders as part of its privatization. This loan was subsequently assumed by the Fund. In addition, during the first quarter we advanced the Fund \$69.9 million, primarily for the purchase of units under its NCIB. Both of these advances were repaid by the Fund during the second quarter as the Fund received \$460.9 million from us as a return of capital. During the second quarter, the Fund loaned a portion of its excess cash to us, amounting to \$127.0 million, to allow us to temporarily reduce external short-term debt. Finally, we repaid \$116.5 million of this amount in the third quarter, with the remaining \$10.5 million anticipated to be repaid by the end of the year.

Interest rate derivatives

We have utilized interest rate swaps to hedge our exposure to interest rate fluctuations on refinancing long-term debt and on short-term floating rate debt issuances.

In February 2007, with the issuance of medium-term notes to refinance debt incurred to complete the Arrangement, we settled interest rate swaps with notional principal amounts totalling \$1.0 billion. On February 26, 2007, we paid cash of \$30.5 million to the counterparties on the settlement of the contracts since interest rates had generally declined since the swaps were initiated.

In August 2007, we determined that a remaining \$250.0 million in outstanding swaps were no longer going to be effective hedges of anticipated long-term debt issuances. This determination was made because, with the disruption experienced in public credit markets in August 2007, market conditions were not conducive to a term debt issuance at that time. As a result, we received \$6.4 million from counterparties on the settlement of these swaps. Under a different hedging strategy, we have hedged the floating rate interest exposure on some of our debt to maintain an approximate ratio of 90 per cent fixed interest rate exposure and 10 per cent floating rate exposure. Therefore, also in August 2007, we entered into fixed-floating interest rate swaps with notional amounts totalling \$200.0 million to hedge the variability in cash flows related to this portion of our floating rate debt. These swaps are being accounted for as cash flow hedges. At September 30, 2007, the fair values of these swaps total \$2.2 million in favour of the counterparty and are recorded as derivative liabilities.

Distributions

Distributions paid during the third quarter of 2007 totaled \$161.5 million, compared to \$100.0 million for the third quarter of 2006. The quarter-over-quarter increase reflects a combination of there being only two months of distribution payments in the third quarter of 2006 compared to three months of payments in 2007, the partial distribution period in July 2006, as distributions began effective July 7, 2006, a higher average outstanding unit balance, and the higher distribution rate since February 2007.

Capital investments

Capital investments in the third quarter of 2007 totalled \$140.2 million, a 9.1 per cent increase over the third quarter of 2006. As discussed in the “QUARTER IN REVIEW” section, we continue to invest in our traditional wireline infrastructure to sustain our existing business and the reliability of our network, and we have invested in expanding and augmenting our high-speed Internet footprint, increasing our investment in FTTN, including the accelerated deployment plan, and updating our network to support next-generation IP applications.

Liquidity

Cash requirements

We require a significant amount of cash to execute our business strategy. Our cash requirements for 2007 consist of distributions to unitholders, investments in capital, pension plan contributions, repayment of short and long-term debt, and payments of other commitments, including repayment of temporary loans from the Fund as it repurchases units under its NCIB. In particular, it is anticipated that these requirements will result in the use of cash as follows:

- The current rate of distributions to holders of Fund units is \$0.2350 per unit per month. The Fund is entirely dependent upon distributions from us and Bell Nordiq Trust to make its distributions. The annual cash requirement to make Fund distributions and distributions to BCE and Bell Canada is now estimated to be in the range of \$650 to \$660 million for 2007.
- Capital expenditures in the range of 16.0 to 16.5 per cent of operating revenues will be made as required to support our existing infrastructure and to advance our strategic initiatives. Included in this level of capital expenditures is the \$35 to \$45 million incremental investment to accelerate our FTTN deployment.
- Total funding of our DB pension plans in 2007 is estimated to be in the range of \$85 to \$95 million, net of application of prior years' voluntary contributions, and after application of 10-year solvency funding schedules for eligible plans. Contributions include approximately \$36 million in deficit funding, with the remainder representing current service funding. Funding of our OPEB plans for 2007 is estimated to be \$6 to \$8 million and DC pension funding is estimated to be \$7 to \$8 million.
- We are required to repay short and long-term debt according to its terms. We intend to refinance much of this debt as it comes due, as discussed below.
- Other commitments, such as operating leases and purchase commitments for equipment and other network infrastructure, and contingencies are disclosed in notes 20 and 23 to our consolidated financial statements for the year ended December 31, 2006, and notes 18 and 19 to our unaudited interim consolidated financial statements for the period ended September 30, 2007.

Sources of liquidity

We derive most of our liquidity from the strength of our recurring cash from operating activities, as well as bank credit facilities, a medium-term note shelf prospectus, a commercial paper program, and our accounts receivable securitization program. We anticipate generating enough cash from our operating activities to pay for capital investments, distributions, required pension funding and other commitments. We continue to have access to bank financing and our receivables securitization program despite the recent disruption in public credit markets. In particular, other than a higher cost of funds on these programs, we have not experienced any adverse consequences from the global asset-backed commercial paper issues that became evident during the third quarter. Our capital structure is as follows:

<i>(millions of dollars, except as otherwise noted)</i>	September 30, 2007		December 31, 2006	
Partners' equity	\$4,493.4	49.3%	\$4,836.6	51.3%
Non-controlling interest	1,845.7	20.3%	1,919.1	20.3%
Net debt	2,766.2	30.4%	2,680.3	28.4%
Total capital	\$9,105.3	100.0%	\$9,436.0	100.0%

Debt

We have issued \$2.25 billion in medium-term notes under our \$3.0 billion shelf prospectus. At September 30, 2007, we had \$100.0 million drawn on our non-revolving bank credit facility.

We also have a \$450.0 million non-revolving pension reserve facility that may be used to finance pension deficit funding. At September 30, 2007, there were no amounts drawn on this facility, but we have reduced its capacity by \$30.7 million with the issuance of letters of credit to support our application of the 10-year solvency funding relief regulations.

We maintain a \$400.0 million commercial paper program and a total of \$576.0 million in revolving operating credit facilities. As at September 30, 2007, \$51.2 million of commercial paper was issued and \$150.0 million was drawn under revolving operating facilities. We ensure at all times that sufficient undrawn capacity exists on our revolving operating facilities to support issuances of commercial paper, and these 'back-up' liquidity facilities have protected us from any material negative effects of the recent market issues stemming from asset-backed commercial paper. Although recent market conditions have resulted in a slightly increased cost of short-term borrowing as we generally moved out of the commercial paper market and into our bank facilities, we do not expect this increase to have a material negative effect on our results due to the relatively small component they represent in our capital structure.

As market conditions permit, we still anticipate being able to refinance the majority of these short-term borrowings and a \$50.0 million maturing Télébec debenture with further fixed-rate capital market issuances within the next year.

Ratings

Standard and Poor's (S&P) and Dominion Bond Rating Service (DBRS) have issued the following ratings for our subsidiaries. The ratings were re-confirmed in September and October 2007.

	S&P	DBRS
Bell Aliant LP senior unsecured debt	BBB, stable trend	BBB (high) stable trend
Bell Aliant LP commercial paper	Not rated	R-1 (low) stable trend
Télébec and NorthernTel debentures	BBB, stable trend	BBB (high) stable trend

A rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time.

Partners' equity

We have an unlimited number authorized of each of three classes of units:

- Class 1 exchangeable limited partnership units;
- Class 2 limited partnership units; and
- General partnership units.

For details of the terms and conditions associated with the units, refer to note 14 of our consolidated financial statements for the year ended December 31, 2006.

Units of Bell Aliant Holdings LP are not publicly traded, and there has been no change in ownership since December 31, 2006.

We also 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 is a separate component of partners' equity, and at September 30, 2007 the balance in accumulated other comprehensive earnings had the effect of reducing our partners' equity by \$36.9 million. Refer to the "Significant accounting policies" section for further details.

Other financial arrangements

Contractual obligations

We have various operating leases for equipment and other network infrastructure, and purchase commitments under various service and commercial agreements, including the commercial agreements with Bell Canada for our Ontario and Quebec operations previously owned by them. The amounts of estimated future payments under such arrangements are detailed in note 20 to our consolidated financial statements for the year ended December 31, 2006, and note 18 to our unaudited interim consolidated financial statements for the period ended September 30, 2007. Details of our long-term debt can be found in note 12 to our consolidated financial statements for the year ended December 31, 2006, and note 11 to our unaudited interim consolidated financial statements for the period ended September 30, 2007.

Accounts receivable securitization

Under a purchase and sale agreement, we sell certain accounts receivable to a securitization trust. Further details of this arrangement are described in note 3 to our consolidated financial statements for the year ended December 31, 2006. We expanded our program during the second quarter of 2007, and were able to sell additional accounts receivable to the trust for net cash proceeds of \$90.0 million. In the third quarter of 2007, this amount was reduced by \$10.0 million due to normal fluctuations in the level of eligible receivables, and resulted in a balance at September 30, 2007 of \$200.0 million. Refer to note 3 to our unaudited interim consolidated financial statements for the period ended September 30, 2007, for further information.

