



News Release

Bell Aliant Regional Communications Income Fund reports third quarter results

Toronto – October 26, 2006 – (TSX: BA.UN) Bell Aliant Regional Communications Income Fund (“Bell Aliant” or the “Fund”) today reported net earnings of \$78.6 million and declared cash distributions of \$77.9 million or \$0.6279 per unit to unitholders, in its first quarter of operations. This represents an annualized distribution of \$2.74 per unit.

The Fund commenced operations on July 7, 2006 following the completion of the Plan of Arrangement of Aliant Inc., which was described in Aliant’s management information circular, dated April 14, 2006. The Fund’s financial statements reflect operations from July 7, 2006 to September 30, 2006. The Fund derives all of its income from its indirect ownership in Bell Aliant Regional Communications Holdings, Limited Partnership (“Bell Aliant Holdings LP”). Bell Aliant Holdings LP’s financial statements combine Aliant’s wireline operation in Atlantic Canada, its information technology and other former operations and Bell Canada’s former wireline operation in its regional territories in Ontario and Quebec, as well as its indirect 63.4 per cent interest in Bell Nordiq.

For the quarter ended September 30, 2006, Bell Aliant Holdings LP reported operating revenues of \$817.6 million, operating income of \$193.0 million and available distributable cash¹ of \$185.9 million. Consolidated cash distributions declared by Bell Aliant were \$141.5 million, consisting of \$78.6 million to the Fund and \$62.9 million to BCE and Bell Canada.

“We are pleased with our first quarter financial performance as Bell Aliant,” said Stephen Wetmore, President and Chief Executive Officer. “In addition to accomplishing a seamless transition for our customers, we had pro forma revenue growth of 1.8 per cent this quarter, and 1.3 per cent revenue growth for the first nine months of 2006 compared to the same periods in 2005, led by high-speed Internet revenue growth of 18.8 per cent in the quarter over the same quarter last year. This is well within our expectations for 2006.”

On October 11, 2006 Bell Aliant announced that it had made a proposal to the Board of Directors of Bell Nordiq Group Inc., in its capacity as administrator of Bell Nordiq Income Fund, to take Bell Nordiq Income Fund private. Bell Aliant has proposed that the transaction be submitted to the Bell Nordiq unitholders for approval. Under the proposal, Bell Nordiq unitholders would receive \$4.75 in cash and 0.4113 of a Bell Aliant unit. This represents \$19.00 per Bell Nordiq unit based on the closing price for Bell Aliant units on October 10, 2006.

¹ 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 and cash taxes in excess of normalized levels, less capital expenditures, and the portion of distributable cash attributable to minority holders (except Bell Canada and BCE Inc.) in controlled subsidiaries.

Consolidated Operating Highlights (Pro Forma² Q3 2006/Q3 2005)

- Operating revenues up 1.8 per cent
- Operating income up 5.3 per cent
- Distributable cash grew 2.8 per cent year-to-date

On a pro forma basis, Bell Aliant Holdings LP reported operating revenues of \$839.9 million in the third quarter up \$14.8 million or 1.8 per cent over the same period last year. Declines in local and long distance revenue were more than offset by growth in Internet and data revenues, and from information technology (IT) service revenues from our xwave division. Revenue growth combined with cost containment contributed to an increase in operating income in the quarter of \$10.2 million or 5.3 per cent from a year ago. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)³ were \$375.5 million, an increase of \$3.8 million or 1.0 per cent on a quarter over quarter basis compared to 2005. Pro forma distributable cash increased 8.6 per cent over the third quarter of 2005 and 2.8 per cent year-to-date compared to the same period last year. The increase in distributable cash in the quarter is largely due to timing differences in capital spending in the third quarter of 2006 compared to 2005.

