Bell Aliant Regional Communications Income Fund

Consolidated financial statements and notes

Bell Aliant

Management's report

TO THE UNITHOLDERS

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to Canadian generally accepted accounting principles and include amounts based on management's best estimates and judgments.

Management has established and maintains accounting and internal control systems that include written policies, procedures and a comprehensive internal audit program. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The board of directors oversees management's responsibilities for financial reporting primarily through the audit committee. The financial statements have been reviewed and approved by the board of directors on recommendation from the audit committee. The audit committee is also responsible for making recommendation with respect to the appointment of the independent auditors and for approving their remuneration and terms of engagement. Other responsibilities of the audit committee include meeting periodically with the independent auditors, management and the internal auditors to review accounting, auditing, internal controls, litigation, financial reporting and other matters. The internal auditors and the shareholders' external auditors have free access to the audit committee both with and without management present.

Our independent auditors, Deloitte & Touche LLP, have audited our financial statements. The accompanying auditors' report outlines the scope of their examination and their opinion.

Stephen Wetmore
President and chief executive officer
Bell Aliant Regional Communications Inc.,
General Partner of Bell Aliant Regional
Communications, Limited Partnership,
Administrator of Bell Aliant Regional
Communications Income Fund
March 2, 2007

Glen LeBlanc
Chief financial officer
Bell Aliant Regional Communications Inc.,
General Partner of Bell Aliant Regional
Communications, Limited Partnership,
Administrator of Bell Aliant Regional
Communications Income Fund

Auditors' report

TO THE TRUSTEES OF BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

We have audited the consolidated balance sheet of Bell Aliant Regional Communications Income Fund (the "Fund") as at December 31, 2006, and the consolidated statements of earnings, unitholders' equity and cash flows for the period from March 30, 2006, to December 31, 2006. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006, and the results of its operations and its cash flows for the period from March 30, 2006, to December 31, 2006, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Halifax, Canada
March 2, 2007

Statements

CONSOLIDATED BALANCE SHEET

As at December 31, 2006

(millions of dollars)	Notes	
Assets		
Current assets		
Cash		0.7
Distributions receivable		28.5
		29.2
Investments	3	4,141.0
Total assets		4,170.2
Liabilities		
Current liabilities		
Payables and accruals		0.2
Due to related party	8	0.9
Distributions payable	7	28.3
		29.4
Unitholders' equity	4	4,140.8
Total liabilities and unitholders' equity		4,170.2

See accompanying notes to the consolidated financial statements

Approved on behalf of the board of trustees:

Charles White
Trustee

Edward Reevy
Trustee

CONSOLIDATED STATEMENT OF EARNINGS

For the period July 7, 2006, to December 31, 2006

(millions of dollars, except earnings per unit)	Note	
Operating revenues		164.1
Operating expenses		1.0
Net earnings		**163.1**
Earnings per unit		
Basic and diluted earnings per unit	6	1.31

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

From establishment on March 30, 2006, to December 31, 2006

(millions of dollars)	Notes	Stated capital	Accumulated earnings	Distributions declared	Unitholders' equity
Issuance of units	4	4,141.0	—	—	4,141.0
Redemption of units	4	(0.3)	—	—	(0.3)
Distributions declared	7	—	—	(163.0)	(163.0)
Net earnings		—	163.1	—	163.1
Unitholders' equity, end of year		4,140.7	163.1	(163.0)	4,140.8

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOW

From establishment on March 30, 2006, to December 31, 2006

(millions of dollars)	Notes	
Cash from (used in) operating activities		
Net earnings		163.1
Adjustments to reconcile net earnings to cash from operating activities		
Change in operating liabilities		1.1
Distributions receivable		(28.5)
		135.7
Cash used in financing activities		
Redemption of units	4	(0.3)
Purchase of units for distribution reinvestment plan	4	(5.9)
Cash distributions paid to unitholders	7	(128.8)
		(135.0)
Net increase in cash		0.7
Cash, beginning of period		—
Cash, end of period		**0.7**

See accompanying notes to the consolidated financial statements

Notes

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:

- We purchased 124,121,176 of the 127,146,292 issued and outstanding Aliant common shares in return for one of our newly issued units for each share purchased. The total number of 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 held 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 Inc. (BCE) were exchanged for limited partnership units of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP), which are exchangeable into our units; and
- We repurchased the initial 10 units issued on settling for $100. (note 4)

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

Our units began trading on the Toronto Stock Exchange (TSX) at the commencement of trading on July 10, 2006, under the trading symbol "BA.UN".