Use of derivative financial instruments

We use derivative financial instruments periodically in the management of interest rate and foreign currency exposures associated with our long-term debt or specific firm commitments. Details of our use of derivative financial instruments and the accounting policies we follow are provided in notes 1 and 18 to our consolidated financial statements for the year ended December 31, 2006, and notes 1 and 16 to our unaudited interim consolidated financial statements for the period ended September 30, 2007. At September 30, 2007, we had outstanding fixed-floating interest rate swap contracts with notional values totalling \$200.0 million. These swap contracts are being accounted for as hedges of a portion of our floating-rate debt.

RELATED PARTY TRANSACTIONS

Our significant related parties continue to be BCE, Bell Canada and the Fund. For greater detail on our related party transactions and our relationship with BCE and Bell Canada, refer to note 21 of our consolidated financial statements for the year ended December 31, 2006, and note 20 to our unaudited interim consolidated financial statements for the period ended September 30, 2007.

SIGNIFICANT ACCOUNTING POLICIES

Our unaudited interim consolidated financial statements as at September 30, 2007, have been prepared in accordance with Canadian GAAP. Our accounting policies and methods and critical accounting estimates and assumptions are consistent with those as described in note 1 to our consolidated financial statements for the year ended December 31, 2006. As discussed in note 1 to our unaudited interim consolidated financial statements as at September 30, 2007, on January 1, 2007, we adopted sections 1530, 3251, 3855, 3862, 3863, and 3865 of the CICA Handbook, relating to comprehensive income, financial instruments and hedges.

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 following changes resulted from implementing the new standards:

- Derivative financial instruments are recorded on the balance sheet at fair value as either derivative assets or derivative liabilities with changes in fair value related to the effective portion of cash flow interest rate hedges recorded in other comprehensive earnings, net of related income tax. 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.

Other than described above, there have not been any changes in accounting standards or guidelines which have resulted in changes to our accounting in the first nine months of 2007.

Accounting policy developments

We constantly monitor changes in accounting standards and guidelines to ensure that we continue to adhere to Canadian GAAP. During the third quarter of 2007, the CICA issued section 3031, Inventories, to replace section 3030 of the same name, which establishes new standards for the measurement, recognition and disclosure of inventories. The standards come into effect for fiscal years beginning on or after January 1, 2008. We will assess the effect that the revisions will have on us in the fourth quarter of 2007.

ASSUMPTIONS MADE IN THE PREPARATION OF FORWARD-LOOKING STATEMENTS AND RISKS THAT COULD AFFECT OUR BUSINESS AND RESULTS

Assumptions made in the preparation of forward-looking statements

Forward-looking statements made in our December 31, 2006, MD&A and in this MD&A are based on a number of assumptions that we believed were reasonable on the day we made the forward-looking statements. In our MD&A for the year ended December 31, 2006, we outlined the principal assumptions that we made in the preparation of our forward-looking statements relating to our expected financial and operational performance in 2007. These assumptions include economic, market, financial and operational assumptions, and except as outlined below, have not changed significantly during the first three quarters of 2007, or up to October 31, 2007.

- On February 16, 2007, we announced our intention to make a take-over bid to acquire all of the outstanding trust units of Amtelecom Income Fund, with the offer formally commencing on February 28, 2007. Our offer expired on April 18, 2007 without meeting the conditions for the transaction to proceed. The incremental revenue and distributable cash that may have been generated by the proposed Amtelecom transaction is not material to the guidance we issued in February 2007.
- We anticipated issuing up to \$300 million in medium-term notes during the third quarter of 2007, however we determined that market conditions were not conducive to an issuance. Therefore, this portion of our financing remains in floating rate debt, with the bankers' acceptance rate hedged via fixed-floating swaps for notional principal amounts totalling \$200 million. The incremental cost of the short-term financing that is being experienced due to increased credit spreads in the market is not material to the guidance we issued in February 2007.

Risk management

Risk management is fundamental to the long-term success of any organization. For us, risk is defined as the level of exposure to uncertainties that we must understand and effectively manage as we execute our strategies to achieve our business objectives and create value for our unitholders. We employ an integrated, enterprise-wide framework to identify, assess and manage the risks across the organization.

We are confident about our long-term prospects, but we recognize that we are exposed to a number of risks in the normal course of business that could have a negative effect on our financial condition or results of operations. Refer to our MD&A for the year ended December 31, 2006, for a list of significant risks to which we believe we are exposed. The risks noted may not be exhaustive as there may be other risks that we are currently unaware of or that we presently consider insignificant to our consolidated operations.

With the exception of a legal contingency described below, to date in 2007, we have not identified significant changes to the nature of the risks that we are exposed to in our current business, as described in our MD&A for the year ended December 31, 2006. Due to the dramatic change in conditions in the public debt markets in recent months we do provide below an update to our analysis of liquidity and market risk that we face. Finally, we have provided updates to our regulatory and competitive environments in the “Our business environment” section.

Conditions in public debt market

During the third quarter of 2007, disruptions were experienced in the normal conduct of the commercial paper (CP) market. Precipitated by the slowdown in the United States housing market and related sub-prime mortgage defaults, investors in some short-term money market instruments (known as asset-backed commercial paper or ABCP) backed by these mortgages started to become aware of the risk of losses on these investments. These events spilled over to the entire ABCP market, even though the affected securities represented a small component of the overall CP market. A so-called “liquidity crunch” occurred when many CP issuers could not re-issue new CP on maturity of existing outstanding debt or to finance their growth. Many issuers were forced to use back-up bank lines in place of CP, while others may not have had such secure back-up sources.

While we could not have foreseen the specific events that precipitated this situation, our risk management policies do contemplate the potential for disruptions in capital markets and periods of reduced availability of credit. We are dependent on the capital markets and the commercial loan market to finance our operations. As such, our risk management efforts include diversifying funding sources, utilizing Canadian chartered banks as counterparties and liquidity providers in our hedging and securitization programs, maintaining sufficient capacity on our back-up bank lines of credit to support our CP program, specifying issuer and rating limits and counterparty restrictions on our money market investments and properly diversifying our pension plan investments. These measures have helped to avoid any material negative impacts from the recent situation. However, if these conditions persist for a long period or broaden in their scope, or if there are other shocks to financial markets, we may incur increased costs or an inability to raise financing when needed for repayments of maturing debt or for growth.

Contingency

On August 9, 2004, a lawsuit was filed in Saskatchewan by several alleged customers or former customers of the defendants, against several Canadian wireless and cellular service providers, including one of our predecessor companies, Aliant Telecom Inc. In the claim, the plaintiffs alleged, among other things, breach of contract, misrepresentation, negligence, collusion and breach of statutory obligations under the Competition Act (Canada) in relation to the system access fees that the defendants charge to their customers, and sought unspecified damages. On September 17, 2007, the court granted class action certification to the plaintiffs. Once the form of the Certification Order is settled, we intend to seek leave to appeal the decision granting certification.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting (as defined in Canadian Securities Administrators' Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in our internal controls over financial reporting during the three months ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

NON-GAAP FINANCIAL MEASURES

Where indicated throughout this MD&A, operating revenues, operating income and EBITDA have been restated to include pro forma historical results as though Bell Aliant Holdings LP had been in existence for the entire year in 2006. We believe that presenting these non-GAAP measures will allow for more meaningful year-over-year comparisons and analysis.

The terms pro forma operating revenues, operating income, pro forma operating income, EBITDA, pro forma EBITDA, standardized distributable cash and distributable cash do not have any standardized meanings prescribed by Canadian GAAP. They are therefore unlikely to be comparable to similar measures presented by other reporting issuers. Pro forma operating revenues, operating income, pro forma operating income, EBITDA, pro forma EBITDA, standardized distributable cash and distributable cash are presented on a consistent basis from period to period.

Pro forma operating revenues, operating income and pro forma operating income

Operating income represents operating revenues less expenses. We use operating income, among other measures, to assess the operating performance of our ongoing business. Operating income should not be confused with operating revenues or expenses, which are the most comparable Canadian GAAP financial measures.

Pro forma operating revenues and pro forma operating income represent operating revenues and operating income adjusted to reflect the pro forma historical results of the operations related to the net assets bought and sold under the Arrangement had it occurred on January 1, 2005. Therefore, pro forma operating revenues and pro forma operating income represent operating revenues or operating income of the predecessor company, Aliant, excluding operating revenues or operating income related to Aliant's wireless operation and DownEast Ltd. and including operating revenues or operating income related to Bell Canada's regional wireline operation, Télébec and NorthernTel.

The following table reconciles operating revenues to pro forma operating revenues, operating revenues and expenses to operating income and operating income to pro forma operating income on a consolidated basis.

For the period ended September 30 (millions of dollars)	Three months		Nine months	
	2007 ⁽¹⁾	2006	2007 ⁽¹⁾	2006
Operating revenues	\$837.9	\$802.8	\$2,514.7	\$1,847.0
Add (less):				
Aliant Wireless Operations and DownEast Ltd.	-	(7.4)	-	(194.3)
Bell Canada Regional Wireline Operation	-	22.8	-	623.4
Bell Nordiq Group Inc.	-	7.0	-	189.3
Intercompany eliminations	-	(0.1)	-	(3.5)
Pro forma operating revenues	\$837.9	\$825.1	\$2,514.7	\$2,461.9
Operating revenues	\$837.9	\$802.8	\$2,514.7	\$1,847.0
Expenses	695.6	618.4	2,145.0	1,482.1
Operating income	\$142.3	\$184.4	\$369.7	\$364.9
Add (less):				
Aliant Wireless Operations and DownEast Ltd.	-	(4.7)	-	(94.7)
Bell Canada Regional Wireline Operation	-	12.3	-	215.2
Bell Nordiq Group Inc.	-	2.2	-	61.2
Pro forma operating income	\$142.3	\$194.2	\$369.7	\$546.6

⁽¹⁾ The periods ended September 30, 2007, represent as reported results and are not pro forma.

