

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

September 30, 2008

Bell Aliant

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated balance sheets

(Unaudited)

(millions of dollars)

	Notes	As at September 30, 2008	As at December 31, 2007
Assets			
Current assets			
Cash and cash equivalents		\$ 24.9	\$ 48.1
Accounts receivable	3	358.6	371.5
Inventory	4	12.0	25.7
Prepayments		31.6	17.3
Future income tax asset		24.4	27.7
Income tax receivable		6.9	13.4
Current assets of discontinued operations	5	13.1	-
		471.5	503.7
Capital investments			
Property, plant and equipment	2	3,722.2	3,730.1
Finite-life intangibles		3,228.6	3,154.5
		6,950.8	6,884.6
Other assets			
Long-term receivable		18.0	48.8
Deferred charges		16.8	27.5
Future income tax asset		7.2	7.1
Accrued benefit asset	6	373.7	363.9
Indefinite-life intangibles	2	123.3	82.8
Goodwill	7	2,774.2	2,554.5
Non-current assets of discontinued operations	5	2.5	-
		3,315.7	3,084.6
Total assets		\$ 10,738.0	\$ 10,472.9
Liabilities and partners' equity			
Current liabilities			
Notes payable to related party	17	\$ 5.0	\$ 1.9
Payables and accruals	8	323.4	394.5
Distributions payable		55.3	52.0
Future income tax liability		0.5	0.3
Short-term debt	9	242.4	216.7
Long-term debt due within one year	10	109.1	59.8
Current liabilities of discontinued operations	5	8.1	-
		743.8	725.2
Future income tax liability		452.1	455.6
Long-term debt	10	2,456.7	2,513.8
Derivative liabilities	11	7.6	3.7
Accrued benefit liability	6	423.4	410.5
Deferred credits		21.8	18.1
		4,105.4	4,126.9
Non-controlling interest	12	1,701.5	1,829.6
Partners' equity		4,931.1	4,516.4
Total liabilities and partners' equity		\$ 10,738.0	\$ 10,472.9

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 earnings per unit)	Note	Three months		Nine months	
		2008	2007	2008	2007
Operating revenues		\$ 815.3	\$ 808.5	\$ 2,468.8	\$ 2,434.2
Expenses					
Operating expenses		469.4	464.7	1,458.2	1,445.2
Depreciation and amortization		176.6	183.2	525.8	604.0
Restructuring and other charges		-	20.8	0.1	22.2
		646.0	668.7	1,984.1	2,071.4
		169.3	139.8	484.7	362.8
Other expenses (income)		(0.6)	(4.3)	1.9	(1.7)
Interest charges					
Interest on long-term debt		34.7	33.7	103.2	107.7
Other interest expense		3.5	4.8	14.3	11.8
		38.2	38.5	117.5	119.5
Earnings before underlisted items		131.7	105.6	365.3	245.0
Income taxes					
Current tax expense (recovery)		-	(12.3)	(3.9)	(9.9)
Future tax expense (recovery)		(1.0)	2.7	(0.7)	(52.4)
		(1.0)	(9.6)	(4.6)	(62.3)
Earnings before non-controlling interest		132.7	115.2	369.9	307.3
Non-controlling interest		39.6	44.2	117.8	111.4
Net earnings from continuing operations		93.1	71.0	252.1	195.9
Net earnings (loss) from discontinued operations	5	0.4	2.2	(9.9)	271.0
Net earnings		\$ 93.5	\$ 73.2	\$ 242.2	\$ 466.9
Earnings per unit					
Basic and diluted from continuing operations		\$ 0.58	\$ 0.47	\$ 1.58	\$ 1.29
Basic and diluted from discontinued operations		0.00	0.01	(0.06)	1.78
Basic and diluted		\$ 0.58	\$ 0.48	\$ 1.52	\$ 3.07

Consolidated statements of comprehensive earnings

(Unaudited)

For the period ended September 30

(millions of dollars)	Note	Three months		Nine months	
		2008	2007	2008	2007
Net earnings		\$ 93.5	\$ 73.2	\$ 242.2	\$ 466.9
Other comprehensive earnings (losses), net of tax	14	(0.5)	(6.3)	(0.5)	3.3
Comprehensive earnings		\$ 93.0	\$ 66.9	\$ 241.7	\$ 470.2

See accompanying notes to the consolidated financial statements

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

For the period ended September 30, 2008		Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Retained earnings	Accumulated other comprehensive earnings (losses)	Total partners' equity
<i>(millions of dollars)</i>	Notes							
Balance December 31, 2007		\$ 1,548.0	\$ 0.2	\$ 743.6	\$ (611.4)	\$ 2,873.2	\$ (37.2)	\$ 4,516.4
Net earnings for the period		-	-	242.2	-	-	-	242.2
Issuance of class 2 limited partnership units on business combination	2, 13	513.5	-	-	-	-	-	513.5
Distributions declared on:								
Class 1 exchangeable limited partnership units		-	-	-	(61.1)	-	-	(61.1)
Class 2 limited partnership units		-	-	-	(279.4)	-	-	(279.4)
Other comprehensive earnings (losses), net of tax	14	-	-	-	-	-	(0.5)	(0.5)
Balance September 30, 2008		\$ 2,061.5	\$ 0.2	\$ 985.8	\$ (951.9)	\$ 2,873.2	\$ (37.7)	\$ 4,931.1

