

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

September 30, 2007



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			
Property, plant and equipment	5	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		Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (losses)	Total partners' equity								
<i>(millions of dollars)</i>		Notes															
Balance December 31, 2006		\$	2,008.9	\$	-	\$	158.5	\$	(201.1)	\$	-	\$	2,870.3	\$	-	\$	4,836.6
Net earnings for the period			-		-		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
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		Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (losses)	Total Shareholders' equity								
<i>(millions of dollars)</i>																	
Balance December 31, 2005		\$	-	\$	0.9	\$	-	\$	-	\$	1,176.0	\$	235.0	\$	-	\$	1,411.9
Net earnings for the period			-		-		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	\$	-	\$	5,068.4

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
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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
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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

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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.

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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 <i>(millions of dollars)</i>	Three months			Nine months		
	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
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.