We use pro forma operating revenues and pro forma operating income, among other measures, to assess our operating performance had we been in existence for the entire year in 2006, which allows us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use pro forma operating revenues, operating income and pro forma operating income to measure our ability to grow, or as a common valuation measurement in the telecommunications industry.

Pro forma operating revenues, operating income and pro forma operating income should not be confused with operating revenues or expenses, which are the most comparable Canadian GAAP financial measures.

EBITDA and pro forma EBITDA

We define EBITDA as operating revenues less operating expenses, which means it represents operating income before depreciation and amortization expense, net benefit plans cost, and restructuring and other charges. Pro forma EBITDA represents EBITDA adjusted to reflect the pro forma historical results of the operations related to the net assets bought and sold under the Arrangement had it occurred on January 1, 2005. Therefore, pro forma EBITDA represents EBITDA of the predecessor company, Aliant, excluding EBITDA related to Aliant's wireless operation and DownEast Ltd. and including EBITDA related to Bell Canada's regional wireline operation, as well as Télébec and NorthernTel.

The following table is a reconciliation of operating income to EBITDA and EBITDA to pro forma EBITDA on a consolidated basis.

For the period ended September 30 (millions of dollars)	Three months		Nine months	
	2007 ⁽¹⁾	2006	2007 ⁽¹⁾	2006
Operating income	\$142.3	\$184.4	\$369.7	\$364.9
Add:				
Net benefit plans cost	26.0	26.0	83.8	73.8
Depreciation and amortization	183.3	141.4	604.3	331.9
Restructuring and other charges	20.8	3.8	22.2	13.0
EBITDA	\$372.4	\$355.6	\$1,080.0	\$783.6
Add (less):				
Aliant Wireless Operations and DownEast Ltd.	-	(4.7)	-	(120.5)
Bell Canada Regional Wireline Operation	-	12.4	-	327.1
Bell Nordiq Group Inc.	-	3.4	-	92.6
Pro forma EBITDA	\$372.4	\$366.7	\$1,080.0	\$1,082.8

⁽¹⁾ The periods ended September 30, 2007, represent as reported results and are not pro forma.

We use EBITDA, among other measures, to assess the operating performance of our ongoing business without the effects of depreciation and amortization expense, net benefit plans cost, and restructuring and other charges. We exclude depreciation and amortization expense and net benefit plans cost because they largely depend on the accounting methods and assumptions a company uses, as well as non-operating factors, such as the historical cost of capital investments and the performance of a company's pension plans. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding restructuring and other charges does not imply they are necessarily non-recurring.

We use pro forma EBITDA, among other measures, to assess the operating performance of Bell Aliant Holdings LP had it been in existence for the entire year in 2006. EBITDA and pro forma EBITDA allow us to compare our operating performance on a consistent basis. We believe that certain investors and analysts use these measures to assess our ability to service debt, make capital distributions to unitholders and to meet other payment obligations, or as a common valuation measurement in the telecommunications industry.

EBITDA and pro forma EBITDA should not be confused with operating revenues or expenses, which are the most comparable Canadian GAAP financial measures.

Standardized distributable cash and distributable cash

Standardized distributable cash and distributable cash are both measures of cash generated from operating activities that may be available for distribution. We calculate standardized distributable cash from a cash flow perspective following CICA guidance which uses cash from operating activities and adds or deducts the following items that affect cash flow:

- (i) Cash from operating activities of discontinued operations and the Fund, as this represents operating cash from activities other than the continuing operations of Bell Aliant Holdings LP which is available for distribution;
- (ii) The amount of standardized distributable cash that would be attributable to the minority interest in controlled subsidiaries (i.e. Bell Nordiq Income Fund prior to January 2007 and AMP prior to September 2006) as this represents cash which is not available for distribution;
- (iii) Capital expenditures; and
- (iv) Cash flow and capital expenditure adjustments related to the period prior to July 7, 2006, as this period related to the operations of Aliant.

CICA guidance on the calculation of this standardized distributable cash measure would also include deductions related to any restrictions imposed on the amount of cash distributions as a result of compliance with financial covenants restrictive at the date of calculation. Our credit agreements only impose a restriction that distributions cannot exceed distributable cash over the last year if our credit ratings fall below investment grade. Since our ratings are within the investment grade categories, no such adjustment is required in our situation.

We further adjust standardized distributable cash by the following items to determine our distributable cash:

- (v) Operating items funded through cash reserves or borrowings, such as changes in operating assets and liabilities (working capital), debt prepayment premiums, pension deficit funding, restructuring and other charges, and cash capital taxes in excess of normalized levels;
- (vi) Current income tax provisions (recoveries) are added back (deducted) as we have tax strategies in place to ensure that they are not payable (receivable) in cash; and
- (vii) Other elements of working capital changes that should not result in actual current or future cash flows.

In the third quarter of 2007, we determined that costs accrued for our executive deferred unit plan should not be deducted from distributable cash as they will eventually be settled by the Fund through the issuance of units, rather than with a cash payment. This resulted in a restatement of distributable cash starting in the fourth quarter of 2006. All of these adjustments to determine standardized distributable cash and distributable cash can be found in our consolidated financial statements or records or the Fund's consolidated statements or records, with the exception of the normalization of cash capital taxes. This adjustment is a calculation where some management judgement is exercised in estimating the level of capital taxes that we will pay when future tax rate changes come into effect. We have assumed a stable capital base and the future enactment of all previously announced provincial capital tax rate reductions or eliminations by the provinces of Ontario, Quebec, New Brunswick and Nova Scotia. At this point, all of these provinces have announced phased elimination of capital taxes in their most recent budgets, therefore starting in the third quarter of 2007 we are not providing for any deduction for normalized cash capital taxes. The actual tax rates may differ materially as they are subject to future enacted tax laws.

We are unable to calculate standardized distributable cash and distributable cash from a cash flow perspective prior to July 7, 2006, as pro forma cash from operating activities was not restated on a pro forma basis.

For the period ended September 30 (millions of dollars)	Three months			Nine months ⁽¹⁾
	2007	2006	% change	2007
Cash from operating activities	\$304.3	\$111.4	173.2	\$888.8
Add (deduct):				
Cash from operating activities adjustment for period prior to July 7	0.2	8.7	(97.7)	12.7
Cash from operating activities of discontinued operations	0.7	(4.1)	n.m.	(2.2)
Cash from operating activities of the Fund	-	11.1	n.m.	-
Capital expenditures	(140.2)	(128.6)	9.0	(398.9)
Capital expenditure adjustment for period prior to July 7	-	(1.9)	n.m.	-
Non-controlling interest in standardized distributable cash	-	(9.6)	n.m.	-
Standardized distributable cash	165.0	(13.0)	n.m.	500.4
Add (deduct):				
Operating items funded through cash reserves or borrowing:				
Debt prepayment premiums	-	147.8	n.m.	-
Change in operating assets and liabilities (working capital)	(2.7)	29.2	n.m.	(17.3)
Change in operating assets and liabilities (working capital) of the Fund	(1.2)	-	n.m.	(1.6)
Pension deficit funding	9.8	14.0	(30.0)	26.5
Restructuring and other charges	20.8	3.8	n.m.	22.2
Cash capital taxes in excess of normalized levels	1.7	3.0	(43.3)	7.5
Other adjustments:				
Current income tax recovery	(12.3)	(2.6)	n.m.	(9.9)
Other non-cash items provided for in working capital changes	(3.5)	3.7	n.m.	4.1
Distributable cash	\$177.6	\$185.9	(4.5)	\$531.9

n.m. - not meaningful

(1) Comparative information for the nine month period ended September 30, 2006, is not available.

As pro forma information for EBITDA is available for periods prior to July 7, 2006, for comparative purposes, we also calculate distributable cash using EBITDA or pro forma EBITDA and add or deduct any cash items not included in EBITDA or pro forma EBITDA but that are required for operating purposes in the current period, including the following items:

- (i) Cash funding requirement for current service pension costs for defined benefit pension plans and other employee benefit plans to the extent not already deducted in determining EBITDA or pro forma EBITDA;
- (ii) An adjustment to cash capital taxes to reflect a normalized level that will be achieved once announced provincial tax rate reductions come into effect in future years;
- (iii) Expenses incurred by the Fund as these are not included in the EBITDA or pro forma EBITDA of Bell Aliant Holdings LP;
- (iv) Cash interest expense;
- (v) Other cash income or expenses that may be incurred to the extent not included in EBITDA or pro forma EBITDA;
- (vi) Adjustments for certain one-time or other normalizing expense items;
- (vii) The portion of our consolidated distributable cash that is generated for the benefit of the non-controlling interest in our controlled subsidiaries;

(viii) Capital expenditures; and

(ix) The portion of distributable cash generated by discontinued operations.

Prior to July 7, 2006, the majority of the adjustments represent pro forma results. Subsequent to July 7, 2006, all of the adjustments to determine distributable cash can be found in our consolidated financial statements or records with the exception of the normalization for cash capital taxes as discussed above.