For the period ended September 30, 2007		Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Retained earnings	Accumulated other comprehensive earnings (losses)	Total partners' equity
<i>(millions of dollars)</i>	Note							
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		(460.9)	-	-	-	-	-	(460.9)
Reclassification adjustment for gains (losses) on derivatives designated as cash flow hedges		-	-	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

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	
		2008	2007	2008	2007
Cash from (used in) operating activities					
Net earnings from continuing operations		\$ 93.1	\$ 71.0	\$ 252.1	\$ 195.9
Adjustments to reconcile net earnings to cash from operating activities					
Depreciation and amortization		176.6	183.2	525.8	604.0
Gain on disposal of assets		(1.4)	(0.1)	(1.6)	-
Future income tax expense (recovery)		(1.0)	2.7	(0.7)	(52.4)
Net cost of benefit plans	6	23.0	24.4	68.9	78.5
Funding of defined benefit pension and other post-employment benefit plans	6	(27.9)	(25.3)	(83.4)	(71.6)
Non-controlling interest		39.6	44.2	117.8	111.4
Other		(1.7)	(1.1)	(2.0)	(1.4)
Change in operating assets and liabilities		10.5	2.4	18.5	8.3
		310.8	301.4	895.4	872.7
Cash from (used in) financing activities					
Repurchase of accounts receivable	3	-	-	(55.0)	-
Net proceeds on sale of accounts receivable		-	(10.0)	-	80.0
Net proceeds of short-term debt		12.6	98.6	25.7	193.8
Net proceeds (repayments) of notes payable to related party		2.7	(116.5)	3.1	10.5
Proceeds of long-term debt	10	-	-	50.0	994.5
Repayment of long-term debt	10	(0.7)	(1.1)	(51.9)	(1,236.9)
Repayment of capital lease obligations		(1.5)	(2.7)	(5.2)	(5.7)
Payment to non-controlling interest		-	-	(0.4)	(3.6)
Net settlement of financial derivatives		-	6.4	-	(24.1)
Repayment of partners' capital		-	-	-	(460.9)
Distributions paid by subsidiaries to non-controlling interest	12	(52.4)	(60.5)	(160.6)	(180.8)
Distributions paid		(113.8)	(101.0)	(333.2)	(319.8)
		(153.1)	(186.8)	(527.5)	(953.0)
Cash from (used in) investing activities					
Purchase of capital investments		(138.8)	(139.7)	(361.4)	(398.0)
Proceeds on sale of capital investments		0.2	0.1	1.9	1.2
Business acquisition, net of cash received	2	(0.3)	-	(28.1)	-
		(138.9)	(139.6)	(387.6)	(396.8)
Net increase (decrease) in cash from continuing operations		18.8	(25.0)	(19.7)	(477.1)
Net increase (decrease) in cash from discontinued operation		(2.8)	2.8	(3.5)	345.8
Cash and cash equivalents, beginning of period		8.9	30.3	48.1	139.4
Cash and cash equivalents, end of period		\$ 24.9	\$ 8.1	\$ 24.9	\$ 8.1
Supplementary disclosure					
Interest paid		\$ 64.3	\$ 32.4	\$ 138.6	\$ 121.7
Income taxes recovered, net		\$ (2.8)	\$ (1.2)	\$ (5.1)	\$ (4.6)

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2008

Bell Aliant Regional Communications Holdings, Limited Partnership was established under the laws of Quebec, and holds the principal operations of Bell Aliant Regional Communications Income Fund (the Fund). All references to “we”, “us” or “our” refer to Bell Aliant Regional Communications Holdings, Limited Partnership 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 (GAAP) using the same basis of presentation and accounting policies as our audited consolidated financial statements for the year ended December 31, 2007, with the exception of the adoption of new accounting policies discussed below. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2007.

Use of accounting estimates

During the second and third quarters of 2008, we performed asset life studies on some of our telecommunications equipment and as a result, we shortened their estimated useful lives from a range of twelve to eleven years to a range of eleven to eight years. This change in estimate was applied prospectively and resulted in an increase in depreciation and amortization expense of \$1.3 million for the third quarter of 2008 and \$2.1 million year to date. On an annual basis, the estimated impact of this change is a \$4.7 million increase in depreciation and amortization expense.

In the third quarter of 2008, we decreased the estimated long-term receivable associated with the acquisition of Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group from \$44.0 million to \$22.3 million. The revised estimate of the long-term receivable is based on current information available but the final resolution of this matter may result in us receiving an amount that is materially different from this estimate. Refer to note 7 for further discussion.

In the third quarter of 2008, we reduced the estimate of the restructuring and other charge liability recorded in 2007 related to productivity initiatives by \$5.6 million. As departing employees had options that affected their severance, the final cost of the initiatives related to severance and benefits costs was materially different from our estimate. Refer to note 8 for further discussion.

Capital disclosures

Commencing January 1, 2008, we adopted Section 1535, Capital Disclosures, which was issued by the Canadian Institute of Chartered Accountants (CICA) and establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed. Refer to note 17 for our capital management discussion.

Inventories

Commencing January 1, 2008, we adopted Section 3031, Inventories, which was issued by the CICA, and establishes new standards for the measurement, recognition and disclosure of inventories. There were no material effects as a result of this change. Refer to note 4 for further information on inventory.