- Local revenues declined by 0.9 per cent to \$367.6 million in the quarter, driven by a decline in network access services (NAS) of 1.2 per cent. Increased local service competition, a reduction in second lines as dial-up Internet customers convert to high-speed and migration to wireless and Voice over Internet Protocol (VoIP) technologies account for the declining NAS. NAS decline was partially offset by selected rate increases and increasing penetration of enhanced features in our customer base.
- Long distance revenues were \$129.2 million in the quarter, a decline of \$6.4 million or 4.7 per cent compared to the same period a year ago. Reductions in residential average revenue per minute reflect increased penetration of our unlimited long distance packages while business long distance revenue per minute increased due to increased network access charge rates. Overall long distance minutes declined by 2.5 per cent in the quarter compared to the same period last year.
- Data and Internet revenue was \$167.2 million, an increase of 9.6 per cent in the quarter compared to the same period last year, led by high-speed Internet revenue growth of 18.8 per cent and customer growth of 26.4 per cent from a year ago. Our Internet business continues to demonstrate strong growth driven by service area expansion, programs which make it easier for customers to get online, such as the PC purchase program, and success with our new home-based business and small business campaigns.
- Information Technology revenue from our xwave division was \$60.7 million, an increase of 12.4 per cent over the same quarter last year and revenues from our other subsidiaries added another \$3.4 million to quarter over quarter growth.
- Capital expenditures in the quarter were \$132.2 million, bringing year-to-date capital intensity⁴ to 15.4 per cent, in line with management targets for 2006.

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, 2005.

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

⁴ Capital intensity is the ratio of capital expenditures to operating revenues in a period.

Forward-looking Statements

This news release contains forward-looking statements concerning anticipated future events, results, circumstances or expectations, in particular regarding the Bell Nordiq proposal. Unless otherwise indicated, such forward-looking statements describe our expectations at October 26, 2006. 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. Some of the factors that could cause results or events to differ materially from current expectations include but are not limited to: Bell Nordiq unitholder response to the proposal; general economic conditions; stock market volatility; and market or business conditions. 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, the US and Ireland. Bell Aliant's 10,000 employees are committed to deliver the highest quality of customer service, choice and convenience.



Bell Aliant Regional Communications Income Fund Management's Discussion and Analysis For the period ended September 30, 2006

This document provides management's discussion and analysis (MD&A) of our financial condition as at and results of operations for the period ended September 30, 2006. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes of Bell Aliant Regional Communications Income Fund for the period ended September 30, 2006, together with the unaudited interim 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, 2006.

Throughout this MD&A, "we", "us", "our" and the "Fund" refer to the Bell Aliant Regional Communications Income Fund.

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. Additional information related to the Fund is available at www.sedar.com.

Forward-looking information

This MD&A is dated October 26, 2006, and is current to that date, unless otherwise stated. This document contains forward-looking statements concerning anticipated future events, results, circumstances and expectations, particularly regarding the Bell Nordiq Income Fund proposal described herein. 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 26, 2006. 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: Bell Nordiq Income Fund unitholder response to the proposal; the performance of Bell Aliant Holdings LP; stock market volatility; market or business conditions; 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 and risk management" section for a further discussion of factors that may affect actual results.

About our business

We are an unincorporated, open-ended trust governed by the laws of the province of Ontario pursuant to a Declaration of Trust dated March 30, 2006, as amended and restated on July 6, 2006. We did not carry on any business for the period from establishment on March 30, 2006, to July 7, 2006. Accordingly, the financial

information for the interim period ended September 30, 2006, reflects operations from July 7, 2006, to September 30, 2006.

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

As a result of the Arrangement, we indirectly own an 81.5 per cent equity interest Bell Aliant Holdings LP, which in turn consolidates subsidiaries which hold the operations of the Combined Business and a 63.4 per cent interest in the Bell Nordiq Partnerships.

We are entirely dependent on distributions from Bell Aliant Holdings LP to make our own distributions. We qualify as a "mutual fund trust" for the purposes of the Income Tax Act (Canada) and as such, are only taxable on any income not allocated to unitholders.

Selected financial information

For the period ended September 30, 2006

(millions of dollars)

Net earnings	\$	78.6
Total assets	\$	4,170.0
Total liabilities	\$	28.3
Unitholders equity	\$	4,141.7
Distributions declared	\$	77.9

Net earnings

Net earnings for the period were equal to operating revenues, and consist of cash distributions declared by Bell Aliant Holdings LP. The financial performance of Bell Aliant Holdings LP is discussed in its MD&A for the period ended September 30, 2006.

Assets and liabilities

At September 30, 2006, our assets mainly consist of our indirect investment in and distributions receivable from Bell Aliant Holdings LP. Our liabilities consist of distributions payable to our unitholders.

Unitholders' equity

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 exchanged for Fund units on a one-for-one basis, effective at the close of business on July 7, 2006. The Fund units each represent an equal fraction of undivided beneficial interest in the Fund. All Fund units are transferable and share equally in all our distributions whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of its termination or winding-up. All Fund units rank among themselves equally and ratably without discrimination, preference or priority. Each Fund unit entitles the holder thereof to certain rights of redemption.