In order to discuss and analyze distributable cash in reference to prior periods, we have produced the following calculations from pro forma EBITDA:

For the period ended September 30 (millions of dollars)	Three months			Nine months		
	2007 ⁽¹⁾	2006	% change	2007 ⁽¹⁾	2006	% change
EBITDA / Pro forma EBITDA	\$372.4	\$366.7	1.6	\$1,080.0	\$1,082.8	(0.3)
Add (deduct):						
⁽²⁾ Pro forma adjustments not reflected in EBITDA prior to Q3 2006	-	-	-	-	2.8	n.m.
⁽³⁾ Cash funding of current service cost for net benefit plans	(17.2)	(16.3)	5.5	(50.5)	(46.9)	7.7
⁽⁴⁾ Cash capital taxes included in EBITDA	1.7	4.7	(63.8)	11.0	5.3	107.5
⁽⁴⁾ Normalized cash capital taxes	-	(1.7)	n.m.	(3.5)	(5.1)	(31.4)
Fund expenses	(1.1)	-	n.m.	(4.3)	-	n.m.
Other income (expenditures)	(1.5)	(0.4)	275.0	(1.6)	(1.9)	(15.8)
⁽⁵⁾ Cash interest expense	(36.7)	(34.6)	6.1	(112.7)	(106.2)	6.1
⁽⁶⁾ Non-controlling interest	-	(14.5)	n.m.	-	(48.5)	n.m.
⁽⁷⁾ Capital expenditures	(140.2)	(126.4)	10.9	(398.9)	(370.4)	7.7
⁽⁸⁾ Distributable cash of discontinued operations	0.2	8.4	(97.6)	12.4	24.2	(48.8)
Distributable cash	\$177.6	\$185.9	(4.5)	\$531.9	\$536.1	(0.8)

n.m. - not meaningful

⁽¹⁾ The periods ended September 30, 2007, represent as reported results and are not pro forma.

⁽²⁾ One-time costs impacting Bell Canada's regional wireline operation in 2005 related to a labour disruption were added back to normalize EBITDA.

⁽³⁾ The cash funding requirement related to current service costs for net benefit plans for the period. The portion of cash funding required for net benefit plans cost that exceeds current service cost will be funded through cash reserves or borrowing.

⁽⁴⁾ Capital taxes actually paid that are in excess of normalized levels will be funded through cash reserves or borrowing.

⁽⁵⁾ For periods prior to July 7, 2006, represents management's estimate of cash interest expense, assuming total drawn debt of \$2.6 billion for Bell Aliant LP at an estimated interest rate of 5.5 per cent had it been in operations for the entire year 2006. Cash interest expense includes Bell Aliant Holdings LP's proportionate share of interest expense for Télébec, NorthernTel and AMP during the periods where we owned less than 100 per cent of these businesses.

⁽⁶⁾ The proportionate share of the EBITDA of Télébec, NorthernTel and AMP that is attributable to the non-controlling interest in these businesses.

⁽⁷⁾ For periods prior to July 7, 2006, represents management's estimate of capital expenditures for Bell Aliant Holdings LP, had it been in operation for the entire year 2006. Capital expenditures include Bell Aliant Holdings LP's proportionate share of capital expenditures for Télébec, NorthernTel and AMP during the periods where we owned less than 100 per cent of these businesses.

⁽⁸⁾ The operations of SalesBridge Canada Inc. and Aliant Directory Services have been restated in discontinued operations. Their contribution to Distributable cash is shown separately.

The calculation of standardized distributable cash and distributable cash has been prepared using reasonable and supportable assumptions, all of which reflect our planned courses of action given management's judgement about the most probable set of economic conditions. Actual results may vary, perhaps materially, from the forward-looking assumptions used.

We use distributable cash, among other measures, to assess the financial performance of our ongoing business.

We report standardized distributable cash to meet compliance with the new CICA guidance for income trusts and other flow-through entities. These measures should not be seen as measures of liquidity or as substitutes for comparable metrics prepared in accordance with Canadian GAAP. We believe that certain investors and analysts use distributable cash to measure our, as well as other open-ended trusts', ability to generate a sustainable return for unitholders.

Standardized distributable cash and distributable cash should not be confused with cash from operating activities, which is the most comparable Canadian GAAP financial measure.

SUPPLEMENTARY FINANCIAL INFORMATION

The accompanying table shows selected consolidated financial data for the most recent eight quarters. This quarterly information has been prepared on the same basis as the consolidated financial statements.

For the eight quarters ended September 30								
(millions of dollars, except for per unit / share amounts)	2005	2006				2007		
	Q4	Q1	Q2	Q3	Q4 ⁽¹⁾	Q1 ⁽¹⁾	Q2 ⁽¹⁾	Q3 ⁽¹⁾
Operating revenues	\$516.4	\$527.7	\$516.5	\$802.8	\$837.3	\$851.4	\$825.4	\$837.9
Pro forma operating revenues ⁽²⁾	\$822.1	\$821.9	\$814.9	\$825.1	\$837.3	\$851.4	\$825.4	\$837.9
EBITDA ⁽²⁾	\$216.1	\$212.0	\$216.0	\$355.6	\$363.9	\$349.5	\$358.1	\$372.4
Pro forma EBITDA ⁽²⁾	\$367.6	\$352.9	\$363.2	\$366.7	\$363.9	\$349.5	\$358.1	\$372.4
Operating income ⁽²⁾	\$97.3	\$88.8	\$91.7	\$184.4	\$186.0	\$171.6	\$55.8	\$142.3
Pro forma operating income ⁽²⁾	\$188.0	\$171.6	\$180.8	\$194.2	\$186.0	\$171.6	\$55.8	\$142.3
Net earnings (loss) from continuing operations	\$50.6	\$35.3	\$47.9	\$2,930.1	(\$132.6)	\$83.0	\$44.9	\$72.7
Net earnings from discontinued operations	4.6	4.9	5.3	5.5	5.6	5.5	260.3	0.5
Net earnings (loss)	\$55.2	\$40.2	\$53.2	\$2,935.6	(\$127.0)	\$88.5	\$305.2	\$73.2
Basic and diluted earnings per unit / share from continuing operations	\$0.38	\$0.26	\$0.36	\$20.07	(\$0.87)	\$0.54	\$0.29	\$0.48
Basic and diluted earnings per unit / share from discontinued operations	0.03	0.04	0.04	0.04	0.04	0.04	1.71	0.00
Basic and diluted earnings per unit / share	\$0.41	\$0.30	\$0.40	\$20.11	(\$0.83)	\$0.58	\$2.00	\$0.48
Distributable cash ⁽²⁾				\$185.9	\$185.9	\$190.6	\$160.2	\$177.6
Cash distributions declared				\$141.0	\$141.0	\$166.2	\$163.5	\$161.3
Preferred share dividends	\$2.4	\$2.4	\$2.4	-	-	-	-	-
Common share dividends declared	\$37.6	\$39.5	\$39.5	-	-	-	-	-

⁽¹⁾ Q4 2006, Q1 2007, Q2 2007 and Q3 2007, represent as reported results and are not pro forma.

⁽²⁾ Pro forma operating revenues, EBITDA, pro forma EBITDA, operating income, pro forma operating income and distributable cash are non-GAAP measures. Refer to the "Non-GAAP financial measures" section for more details.

Our 2005 results, which reflect the operations of Aliant, exhibit strong growth and a full recovery from the 2004 labour disruption. Net earnings for the first quarter of 2006 were negatively affected by a \$13.1 million financial derivative loss related to the exercise of an interest rate swaption contract and the extinguishment of the associated unamortized premium, \$8.3 million after income taxes. The third quarter of 2006 represented the first reported results following completion of the Arrangement and earnings for the period reflect a \$1.95 billion gain on the sale of Aliant's wireless operation and shares of DownEast Ltd., a \$1.0 billion dilution gain that resulted from the reorganization and \$147.8 million in debt prepayment premiums. The results for the fourth

quarter of 2006 were negatively impacted by future tax expense of \$225.1 million related to the gain on the disposal of Aliant's wireless operation. Operating income for the second quarter of 2007 includes an additional \$125.3 million charge to depreciation and amortization for the period from July 7, 2006, to June 30, 2007, as a result of the purchase price allocation adjustment, partially offset by future tax recoveries related to this depreciation and amortization, tax rate changes and recognition of the benefit of tax losses not previously recognized. Earnings from discontinued operations for the second quarter of 2007 reflect the after-tax gain on sale of \$258.9 million related to the disposal of our 87.14 per cent indirect interest in the net assets and operations of ADS. Earnings from continuing operations for the third quarter of 2007 reflect the ongoing increased depreciation and amortization, mainly of finite-life intangibles, that resulted from the finalization of the purchase price allocation.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated balance sheets

(Unaudited)

(millions of dollars)

