

BELL ALIANT REGIONAL COMMUNICATIONS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

June 30, 2011

BellAliant

Consolidated income statements

For the period ended June 30

(in millions of Canadian dollars, per share / unit amounts)

(unaudited)

		Three months		Six months	
	Notes	2011	2010	2011	2010
Operating revenues	3	692.6	700.1	1,374.2	1,388.8
Expenses					
Operating expenses	4	359.1	357.1	711.4	707.1
Depreciation and amortization		156.5	175.8	310.3	346.5
Severance and other charges	6	1.4	3.4	5.9	14.6
Operating income		175.6	163.8	346.6	320.6
Finance expense	7	88.2	87.1	175.5	173.8
Finance income	7	(45.1)	(40.1)	(90.2)	(80.0)
Net finance expense		43.1	47.0	85.3	93.8
Distributions to holders of class B exchangeable partnership units issued by Bell Aliant LP	22	-	52.4	-	104.7
Increase (decrease) in value of class B exchangeable partnership units issued by Bell Aliant LP	22	-	1.5	-	(187.7)
Other expense	8	6.1	0.8	6.2	3.4
Earnings before income tax		126.4	62.1	255.1	306.4
Current income tax expense (recovery)		0.3	-	(1.1)	-
Deferred income tax expense (recovery)		38.7	(8.9)	80.0	(12.6)
Income tax expense (recovery)		39.0	(8.9)	78.9	(12.6)
Net earnings from continuing operations		87.4	71.0	176.2	319.0
Net loss from discontinued operations	9	(0.8)	(2.3)	(4.2)	(1.7)
Net earnings		86.6	68.7	172.0	317.3
Net earnings attributable to:					
Common shareholders/unitholders		83.1	68.7	167.9	317.3
Non-controlling interest	15				
Preferred shares issued by a subsidiary		3.5	-	4.1	-
		86.6	68.7	172.0	317.3
Earnings per share / unit:	10				
Basic from continuing operations		0.83	0.44	1.70	1.99
Basic from discontinued operations		(0.01)	(0.01)	(0.04)	(0.01)
Basic		0.82	0.43	1.66	1.98
Diluted from continuing operations		0.83	0.44	1.70	1.01
Diluted from discontinued operations		(0.01)	(0.01)	(0.04)	(0.01)
Diluted		0.82	0.43	1.66	1.00

See accompanying notes to the financial statements

Consolidated statements of comprehensive income (loss)

For the period ended June 30		Three months		Six months	
<i>(in millions of Canadian dollars) (unaudited)</i>		2011	2010	2011	2010
	Notes				
Net earnings		86.6	68.7	172.0	317.3
Other comprehensive loss, net of income taxes	11	(35.5)	(156.8)	(24.5)	(300.5)
Comprehensive income (loss)		51.1	(88.1)	147.5	16.8
Comprehensive income (loss) attributable to:					
Common shareholders/unitholders		47.6	(88.1)	143.4	16.8
Non-controlling interest					
Preferred shares issued by a subsidiary		3.5	-	4.1	-
		51.1	(88.1)	147.5	16.8

See accompanying notes to the financial statements

Consolidated statements of financial position

For the period ended

(in millions of Canadian dollars) (unaudited)

	Notes	June 30, 2011	December 31, 2010
Current assets			
Cash and cash equivalents		12.6	65.4
Trade and other receivables		413.9	383.8
Notes receivable from related parties	21	-	145.6
Inventory		14.4	18.0
Prepayments		34.7	16.0
Income tax receivable		22.6	25.0
		498.2	653.8
Assets classified as held for sale		-	107.1
		498.2	760.9
Non-current assets			
Long-term receivables		18.8	20.4
Deferred charges		13.6	14.4
Deferred income tax assets	22	51.3	145.4
Property, plant and equipment		3,381.1	3,359.5
Finite-life intangible assets		1,148.2	1,185.0
Goodwill and indefinite-life intangible assets	13	2,885.2	2,894.1
		7,498.2	7,618.8
Total assets		7,996.4	8,379.7

See accompanying notes to the financial statements

Consolidated statements of financial position

For the period ended

(in millions of Canadian dollars) (unaudited)

	Notes	June 30, 2011	December 31, 2010
Current liabilities			
Notes payable to related parties	21	5.6	48.7
Trade and other payables		355.8	333.5
Severance and other charges liability	6	5.9	14.1
Distributions payable	21	-	199.4
Short-term debt	16	261.0	377.2
Long-term debt due within one year	16	135.6	427.4
		763.9	1,400.3
Liabilities directly associated with assets classified as held for sale		-	44.2
		763.9	1,444.5
Non-current liabilities			
Long-term debt	16	2,658.2	2,360.9
Class B exchangeable partnership units issued by Bell Aliant LP	14, 22	-	1,876.6
Post-employment benefits	5	813.1	998.7
Deferred credits and other long-term liabilities		36.9	33.0
		3,508.2	5,269.2
Total liabilities		4,272.1	6,713.7
Equity attributable to shareholders/unitholders			
Share capital/partners' capital	14	3,651.6	2,061.5
Contributed surplus		263.9	0.4
Accumulated total comprehensive loss		(471.7)	(395.9)
Total equity attributable to shareholders/unitholders		3,443.8	1,666.0
Non-controlling interest			
Preferred shares issued by a subsidiary	15	280.5	-
Total equity		3,724.3	1,666.0
Total equity and liabilities		7,996.4	8,379.7

See accompanying notes to the financial statements

Consolidated statements of cash flows

For the period ended June 30

(in millions of Canadian dollars) (unaudited)