Inventory represents products or equipment purchased for resale. We value inventory at the lower of cost and net realizable value, with cost being the weighted average cost using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs to sell.

Future changes in accounting policies

The Accounting Standards Board of the 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.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
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1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future changes in accounting policies (continued)

Goodwill and intangible assets

The CICA issued Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new standard provides guidance on the measurement, recognition, presentation and disclosure of goodwill and intangible assets. The standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. We are currently assessing the effect that this new standard will have on our operations and financial reporting.

International Financial Reporting Standards

Effective January 1, 2011, International Financial Reporting Standards will replace Canadian GAAP. The Accounting Standards Board has released an exposure draft that outlines the standards. We are currently assessing the effect that this transition will have on our operations and financial reporting.

Comparative figures

Certain comparative financial information has been reclassified to conform to the presentation adopted for 2008, including the reclassification of discontinued operations as discussed in note 5.

2. BUSINESS COMBINATION AND ACQUISITION

Télébec, Limited Partnership (Télébec) and NorthernTel, Limited Partnership (NorthernTel)

On January 1, 2008, the Fund transferred their 36.7 per cent interest in Télébec and NorthernTel to us, in exchange for 8,246,429 class 2 limited partnership units (note 13), resulting in eliminating the non-controlling interest previously reported. The value of our units issued was determined using a combination of discounted cash flow methodology and comparable public company earnings multiple analysis.

As there was no substantive change in ownership of the 36.7 per cent interest in Télébec and NorthernTel, the transfer was accounted for at its carrying value on January 1, 2008. As the Fund had equity accounted for its investment in Télébec and NorthernTel, the carrying value of the assets transferred and liabilities assumed was determined based on their respective estimated fair values on January 30, 2007, the date that the Fund acquired the remaining 36.7 per cent interest in Télébec and NorthernTel from Bell Nordiq Income Fund, and adjusted for the depreciation and amortization of such assets for the period February 1, 2007, to December 31, 2007. The remainder of the consideration paid has been allocated to goodwill. This resulted in an adjustment to the carrying values of the assets and liabilities as follows:

<i>(millions of dollars)</i>	
Assets acquired and liabilities assumed	
Property, plant and equipment	\$ 30.2
Finite-life intangibles	181.9
Indefinite-life intangibles	40.6
Goodwill (note 7)	191.8
Non-controlling interest (note 12)	89.0
Long-term liabilities	(20.0)
Net assets acquired	\$ 513.5

Property, plant and equipment mainly represent telecommunications facilities and equipment, and buildings. Finite-life intangibles relate to customer relationships and roaming agreements. These assets will be depreciated and amortized using the same methods and over the same useful lives as our existing capital investments. Indefinite-life intangibles relate to the Télébec and NorthernTel brands and telecommunications licenses.

Goodwill recognized in this business combination is not deductible for tax purposes.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
September 30, 2008

2. BUSINESS COMBINATION AND ACQUISITION (Continued)

Kenora Municipal Telephone System

On February 1, 2008, we purchased the assets and operations of Kenora Municipal Telephone System for total cash consideration of \$27.1 million in addition to direct acquisition costs of \$1.0 million. The results of operations have been included in our consolidated financial statements since that date.

The total consideration paid will be allocated to the assets acquired and liabilities assumed based on their respective fair values on February 1, 2008. The allocation process requires an analysis of the value of customer relationships, acquired contractual rights, assumed contractual commitments and legal contingencies to identify and record the fair value of all assets acquired and liabilities assumed. In valuing acquired assets and assumed liabilities, fair values are based on, but are not limited to: quoted market prices, where available; expected future cash flows; current replacement cost for similar capacity for certain capital assets; market rate assumptions for contractual obligations; and appropriate discount rates and growth rates. The purchase price allocation also requires the calculation of future income tax assets or liabilities associated with the assets acquired and liabilities assumed. Any excess purchase price over the fair value of the identifiable assets and liabilities will be allocated to goodwill.

As at September 30, 2008, the purchase price allocation was not finalized, but initial allocations were made as follows:

<i>(millions of dollars)</i>	
Assets acquired and liabilities assumed	
Current assets	\$ 1.3
Property, plant and equipment	10.2
Goodwill (note 7)	17.4
Current liabilities	(0.7)
Long-term liabilities	(0.1)
Net assets acquired	\$ 28.1

These values are based on preliminary valuations and are subject to adjustment as additional information is obtained.

We are in the process of conducting internal studies of assets including property, plant and equipment, intangible assets and certain liabilities. Finalization of valuations and completion of our purchase price allocation may result in material adjustments to the goodwill. As well, net earnings may be affected by a material amount due to the calculation of amortization on the fair values of property, plant and equipment and other finite-life intangible assets subject to amortization as well as the final determination of future income taxes.

3. TRANSFER OF RECEIVABLES

In March 2008, we reduced the net cash proceeds under our revolving accounts receivable purchase and sale agreement with a securitization trust by \$55.0 million. At September 30, 2008, our net cash proceeds under the agreement were \$165.0 million. The security required under the agreement recorded as retained interest was \$44.8 million at September 30, 2008 (December 31, 2007 - \$61.0 million).