	Notes	As at September 30, 2007	As at December 31, 2006
Assets			
Current assets			
Cash and cash equivalents		\$ 8.1	\$ 100.5
Note receivable from related party	20	-	38.9
Accounts receivable	3	416.4	522.9
Inventory		21.3	27.6
Prepayments		29.0	13.2
Future income tax asset	6	-	12.4
Income tax receivable		12.5	8.0
Current assets of discontinued operations	4	-	11.0
		487.3	734.5
Capital investments	5		
Property, plant and equipment		3,714.9	3,744.8
Finite-life intangibles		3,179.0	174.5
		6,893.9	3,919.3
Other assets			
Long-term receivable		48.5	48.9
Deferred charges		25.4	45.5
Future income tax asset	6	7.2	22.5
Accrued benefit asset		382.5	379.3
Indefinite-life intangibles	7	82.8	16.7
Goodwill	8	2,554.5	5,446.2
Non-current assets of discontinued operations	4	-	0.2
		3,100.9	5,959.3
Total assets		\$ 10,482.1	\$ 10,613.1
Liabilities and partners' equity			
Current liabilities			
Notes payable to related party	20	\$ 10.5	\$ -
Payables and accruals	9	394.5	359.9
Distributions payable		51.5	55.0
Income tax payable		2.4	13.4
Future income tax liability	6	141.4	20.8
Short-term debt	10	202.3	8.5
Long-term debt due within one year	11	57.9	109.2
Current liabilities of discontinued operations	4	-	2.0
		860.5	568.8
Future income tax liability	6	348.3	169.0
Long-term debt	11	2,503.6	2,702.0
Derivative liabilities	16	2.2	-
Accrued benefit liability		409.1	399.1
Deferred credits		19.3	16.6
Non-current liabilities of discontinued operations	4	-	1.9
		4,143.0	3,857.4
Non-controlling interest	12	1,845.7	1,919.1
Partners' equity		4,493.4	4,836.6
Total liabilities and partners' equity		\$ 10,482.1	\$ 10,613.1

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated statements of earnings

(Unaudited)

For the period ended September 30

(millions of dollars, except per unit/common share amounts)	Notes	Three months		Nine months	
		2007	2006	2007	2006
Operating revenues		\$ 837.9	\$ 802.8	\$ 2,514.7	\$ 1,847.0
Expenses					
Operating expenses		491.5	473.2	1,518.5	1,137.2
Depreciation and amortization		183.3	141.4	604.3	331.9
Restructuring and other charges	9	20.8	3.8	22.2	13.0
		695.6	618.4	2,145.0	1,482.1
		142.3	184.4	369.7	364.9
Other expenses (income)					
Financial derivative loss (gain)		(6.4)	19.3	(6.4)	30.5
Other expense (income)		2.1	(2,799.6)	4.7	(2,797.1)
		(4.3)	(2,780.3)	(1.7)	(2,766.6)
Interest charges					
Interest on long-term debt		33.7	35.6	107.7	68.5
Other interest expense		4.8	1.5	11.9	2.4
		38.5	37.1	119.6	70.9
Earnings before underlisted items		108.1	2,927.6	251.8	3,060.6
Income taxes					
Current tax expense (recovery)		(12.3)	(2.6)	(9.9)	52.8
Future tax expense (recovery)		3.5	(43.6)	(50.3)	(50.3)
		(8.8)	(46.2)	(60.2)	2.5
Earnings before non-controlling interest		116.9	2,973.8	312.0	3,058.1
Non-controlling interest		44.2	43.7	111.4	44.8
Net earnings from continuing operations		72.7	2,930.1	200.6	3,013.3
Net earnings from discontinued operations	4	0.5	5.5	266.3	15.7
Net earnings		\$ 73.2	\$ 2,935.6	\$ 466.9	\$ 3,029.0
Earnings per unit / common share					
Basic and diluted from continuing operations		\$ 0.48	\$ 20.07	\$ 1.32	\$ 22.32
Basic and diluted from discontinued operations		0.00	0.04	1.75	0.12
Basic and diluted		\$ 0.48	\$ 20.11	\$ 3.07	\$ 22.43

Consolidated statements of comprehensive earnings

(Unaudited)

For the period ended September 30

(millions of dollars)	Note	Three months		Nine months	
		2007	2006	2007	2006
Net earnings		\$ 73.2	\$ 2,935.6	\$ 466.9	\$ 3,029.0
Other comprehensive earnings (losses), net of tax	14	(6.3)	-	3.3	-
Comprehensive earnings		\$ 66.9	\$ 2,935.6	\$ 470.2	\$ 3,029.0

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 September 30, 2007

	Notes	Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (losses)	Total partners' equity
Balance December 31, 2006		\$ 2,008.9	\$ -	\$ 158.5	\$ (201.1)	\$ -	\$ 2,870.3	\$ -	\$ 4,836.6
Net earnings for the period		-	-	466.9	-	-	-	-	466.9
Distributions declared on:									
Class 1 exchangeable limited partnership units		-	-	-	(59.4)	-	-	-	(59.4)
Class 2 limited partnership units		-	-	-	(256.8)	-	-	-	(256.8)
Stock options expense		-	0.2	-	-	-	2.9	-	3.1
Repayment of partners' capital	13	(460.9)	-	-	-	-	-	-	(460.9)
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	14	-	-	-	3.3	-	-	3.3	3.3
Balance September 30, 2007		\$ 1,548.0	\$ 0.2	\$ 626.2	\$ (517.3)	\$ -	\$ 2,873.2	\$ (36.9)	\$ 4,493.4

For the period ended September 30, 2006

	Notes	Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (losses)	Total Shareholders' equity
Balance December 31, 2005		\$ -	\$ 0.9	\$ -	\$ -	\$ 1,176.0	\$ 235.0	\$ -	\$ 1,411.9
Net earnings for the period		-	-	60.4	-	-	2,968.6	-	3,029.0
Dividends declared on:									
Preferred shares		-	-	-	-	-	(4.8)	-	(4.8)
Common shares		-	-	-	-	4.2	(79.0)	-	(74.8)
Common shares issued		-	-	-	-	13.7	-	-	13.7
Redemption of preferred shares		-	-	-	-	(172.2)	(2.8)	-	(175.0)
Repurchase of common shares		-	-	-	-	(4.5)	(15.3)	-	(19.8)
Treasury stock purchased for employee stock savings plan		-	(1.2)	-	-	-	-	-	(1.2)
Stock options expense		-	3.0	-	-	-	-	-	3.0
Cash settlement of stock options		-	(3.9)	-	-	-	(4.2)	-	(8.1)
Repurchase of common shares from dissenting shareholders		-	-	-	-	(0.1)	(0.5)	-	(0.6)
Conversion to the Income Fund		1,017.1	(0.5)	-	-	(1,017.1)	0.5	-	-
Issuance of units		991.8	-	-	-	-	-	-	991.8
Distributions declared on:									
Class 1 exchangeable limited partnership units		-	-	-	(17.7)	-	-	-	(17.7)
Class 2 limited partnership units		-	-	-	(78.6)	-	-	-	(78.6)
Dividends paid by subsidiaries to non-controlling interest		-	-	-	(1.8)	-	-	-	(1.8)
Other		-	1.7	-	-	-	(0.3)	-	1.4
Balance September 30, 2006		\$ 2,008.9	\$ -	\$ 60.4	\$ (98.1)	\$ -	\$ 3,097.2	\$ -	\$ 5,066.4

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated statements of cash flows
(Unaudited)
For the period ended September 30

(millions of dollars)	Notes	Three months		Nine months	
		2007	2006	2007	2006
Cash from (used in) operating activities					
Net earnings from continuing operations		\$ 72.7	\$ 2,930.1	\$ 200.6	\$ 3,013.3
Adjustments to reconcile net earnings to cash from operating activities					
Depreciation and amortization		183.3	141.4	604.3	331.9
Future income tax expense (recovery)		3.5	(43.6)	(50.3)	(50.3)
Net benefit plans cost	15	24.4	24.4	78.5	69.1
Funding of defined benefit pension and other post-employment benefit plans	15	(25.3)	(28.8)	(71.6)	(80.9)
Non-controlling interest		44.2	43.7	111.4	44.8
Non-cash financial derivative loss		-	16.0	-	28.0
Gain on disposal of business units		-	(1,950.3)	-	(1,950.3)
Dilution gain		-	(1,000.3)	-	(1,000.3)
Other		(1.2)	8.0	(1.4)	10.6
Change in operating assets and liabilities		2.7	(29.2)	17.3	(95.4)
		304.3	111.4	888.8	320.5
Cash from (used in) financing activities					
Net proceeds on sale of accounts receivable	3	(10.0)	-	80.0	-
Net proceeds on issuance of short-term debt	10	98.6	151.0	193.8	139.8
Proceeds (repayment) of notes payable to related party	20	(116.5)	-	10.5	-
Proceeds of long-term debt	11	-	4,028.1	994.5	4,307.7
Repayment of long-term debt	11	(1.1)	(2,501.6)	(1,236.9)	(2,626.6)
Repayment of capital lease obligations		(2.7)	(1.4)	(5.7)	(3.7)
Decrease in non-controlling interest	12	-	-	(3.6)	-
Net settlement of financial derivatives	16	6.4	(58.1)	(24.1)	(58.1)
Dividends paid by subsidiaries to non-controlling interest		-	(2.1)	-	(2.1)
Repayment of partners' capital	13	-	-	(460.9)	-
Distributions paid by subsidiaries to non-controlling interest	12	(60.5)	(38.6)	(180.8)	(38.6)
Distributions paid		(101.0)	(61.4)	(319.8)	(61.4)
Cash settlement of stock options		-	(8.1)	-	(8.1)
Issuance of common shares		-	-	-	13.0
Redemption of preferred shares		-	-	-	(175.0)
Repurchase of common shares		-	(0.6)	-	(20.4)
Dividends paid on preferred shares		-	-	-	(4.8)
Dividends paid on common shares		-	-	-	(112.8)
		(186.8)	1,507.2	(953.0)	1,348.9
Cash from (used in) investing activities					
Purchase of capital investments		(140.2)	(128.5)	(398.9)	(313.8)
Proceeds on sale of capital investments		0.1	0.1	1.2	0.5
Business acquisitions, net of cash		-	(1,268.8)	-	(1,268.8)
		(140.1)	(1,397.2)	(397.7)	(1,582.1)
Net increase (decrease) in cash from continuing operations		(22.6)	221.4	(461.9)	87.3
Net increase in cash from discontinued operations		0.4	6.5	330.6	16.7
Cash and cash equivalents, beginning of period		30.3	71.9	139.4	195.8
Cash and cash equivalents, end of period		\$ 8.1	\$ 299.8	\$ 8.1	\$ 299.8
Supplementary disclosure					
Interest paid		\$ 32.4	\$ 70.9	\$ 121.7	\$ 105.3
Income taxes (recovered) paid, net		\$ (1.2)	\$ 29.6	\$ (4.6)	\$ 133.5

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 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. 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 a then indirect 63.4 per cent interest in Télébec, Limited Partnership (Télébec) and NorthernTel, Limited Partnership (NorthernTel), the operating partnerships of the former Bell Nordiq Income Fund, which was 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 certain 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.