	Notes	2011	2010
Cash from (used in) operating activities			
Net earnings from continuing operations		176.2	319.0
Adjustments to reconcile net earnings to cash from operating activities:			
Depreciation and amortization		310.3	346.5
Deferred income tax expense (recovery)		80.0	(12.6)
Current service costs of post-employment benefit plans	4, 5	31.1	26.3
Net finance expense	7	85.3	93.8
Funding of post-employment benefit plans	5	(253.0)	(66.2)
Distributions to class B exchangeable partnership unit holders	22	-	104.7
Decrease in value of class B exchangeable partnership units	22	-	(187.7)
Loss on disposal of property, plant and equipment	8	1.7	2.7
Interest paid		(80.2)	(76.5)
Interest received		0.8	0.8
Income taxes paid, net		(0.6)	(4.1)
Other		1.0	(6.0)
Operating cash flows before change in operating assets and liabilities		352.6	540.7
Change in operating assets and liabilities	19	0.7	(83.1)
		353.3	457.6
Cash from (used in) investing activities			
Purchase of property, plant and equipment and finite-life intangible assets		(273.5)	(218.6)
Other investing activities		3.0	-
		(270.5)	(218.6)
Cash from (used in) financing activities			
Net proceeds (repayments) on notes payable to related parties	21	(43.1)	3.6
Net proceeds (repayments) on short-term debt	16	(116.2)	85.6
Repayment of long-term debt	16	(307.5)	(1.3)
Proceeds on long-term debt	16	300.0	-
Debt issue costs	16	(3.8)	-
Repayment of capital lease obligations		(11.1)	(8.6)
Issuance of preferred shares by a subsidiary	15	287.5	-
Commissions and preferred share issue costs, before taxes	15	(9.7)	-
Dividends paid to shareholders	14	(218.3)	-
Dividends paid to preferred shareholders	15	(4.1)	-
Distributions paid to unitholders		(36.5)	(227.7)
Distributions paid to class B exchangeable partnership unit holders		(17.4)	(104.7)
		(180.2)	(253.1)
Decrease in cash from continuing operations		(97.4)	(14.1)
Increase (decrease) in cash from discontinued operations	9	44.6	(0.9)
Cash and cash equivalents, beginning of period		65.4	27.1
Cash and cash equivalents, end of period		12.6	12.1
Supplementary disclosure			
Cash		11.9	6.1
Cash equivalents		0.7	6.0
		12.6	12.1

See accompanying notes to the financial statements

Consolidated statements of changes in equity

For the period ended June 30, 2011

(in millions of Canadian dollars) (unaudited)

	Notes	Attributable to shareholders/unitholders					Non-controlling interest		Total	Preferred shares issued by a subsidiary	Total equity
		Share capital	Partners' capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Accumulated total comprehensive loss				
Balance December 31, 2010		-	2,061.5	0.4	(373.2)	(22.7)	(395.9)	1,666.0	-	1,666.0	
Conversion to corporation	14	3,651.6	(2,061.5)	263.5	(0.9)	-	(0.9)	1,852.7	-	1,852.7	
Net earnings		-	-	-	167.9	-	167.9	167.9	4.1	172.0	
Issuance of preferred shares by a subsidiary	15	-	-	-	-	-	-	-	280.5	280.5	
Dividends declared on:											
Common shares	14, 21	-	-	-	(218.3)	-	(218.3)	(218.3)	-	(218.3)	
Preferred shares	15	-	-	-	-	-	-	-	(4.1)	(4.1)	
Other comprehensive income (loss)	11	-	-	-	(26.2)	1.7	(24.5)	(24.5)	-	(24.5)	
Balance June 30, 2011		3,651.6	-	263.9	(450.7)	(21.0)	(471.7)	3,443.8	280.5	3,724.3	

For the period ended June 30, 2010

(in millions of Canadian dollars) (unaudited)

	Notes	Attributable to unitholders					Total equity
		Partners' capital	Contributed surplus	Accumulated earnings	Accumulated other comprehensive loss	Accumulated total comprehensive income	
Balance January 1, 2010		2,061.5	0.4	1,332.3	(27.0)	1,305.3	3,367.2
Net earnings		-	-	317.3	-	317.3	317.3
Distributions declared on:							
Class 1 exchangeable limited partnership units	14	-	-	(40.9)	-	(40.9)	(40.9)
Class 2 limited partnership units	14, 21	-	-	(187.0)	-	(187.0)	(187.0)
Other comprehensive income (loss)	11	-	-	(302.4)	1.9	(300.5)	(300.5)
Balance June 30, 2010		2,061.5	0.4	1,119.3	(25.1)	1,094.2	3,156.1

See accompanying notes to the financial statements

Notes to Consolidated Financial Statements

These notes are unaudited.

All amounts are in millions of Canadian dollars, except where noted.

1. DESCRIPTION OF BUSINESS

On January 1, 2011, Bell Aliant Regional Communications Income Fund (the Fund) completed its conversion from an income trust structure to a corporate structure (the Conversion). The Conversion is described in note 1 to the unaudited interim consolidated financial statements of Bell Aliant Regional Communications Inc. (Bell Aliant GP) for the three months ended March 31, 2011.

On January 1, 2011, as a result of the Conversion, BCE Inc. (BCE) and Bell Canada owned 43.88 per cent of Bell Aliant Inc.'s common shares on a fully diluted basis and one common share of Bell Aliant GP, with the remaining common shares of Bell Aliant GP owned by Bell Aliant Inc. Under the terms of the amended securityholders' agreement, BCE and Bell Canada continue to control Bell Aliant GP. Bell Aliant Inc. exercises significant influence over operating, investing and financial policies of Bell Aliant GP, but does not control it.

As the original unitholders of the Fund and Bell Aliant Holdings LP have an interest in essentially the same underlying assets and liabilities, but through different legal structures of Bell Aliant Inc. and Bell Aliant GP, the Conversion has been accounted for on a continuity of interest basis. Accordingly, the consolidated financial statements of Bell Aliant GP reflect the financial position, results of operations and cash flows as if it had always carried on the business of Bell Aliant Holdings LP. Comparative amounts in these financial statements are those of Bell Aliant Holdings LP.

All references to "we", "us" or "our" refer to Bell Aliant GP and its subsidiaries for 2011 and to Bell Aliant Holdings LP and its subsidiaries for prior periods.

Bell Aliant GP is incorporated under the provisions of the Canada Business Corporations Act. Our operations are principally focused on regional telecommunications services in Atlantic Canada, Ontario and Quebec. We are incorporated and domiciled in Canada. The address of our registered office is 1505 Barrington Street, Halifax, Nova Scotia, B3J 2W3. These unaudited consolidated interim financial statements were approved and authorized for issue by the board of directors on July 27, 2011. The consolidated financial statements of Bell Aliant Holdings LP for the year ended December 31, 2010, prepared using Canadian generally accepted accounting principles (GAAP), were approved by the board of directors and authorized for issue on March 9, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited consolidated interim financial statements (interim financial statements) were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and interpretations of the IFRS Interpretations Committee, under International Accounting Standard (IAS) 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. They are prepared in accordance with the accounting policies we expect to adopt in our consolidated financial statements for the year ending December 31, 2011, which are described in note 1 to our interim financial statements for the three months ended March 31, 2011. They do not include all of the disclosure information required for full annual financial statements. These interim financial statements should be read in conjunction with our unaudited consolidated interim financial statements for the three months ended March 31, 2011.