4. INVENTORY

For the three and nine months ended September 30, 2008, the cost of inventories recognized as an operating expense, in respect of continuing operations, was \$7.3 million and \$19.6 million respectively (September 30, 2007 - \$7.6 million and \$21.7 million, respectively). This includes an immaterial amount of inventory write downs (September 30, 2007 – immaterial amount). There were no material reversals of inventory write-downs in the period. A portion of the inventory of our discontinued operations is pledged as security for certain uncommitted lines of credit, which had an outstanding balance of nil at September 30, 2008 (December 31, 2007 - \$5.7 million) (note 9).

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
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5. DISCONTINUED OPERATIONS

Defence, Security and Aerospace business (DSA)

On August 5, 2008, Bell Aliant Holdings LP and CAE Professional Services (Canada) Inc. (CAE) announced that they entered into an asset purchase agreement for CAE to acquire our DSA business unit, which currently operates under the xwave brand. The proceeds on closing will be \$15.1 million with an additional \$11.0 million of proceeds contingent upon the occurrence of certain events, for potential total proceeds of \$26.1 million. The transaction is subject to the satisfaction of certain conditions and is anticipated to close before the end of the year. As a result, in the third quarter of 2008 we have reclassified the results of DSA's operations as discontinued operations. Accordingly, prior period consolidated statements of earnings and cash flows have been reclassified to reflect this change.

On the consolidated balance sheet as at September 30, 2008, the net assets of the DSA business unit were presented as assets and liabilities of the discontinued operations at their carrying amounts. The following table shows the major categories of the assets and liabilities of the discontinued operations:

	As at September 30, 2008
Current assets of discontinued operations	
Accounts receivable	\$ 13.0
Prepayments	0.1
	\$ 13.1
Non-current assets of discontinued operations	
Capital investments	
Property, plant and equipment	0.8
Finite-life intangibles	0.1
	0.9
Other assets	
Deferred charges	1.6
	\$ 2.5
Current liabilities of discontinued operations	
Payables and accruals	8.1
	\$ 8.1
Net assets held for sale	\$ 7.5

Atlantic Mobility Products Limited Partnership (AMP)

AMP had an arrangement with Bell Canada to be their exclusive distributor of mobility products in Atlantic Canada, which Bell Canada has discontinued effective July 4, 2008. The loss of the exclusive arrangement has resulted in the elimination of our wholesale distribution of mobility hardware and accessories business. As a result, the results of operations of AMP have been presented as discontinued operations. In the third quarter of 2008, AMP sold \$3.7 million of inventory to Bell Canada at cost as part of the winding down activities.

Salesbridge Canada Corp. (Salesbridge) and Aliant Directory Services (ADS)

In 2007, the results of operations of Salesbridge and ADS were reported as discontinued operations. Salesbridge is being wound up and has not operated in 2008 and the net assets and operations of ADS were sold in April 2007.

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
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(Unaudited)
September 30, 2008

5. DISCONTINUED OPERATIONS (Continued)

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

For the three months ended									
September 30									
<i>(millions of dollars)</i>									
	2008			2007					
	DSA	AMP	Total	DSA	AMP	SalesBridge	ADS	Total	
Operating revenues	\$ 6.2	\$ 4.6	\$ 10.8	\$ 6.5	\$ 22.9	\$ -	\$ -	\$ 29.4	
Expenses	5.7	4.6	10.3	6.1	20.8	-	-	26.9	
Gain on sale	-	-	-	-	-	-	(0.2)	(0.2)	
Income taxes (recovery)	0.1	-	0.1	0.2	0.6	-	(0.7)	0.1	
Net earnings from discontinued operations	\$ 0.4	\$ -	\$ 0.4	\$ 0.2	\$ 1.5	\$ -	\$ 0.5	\$ 2.2	

For the nine months ended									
September 30									
<i>(millions of dollars)</i>									
	2008			2007					
	DSA	AMP	Total	DSA	AMP	SalesBridge	ADS	Total	
Operating revenues	\$ 20.6	\$ 47.7	\$ 68.3	\$ 18.9	\$ 61.6	\$ -	\$ 19.8	\$ 100.3	
Expenses	19.4	44.5	63.9	17.3	56.4	0.8	7.7	82.2	
Write down of goodwill (note 7)	-	11.2	11.2	-	-	-	-	-	
Gain on sale	-	-	-	-	-	-	315.0	315.0	
Income taxes (recovery)	0.3	2.8	3.1	0.4	1.7	(0.2)	60.5	62.4	
Non-controlling interest	-	-	-	-	-	(0.3)	-	(0.3)	
Net earnings (loss) from discontinued operations	\$ 0.9	\$ (10.8)	\$ (9.9)	\$ 1.2	\$ 3.5	\$ (0.3)	\$ 266.6	\$ 271.0	

6. POST-EMPLOYMENT BENEFITS

Accrued benefit asset (liability)

The following table shows the status of the defined benefit (DB) pension and other post employment benefit (OPEB) plans and changes during the period.

		DB pension plans		OPEB plans	Total
<i>(millions of dollars)</i>					
Accrued benefit asset (liability) December 31, 2007		\$ 174.1	\$ (220.7)	\$ (46.6)	
Net cost of benefit plans		(63.7)	(5.2)	(68.9)	
Contributions		78.0	5.4	83.4	
Adjustment on finalization of the purchase price allocation of Télébec and NorthernTel		(15.4)	(2.2)	(17.6)	
Accrued benefit asset (liability) September 30, 2008		\$ 173.0	\$ (222.7)	\$ (49.7)	
Accrued benefit asset		\$ 373.7	\$ -	\$ 373.7	
Accrued benefit liability		(200.7)	(222.7)	(423.4)	
		\$ 173.0	\$ (222.7)	\$ (49.7)	

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6. POST-EMPLOYMENT BENEFITS (Continued)

Net cost of benefit plans

The following table shows the net cost of DB pension and OPEB plans.