Total consideration paid by Bell Aliant Holdings LP 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 our special voting units 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 of our special voting units in connection with the Class B exchangeable limited partnership units of Bell Aliant LP; (note 4)

1 THE FUND *(continued)*

- 28,168,803 Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP; (note 4); and
- 28,168,803 of our special voting units in connection with the Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP. (note 4)

Less:

- Information Technology Service commitment from Bell of $29.0 million; and
- Contingent consideration from Bell of $44.0 million.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). We consolidate the subsidiary we control, Bell Aliant Holdings Trust, and equity account for investments over which we exercise significant influence, Bell Aliant Regional Communications Holdings Inc. (Bell Aliant Holdings GP) and Bell Aliant Holdings LP. All significant intercompany transactions have been eliminated on consolidation.

Through Bell Aliant Holdings Trust and Bell Aliant Holdings GP, we have an 81.5 per cent equity interest in Bell Aliant Holdings LP, which consolidates the subsidiaries operating the Combined Business and holds the interest in the Bell Nordiq Partnerships. These financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2006, of Bell Aliant Holdings LP.

We did not carry on any business for the period from establishment on March 30, 2006, to July 6, 2006. Accordingly, our statement of earnings prepared for the period ended December 31, 2006, reflects operations from July 7, 2006, to December 31, 2006.

Cash

Cash consists of cash on hand and balances with banks.

Investments

We equity account for our 81.5 per cent investments in Bell Aliant Holdings GP and Bell Aliant Holdings LP as we exercise significant influence over operating, investing and financial policies but do not control the entities. BCE and Bell Canada own the remaining 18.5 per cent interest. Under a Securityholders' Agreement, BCE has certain rights in respect of the Board of Bell Aliant Holdings GP including:

- The right to nominate up to a majority of directors for so long as BCE and Bell Canada, directly or indirectly, holds not less than 30 per cent of our units (on a fully diluted basis) and certain commercial agreements are in place; and,
- The right to require written consent from BCE, along with the majority vote from the board, prior to undertaking certain matters or transactions for so long as BCE and Bell Canada, directly or indirectly, holds not less than 20 per cent of our units (on a fully diluted basis).

As a result of these rights, BCE controls the board of Bell Aliant Holdings GP, and thus Bell Aliant Holdings LP.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

By managing the level of dividend income or distributions paid by our subsidiaries to their respective parent entities, we ensure that our share of net earnings of Bell Aliant Holdings LP, which consists substantially of dividends and interests from subsidiaries operating the Combined Business and holding the interest in the Bell Nordiq Partnerships, is equal to our distributions and expenses and in that way, our taxable income will be fully distributed to our unitholders.

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

We qualify as a mutual fund trust for the purposes of the Income Tax Act (Canada). As such, we are only taxable on any amounts not allocated to unitholders. These financial statements do not reflect any income taxes as we are committed to distributing to our unitholders all or virtually all of our taxable income and taxable capital gains and we intend to comply with the provisions of the Income Tax Act that permit the deduction of distributions to unitholders from our taxable income and taxable capital gains. Income tax liabilities related to our distributions are the obligations of the unitholders.

On October 31, 2006, the Minister of Finance for Canada (“Finance”) announced proposed changes to the Income Tax Act (Canada) which, if enacted, would modify the taxation of certain flow-through entities including mutual fund trusts and their unitholders. On December 21, 2006, Finance released draft legislation regarding some of these changes. If enacted, the proposed changes would apply a tax on distributions of certain of our income at a rate of tax comparable to the combined federal and provincial corporate rates and treat distributions as dividends to our unitholders.

Significant uncertainty still exists with respect to the form of final legislation. The proposed legislation is not substantively enacted and as a result no amounts have been recorded in our consolidated financial statements.

Assuming that the detailed legislation related to the changes is enacted as proposed, it is expected that we will be subject to the trust distribution tax commencing in 2011 unless the benefit of this transitional delay is lost because there has been “undue expansion” of the income trust. Once this special tax becomes applicable to us, it is anticipated that the amount available for distributions will be reduced from what it would have been before the new tax.

Earnings per unit

Earnings per unit is 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 our indirect investment in Bell Aliant Holdings LP are recorded when declared. Distributions payable to our unitholders are recorded when declared.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Unit-based compensation plan

We maintain an employees' unit purchase plan and Deferred Unit Plan for employees of Bell Aliant LP and its subsidiary. Compensation expense related to these plans is recorded in those subsidiaries. Details of these plans are described in note 5.