In 2010, our annual and interim consolidated financial statements were prepared in accordance with Canadian GAAP. The effect of the transition from Canadian GAAP to IFRS is explained in note 22.

Functional currency

These interim financial statements are presented in our functional currency, Canadian dollars.

Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized when we enter into the contractual provisions of a financial instrument or derivative contract. All financial instruments are measured at fair value on initial recognition.

Derivative financial instruments

We may use derivative financial instruments in the management of financial exposures relating to our use of foreign currencies, to mitigate the effect of changes in the market price of Bell Aliant Inc. common shares on the value of our share-based compensation plans, and to manage our interest rate exposure. We do not use derivative financial instruments for trading or speculative purposes. For each derivative instrument, a determination is made whether hedge accounting can apply. Derivatives that are economic hedges but do not qualify for hedge accounting are classified as financial assets or financial liabilities held for trading in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39). The financial asset or liability is recorded at fair value, with subsequent changes in their fair value recorded through net earnings or loss in the income statement.

New accounting standards not yet adopted

The IASB has issued several new standards, amendments to standards, and interpretations that are not effective for the year ending December 31, 2011, and although early adoption is permitted, they have not been applied in preparing these interim financial statements. They are as follows:

Disclosures—Transfers of Financial Assets (Amendments to IFRS 7, Financial Instruments: Disclosures)

The amendments to IFRS 7 require increased disclosure for the transfer of financial assets, particularly where there is a disproportionate amount of transactions that take place at the end of a reporting period. The amendments to IFRS 7 come into effect for annual periods beginning on or after July 1, 2011.

IFRS 9, Financial Instruments

IFRS 9 is the first of the IASB's three phase project to replace IAS 39. It requires classification and measurement of financial assets in either the amortized cost or the fair value category. IFRS 9 comes into effect for annual periods beginning on or after January 1, 2013.

IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company. It provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 comes into effect for annual periods beginning on or after January 1, 2013.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 requires disclosure on all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance-sheet vehicles. IFRS 12 comes into effect for annual periods beginning on or after January 1, 2013.

IFRS 13, Fair Value Measurement

IFRS 13 sets out a single framework for measuring fair value and required disclosures. It is applicable when another IFRS requires or permits fair value measurements or related disclosures, except for share-based payment transactions within the scope of IFRS 2, *Share-based Payment*, leasing transactions within the scope of IAS 17, *Leases*, and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*. IFRS 13 comes into effect for annual periods beginning on or after January 1, 2013.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12, Income Taxes)

The amendments to IAS 12 set out presumptions for the recovery of certain assets, and are relevant in those cases where different tax consequences can arise depending on how the carrying amounts are recovered. The amendments to IAS 12 come into effect for annual periods beginning on or after January 1, 2012.

We are currently evaluating the effect, if any, that these new standards and amendments will have on our financial results.

3. OPERATING REVENUES

For the period ended June 30	Three months		Six months	
	2011	2010	2011	2010
Local and access	312.1	325.0	622.1	647.9
Data	216.5	207.1	429.2	411.1
Long distance	96.3	99.0	190.8	196.1
Wireless	24.0	22.0	47.3	43.0
Other revenues	43.7	47.0	84.8	90.7
Total operating revenues	692.6	700.1	1,374.2	1,388.8

Other revenues for the three and six months ended June 30, 2011, includes \$6.1 million and \$12.2 million, respectively, (three and six months ended June 30, 2010 - \$5.6 million and \$11.2 million, respectively) of non-monetary revenues earned in relation to our joint use pole agreements with various utility companies throughout our operating territory.

4. OPERATING EXPENSES

For the period ended June 30	Three months		Six months	
	2011	2010	2011	2010
Labour costs				
Wages, salaries and related taxes and benefits	133.9	135.5	264.4	271.8
Current service costs of post-employment benefit plans (note 5)	15.6	13.2	31.1	26.3
Share-based compensation plan expense	6.5	4.2	10.7	3.9
Contractor, outsourcing and other labour costs	14.6	11.1	31.1	23.6
Capitalized labour	(40.6)	(36.2)	(75.0)	(69.2)
Total labour costs	130.0	127.8	262.3	256.4
Cost of sales, content costs and payments to other carriers	171.2	174.6	337.8	340.4
Real estate expenses	9.1	10.3	19.5	20.7
Operating taxes	9.3	10.8	19.2	21.7
Bad debt expense	6.0	5.7	12.3	12.4
Other operating expenses	33.5	27.9	60.3	55.5
Total operating expenses	359.1	357.1	711.4	707.1

5. POST-EMPLOYMENT BENEFITS

Net cost of defined benefit (DB) and defined contribution (DC) pension and other-post employment benefit (OPEB) plans

For the three months ended June 30, 2011	DB plans	OPEB plans	DC plans	Total
Recognized in operating expenses (note 4)				
Current service costs	13.1	0.5	2.0	15.6
Recognized in net finance expense (note 7)				
Expected return on plan assets	(44.6)	-	-	(44.6)
Interest expense on plan liabilities	43.8	3.2	-	47.0
	(0.8)	3.2	-	2.4
Net cost of benefit plans	12.3	3.7	2.0	18.0

For the six months ended June 30, 2011	DB plans	OPEB plans	DC plans	Total
Recognized in operating expenses (note 4)				
Current service costs	26.3	1.0	3.8	31.1
Recognized in net finance expense (note 7)				
Expected return on plan assets	(89.2)	-	-	(89.2)
Interest expense on plan liabilities	87.6	6.4	-	94.0
	(1.6)	6.4	-	4.8
Net cost of benefit plans	24.7	7.4	3.8	35.9

For the three months ended June 30, 2010	DB plans	OPEB plans	DC plans	Total
Recognized in operating expenses (note 4)				
Current service costs	10.9	0.4	1.9	13.2
Recognized in net finance expense (note 7)				
Expected return on plan assets	(39.6)	-	-	(39.6)
Interest expense on plan liabilities	43.5	3.2	-	46.7
	3.9	3.2	-	7.1
Net cost of benefit plans	14.8	3.6	1.9	20.3

For the six months ended June 30, 2010	DB plans	OPEB plans	DC plans	Total
Recognized in operating expenses (note 4)				
Current service costs	21.7	0.8	3.8	26.3
Recognized in net finance expense (note 7)				
Expected return on plan assets	(79.2)	-	-	(79.2)
Interest expense on plan liabilities	87.1	6.4	-	93.5
	7.9	6.4	-	14.3
Net cost of benefit plans	29.6	7.2	3.8	40.6

Benefit plan funding

For the six months ended June 30	2011	2010
DB plans contributions	244.9	63.9
OPEB plans contributions	4.3	4.1
Funding of DB and OPEB plans	249.2	68.0
DC plans contributions for continuing operations	3.8	3.8
DC plans contributions for discontinued operations	-	0.1
Funding of post-employment benefit plans	253.0	71.9

On March 15, 2011, we made a \$200.0 million lump-sum contribution to our DB plans. This contribution will be used to offset future required deficit funding contributions.