For the period ended September 30 (millions of dollars)	Three months		Nine months	
	2008	2007	2008	2007
<i>DB pension plans</i>				
Current service cost	\$ 15.6	\$ 15.6	\$ 46.6	\$ 49.0
Interest on the accrued benefit obligation	40.3	38.6	120.8	115.8
Expected return on plan assets	(39.9)	(39.1)	(119.6)	(116.5)
Amortization of deferred amounts:				
Past service costs	1.3	1.4	4.1	4.2
Net actuarial losses	4.0	6.2	11.8	20.1
Transitional obligation	-	(0.1)	-	(0.4)
	\$ 21.3	\$ 22.6	\$ 63.7	\$ 72.2
<i>OPEB plans</i>				
Current service cost	\$ 0.5	\$ 0.5	\$ 1.6	\$ 1.8
Interest on the accrued benefit obligation	2.8	2.7	8.4	8.2
Amortization of deferred amounts:				
Past service costs	(2.1)	(2.1)	(6.1)	(5.7)
Net actuarial losses	0.5	0.6	1.3	1.8
Transitional asset		0.1	-	0.2
	\$ 1.7	\$ 1.8	\$ 5.2	\$ 6.3
Total net cost of DB pension and OPEB plans	\$ 23.0	\$ 24.4	\$ 68.9	\$ 78.5

Benefit plan contributions

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

For the period ended September 30 (millions of dollars)	Three months		Nine months	
	2008	2007	2008	2007
DB pension plans contributions	\$ 25.9	\$ 23.7	\$ 78.0	\$ 66.3
OPEB plans contributions	2.0	1.6	5.4	5.3
Funding of DB pension and OPEB plans	\$ 27.9	\$ 25.3	\$ 83.4	\$ 71.6
DC pension plans contributions	2.1	1.7	5.8	5.3
Total contributions	\$ 30.0	\$ 27.0	\$ 89.2	\$ 76.9

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7. GOODWILL

<i>(millions of dollars)</i>	
Goodwill as at December 31, 2006	\$ 5,446.2
Allocations to assets and liabilities 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	(2,891.7)
Goodwill as at December 31, 2007	\$ 2,554.5
Acquisition of interest in Télébec and NorthernTel (note 2)	191.8
Acquisition of assets and operations of Kenora Municipal Telephone Systems (note 2)	17.4
Write down related to Atlantic Mobility Products Limited Partnership (AMP) goodwill	(11.2)
Change in estimate of the value of the long-term receivable from Bell Canada	21.7
Goodwill as at September 30, 2008	\$ 2,774.2

During the first quarter of 2008, as a result of Bell Canada notifying us of their intent to discontinue using AMP as its exclusive distributor of mobility products in Atlantic Canada, we assessed the carrying value of goodwill related to AMP. An impairment charge of \$11.2 million was recorded, which reduced the carrying value of the goodwill related to AMP to zero. AMP has been reclassified as discontinued operations as discussed in note 5.

We are continuing negotiations with Bell Canada on an estimated long-term receivable to be paid to us in relation to the acquisition of Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group. The estimated long-term receivable relates to the impact of a 2006 Canadian Radio-television and Telecommunications Commission (CRTC) decision, which required Bell Canada to reduce rates charged for services in certain regions, some of which affected customer accounts that we acquired. During the third quarter of 2008, we decreased the estimated long-term receivable from \$44.0 million to \$22.3 million and increased goodwill. The long-term receivable from Bell Canada is based on an estimated amount of rate reductions, which have not been finally determined by the CRTC at this time, and which could be different from current estimates. Once the rate reductions are finalized by the CRTC, the long-term receivable from Bell Canada will be adjusted accordingly and this amount could be materially different from the current estimate.

8. RESTRUCTURING AND OTHER CHARGES

In 2007, we estimated and recorded a pre-tax restructuring charge of \$27.4 million related to costs to continue advancing the organization's productivity initiatives leading into 2008. The charge included \$23.1 million of severance and benefit costs, and \$4.3 million of real estate rationalization costs. The final cost of the initiatives was lower than our estimate as departing employees had options that affected the amount of their severance. During the third quarter of 2008, we reduced the restructuring charge liability for severance and benefits by \$5.6 million to reflect the final costs. The remaining restructuring charge liability for real estate rationalization will be drawn down as lease vacancy and other real estate costs are incurred.

During the third quarter of 2008, we recorded \$5.6 million of severance and benefits related to the announced departure of a senior executive.

At September 30, 2008, payables and accruals included a restructuring and other charge balance of \$12.0 million (December 31, 2007 - \$22.8 million), composed of \$3.5 million of real estate rationalization costs and \$8.5 million in severance and benefits (December 31, 2007 - composed of \$4.3 million of real estate rationalization costs and \$18.5 million in severance and benefits).