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

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

At September 30, 2006, there were 124,118,633 Fund units outstanding and 100,373,827 exchangeable partnership units outstanding, which represent 224,492,460 Fund units on a fully diluted basis. The number of fully diluted Fund units outstanding has not substantially changed at October 26, 2006.

Distributions

We expect to make monthly cash distributions to our unitholders. During the period ended September 30, 2006, we declared distributions totalling \$77.9 million, or \$0.6279 per unit. The first distribution, totalling \$49.6 million and representing the period from July 7, 2006, to August 31, 2006, was paid to unitholders on September 15, 2006.

Stability ratings

Our stability ratings are SR-2, negative outlook for Standard and Poors and STA-2 (high) for Dominion Bond Rating Service.

A rating is not a recommendation to buy, sell or hold units and may be revised or withdrawn at any time. Stability ratings do not take into consideration such factors as pricing or stock market risk.

Related party transactions

BCE owned, directly and indirectly, 44.7 per cent of the Fund on a fully diluted basis at October 26, 2006. A security holders' agreement among the Fund, its subsidiaries, BCE and Bell Canada, provides that so long as BCE, directly or indirectly, holds not less than 30 per cent of the Fund units on a fully diluted basis, and certain commercial agreements with BCE have not been terminated, BCE shall be entitled to appoint up to a majority of the directors of material subsidiaries of the Fund. As long as BCE directly or indirectly holds not less than 20 per cent, BCE will be provided with certain consent rights, including the right to approve the appointment or removal of any Chief Executive Officer. In addition, the security holders' agreement provides BCE and Bell Canada with pre-emptive rights to purchase securities in the event that units, securities convertible into units, or debt securities are issued.

Proposed transaction

On October 11, 2006, we announced a proposal to increase our 63.4 per cent interest and to take the Bell Nordiq Income Fund private. Under the proposal, Bell Nordiq Income Fund unitholders would receive \$4.75 in cash and 0.4113 of a Fund unit for each Bell Nordiq Income Fund unit held. This represents \$19.00 per Bell Nordiq Income Fund unit based on the closing price of Fund units on October 10, 2006. The proposal is conditional upon approval by the Bell Nordiq Income Fund unitholders, including by a majority of the votes cast by holders other than the Fund and its affiliates and other insiders. The transaction is also subject to applicable securities laws, including the Ontario and Quebec rules regarding business combination transactions of this nature.

Significant accounting policies and critical accounting estimates

Refer to note 1 of our unaudited interim consolidated financial statements for the period ended September 30, 2006, for additional information about the accounting principles we use to prepare our financial statements.

For a discussion of future changes in accounting policies, refer to the "Significant accounting policies and critical accounting estimates" section of the Bell Aliant Holdings LP MD&A for the period ended September 30, 2006.

Risk and risk management

The following is a discussion of risks that are unique to income trusts. 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 period ended September 30, 2006.

Dependence on Bell Aliant Holdings LP

We are an open-ended, limited purpose trust, and are entirely dependent on distributions from Bell Aliant Holdings LP to make our distributions. There can be no assurance regarding our ability to make distributions, which is dependent upon the financial performance of Bell Aliant Holdings LP.

Unpredictability and volatility of unit price

A publicly-traded income trust does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the units trade cannot be predicted. The market price of the units could be subject to significant fluctuations in response to variations in quarterly operating results, distributions and other factors. The annual yield on the units as compared to the annual yield on other financial instruments may also influence the price of units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the units.

Nature of Fund units

The Fund units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (the Act) and are not insured under the provisions of the Act or any other legislation. Furthermore, we are not a trust company and, accordingly, are not registered under any trust and loan company legislation as we do not carry on or intend to carry on the business of a trust company. In addition, although we qualify as a “mutual fund trust” as defined by the Income Tax Act, we are not a “mutual fund” as defined by applicable securities legislation.

The Fund units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Fund units do not represent a direct investment in the business of Bell Aliant Holdings LP and should not be viewed by investors as shares or interests in such entity or any other company. The Fund units do not represent debt instruments and there is no principal amount owing to unitholders. As holders of Fund units, unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. Each Fund unit represents an equal, undivided, beneficial interest in the Fund. The price per unit is a function of our anticipated distributable cash at any time, which, in turn is dependent on the distributable cash distributed upstream by Bell Aliant Holdings LP.