Economic dependence

We are economically dependent on Bell Aliant Holdings LP. Our operating revenues consist entirely of distributions received from Bell Aliant Holdings LP. Significant events or transactions in Bell Aliant Holdings LP could materially influence our ability to declare and pay our distributions.

Future changes in accounting policies

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) continually amends and improves certain standards or guidelines contained in the CICA Handbook. We monitor these changes as they are proposed and will make changes to our accounting policies and disclosures as necessary.

Comprehensive income

The CICA issued section 1530 of the CICA Handbook, Comprehensive Income, which describes how to report and disclose comprehensive income and its components. These changes come into effect for fiscal years beginning on or after October 1, 2006.

Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's owners. It includes items that would not normally be included in net earnings, such as:

- Changes in the currency translation adjustment relating to self-sustaining foreign operations; and
- Unrealized gains or losses on available-for-sale investments.

The CICA also made changes to section 3250 of the CICA Handbook, Surplus, and reissued it as section 3251, Equity. The section is also effective for fiscal years beginning on or after October 1, 2006. The changes in how to report and disclose equity and changes in equity are consistent with the new requirements of section 1530, Comprehensive Income.

These new accounting standards are not expected to have a significant impact on the consolidated financial statements.

Financial instruments

The CICA issued section 3855 of the CICA Handbook, Financial Instruments – Recognition and Measurement, which describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These changes come into effect for fiscal years beginning on or after October 1, 2006.

This section requires that:

- All financial assets be measured at fair value, with some exceptions for loans and investments that are classified as held to maturity;
- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value; and
- All derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments – disclosures and presentations

The CICA has reissued section 3860 of the CICA Handbook as section 3861, Financial Instruments – Disclosure and Presentation, which applies to entities that are not subject to section 3862 and 3863. This section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions come into effect for fiscal years beginning on or after October 1, 2006.

The CICA issued section 3862, Financial Instruments – Disclosures and section 3863, Financial Instruments – Presentations. Together, sections 3862 and 3863 will be adopted in place of section 3861. These revisions come into effect for fiscal years beginning on or after October 1, 2007, but must be adopted earlier if adopting in place of section 3861. Section 3862 is consistent with the requirements of section 3861 but places an increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. It also simplifies the disclosures about concentrations of risk, credit risk, liquidity risk and price risk currently found in section 3861. Section 3863 carries forward unchanged, the presentation requirements of section 3861. As the standards relate only to unchanged disclosure and presentation requirements, we do not anticipate that this section will have any impact on our financial results.

Accounting changes

The CICA issued section 1506, Accounting Changes, which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. As a result, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in reliable and more relevant information. These changes come into effect for fiscal years beginning on or after January 1, 2007. At this time, we are not aware of any pending accounting changes other than those mandated by the CICA, and as such we do not anticipate any material effects as a result of this change.

Capital disclosures

The CICA issued section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. These changes come into effect for fiscal years beginning on or after October 1, 2007. As the standards relate only to disclosure requirements, this section will not have any impact on our financial results.

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. In addition, 124,123,676 shares in Bell Aliant Holdings GP were purchased for a nominal amount. The cost of the equity investment in Bell Aliant Holdings LP was approximately $4,141.0 million, which was equal to its fair market value.

4 UNITHOLDERS' EQUITY

Authorized

We are authorized to issue an unlimited number of units. Each unit represents an equal fraction of undivided beneficial interest in us. All units are transferable and share equally in all of our distributions whether of net earnings, net realized capital gains or other amounts, and in our net assets in the event of our 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 current market price of a unit calculated as of the date on which the units were tendered for redemption; or (b) 100 per cent of the closing market price on the redemption date.

We are also authorized to issue an unlimited number of special voting units in connection with certain securities exchangeable or exercisable for, or convertible into, our units. Special voting units are not entitled to any beneficial interest in any of our distributions or in our net assets in the event of our termination or winding-up. 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.

(millions of dollars, except as otherwise stated)	Number of units	Stated capital
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	(4,864)	(0.3)
Fractional unit adjustment	(422)	—
	124,115,890	4,140.7

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

As unit certificates are issued to unitholders for whole units, fractional units are paid out in cash. As a result, adjustments totalling 422 units were made to our unit register.