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9. SHORT-TERM DEBT

Available operating facilities

We have increased the amounts available for use under operating credit facilities by \$23.0 million to \$1,204.0 million during the nine months ended September 30, 2008, as follows:

- Dedicated letter of credit facilities were increased by \$25.0 million to a total of \$163.0 million; and
- Demand operating facilities were decreased by a net \$2.0 million to \$15.0 million.

Included in these amounts available under operating credit facilities is \$5.0 million (December 31, 2007 - \$12.0 million) for discontinued operations.

Amounts drawn under operating facilities

<i>(millions of dollars)</i>	As at		As at
	September 30, 2008		December 31, 2007
Drawn amounts:			
Revolving operating facilities	\$	242.2	\$ 210.0
Uncommitted lines of credit (note 4)		-	5.7
Other		0.2	1.0
	\$	242.4	\$ 216.7

Short-term promissory notes of \$92.2 million (December 31, 2007 – NIL) under our commercial paper program, which is supported by our revolving operating facilities, bear interest at an average of 3.44 per cent and mature at various dates between October 1, 2008, and December 4, 2008.

Banker's acceptance advances of \$150.0 million (December 31, 2007 - \$210.0 million) outstanding under our revolving operating facilities have the following terms:

- \$50.0 million, bearing interest at 3.65 per cent per annum, maturing on October 8, 2008;
- \$60.0 million, bearing interest at 3.80 per cent per annum, maturing on October 22, 2008; and
- \$40.0 million, bearing interest at 3.95 per cent per annum, maturing on October 31, 2008.

We have also issued letters of credit totalling \$210.0 million (December 31, 2007 - \$168.1 million) through our operating credit facilities.

10. LONG-TERM DEBT

In June 2008, we established a new term bank facility for \$50.0 million that expires in June 2010. Advances under the facility are through banker's acceptance with terms less than 180 days and bear interest at the banker's acceptance rate plus 0.85 per cent per annum. On June 23, 2008, we drew \$50.0 million on this facility to repay, at maturity, Télébec's 5.85 per cent Series Z debentures at their principal amount. At September 30, 2008, the \$50.0 million in advances outstanding carried floating banker's acceptance rates plus 0.85 percent, or currently 4.22 per cent. Related to this debt, we also entered into an interest rate swap with similar terms in order to manage our exposure to future interest rate changes. Refer to note 11 for further information.

During the third quarter of 2008, the terms of a long-term obligation totalling \$4.3 million in connection with the acquisition in 2006 of software licenses were renegotiated as a monthly royalty payment agreement with the vendor. Consequently, this amount was removed from long-term debt for the period ended September 30, 2008, with the corresponding removal of the net book value of the software licenses from intangible assets.

In the third quarter of 2008, the \$100.0 million non-revolving term loan maturing on July 7, 2009, was reclassified from long-term debt to long-term debt due within one year.

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11. FINANCIAL INSTRUMENTS

Derivative financial instruments

We have the following fixed-floating interest rate swaps outstanding to hedge the variability in cash flows related to a portion of our floating rate debt.

<i>(millions of dollars, except as otherwise noted)</i>	Termination date	Fixed interest rate	As at September 30, 2008		As at December 31, 2007	
			Fair value	Notional principal	Fair value	Notional principal
Short-term debt	August 20, 2010	4.98%	\$ 3.5	\$ 100.0	\$ 1.9	\$ 100.0
Long-term debt	August 23, 2010	4.98%	3.6	100.0	1.8	100.0
Long-term debt	June 23, 2010	3.75%	0.5	50.0	-	-
			\$ 7.6	\$ 250.0	\$ 3.7	\$ 200.0

Under these swaps, which are being accounted for as cash flow hedges, we pay a fixed rate of interest and receive the floating bankers' acceptance rate, reset quarterly. The fair values at September 30, 2008, and December 31, 2007, are in favour of the counterparty and are recorded as derivative liabilities. At September 30, 2008, a one per cent increase (decrease) in the interest rates used to value our interest rate swaps would cause the derivative liability to decrease (increase) by approximately \$5 million.

Fair value of financial instruments

The carrying value of all financial instruments approximate fair value with the exception of long-term debt and the amount due within one year, which at September 30, 2008, has a carrying value of \$2,565.8 million and a fair value of \$2,333.1 million (December 31, 2007 – \$2,573.6 million and \$2,422.8 million, respectively).

12. NON-CONTROLLING INTEREST

<i>(millions of dollars)</i>	As at September 30, 2008		As at December 31, 2007	
Bell Aliant LP	\$	1,701.5	\$	1,740.2
Télébec and NorthernTel (note 2)		-		89.0
SalesBridge		-		0.4
	\$	1,701.5	\$	1,829.6

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

<i>(millions of dollars)</i>	For the period ended September 30				Three months				Nine months			
	2008		2007		2008		2007		2008		2007	
	Declared	Paid	Declared	Paid	Declared	Paid	Declared	Paid	Declared	Paid		
Bell Aliant LP	\$ 52.4	\$ 52.4	\$ 50.9	\$ 50.9	\$ 156.6	\$ 156.1	\$ 152.2	\$ 151.7				
Télébec and NorthernTel	-	-	9.6	9.6	-	4.5	28.7	29.1				
	\$ 52.4	\$ 52.4	\$ 60.5	\$ 60.5	\$ 156.6	\$ 160.6	\$ 180.9	\$ 180.8				