Cash distributions are not guaranteed and will fluctuate with the performance of the business

There can be no assurance regarding the amounts of cash distributions distributed upstream by Bell Aliant Holdings LP and, thus, eventually available for us to distribute. The actual amount of distributions paid in respect of the Fund units depends upon numerous factors, all of which are susceptible to a number of risks and other factors beyond our control and that of Bell Aliant Holdings LP. Distributions are not guaranteed and will fluctuate with the performance of Bell Aliant Holdings LP. Bell Aliant Holdings LP has the discretion to establish cash reserves (including regulatory capital reserves) for the proper conduct of its business. Adding to these reserves (including regulatory capital reserves) in any year would reduce the amount of distributable cash and, hence, of cash available for distributions in that year. Accordingly, there can be no assurance regarding the actual levels of our distributions.

Structural subordination of the Fund units

The Fund units are subordinated to the existing credit facilities and most of the other indebtedness and liabilities of Bell Aliant Holdings LP.

Capital investment

The timing and amount of capital expenditures by Bell Aliant Holdings LP directly affects the amount of distributable cash available for distribution, including, ultimately, the cash available for distributions to unitholders. Such distributions may be reduced, or even eliminated, at times when Trustees deem it necessary to make significant capital or other expenditures. For details on planned capital expenditures of Bell Aliant Holdings LP and the sources of financing for these expenditures, refer to Bell Aliant Holdings LP's MD&A for the period ended September 30, 2006.

Limitation on Non-Resident ownership

Our Declaration of Trust imposes various restrictions on unitholders. Non-resident unitholders are prohibited from beneficially owning more than 45 per cent of Fund units. In addition, our Declaration of Trust contains a provision prohibiting non-Canadians (for purposes of the Broadcasting Act, the Radio communication Act and the Telecommunications Act) from owning more than 20 per cent of the Fund units. These restrictions may limit (or inhibit the exercise of) the rights of certain persons, including non-residents and non-Canadians, to acquire Fund units, to exercise their rights as unitholders and to initiate and complete take-over bids in respect of the Fund units. As a result, these restrictions may limit the demand for Fund units from certain unitholders and thereby adversely affect the liquidity and market value of the Fund units held by the public.

Dilution

Our Declaration of Trust authorizes us to issue an unlimited number of Fund units for the consideration and on those terms and conditions as are established by the Trustees without the approval of any unitholders. Any further issuance of Fund units will dilute the interests of existing unitholders.

The acceptance of our proposal to increase our ownership interest and to take the Bell Nordiq Income Fund private could result in the issuance of approximately 14 million Fund units.

Income tax

Under Canadian income tax laws, we are considered a "mutual fund trust" and the rules relating to the treatment of mutual fund trusts may change in the future. This could have an adverse material effect on us and our unitholders. Our Fund Declaration of Trust requires us to distribute a sufficient amount of net income and net realized capital gains in order to eliminate our liability for tax under Part I of the Canadian Income Tax Act. If the net income and net realized gains are greater than the cash available for distribution for a given year, the excess will be distributed to unitholders in the form of additional Fund units.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

September 30, 2006



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

As at September 30, 2006

(millions of dollars)

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

See accompanying notes to the consolidated financial statements

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

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

(millions of dollars, except earnings per unit)

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

See accompanying notes to the consolidated financial statements

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

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

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

See accompanying notes to the consolidated financial statements

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

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

(millions of dollars)

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

See accompanying notes to the consolidated financial statements

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

1. THE FUND

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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

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

Accounting for investments

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

Financial Instruments

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

Income taxes

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

Earnings per unit

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

Distributions

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

Unit-based compensation plan

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

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

3. INVESTMENTS

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

4. UNITHOLDERS' CAPITAL

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

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

Issued and outstanding

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

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

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

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

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

4. UNITHOLDERS' CAPITAL (Continued)

Exchangeable limited partnership units and special voting units (continued)

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

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

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

5. UNIT-BASED COMPENSATION PLAN

Employees' unit purchase plan

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

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

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

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

5. UNIT-BASED COMPENSATION PLAN (Continued)

Distribution reinvestment and optional unit purchase plan

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

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

6. EARNINGS PER UNIT

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

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

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

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

7. DISTRIBUTIONS TO UNITHOLDERS

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

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

8. SUBSEQUENT EVENT

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

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

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