All references to "we", "us" or "our" refer to Bell Aliant Holdings LP and its subsidiaries.

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

We have prepared these unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles 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 Financial instruments 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 1530, Comprehensive Income;
- Section 3251, Equity;
- Section 3855, Financial Instruments – Recognition and Measurement;
- Section 3865, Hedges;
- 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)
September 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

As a result of adopting these new accounting standards, certain financial assets and financial liabilities are measured at fair market value with the remainder recorded at amortized cost. The following changes resulted from implementing the new standards:

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

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)
Long-term future income tax asset	\$ 13.5
Long-term debt	\$ (12.8)
Deferred credits	\$ 32.4
Accumulated earnings	\$ 0.8
Accumulated other comprehensive losses	\$ (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 (losses) 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 (losses) is a separate component of partners' equity.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future changes in accounting policies

The CICA issued Section 3031, Inventories, to replace Section 3030 of the same name, which establishes new standards for the measurement, recognition and disclosure of inventories. The standards come into effect for fiscal years beginning on or after January 1, 2008. We will assess the effect that the revisions will have on us in the fourth quarter of 2007.

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 in note 4.

2. BUSINESS COMBINATIONS AND ACQUISITIONS

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 shares of DownEast Ltd. were sold to Bell Canada.

The total consideration paid for the Arrangement, including direct acquisition costs, was \$7,405.3 million (December 31, 2006 - \$7,333.2 million). Total consideration paid increased by a net \$72.1 million which represents the consideration for an information technology services commitment from Bell Canada valued at \$29.0 million and for a long-term receivable from Bell Canada valued at \$44.0 million. The value of these assets had previously been reported as a reduction in the purchase price of other assets acquired.

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

To identify and record the estimated fair value of all assets acquired and liabilities assumed, an analysis of the assets and liabilities including property, plant and equipment, customer relationships, acquired contractual rights and assumed contractual commitments and legal contingencies was performed. Fair values were determined in reference to factors including, but not limited to: quoted market prices, where available; expected future cash flows; depreciated replacement cost for similar capacity for certain property, plant and equipment; market rate assumptions for contractual obligations; and appropriate discount rates and growth rates.

Goodwill includes Bell Aliant Regional Communications Inc.'s portion of the net future tax liability associated with the taxable temporary differences that resulted from accounting for the transaction at fair market value. This goodwill is not deductible for tax purposes.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

2. BUSINESS COMBINATIONS AND ACQUISITIONS (Continued)

The estimated values of the assets acquired and the liabilities assumed for the Arrangement are as follows:

<i>(millions of dollars)</i>	
Assets acquired :	
Cash and cash equivalents	\$ 44.2
Other current assets	68.4
Property, plant and equipment	2,255.8
Finite-life intangibles	3,158.7
Other long-term assets	42.4
Indefinite-life intangibles	82.8
Goodwill	2,507.0
	8,159.3
Less liabilities assumed:	
Long-term liabilities	124.8
Long-term debt	135.4
Future tax liability	321.8
Non-controlling interest	172.0
Net assets acquired	\$ 7,405.3

The finite-life intangibles are being amortized on a straight-line basis over their estimated useful lives as follows:

Finite-life intangibles	Method	Estimated useful life
Customer relationships	Straight-line	2-30 years
Bilateral license agreement	Straight-line	40 years
Roaming agreements	Straight-line	4.5 years

Upon finalizing the purchase price allocation in the second quarter of 2007, we recorded a \$124.3 million adjustment relating to the period from July 7, 2006, to June 30, 2007, for depreciation and amortization on the property, plant and equipment and finite-life intangibles, and other interest charges on the long-term debt fair value allocation. The adjustment related to the following periods:

<i>(millions of dollars)</i>	April 1, 2007 to June 30, 2007	January 1, 2007 to March 31, 2007	July 7, 2006 to December 31, 2006	Total
Depreciation and amortization	\$ 31.8	\$ 31.5	\$ 62.0	\$ 125.3
Other interest charges	(0.2)	(0.3)	(0.5)	(1.0)
Total	\$ 31.6	\$ 31.2	\$ 61.5	\$ 124.3

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

3. TRANSFER OF RECEIVABLES

On June 22, 2007, we amended our revolving accounts receivable purchase and sale agreement with a securitization trust to increase the maximum amount of trade accounts receivable we can sell to the trust from \$125.0 million to \$220.0 million. With this increase, we were able to sell additional accounts receivable and received net proceeds of \$80.0 million in the nine months ended September 30, 2007.

The following table shows details of the accounts receivable sold, certain cash flows received from and paid to the trust during the period and the assumptions that were used in determining the fair value on the date of transfer. The sensitivity of these assumptions to an immediate 10 to 20 per cent change in the amount of receivables is not material.

<i>(millions of dollars, except as otherwise noted)</i>	Range 2007	September 30, 2007	December 31, 2006
As at the period ended:			
Securitized interest in accounts receivable		\$ 254.3	\$ 168.7
Net cash proceeds		\$ 200.0	\$ 120.0
Retained interest		\$ 54.3	\$ 48.7
Servicing liability		\$ 0.7	\$ 0.4
Average trade accounts receivable managed		\$ 333.3	\$ 227.7
For the period ended:			
Collections reinvested in revolving sales		\$ 1,616.0	\$ 1,904.3
Pre-tax loss and administration fees		\$ 5.0	\$ 5.2
Assumptions:			
Average cost of funds	4.41% - 4.59%	4.55%	4.28%
Average delinquency ratio	21.14% - 23.22%	22.49%	20.77%
Average net credit loss ratio	1.01% - 1.62%	1.12%	0.93%
Weighted average life in days	41 - 47	46	44

4. DISCONTINUED OPERATIONS

Salesbridge Canada Corp. (Salesbridge)

The results of operations of 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.

Aliant Directory Services (ADS)

On April 30, 2007, we sold our indirect 87.14 per cent joint venture interest in the net assets and operations of ADS to Yellow Pages Income Fund for proceeds of \$327.4 million. Our interest in the carrying value of the net assets was \$11.4 million at the time of the sale. The gain on disposal of \$315.0 million, which is net of transaction costs of \$1.0 million, has been recorded in net earnings from discontinued operations. The after-tax gain on disposal was \$258.9 million. The results of operations and net assets of ADS have been presented as discontinued operations.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

4. DISCONTINUED OPERATIONS (Continued)

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

For the three months ended September 30 (millions of dollars)	2007			2006		
	SalesBridge	ADS	Total	SalesBridge	ADS	Total
Operating revenues	\$ -	\$ -	\$ -	\$ 3.6	\$ 14.8	\$ 18.4
Expenses	-	-	-	4.5	6.1	10.6
Gain on sale	-	(0.2)	(0.2)	-	-	-
Income taxes (recovery)	-	(0.7)	(0.7)	(0.3)	2.9	2.6
Non-controlling interest	-	-	-	(0.3)	-	(0.3)
Net earnings (loss) from discontinued operations	\$ -	\$ 0.5	\$ 0.5	\$ (0.3)	\$ 5.8	\$ 5.5

For the nine months ended September 30 (millions of dollars)	2007			2006		
	SalesBridge	ADS	Total	SalesBridge	ADS	Total
Operating revenues	\$ -	\$ 19.8	\$ 19.8	\$ 11.3	\$ 42.1	\$ 53.4
Expenses	0.8	7.7	8.5	12.2	17.9	30.1
Gain on sale	-	315.0	315.0	-	-	-
Income taxes (recovery)	(0.2)	60.5	60.3	(0.3)	8.2	7.9
Non-controlling interest	(0.3)	-	(0.3)	(0.3)	-	(0.3)
Net earnings (loss) from discontinued operations	\$ (0.3)	\$ 266.6	\$ 266.3	\$ (0.3)	\$ 16.0	\$ 15.7