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13. PARTNERS' CAPITAL

Limited partnership units

<i>(millions of dollars, except as otherwise noted)</i>	Class 1 units		Class 2 units		GP units		Total
	Number	Stated capital	Number	Stated capital	Number	Stated capital	Stated capital
Units, as at December 31, 2007	28,168,803	\$ 1,017.1	124,121,177	\$ 530.9	54,000	\$ -	\$ 1,548.0
Business combination (note 2)	-	-	8,246,429	513.5	-	-	513.5
Units, as at September 30, 2008	28,168,803	\$ 1,017.1	132,367,606	\$ 1,044.4	54,000	\$ -	\$ 2,061.5

Employees' 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, 2008, was 454,647 and 1,373,684, respectively (September 30, 2007 – 377,531 and 1,338,571, respectively). Compensation expense related to the employees' unit purchase plans of \$2.5 million and \$7.1 million, respectively was recorded for the three and nine months ended September 30, 2008 (September 30, 2007 – \$2.3 million and \$7.4 million, respectively).

Deferred unit plan (DUP)

A summary of the status of the DUP and changes during the period are as follows:

For the nine months ended September 30	2008	2007
Deferred units outstanding, beginning of period	794,980	-
Granted:		
Service period fiscal 2006 to 2008	-	316,717
Service period March 2007 to March 2010	-	453,742
Service period fiscal 2008 to 2010	412,163	-
Reinvested distributions	72,848	34,365
	1,279,991	804,824
Forfeited	(71,051)	(22,452)
Exercised	(32,883)	(4,380)
Deferred units outstanding, end of period	1,176,057	777,992
Deferred units vested, end of period	365,800	108,174

The weighted average grant-date fair value of the 485,011 deferred units granted in the nine months ended September 30, 2008, totals \$14.5 million (September 30, 2007 - 804,824 deferred units granted totals \$23.6 million). For the three and nine months ended September 30, 2008, compensation expense of \$3.2 million and \$9.8 million, respectively (September 30, 2007 – \$2.4 million and \$5.9 million, respectively) was recorded related to the deferred units outstanding.

14. OTHER COMPREHENSIVE EARNINGS (LOSSES)

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

For the three months ended September 30	2008			2007		
<i>(millions of dollars)</i>	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
Gains (losses) on derivatives designated as cash flow hedges	\$ (1.8)	\$ (0.4)	\$ (1.4)	(2.8)	(0.7)	(2.1)
Reclassification to earnings	1.2	0.3	0.9	(5.3)	(1.1)	(4.2)
Other comprehensive earnings (losses)	\$ (0.6)	\$ (0.1)	\$ (0.5)	(8.1)	(1.8)	(6.3)

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14. OTHER COMPREHENSIVE EARNINGS (LOSSES) (Continued)

For the nine months ended September 30 <i>(millions of dollars)</i>	2008			2007		
	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
Gains (losses) on derivatives designated as cash flow hedges	\$ (4.0)	\$ (0.8)	\$ (3.2)	\$ 6.5	\$ 0.9	\$ 5.6
Reclassification to earnings	3.4	0.7	2.7	(2.9)	(0.6)	(2.3)
Other comprehensive earnings (losses)	\$ (0.6)	\$ (0.1)	\$ (0.5)	\$ 3.6	\$ 0.3	\$ 3.3

The reclassification to earnings represents the portion of gains or losses on derivatives designated as cash flow hedges in prior periods that were transferred to interest charges in the current period.

15. 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>	Remainder of					
	2008	2009	2010	2011	2012	Thereafter
Operating leases	\$ 9.3	\$ 33.8	\$ 30.0	\$ 27.1	\$ 26.7	\$ 305.1
Purchase commitments	110.3	357.8	321.1	310.3	312.0	2,529.3
	\$ 119.6	\$ 391.6	\$ 351.1	\$ 337.4	\$ 338.7	\$ 2,834.4

Deferral account

Bell Canada's deferral account includes amounts that arose from customers located in what is now our territory in Ontario and Quebec. Bell Canada's accumulated deferral account commitment at September 30, 2008, was estimated to be \$152.0 million. The accumulated deferral account commitment takes into account the estimated deferral account drawdown during the first quarter of 2008 associated with the CRTC approved broadband expansion program and the initiatives associated with improving access to communications services for persons with disabilities. The annualized recurring amount in Bell Canada's deferral account is estimated at \$16.3 million. On March 3, 2008, along with Bell Canada, we filed proposed reductions to rates for stand-alone local residential telephone access services in regulated exchanges within the non-high cost serving area (non-HCSA) portions of the Ontario and Quebec serving areas which, if approved, would eliminate Bell Canada's future annualized commitment. The CRTC decision on this application is pending.

The CRTC has approved a total of 102 communities within the Ontario and Quebec portions of the servicing areas of Bell Canada and Bell Aliant in which Bell Canada and Bell Aliant can deploy broadband using the funds in Bell Canada's deferral account. In January 2008, the CRTC also approved Bell Canada's proposed initiatives to improve access to telecommunication services for persons with disabilities. Finally, the CRTC directed Bell Canada to rebate any balance remaining in its deferral account to residential subscribers in urban, non-HCSAs within the Ontario and Quebec portions of the servicing areas of Bell Canada and Bell Aliant.