Included in DB pension plan contributions for the three months ended June 30, 2010, is an accrual for \$5.6 million which was paid in July 2010.

Net benefit obligation

	DB plans	OPEB plans	Total
Net benefit obligation as at December 31, 2010	746.3	252.4	998.7
Net cost of benefit plans	24.7	7.4	32.1
Contributions	(244.9)	(4.3)	(249.2)
Actuarial losses (note 11)	31.5	-	31.5
Net benefit obligation as at June 30, 2011	557.6	255.5	813.1

	DB plans	OPEB plans	Total
Net benefit obligation as at January 1, 2010	584.7	215.4	800.1
Net cost of benefit plans	29.6	7.2	36.8
Contributions	(63.9)	(4.1)	(68.0)
Actuarial losses (note 11)	363.5	24.9	388.4
Net benefit obligation as at June 30, 2010	913.9	243.4	1,157.3

6. SEVERANCE AND OTHER CHARGES

Severance charges

As part of our organizational productivity initiatives in 2011, we continued to streamline our management workforce. As a result, we estimated and recorded severance charges of \$1.4 million and \$5.9 million, respectively, for the three and six months ended June 30, 2011, which includes employee severance and benefit costs as well as real estate rationalization costs.

During the three and six months ended June 30, 2010, severance charges of \$3.0 million and \$11.5 million, respectively, included employee severance and benefit costs as well as real estate rationalization costs. In addition, we increased the estimated costs of the 2009 restructuring initiative by \$0.3 million and \$2.5 million to reflect the final costs, respectively, for the three and six months ended June 30, 2010. The final cost of the initiatives could be materially different from our estimate as departing employees will have options that could affect their severance.

Liability for severance and other charges

	2011
Liability as at December 31, 2010	16.9
Employee severance and benefit costs	2.1
Real estate rationalization costs	3.8
	5.9
Cash payments	(14.1)
Liability as at June 30, 2011	8.7

As at June 30, 2011, the severance and other charges liability included \$5.3 million in real estate rationalization costs (at December 31, 2010 - \$3.7 million), of which \$2.8 million are included in non-current liabilities (at December 31, 2010 - \$2.8 million) as they are expected to be drawn down after June 30, 2012. The liability for employee severance and benefit costs will be paid as employees retire or depart the organization.

7. NET FINANCE EXPENSE

For the period ended June 30	Three months		Six months	
	2011	2010	2011	2010
Finance expense				
Interest expense on post-employment benefit plan liabilities (note 5)	47.0	46.7	94.0	93.5
Interest on long-term debt	37.9	37.5	74.9	74.7
Amortization of long-term debt issue costs	1.4	1.7	2.9	3.5
Other interest expense	1.9	1.2	3.7	2.1
	88.2	87.1	175.5	173.8
Finance income				
Expected return on post-employment benefit plan assets (note 5)	(44.6)	(39.6)	(89.2)	(79.2)
Interest earned	(0.5)	(0.5)	(1.0)	(0.8)
	(45.1)	(40.1)	(90.2)	(80.0)
Net finance expense	43.1	47.0	85.3	93.8

8. OTHER EXPENSE

For the period ended June 30	Three months		Six months	
	2011	2010	2011	2010
Loss on long-term debt redemption (note 16)	4.4	-	4.4	-
Loss on disposal of property, plant and equipment	1.5	0.6	1.7	2.7
Foreign exchange loss (gain)	(0.2)	0.2	(0.4)	0.8
Miscellaneous expense (income)	0.4	-	0.5	(0.1)
Other expense	6.1	0.8	6.2	3.4

9. DISCONTINUED OPERATIONS

xwave business

On October 26, 2010, we announced that we had signed an asset purchase agreement under which Bell Canada would acquire our xwave business. As a result, we reclassified the results of our xwave business operations as discontinued operations.

The transaction closed on January 1, 2011, with proceeds on sale of \$38.4 million in cash and \$33.7 million in a receivable from Bell Canada related to post-closing statement of financial position adjustments. During the six months ended June 30, 2011, we collected \$10.7 million of this receivable and paid \$4.5 million to settle liabilities that we retained in connection with expenses incurred by xwave in 2010.

A loss on sale of \$0.8 million and \$4.2 million for the three and six months ended June 30, 2011, respectively, which is net of \$8.9 million allocated to goodwill (note 13), has been recorded in net loss from discontinued operations.

For the period ended June 30	Three months		Six months	
	2011	2010	2011	2010
Operating revenues	-	58.6	-	154.1
Operating expenses	-	58.4	-	152.0
Other expenses	0.8	2.5	0.5	4.7
Income tax expense (recovery)	-	-	3.7	(0.9)
Net loss from discontinued operations	(0.8)	(2.3)	(4.2)	(1.7)

For the period ended June 30	2011	2010
Cash from (used in):		
Operating activities	(4.5)	0.2
Investing activities	49.1	(1.1)
Increase (decrease) in cash from discontinued operations	44.6	(0.9)