5. CAPITAL INVESTMENTS

As at September 30, 2007 (millions of dollars)	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment			
Land	\$ 24.5	\$ -	\$ 24.5
Buildings and towers	562.1	241.3	320.8
Telecommunications facilities and equipment	6,937.2	3,886.5	3,050.7
Other equipment	336.3	224.0	112.3
Plant under construction	201.1	-	201.1
Materials and supplies	5.5	-	5.5
	8,066.7	4,351.8	3,714.9
Finite-life intangibles			
Software	423.6	252.0	171.6
Customer relationships	2,694.1	143.5	2,550.6
Bilateral license agreement	464.5	14.4	450.1
Roaming agreements	9.2	2.5	6.7
	3,591.4	412.4	3,179.0
	\$ 11,658.1	\$ 4,764.2	\$ 6,893.9

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

5. CAPITAL INVESTMENTS (Continued)

As at December 31, 2006		Accumulated depreciation and amortization		Net book value		
<i>(millions of dollars)</i>		Cost				
Property, plant and equipment						
Land	\$	24.6	\$	-	\$	24.6
Buildings and towers		552.8		217.5		335.3
Telecommunications facilities and equipment		6,710.1		3,588.7		3,121.4
Other equipment		335.6		215.7		119.9
Plant under construction		138.1		-		138.1
Materials and supplies		5.5		-		5.5
		7,766.7		4,021.9		3,744.8
Finite-life intangibles						
Software		376.5		207.1		169.4
Customer relationships		9.0		3.9		5.1
		385.5		211.0		174.5
	\$	8,152.2	\$	4,232.9	\$	3,919.3

As a result of the finalization of the purchase price allocation on the Arrangement in the second quarter of 2007, we reduced property, plant and equipment by \$0.4 million (note 8) and recorded \$3,158.7 million in finite-life intangibles (note 8) related to customer relationships, a bilateral license agreement and roaming agreements.

We recorded aggregate depreciation and amortization expenses on property, plant and equipment and finite-life intangibles for the nine month period ended September 30, 2007, of \$401.4 million and \$202.9 million, respectively (December 31, 2006 - \$416.8 million and \$67.1 million, respectively).

6. INCOME TAXES

The increase in the net future tax liability during the nine months ended September 30, 2007, of \$327.6 million relates to recognizing future tax liabilities of \$330.9 million (note 8) with the finalization of the purchase price allocation on the Arrangement, as well as various taxable and deductible temporary differences, including the impact of deferring the recognition of partnership income, tax rate changes, recognition of prior period losses, utilization of loss carry-forwards, implementation of the new financial instruments accounting standards (note 1) and the amortization of intangible assets recognized in the finalization of the purchase price allocation.

7. INDEFINITE-LIFE INTANGIBLES

<i>(millions of dollars)</i>	As at September 30, 2007		As at December 31, 2006	
Spectrum licenses	\$	-	\$	1.0
Télébec and NorthernTel brands		46.2		-
Telecommunication licenses		20.9		-
Cable licenses		15.7		15.7
	\$	82.8	\$	16.7

As a result of the finalization of the purchase price allocation on the Arrangement in the second quarter of 2007, we recorded \$67.1 million in indefinite-life intangibles (note 8) related to the Télébec and NorthernTel brands and telecommunication licenses.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2007

8. GOODWILL

<i>(millions of dollars)</i>	
Goodwill, as at December 31, 2006	\$ 5,446.2
Allocations as a result of the finalization of purchase price allocation on the acquisition of Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group (note 2):	
Finite-life intangibles (note 5)	(3,158.7)
Indefinite-life intangibles (note 7)	(67.1)
Future tax liabilities (note 6)	330.9
Property, plant and equipment (note 5)	(0.4)
Long-term debt (note 11)	5.4
Change in operating assets and liabilities	(0.6)
Acquisition costs	(1.2)
Goodwill, as at September 30, 2007	\$ 2,554.5

The goodwill created on acquisition of Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group, as discussed in note 2, was tested for impairment during the second quarter of 2007 when the purchase price allocation was finalized. There was no impairment.

9. RESTRUCTURING AND OTHER CHARGES

In September 2007, we estimated and recorded a pre-tax restructuring charge of \$20.8 million related to costs to advance the organization's productivity initiatives leading into 2008. The charge covers costs of severance and benefits. The final cost of the initiatives could be materially different from our estimate as effected employees will have options that could impact their severance. The restructuring charge liability will be drawn down as employees leave the organization, which is expected to be completed by the end of the first quarter of 2008.

At September 30, 2007, payables and accruals included a restructuring and other charge balance of \$23.0 million (December 31, 2006 - \$4.0 million).

10. SHORT-TERM DEBT

We have the following operating facilities available to us:

<i>(millions of dollars)</i>	As at September 30, 2007	As at December 31, 2006
Committed lines of credit:		
Revolving operating facilities	\$ 576.0	\$ 576.0
Non-revolving pension reserve facility	450.0	450.0
Dedicated letter of credit facilities	138.0	137.7
Uncommitted operating lines of credit:		
Demand operating facilities	10.0	18.3
Total operating facilities	\$ 1,174.0	\$ 1,182.0

We also maintain a \$400.0 million commercial paper program. We ensure at all times that sufficient undrawn capacity exists on our revolving operating facilities to support issuances of commercial paper.

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10. SHORT-TERM DEBT (CONTINUED)

The status of our operating facilities is as follows:

<i>(millions of dollars)</i>	As at		As at	
	September 30, 2007		December 31, 2006	
Letters of credit and guarantee issued:				
Letters of credit	\$	165.0	\$	115.2
Letters of guarantee		2.0		2.0
		167.0		117.2
Drawn amounts:				
Commercial paper program		51.2		-
Revolving operating facilities		150.0		-
Uncommitted lines of credit		-		7.7
Other		1.1		0.8
		202.3		8.5
Unused available credit facilities		804.7		1,056.3
Total operating facilities	\$	1,174.0	\$	1,182.0

Short-term promissory notes issued under our commercial paper program bear interest at 5.27 per cent per annum and mature on October 19, 2007. Banker's acceptance advances of \$100.0 million and \$50.0 million under our revolving operating facilities bear interest at 5.46 and 5.54 per cent per annum and mature on October 5, 2007, and November 13, 2007, respectively.

11. LONG-TERM DEBT

During the nine months ended September 30, 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 \$1,134.7 million of the non-revolving bank term facility.

As a result of the finalization of the purchase price allocation on the Arrangement in the second quarter of 2007, we allocated \$5.4 million (note 8) to long-term debt related to the fair market value of long-term debt held by Télébec and NorthernTel. The finalization of the purchase price allocation required amortization on this amount for the period from July 7, 2006, to June 30, 2007, of \$1.0 million to be recorded, with an additional \$0.1 million in the three months ended September 30, 2007.

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11. LONG-TERM DEBT (Continued)

Debt issue costs of \$5.5 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 incurred in 2006, were reclassified from deferred charges with the implementation of new financial instruments accounting standards, as discussed in note 1. For the three and nine months ended September 30, 2007, we recorded amortization on debt issue costs of \$1.0 million and \$6.9 million, respectively (September 30, 2006 - \$2.4 million and \$2.3 million, respectively).

In addition, during the nine months ended September 30, 2007, we repaid principal amounts as they came due for obligations under capital leases, mortgage and other long-term debt totalling \$7.9 million.

12. NON-CONTROLLING INTEREST

<i>(millions of dollars)</i>	As at		As at	
	September 30, 2007		December 31, 2006	
Bell Aliant LP	\$	1,754.2	\$	1,825.6
Télébec and NorthernTel		90.6		92.3
SalesBridge		0.9		1.2
	\$	1,845.7	\$	1,919.1

In January 2007, Bell Nordiq Income Fund terminated its stock option plan prior to its privatization and paid \$3.6 million to option holders, which reduced our non-controlling interest.

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

<i>(millions of dollars)</i>	Three months		Nine months	
For the periods ended September 30, 2007	Declared	Paid	Declared	Paid
Bell Aliant LP	\$ 50.9	\$ 50.9	\$ 152.2	\$ 151.7
Télébec and NorthernTel	9.6	9.6	28.7	29.1
	\$ 60.5	\$ 60.5	\$ 180.9	\$ 180.8

13. PARTNERS' CAPITAL

Issued and outstanding

<i>(millions of dollars, except as otherwise noted)</i>	As at September 30, 2007		As at December 31, 2006	
	Number of	Stated	Number of	Stated
	units	capital	units	capital
Class 1 exchangeable limited partnership units	28,168,803	\$ 1,017.1	28,168,803	\$ 1,017.1
Class 2 limited partnership units	124,121,177	530.9	124,121,177	991.8
General partnership units	54,000	-	54,000	-
		\$ 1,548.0		\$ 2,008.9

In May 2007, a series of transactions was undertaken to enable the Fund to repurchase Fund units under its normal course issuer bid (NCIB) and settle a loan we had made to the Fund. This included us making a payment to return capital on the Class 2 limited partnership units to Bell Aliant Holdings Trust in an amount of \$460.9 million.

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13. PARTNERS' CAPITAL (Continued)

Performance share unit (PSU) plan

A summary of the status of the PSU plan as at September 30, 2007, and changes during the nine 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	1,702
Forfeited	(1,848)
Share units outstanding, as at September 30, 2007	24,398

For the three and nine months ended September 30, 2007, no compensation expense related to the PSUs outstanding was recorded (September 30, 2006 - \$0.3 million and \$2.6 million, respectively).