Exchangeable limited partnership units and special voting units

Exchangeable limited partnership units are issued by Bell Aliant Holdings LP and Bell Aliant LP and are intended to be, to the greatest extent practicable, the economic equivalent of our units. Holders of exchangeable limited partnership units are entitled to receive distributions per unit from the partnerships equal, to the greatest extent practicable, to our distributions per unit paid to our unitholders. The exchangeable units are used in the calculation of fully diluted earnings per unit (note 6). Each exchangeable limited partnership unit is exchangeable for our units 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 one of our special voting units entitling the holder to one vote at all meetings of our unitholders for each special voting unit held. Concurrent with the exchange of exchangeable limited partnership units for our units, any related special voting units will be cancelled.

4 UNITHOLDERS' EQUITY *(continued)*

The following table provides the numbers of exchangeable limited partnership units and special voting units issued and outstanding at December 31, 2006.

	Exchangeable limited partnership units	Special voting units
Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP *(note 1)*	28,168,803	28,168,803
Class B exchangeable limited partnership units of Bell Aliant LP *(note 1)*	72,205,024	72,205,024

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 receive additional units in lieu of receiving cash distributions. Each participant in the plan may also make optional cash payments, subject to certain dollar value and time restrictions, to purchase additional units. To satisfy the purchase of units under this plan, we may issue units out of treasury or units may be purchased on the open market.

From July 5, 2006, to December 31, 2006, we bought 206,433 units on the open market in lieu of paying $5.9 million in distributions and in respect of optional cash purchases of $0.5 million.

5 UNIT-BASED COMPENSATION PLAN

Employees' unit purchase plan

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

Under the terms of the plans, employees can choose each year to have up to 10 or 12 per cent of their annual base earnings withheld to purchase our units. Bell Aliant LP and its subsidiary also contribute to the plan on behalf of participants based upon the employees' contributions, using a prescribed formula. The purchase price of our units, depending on which plan the employee participates in, is the arithmetic average of the closing price of our units traded on the TSX 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 receive additional units in lieu of receiving cash distributions.

The total number of our units bought on the open market for employees from July 7, 2006, to December 31, 2006, was 461,924. Compensation expense was recorded in Bell Aliant LP and its subsidiary.

Deferred unit plan (DUP)

We are currently finalizing a DUP for certain executives and senior management of Bell Aliant LP to further align their long-term incentive compensation with total unitholder returns. The framework for this new plan has been approved by our board of trustees and has been communicated to executives. The plan text is expected to be finalized in early 2007 when an initial grant will be issued relating to a service period from 2006 to 2008.

5 UNIT-BASED COMPENSATION PLAN *(continued)*

Under this DUP plan, we may grant deferred units to eligible plan members in such number and at such times as we determine as a bonus or in respect of services rendered by the plan member for the year of grant. On the grant date, plan members will be credited with the deferred units granted to them on that date. Grantees are also entitled to receive additional deferred units based on cash distributions that would have been received had the vested deferred unit been converted to a unit. The plan member may hold the deferred units in an account until the end of the second year following their termination or retirement from the company. We may issue up to 1,200,000 additional units out of treasury to satisfy awards under this DUP plan.

6 EARNINGS PER UNIT

For the period July 7, 2006, to December 31, 2006
(millions of dollars, except per unit amounts)

Basic:	
Net earnings	163.1
Weighted average number of units outstanding	124,119,412
Basic earnings per unit	1.31
Diluted:	
Net earnings	163.1
Add distributions on exchangeable limited partnership units in:	
Bell Aliant Holdings LP	37.0
Bell Aliant LP	94.8
	294.9
Weighted average number of units outstanding	124,119,412
Add exchangeable limited partnership units:	
Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP *(note 4)*	28,168,803
Class B exchangeable limited partnership units of Bell Aliant LP *(note 4)*	72,205,024
	224,493,239
Diluted earnings per unit	1.31

The exchangeable limited partnership units are intended to be, to the greatest extent practicable, the economic equivalent of our units as discussed in note 4. If holders of the exchangeable limited partnership units were to trigger an exchange for our units, the distributions currently being paid to the holders by Bell Aliant Holdings LP and Bell Aliant LP would be paid directly to us.

7 DISTRIBUTIONS TO UNITHOLDERS

(millions of dollars except per unit amounts)	Monthly distributions	Distributions per unit
Record date		
August 31, 2006	49.6	0.3996
September 29, 2006	28.4	0.2283
October 31, 2006	28.4	0.2283
November 30, 2006	28.3	0.2283
December 29, 2006	28.3	0.2283
Total distributions declared	163.0	1.3128

7 DISTRIBUTIONS TO UNITHOLDERS *(continued)*

We make monthly cash distributions out of our distributable cash, which generally consists of all distributions received from Bell Aliant Holdings LP, less normal operating expenses, for or in respect of the relevant period. Monthly distributions are payable to unitholders of record on the last business day of each calendar month, or such other date as may be determined from time to time by our trustees (provided that December 31 in each calendar year shall be a Distribution Record Date), and will be paid, generally on or before the 15th day of the following month.