10. EARNINGS PER SHARE/UNIT

For the period ended June 30	Three months		Six Months	
	2011	2010	2011	2010
Basic:				
Net earnings from continuing operations attributable to common shareholders/unitholders	83.9	71.0	172.1	319.0
Net loss from discontinued operations attributable to common shareholder/unitholders	(0.8)	(2.3)	(4.2)	(1.7)
Net earnings	83.1	68.7	167.9	317.3
Basic:				
Weighted average number of common shares/units outstanding	101,373,833	160,536,409	101,373,833	160,536,409
Basic earnings per share/unit from continuing operations	0.83	0.44	1.70	1.99
Basic earnings per share/unit from discontinued operations	(0.01)	(0.01)	(0.04)	(0.01)
Basic earnings per share / unit	0.82	0.43	1.66	1.98
Diluted:				
Net earnings from continuing operations attributable to common shareholders/ unit holders	83.9	71.0	172.1	319.0
Distributions declared to holders of class B exchangeable partnership units issued by Bell Aliant LP	-	52.4	-	104.7
Increase (decrease) in value of class B exchangeable partnership units issued by Bell Aliant LP	-	1.5	-	(187.7)
Net earnings from continuing operations attributable to common shareholders/unit holders	83.9	124.9	172.1	236.0
Net earnings (loss) from discontinued operations attributable to common shareholder/unitholders	(0.8)	(2.3)	(4.2)	(1.7)
Diluted net earnings	83.1	122.6	167.9	234.3
Weighted average number of shares/units outstanding	101,373,833	160,536,409	101,373,833	160,536,409
Add exchangeable limited partnership units:				
Class B exchangeable limited partnership units of Bell Aliant LP	-	72,205,024	-	72,205,024
	101,373,833	232,741,433	101,373,833	232,741,433
Diluted earnings per share/unit from continuing operations	0.83	0.44	1.70	1.01
Diluted earnings per share/unit from discontinued operations	(0.01)	(0.01)	(0.04)	(0.01)
Diluted earnings per share/unit	0.82	0.43	1.66	1.00

For the three months ended June 30, 2010, the class B exchangeable partnership units of Bell Aliant LP are anti-dilutive.

There are no potentially dilutive common shares in 2011.

11. OTHER COMPREHENSIVE INCOME (LOSS)

For the three months ended June 30	2011			2010		
	Amount arising	Income tax	Net	Amount arising	Income tax	Net
Actuarial losses on DB pension and OPEB plans	(53.5)	14.8	(38.7)	(198.7)	44.5	(154.2)
Effect of enacted future tax rates on temporary differences	-	2.3	2.3	-	(3.6)	(3.6)
	(53.5)	17.1	(36.4)	(198.7)	40.9	(157.8)
Reclassification of losses on derivatives to finance expense	1.3	(0.4)	0.9	1.2	(0.2)	1.0
Other comprehensive loss	(52.2)	16.7	(35.5)	(197.5)	40.7	(156.8)

For the six months ended June 30	2011			2010		
	Amount arising	Income tax	Net	Amount arising	Income tax	Net
Actuarial losses on DB pension and OPEB plans (note 5)	(31.5)	8.3	(23.2)	(388.4)	89.6	(298.8)
Effect of enacted future tax rates on temporary differences	-	(3.0)	(3.0)	-	(3.6)	(3.6)
	(31.5)	5.3	(26.2)	(388.4)	86.0	(302.4)
Reclassification of losses on derivatives to finance expense	2.4	(0.7)	1.7	2.4	(0.5)	1.9
Other comprehensive loss	(29.1)	4.6	(24.5)	(386.0)	85.5	(300.5)

Actuarial gains (losses) on DB and OPEB plans and adjustments in connection with asset limitation are reported net of tax in the statement of comprehensive income without affecting the net earnings.

12. GOVERNMENT ASSISTANCE

For the three and six months ended June 30, 2011, we recognized \$5.8 million and \$11.7 million, respectively, in government assistance (three and six months ended June 30, 2010 - \$1.0 million) as a deduction from the cost of related property, plant and equipment in connection with certain projects for broadband network construction in Ontario and Nova Scotia.

13. GOODWILL AND INDEFINITE-LIFE INTANGIBLES

	As at June 30, 2011	As at December 31, 2010
Goodwill	2,760.0	2,768.9
Indefinite-life intangibles		
Télébec and NothernTel brands	72.8	72.8
KMTS brand	1.2	1.2
Telecommunications licenses	35.5	35.5
Cable licenses	15.7	15.7
	125.2	125.2
Total goodwill and indefinite-life intangibles	2,885.2	2,894.1

An impairment test conducted effective January 1, 2010, our date of transition to IFRS, indicated no impairment.

Goodwill was reduced by \$8.9 million during the six months ended June 30, 2011, which represents the amount allocated to the sale of our xwave business on January 1, 2011 (note 9).

14. SHAREHOLDERS' CAPITAL

As at June 30	2011		2010	
	Number of shares	Issued capital	Number of units	Issued capital
Voting common shares	101,373,833	3,651.6	-	-
Class 1 exchangeable limited partnership units	-	-	28,168,803	1,017.1
Class 2 limited partnership units	-	-	132,367,606	1,044.4
General partnership units	-	-	54,000	-
		3,651.6		2,061.5

Conversion to a corporation

As part of the Conversion, BCE and Bell Canada exchanged 100 per cent, or 72,205,024, class B exchangeable limited partnership units issued by Bell Aliant LP, 100 per cent, or 28,168,803, class 1 exchangeable limited partnership units issued by Bell Aliant Holdings LP, 100 per cent, or 100,373,827, special voting units issued by the Fund, and all but one of their voting common shares of Bell Aliant Holdings GP for 100,373,827 Bell Aliant Inc. common shares. Fund unitholders exchanged 100 per cent, or 127,394,907, units for Bell Aliant Inc. common shares. Bell Aliant Inc. became the successor company of the Fund. The Conversion is further described in note 14 to our unaudited interim financial statements for the period ended March 31, 2011.

Common shares

	Number of shares	Issued capital
Effect of the Conversion:		
Common shares established through share consolidation of Bell Aliant Holdings GP	6	-
Common shares issued in exchange for class 1 exchangeable limited partnership units	28,168,803	732.1
Common shares issued in exchange for class B exchangeable limited partnership units	72,205,024	1,876.6
Common shares issued in exchange for one unit in each of Télébec and NorthernTel and transfer of Bell Aliant Holdings LP's assets and liabilities	1,000,000	1,044.4
Conversion costs related to common share issue, net of tax	-	(1.5)
Common shares outstanding as at June 30, 2011	101,373,833	3,651.6

Partnership units

	Class 1 exchangeable limited partnership units		Class 2 limited partnership units		General partnership units		Total issued capital
	Number of units	Issued capital	Number of units	Issued capital	Number of units	Issued capital	
Units, as at December 31, 2010	28,168,803	1,017.1	132,367,606	1,044.4	54,000	-	2,061.5
Units cancelled during the Conversion	(28,168,803)	(1,017.1)	(132,367,606)	(1,044.4)	(54,000)		(2,061.5)
Units, as at June 30, 2011	-	-	-	-	-	-	-

There was no change in the partnership units during the period ended June 30, 2010.

Contributed surplus

The difference in carrying value between the class 1 exchangeable limited partnership units and the common shares that were exchanged for the units was \$285.0 million, which was recorded in contributed surplus.