Employees' stock savings plan / unit purchase plans

The total number of Fund units bought on the open market for our employees during the three and nine months ended September 30, 2007, was 377,531 and 1,338,571, respectively (September 30, 2006 – combined Aliant common stock and Fund units - 216,720 and 735,534, respectively). Compensation expense related to the employees' unit purchase plans of \$2.3 million and \$7.4 million, respectively for the three months and nine months ended September 30, 2007, (September 30, 2006 – combined purchases under employees' stock savings plan and unit purchase plans - \$1.8 million and \$5.7 million, respectively) was recorded.

Deferred unit plan (DUP)

During the first quarter of 2007, the Fund finalized a 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 deferred units vest over a period of three years and are subject to certain performance criteria, with the exception of the 2006 grant, which was not made subject to further performance criteria as it was awarded in recognition of 2006 performance. The plan member may hold the deferred units in an account until the end of the second year following their termination or retirement. The Fund may issue up to 1,195,620 additional units out of treasury to satisfy awards under this DUP.

A summary of the status of the DUP as at September 30, 2007, and changes during the nine 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
Granted through reinvested distributions	34,365
Forfeited	(22,452)
Exercised	(4,380)
Deferred units outstanding, as at September 30, 2007	777,992

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13. PARTNERS' CAPITAL (Continued)

Deferred unit plan (DUP) (continued)

For the three and nine months ended September 30, 2007, compensation expense of \$2.4 million and \$5.9 million, respectively (September 30, 2006 - nil) related to the deferred units outstanding was recorded.

14. OTHER COMPREHENSIVE EARNINGS (LOSSES)

Components of other comprehensive earnings (losses) and the related income tax effects are as follows:

For the periods ended September 30, 2007	Three months			Nine months		
	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
<i>(millions of dollars)</i>						
Gains (losses) on derivatives designated as cash flow hedges	\$ (2.8)	\$ (0.7)	\$ (2.1)	\$ 6.5	\$ 0.9	\$ 5.6
Less reclassification to earnings	5.3	1.1	4.2	2.9	0.6	2.3
Other comprehensive earnings (losses)	\$ (8.1)	\$ (1.8)	\$ (6.3)	\$ 3.6	\$ 0.3	\$ 3.3

The amounts arising relating to reclassification to earnings for the three and nine month periods ended September 30, 2007, represent the portion of gains or losses on derivatives designated as cash flow hedges in prior periods that were transferred to other income or interest expense in the current period.

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15. PENSION AND POST-EMPLOYMENT BENEFIT PLANS

Net benefit plans cost

The following tables show the components of the net benefit plans cost.

For the periods ended September 30 (millions of dollars)	Three months		Nine months	
	2007	2006	2007	2006
Defined benefit (DB) pension plans				
Current service cost	\$ 15.6	\$ 14.8	\$ 49.0	\$ 38.2
Interest on the accrued benefit obligation	38.6	38.2	115.8	99.8
Expected return on plan assets	(39.1)	(41.0)	(116.5)	(108.7)
Special termination costs	-	0.9	-	0.9
Amortization of deferred amounts:				
Past service costs	1.4	1.4	4.2	4.1
Net actuarial losses	6.2	7.9	20.1	27.9
Transitional asset	(0.1)	(0.4)	(0.4)	(0.4)
	\$ 22.6	\$ 21.8	\$ 72.2	\$ 61.8
Other post-employment benefit (OPEB) plans				
Current service cost	\$ 0.5	\$ 0.7	\$ 1.8	\$ 1.8
Interest on the accrued benefit obligation	2.7	2.8	8.2	7.5
Amortization of deferred amounts:				
Past service costs	(2.1)	(1.5)	(5.7)	(4.5)
Net actuarial losses	0.6	0.5	1.8	2.4
Transitional asset	0.1	0.1	0.2	0.1
	\$ 1.8	\$ 2.6	\$ 6.3	\$ 7.3
Total net DB pension and OPEB plans cost	\$ 24.4	\$ 24.4	\$ 78.5	\$ 69.1

Benefit plan contributions

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

For the periods ended September 30 (millions of dollars)	Three months		Nine months	
	2007	2006	2007	2006
DB pension plans contributions	\$ 23.7	\$ 27.3	\$ 66.3	\$ 76.2
OPEB plans contributions	1.6	1.5	5.3	4.7
Funding of DB pension and OPEB plans	\$ 25.3	\$ 28.8	\$ 71.6	\$ 80.9
DC pension plans contributions	1.7	1.6	5.3	4.8
Total contributions	\$ 27.0	\$ 30.4	\$ 76.9	\$ 85.7

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16. 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 during the first quarter of 2007, as further detailed in note 11, interest rate swaps totalling \$1.0 billion were settled with the counterparties with a cash payment of \$30.5 million. With the application of hedge accounting, the cash settlement was deferred to other comprehensive earnings and is being amortized as interest charges in conjunction with the long-term debt coupon payments these swaps were designed to hedge.

In the third quarter of 2007, we settled the remaining \$250.0 million forward fixed-floating interest rate swap and received cash of \$6.4 million from the counterparty. Since we did not issue fixed rate long-term debt in the third quarter, as anticipated, hedge accounting does not apply and the settlement was recorded as other income.

Also in the third quarter of 2007, we entered into fixed-floating interest rate swaps with notional amounts totalling \$200.0 million to hedge the variability in cash flows related to a portion of our floating rate debt. These swaps are being accounted for as cash flow hedges. At September 30, 2007, the fair values total \$2.2 million in favour of the counterparty and are recorded as derivative liabilities.

Fair value of financial instruments

Fair value is the amount that willing parties dealing at arm's length 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 September 30, 2007, has a carrying value of \$2,561.5 million and a fair value of \$2,371.2 million (December 31, 2006 – \$2,811.2 million and \$2,826.8 million, respectively).

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17. SEGMENTED INFORMATION

During the first quarter of 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 the assets of Bell Nordiq Income Fund, 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. Therefore, 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, which was subsequently sold on April 30, 2007. As a result we have presented the results of operations of ADS as discontinued operations (note 4). 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.

18. 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	\$ 9.0	\$ 32.9	\$ 30.4	\$ 28.1	\$ 26.3	\$ 310.8
Purchase commitments	111.6	379.8	334.7	316.4	309.0	2,679.2
	\$ 120.6	\$ 412.7	\$ 365.1	\$ 344.5	\$ 335.3	\$ 2,990.0

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

Deferral account

During the first quarter of 2007, the Canadian Radio-television and Telecommunications Commission (CRTC) issued two decisions related to competitor digital network services. After assessing the deferral account impacts associated with these CRTC decisions, the estimated balance in Bell Aliant LP's deferral account is zero, with an annual recurring over-contribution of \$4.8 million. This over-contribution represents funds Bell Aliant LP is permitted to recover through rate increases. Rate increases have been implemented resulting in the clearing and closing of Bell Aliant LP's deferral account.

On July 14, 2007, the CRTC issued its final determination regarding the compensation of the deferral account shortfall incurred by Télébec. Télébec is permitted to recover the shortfall through an adjustment of the exogenous factor in the price-cap formula over a four year period. The annual recurring value of the shortfall stands at \$3.0 million with an accumulated deficit of \$2.7 million.

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19. CONTINGENCIES

On August 9, 2004, a lawsuit was filed in Saskatchewan by several alleged customers or former customers of the defendants, against several Canadian wireless and cellular service providers, including one of our predecessor companies, Aliant Telecom Inc. In the claim, the plaintiffs alleged, among other things, breach of contract, misrepresentation, negligence, collusion and breach of statutory obligations under the Competition Act (Canada) in relation to the system access fees that the defendants charge to their customers, and sought unspecified damages. On September 17, 2007, the court granted class action certification to the plaintiffs. Once the form of the Certification Order is settled, we intend to seek leave to appeal the decision granting certification.

20. RELATED PARTY TRANSACTIONS

A \$38.9 million note receivable from Bell Canada at December 31, 2006, was repaid in January 2007.

In January 2007, 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 it to make a special distribution to its unitholders. On the privatization of Bell Nordiq Income Fund, the Fund indirectly assumed the loan. The loan was repaid in May 2007, together with interest calculated at a rate of 5.10 per cent per annum which amounted to \$1.7 million of interest income being recorded.

In March 2007, we loaned the Fund \$69.9 million to enable the repurchase of units under its NCIB. Similar loans were made in April 2007 through a series of promissory notes. All of the loans were repaid in April 2007 and May 2007, together with interest calculated thereon at a rate of 4.40 per cent to 4.42 per cent per annum which amounted to \$0.3 million of interest income being recorded.

During the second and third quarters of 2007, the Fund loaned us funds through a series of promissory notes. The Fund requests repayments as required to enable it to repurchase units under its NCIB program. All of these promissory notes were subsequently repaid, with interest calculated thereon from 4.42 per cent to 5.05 per cent per annum totalling \$2.5 million of interest income being recorded, with the exception of the following:

- \$3.0 million loaned on September 14, 2007, payable together with interest calculated thereon at 5.14 per cent per annum; and
- \$7.5 million loaned on September 27, 2007, payable together with interest calculated thereon at 4.97 per cent per annum.

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We are building long-term value for our unitholders through customer relationships that last a lifetime.



Bell Aliant
1 877 248-3113
investors@bell.aliant.ca
www.bell.aliant.ca