The trustees may approve additional distributions in excess of the monthly distributions during the year. The distribution payable for the month ending December 31 in each year may include an amount in respect of our net earnings and net realized capital gains, if any, to ensure that we will not be liable for income taxes for that year. As such, the amount of net earnings allocated to unitholders may exceed the amount of cash distributed.

Any net earnings that are unavailable for cash distributions will, to the extent necessary to ensure that we will not be liable for income taxes, be distributed to unitholders in the form of additional units. Our Declaration of Trust provides that immediately after any pro rata distribution of units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding units will be consolidated such that each unitholder will hold after the consolidation the same number of units as the unitholder held before the non-cash distribution, except where non-resident unitholders are subject to withholding tax in respect of such distribution.

For the period July 7, 2006, to December 31, 2006, distributions from Bell Aliant Holdings LP have amounted to $164.1 million or $1.3221 per unit.

8 RELATED PARTY TRANSACTIONS

In the normal course of business, we have an agreement with certain subsidiaries of Bell Aliant Holdings LP for the provision of administrative and support services, such as corporate reporting, governance, investor relations, communications, treasury and all other services as may be necessary or requested by our trustees for the administration of the Fund. The agreement has an initial term of 10 years and will be automatically extended for additional five year periods unless notice of termination is given.

These services are recorded at their exchange amounts for the period July to December 31, 2006, as follows:

(millions of dollars)	Amount
Management salaries	0.4
General and administrative	0.6
Operating expenses	1.0

Management salaries are allocated based on billable hours spent on Fund matters. General and administrative expenses are based on actual expenses that we incur.

8 RELATED PARTY TRANSACTIONS *(continued)*

Due to related party is $0.9 million, which relates to these operating expenses. Interest will be charged on the balance owing in accordance with the policies established from time to time by our Administrator.

We have an employees' unit purchase plan for eligible full-time employees of Bell Aliant LP and certain subsidiaries. Details of this plan are provided in note 5.

9 SUBSEQUENT EVENTS

Bell Nordiq Income Fund

On October 11, 2006, we announced that we had made a proposal to take Bell Nordiq Income Fund private. At December 31, 2006, we indirectly held a 63.3 per cent voting interest in each of the Bell Nordiq partnerships.

On January 16, 2007, at a special meeting of Bell Nordiq Income Fund unitholders, the unitholders voted in favour of the proposal. All conditions precedent to the transaction were satisfied or waived by January 22, 2007, and Bell Nordiq Income Fund unitholders of record at the close of business on January 26, 2007, were paid, by Bell Nordiq Income Fund, a special distribution of $4.00 in cash on January 29, 2007. Bell Nordiq Income Fund units ceased to trade on the TSX at the close of business on January 29, 2007, and were redeemed in exchange for our units and delisted at the close of business on January 30, 2007. On January 30, 2007, we acquired the assets and liabilities of Bell Nordiq Income Fund, in exchange for 0.4113 Fund units for each outstanding Bell Nordiq Fund unit, for a total value of $394.1 million.

We will equity account for our indirect 36.7 per cent interest in the Bell Nordiq partnerships as we exercise significant influence over operating, investing and financial policies but do not control the entity.

Amtelecom Income Fund

On February 28, 2007, we made an offer to acquire all of the outstanding units of Amtelecom Income Fund (Amtelecom) at a price of $13.00 cash per unit. The total acquisition cost, including assumed debt of Amtelecom, will be approximately $119 million. The offer is conditional on and subject to certain specified conditions.

Aliant Directory Services

On February 19, 2007, we and Yellow Pages Group (YPG) through Yellow Pages Income Fund, announced that we have entered into a memorandum of understanding for YPG to acquire the assets of Aliant Directory Services, a partnership currently held 87.14 per cent by our indirect subsidiary, Bell Aliant Regional Communications Inc., and the balance by YPG. The $330 million purchase price consideration for our interest in the business is payable in cash at closing. This transaction is subject to the satisfaction of certain conditions and regulatory requirements.

Normal course issuer bid

We commenced a normal course issuer bid (NCIB) on February 28, 2007, which allows us to purchase, from time to time, up to 13,738,000 of our outstanding units, representing approximately 10.0 per cent of our public float outstanding on February 26, 2007, at market prices with cash through the facilities of the TSX. The NCIB will expire on February 27, 2008.