Dividends/distributions declared

For the three and six months ended June 30, 2011, we declared and paid dividends on our common shares of \$109.3 million and \$218.3 million, respectively. For the three and six months ended June 30, 2010, we declared monthly distributions of \$0.2417 per unit on our class 1 exchangeable limited partnership units, totaling \$20.4 million and \$40.9 million, respectively, and distributions on our class 2 limited partnership units, totaling \$93.6 million and \$187.0 million, respectively.

15. NON-CONTROLLING INTERESTS

Preferred shares

On January 31, 2011, Bell Aliant Preferred Equity Inc. (Prefco) was incorporated under the Canadian Business Corporations Act for the sole purpose of being the issuer of preferred shares. We own 100 per cent of Prefco's common shares.

In March of 2011, Prefco issued 11,500,000 Cumulative Rate Reset Preferred Shares, Series A (Series A Preferred Shares) for total gross proceeds of \$287.5 million. Prefco recognized \$9.7 million in commissions and share issue costs, less the associated income tax of \$2.7 million, as a deduction from proceeds of the share issuance.

At Prefco's discretion, the Series A Preferred Shares will pay cumulative dividends of \$1.2125 per share per annum, payable quarterly (with the first quarterly dividend paid on June 30, 2011), for an initial five year period ending March 31, 2016.

On April 27, 2011, we declared a dividend of \$0.355 per preferred share which amounted to \$4.1 million and was paid on June 30, 2011.

16. DEBT

Short-term debt

We have the following operating facilities available to us:

	As at June 30, 2011	As at December 31, 2010
Committed lines of credit:		
Revolving operating facility	750.0	550.0
Non-revolving pension reserve facility	-	447.6
Revolving accounts receivable securitization program	118.0	128.0
Dedicated letter of credit facilities	116.7	116.7
Uncommitted operating lines of credit:		
Demand operating facilities	13.0	13.0
Total operating facilities	997.7	1,255.3

During the second quarter, we amended and restated our syndicated bank credit facilities, resulting in a single \$750.0 million revolving operating facility, the elimination of the non-revolving pension reserve facility and a new term to expiry of June 6, 2015. Our committed revolving operating facility continues to provide back-up liquidity for our \$400.0 million commercial paper program, supports letters of credit issued for pension solvency funding and provides funding for general corporate purposes. We incurred debt issue costs of \$2.3 million in relation to this amendment and restatement.

The status of our operating facilities is as follows:

	As at June 30, 2011	As at December 31, 2010
Letters of credit issued	274.8	286.1
Drawn amounts:		
Commercial paper issued	143.0	209.2
Securitization of accounts receivable	118.0	128.0
Non-revolving pension reserve facilities	-	40.0
Short-term debt	261.0	377.2
Unused available credit facilities	461.9	592.0
Total operating facilities	997.7	1,255.3

Letters of credit

There were no significant changes in the status of letters of credit issued for the quarter ended June 30, 2011.

Commercial paper

We ensure at all times that sufficient undrawn capacity exists on our committed revolving operating facility to support issuances of commercial paper. Short-term promissory notes totaling \$143.0 million, issued under our commercial paper program to fund changes in operating assets and liabilities, carry interest at 1.2 per cent per annum and have maturity dates from July 4, 2011, to August 2, 2011.

Securitization of accounts receivable

At June 30, 2011, \$144.3 million of accounts receivable had been sold to a securitization trust for net cash proceeds of \$118.0 million (\$128.0 million in net cash proceeds at December 31, 2010) under a revolving sales agreement that expires on July 29, 2011, and will be renewed in the third quarter of 2011. As we retain certain risks related to securitized accounts receivable, and particularly the credit risk, the conditions for recognition as an asset sale are not met. Accordingly, liabilities of the securitization trust are included in short-term debt and the related accounts receivable are included in our assets.

Non-revolving pension reserve facility

In connection with the amendment and restatement of our syndicated bank credit facilities, the outstanding bankers' acceptance advances of \$40.0 million under the non-revolving pension reserve facility were repaid during the three months ended June 30, 2011.

Long-term debt

On April 26, 2011, we issued \$300.0 million of unsecured medium-term notes, bearing interest at 4.88 per cent per annum and maturing on April 26, 2018. Debt issue costs incurred were \$1.5 million, resulting in net proceeds of \$298.5 million.

On May 6, 2011, we made a partial redemption of the 4.72 per cent medium-term notes maturing on September 26, 2011 (2011 notes). We redeemed \$300.0 million principal amount, or 74 per cent of the total remaining outstanding principal amount, of the 2011 notes on a *pro rata* basis at the price and under the conditions specified in the 2011 notes. We recognized a \$4.4 million loss on redemption (note 8), as a result of paying \$304.0 million for principal redemption and recognizing \$0.4 million in previously unamortized issuance costs. The remaining \$105.0 million outstanding principal portion of the 2011 notes is classified as long-term debt due within one year.

17. FINANCIAL INSTRUMENTS

In June 2011, we entered into a series of foreign currency call and put options with terms of up to six months. These options provide an economic hedge for a portion of our exposure to foreign currency risk originating from our anticipated future purchases of property, plant and equipment and finite-life intangible assets denominated in US dollars.

For the three and six months ended June 30, 2011, we recognized a \$0.2 million loss on these financial instruments in other expense. The fair value of these options as at June 30, 2011, was based on inputs based on observable market data.

The total nominal amount of these financial instruments as at June 30, 2011, was \$40.0 million.

18. SHARE-BASED COMPENSATION PLANS

Employee stock savings plans

The total number of Bell Aliant Inc. common shares bought on the open market for our employee stock savings plans for the three and six months ended June 30, 2011, was 407,642 and 941,297 respectively (Fund units bought for the three and six months ended June 30, 2010, was 492,728 and 1,029,938, respectively). We recorded compensation expense related to the employee stock savings plans of \$2.4 million and \$4.8 million for the three and six months ended June 30, 2011, respectively (three and six months ended June 30, 2010 - \$2.3 million and \$4.5 million, respectively).