The issues of rebates and broadband expansion using deferral account funds were before the Federal Court of Appeal in connection with two separate appeals launched by Bell Canada and by certain consumer groups. Bell Canada had appealed the legality of the CRTC jurisdiction to order retroactive rebates while the consumer groups had appealed the decision to permit the use of deferral account funds to expand the availability of broadband services. In an order dated March 7, 2008, the Federal Court of Appeal dismissed both Bell Canada's and the consumer groups' appeals. Subsequently, Bell Canada and Telus sought leave to appeal to the Supreme Court of Canada the Federal Court's decision as it relates to rebates while the consumer groups sought leave to appeal the decision as it relates to broadband services. On September 25, 2008, the Supreme Court of Canada granted Bell Canada, Telus and the consumer groups leave to appeal the Federal Court of Appeal's decision, which had upheld the CRTC decision regarding disposition of funds in the deferral accounts.

15. COMMITMENTS (Continued)

Deferral account (continued)

Subject to the outcome of these proceedings, we will be affected by these and further proposals of Bell Canada to satisfy their deferral account obligations, as we have agreed to contribute to the economic spending portion of the broadband project. We are unable to estimate the effect on our financial results at this time.

16. CONTINGENCIES

On June 26, 2008, a proposed class action was filed in the Saskatchewan Court of Queen's Bench against various Canadian telephone companies, including Bell Aliant Regional Communications, Limited Partnership, in relation to the charging of 911 fees. The suit alleges, among other things, breach of contract, negligence, collusion, and breach of fiduciary duty, and generally claims that the defendants have misrepresented the nature of 911 fees, and that the charges levied on customers are excessive. The plaintiffs claim unspecified damages. We have defences to this claim, but the outcome of the matter is not determinable at this time.

17. CAPITAL MANAGEMENT

Our capital structure includes all components of partner's equity, the non-controlling interest in the equity of our controlled subsidiaries, long-term and short-term debt, net of cash and cash equivalents.

Our objectives in managing our capital structure are to:

- maintain financial flexibility to preserve our ability to meet existing commitments and invest as necessary in the future development of the business;
- provide access to sufficient cash flow to operate the business;
- mitigate the impact of volatility in financing costs on the cash flows of the business; and
- optimize the return to unitholders by utilizing an appropriate mix of debt and equity in the capital structure given our level of business risk.

When managing our capital structure we consider changes in economic conditions or the level of business risk and, from time to time, we consider and may adjust our distribution policy, enter into hedging transactions, issue or redeem debt, issue or repurchase partnership units or raise cash through our accounts receivable securitization program.

The non-GAAP financial metric we use to monitor our capital structure is the net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio. This financial ratio is calculated using a trailing twelve-month period for EBITDA. We define net debt as short-term and long-term debt less cash and cash equivalents. We define EBITDA as operating revenues less operating expenses, excluding the amount included in operating expenses for net benefit plans costs as a significant component of these costs reflect the amortization of past costs. Our capital management objective, which is unchanged from the prior year, is to maintain this ratio at approximately 2.0: 1.

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17. CAPITAL MANAGEMENT (Continued)

Our net debt to EBITDA ratios at September 30, 2008, and December 31, 2007, were as follows:

<i>(millions of dollars, except as otherwise noted)</i>	As at		As at
	September 30, 2008		December 31, 2007
Short-term debt (including notes payable to related party)	\$	247.4	\$ 218.6
Long-term debt, including amount due within one year		2,565.8	2,573.6
Less: Cash and cash equivalents		(24.9)	(48.1)
Net debt	\$	2,788.3	\$ 2,744.1
Operating revenues	\$	3,287.9	\$ 3,253.3
Less: Operating expenses		(1,959.5)	(1,946.5)
Add: Net cost of benefit plans included in operating expenses		122.5	131.6
EBITDA	\$	1,450.9	\$ 1,438.4
Net debt to EBITDA ratio		1.9:1	1.9:1

We are subject to certain covenants in our bank credit facilities, including maintenance of a ratio of total debt to EBITDA (as defined in our credit facilities) of no more than 3.0:1. Under a securityholders' agreement with BCE Inc. and Bell Canada, we would need to seek their prior approval if we were to increase our debt to EBITDA ratio (as defined in the securityholders' agreement) above 2.5:1. In addition, we are subject to a new issuance test under our note trust indenture whereby new long-term debt can only be issued if it would result in a ratio of long-term debt to total capital (as defined in the trust indenture) of 75 per cent or less. We are in compliance with all these debt covenants and are not subject to any other externally imposed capital requirements.

18. RELATED PARTY TRANSACTIONS

On January 1, 2008, the Fund transferred its 36.7 per cent ownership interest in Télébec and NorthernTel to us in return for 8,246,429 class 2 limited partnership units of Bell Aliant Holdings LP (note 2). The transfer was accounted for at its carrying value.

Throughout the first nine months of 2008, the Fund loaned us their excess cash through a series of promissory notes. The Fund requests repayments as required for operating purposes. The \$1.9 million promissory note that was payable to the Fund at December 31, 2007, was repaid on January 15, 2008. Subsequently issued promissory notes carried rates of interest from 3.21 per cent to 4.68 per cent per annum, resulting in \$0.1 million of interest expense being incurred during the nine months ended September 30, 2008. At September 30, 2008, a \$5.0 million promissory note was payable to the Fund, which bears interest at 3.22 per cent per annum.