Deferred share plan

A summary of the status of the deferred shares/units and changes during the period is as follows:

For the period ended June 30	2011	2010
Deferred shares/units outstanding, December 31	1,380,568	1,293,699
Granted:		
June 2010 - Service period fiscal 2010 to 2012	-	369,784
January 2011 - Service period fiscal 2011 to 2013	321,949	-
Reinvested dividends/distributions during the period	64,113	55,490
	386,062	425,274
Forfeited	(85,695)	(248,387)
Exercised	(69,113)	(122,030)
Deferred shares/units outstanding, June 30	1,611,822	1,348,556
Deferred shares/units vested, June 30	937,088	649,573

The fair value of the 386,062 deferred shares granted or credited on reinvestment of notional dividends for the six months ended June 30, 2011 (six months ended June 30, 2010 - 425,274 deferred units granted or credited) was \$10.3 million (six months ended June 30, 2010 - \$11.0 million). For the three and six months ended June 30, 2011, we recorded compensation expense of \$4.1 million and \$5.9 million, respectively (three and six months ended June 30, 2010 - \$2.0 million and \$(0.6) million increase (reduction) in compensation expense, respectively), related to the deferred shares' grant value, recognized over the vesting period, and the change in the quoted market price of Bell Aliant Inc.'s common shares (2010 - Fund units) between the grant date and the reporting period date.

Directors' Deferred Share Unit Plan

On January 1, 2011, we adopted a Directors' Deferred Share Unit Plan (DDSUP). The DDSUP is a cash-settled plan for our eligible directors who are not employees of Bell Aliant Inc., its subsidiaries, BCE or Bell Canada, under which a portion of annual directors' fees will be credited in notional share units. The directors may elect to receive 25 per cent, 50 per cent, 75 per cent or 100 per cent of their annual directors' fees in the form of deferred share units under the DDSUP. There are no vesting criteria for the grants and the deferred share units vest immediately. Directors are only eligible to redeem the deferred share units upon termination of their duties as directors of Bell Aliant Inc. The redemption payment amount is equal to the value of the deferred share units calculated as the average closing price of our common shares traded on the TSX for the last five days preceding the redemption date.

For the six months ended June 30, 2011, we granted 7,532 deferred share units and 61 deferred share units were credited on reinvestment of notional dividends. The fair value of the 7,593 deferred share units granted and credited for the six months ended June 30, 2011, was \$0.2 million, or \$27.53 per deferred share unit. There were no deferred share units redeemed for the period ended June 30, 2011.

We recognized an immaterial amount of expense related to the DDSUP for the three and six months ended June 30, 2011.

19. CHANGES IN OPERATING ASSETS AND LIABILITIES

For the six months ended June 30	2011	2010
Trade and other receivables	(8.2)	16.4
Inventory	3.6	(13.8)
Prepayments	(20.1)	(23.0)
Long-term receivables	1.7	2.1
Deferred charges	(1.4)	(6.3)
Trade and other payables	21.2	(62.9)
Deferred credits	3.9	4.4
	0.7	(83.1)

20. COMMITMENTS

Operating leases and purchase commitments

The estimated future minimum lease payments under our contractual obligations are as follows:

	Remainder of							Total
	2011	2012	2013	2014	2015	Thereafter		
Operating leases	13.5	23.5	23.1	22.5	21.4	67.6	171.6	
Operating purchase commitments	185.3	332.6	319.8	304.2	276.9	1,390.5	2,809.3	
Capital purchase commitments	33.0	35.1	23.0	18.2	-	-	109.3	
	231.8	391.2	365.9	344.9	298.3	1,458.1	3,090.2	

Operating purchase commitments primarily relate to various information systems and technology agreements and obligations under service agreements, including a series of long-term commercial agreements with Bell Canada.

Capital purchase commitments primarily relate to certain projects for broadband network construction in Ontario. As well, included in the capital purchases for 2011 is a \$2.4 million commitment related to finalization of the purchase price in the 2010 agreements with Newfoundland Power Inc. and Fortis Inc. to repurchase an interest in poles previously sold to them.

21. RELATED PARTY TRANSACTIONS

Bell Aliant Inc.

Bell Aliant Inc. is entirely dependent on the dividends we pay to them to make their dividend payments. For the six months ended June 30, 2011, we declared dividends to them totaling \$218.3 million (six months ended June 30, 2010 - totaling \$187.0 million). At June 30, 2011, there were no dividends payable (December 31, 2010 - \$29.6 million distributions payable).

Bell Aliant Inc. loans us their excess cash through a series of promissory notes, and requests repayments as required for operating purposes. The \$5.3 million promissory note that was payable to the Fund at December 31, 2010, was repaid on January 31, 2011. Subsequently issued promissory notes carried a rate of interest of 1.30 per cent per annum, resulting in an immaterial amount of interest expense being incurred during the three and six months ended June 30, 2011 (three and six months ended June 30, 2010 - immaterial amount). At June 30, 2011, \$5.6 million in promissory notes were payable to Bell Aliant Inc., carrying interest at 1.30 per cent per annum and maturing on July 29, 2011.

Bell Aliant Holdings GP

Bell Aliant Holdings GP loaned \$43.3 million through a demand non-interest bearing note to Bell Aliant LP on December 31, 2010. During the Conversion, Bell Aliant GP acquired the note and on January 14, 2011, Bell Aliant LP repaid the note.

BCE and Bell Canada

At December 31, 2010, there was \$145.6 million included in notes receivable from related parties which represented amounts that BCE and Bell Canada elected to be loaned related to deferred distributions on their exchangeable limited partnership units. The notes receivable, as well as the deferred distributions of \$169.8 million, were settled on January 1, 2011.

22. TRANSITION TO IFRS

Impact of transition to IFRS

First time adoption of IFRS

The significant optional exemptions and mandatory exceptions we applied upon adoption are summarized in note 22 to our unaudited consolidated interim financial statements for the period ended March 31, 2011.

Reconciliation of Canadian GAAP to IFRS

The reconciliations below highlight the key accounting differences between Canadian GAAP and IFRS and their effect on our financial results for the three and six months ended June 30, 2010. The key accounting differences at the date of transition, January 1, 2010, are presented in the reconciliations in note 22 to our unaudited consolidated interim financial statements for the period ended March 31, 2011.

Reconciliation of equity

	Note	At June 30, 2010
Total equity under Canadian GAAP		4,740.5
Employee benefits	A	(1,219.6)
Property, plant and equipment	B	(290.6)
Class B exchangeable units	C	
Non-controlling interest		1,548.9
Fair value of class B exchangeable units		(1,836.2)
Income tax effect of above adjustments		213.1
Total equity under IFRS		3,156.1

Reconciliation of net earnings and comprehensive income (loss)

For the period ended June 30, 2010	Note	Three months	Six months
Net earnings under Canadian GAAP		89.3	167.1
Employee benefits	A	2.0	3.9
Property, plant and equipment	B	0.8	(0.8)
Non-controlling interests	C	33.0	65.7
Class B exchangeable units	C		
Distributions to holders		(52.4)	(104.7)
Decrease (increase) in value		(1.5)	187.7
Other		(0.3)	(0.3)
Income tax affect of above adjustments		(2.2)	(1.3)
Net earnings under IFRS		68.7	317.3

For the period ended June 30, 2010	Note	Three months	Six months
Comprehensive income under Canadian GAAP		90.3	169.0
Change in net earnings		(20.6)	150.2
Actuarial losses on employee benefit obligation, net of tax	A	(157.8)	(302.4)
Comprehensive income (loss) under IFRS		(88.1)	16.8

Explanation of differences and adjustments

(A) Employee benefits

Under Canadian GAAP, actuarial gains and losses that arise due to changes in the present value of the defined benefit obligation and the fair value of plan assets are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a "corridor" approach. The "corridor" is 10 per cent of the greater of the accrued benefit obligation at the beginning of the year and the market-related value of plan assets at the beginning of the year. Actuarial gains and losses are deferred, and those in excess of the 10 per cent "corridor" are amortized as a component of pension expense on a straight-line basis over the expected average remaining service life of active employees, or the average remaining lifetime of retired employees. Actuarial gains and losses below the 10 per cent corridor are deferred. Past service costs under Canadian GAAP are also amortized on a straight-line basis over the expected average remaining service life of active employees, or the average remaining lifetime of retired employees.

Under IFRS, we have elected to recognize all actuarial gains and losses immediately in comprehensive income (loss) without recognizing them in net earnings in subsequent periods. As a result, actuarial gains and losses, and any required adjustments to the minimum liability, will be recorded directly to other comprehensive income (loss) at the end of each period. Vested past service costs are recognized immediately in operating expenses. Our net cost of benefit plans will also be affected by this policy choice, as under IFRS there will no longer be an amortization component to our net cost of benefit plans.

IFRS also requires that plan assets be measured using market values instead of market-related values which were used under Canadian GAAP.

Under Canadian GAAP, total net benefit costs of \$22.3 million and \$44.5 million were included in operating expenses for the three and six months ended June 30, 2010, respectively. Under IFRS, total net benefit costs are \$20.3 million and \$40.6 million for the same periods, which include \$13.2 million and \$26.3 million in current service costs, presented in operating expenses, \$46.7 million and \$93.5 million in interest expense on plan liabilities, presented in finance expense, and \$39.6 million and \$79.2 million expected return on our plan assets, presented in finance income.

Actuarial gains and losses and adjustments to our minimum pension liability recorded in 2010 resulted in an increase of \$388.4 million to our accrued benefit liability reported under IFRS at June 30, 2010. As a result, for the three and six months ended June 30, 2010, other comprehensive income (loss) decreased by \$157.8 million and \$302.4 million, respectively, and deferred income tax liability decreased by \$40.9 million and \$86.0 million for the same periods. There were no similar entries under Canadian GAAP.

As a result of the net effect of the transition to IFRS at January 1, 2010, and key accounting differences between IFRS and Canadian GAAP during the six months ended June 30, 2010, the total equity reported at June 30, 2010, related to employee benefits decreased by \$1,219.6 million compared to equity reported under Canadian GAAP.

(B) Property, plant and equipment

Under Canadian GAAP, we used the group depreciation method to depreciate our property, plant and equipment, where gains and losses on sale or retirement of property, plant and equipment are not separately recognized. As this approach is not acceptable under IFRS, we have retrospectively adopted a change in policy to the straight-line method of depreciation.

This change from group to straight-line depreciation resulted in a decrease in depreciation expense of \$1.4 million and \$1.9 million for the three and six months ended June 30, 2010. As well, gains and losses on sale or retirement of property, plant and equipment have been separately calculated and recognized, resulting in other expenses increasing by \$0.6 million and \$2.7 million for the three and six months ended June 30, 2010, respectively.

As a result of the net effect of the transition to IFRS at January 1, 2010, and key accounting differences between IFRS and Canadian GAAP during the six months ended June 30, 2010, the total equity reported at June 30, 2010, related to property, plant and equipment decreased by \$290.6 million, compared to equity reported under Canadian GAAP.

(C) Classification of Bell Aliant LP class B units

Under Canadian GAAP, the class B units of Bell Aliant LP held by BCE and Bell Canada were considered to be equity instruments and represented a non-controlling interest in Bell Aliant LP. Non-controlling interest is classified on the statement of financial position as a separate component between liabilities and equity and as a component of net earnings within the income statement. As such, distributions declared on these units were recognized as a reduction to non-controlling interest on our statement of financial position, and income attributable to the non-controlling interest was deducted from net earnings for the period.

Under IFRS, non-controlling interest is classified as a component of equity separate from the equity of the shareholders, and earnings attributable to non-controlling interest are not deducted from net earnings for the period. Also, the original terms and conditions of the exchange and liquidity rights issued in connection with the class B units allowed for the class B units to be exchanged for Fund units or cash at the option of the holder, and under IFRS were, for 2010 and prior periods, therefore considered to be our financial liability, eliminating any non-controlling interest effects the units would have previously had on our financial results. We re-measured the financial liability at fair value at each reporting date, with any changes being recognized directly in net earnings for the period. Distributions declared on the class B units were recognized as an expense in the period in which they are declared.

For the three and six months ended June 30, 2010, net earnings under IFRS increased \$33.0 million and \$65.7 million, respectively, compared to net earnings under Canadian GAAP for the same periods, reflecting the elimination of any non-controlling interests in our net earnings.

As a result of the reclassification of the class B units, discussed above, our equity balance at June 30, 2010, decreased \$287.3 million, due to non-controlling interest of \$1,548.9 million being classified as a component of equity, offset by the recognition of the fair value of the liability of the class B units of \$1,836.2 million.

For the three and six months ended June 30, 2010, Bell Aliant LP declared distributions of \$52.4 million and \$104.7 million, respectively, on its class B units, decreasing our net earnings reported under IFRS. Offsetting these decreases were gains (losses) recognized on the re-measurement of the fair value of the liability of (\$1.5) million and \$187.7 million, for the same periods.

23. SUBSEQUENT EVENTS

On July 27, 2011, we declared a quarterly dividend of \$1.075 per common share, totaling \$108.9 million, which is payable on September 30, 2011.

Also on July 27, 2011, Prefco declared a quarterly dividend of \$0.303 per Series A preferred share, which amounts to \$3.5 million, payable on September 30, 2011.