



Bell Aliant Regional Communications Income Fund Management's Discussion and Analysis First Quarter 2007

This document provides management's discussion and analysis (MD&A) of our financial condition as at, and results of operations for, the period ended March 31, 2007. This MD&A should be read in conjunction with the unaudited consolidated financial statements and accompanying notes of Bell Aliant Regional Communications Income Fund for the period ended March 31, 2007, and our December 31, 2006, audited consolidated financial statements and accompanying notes, and related MD&A. In addition, refer to the unaudited consolidated financial statements and notes and MD&A of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) for the period ended March 31, 2007, and the Bell Aliant Holdings LP December 31, 2006, audited consolidated financial statements and accompanying notes, and related MD&A.

Throughout this MD&A, "we", "us", "our" and the "Fund" refer to Bell Aliant Regional Communications Income Fund. References to Bell Aliant Holdings LP include the entity and its subsidiaries.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). All amounts in this MD&A are in millions of Canadian dollars, except where otherwise noted. Additional information related to the Fund is available at www.sedar.com.

Forward-looking information

This MD&A is dated April 30, 2007, and is current to that date, unless otherwise stated. This document contains forward-looking statements concerning anticipated future events, results, circumstances and expectations. These statements are based on current expectations and estimates about the markets in which we operate and management's beliefs and assumptions regarding these markets. Unless otherwise indicated, forward-looking statements in this MD&A describe our expectations at April 30, 2007. In some cases, forward-looking statements may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will" and similar expressions. These statements are subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the factors which could cause results or events to differ materially from current expectations include but are not limited to: the performance of Bell Aliant Holdings LP; stock market volatility; market or business conditions; the federal government's announcement on income trusts; and changing laws or regulations. Some of these factors are largely beyond our control. Should any factor affect us in an unexpected manner, or should assumptions underlying the forward-looking statements prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking statements do not take into account the effect that transactions or non-recurring or other special items announced or occurring after the statements are made may have on our business. All of the forward-looking statements made in this document and the documents referred to within are qualified by these cautionary statements. There can be no assurance that the results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences for us. Readers should not place undue reliance on any forward-looking statements. Please see the "Risk and risk management" section for a further discussion of factors that may affect actual results.

About our business

We are an unincorporated, open-ended limited purpose trust governed by the laws of the province of Ontario pursuant to a Declaration of Trust dated March 30, 2006, as amended and restated on July 6, 2006. We did not carry on any business for the period from establishment on March 30, 2006, to July 6, 2006. Accordingly, there is no comparative information for the current reporting period.

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

On January 30, 2007, we acquired the remaining 36.7 per cent indirect interest in NorthernTel and Télébec through privatizing Bell Nordiq Income Fund. The transaction involved Bell Nordiq Income Fund paying its unitholders of record at close of business on January 26, 2007, a special distribution of \$4.00 per unit in cash on January 29, 2007. On January 30, 2007, we acquired the assets and liabilities of Bell Nordiq Income Fund, in exchange for 13,467,791 Fund units. On January 30, 2007, Bell Nordiq Income Fund redeemed its units, exchanging 0.4113 Fund units for each outstanding Bell Nordiq Income Fund unit. Bell Nordiq Income Fund units were subsequently delisted from the Toronto Stock Exchange (TSX).

As a result, we indirectly own an 81.5 per cent equity interest in Bell Aliant Holdings LP, which in turn consolidates subsidiaries that hold the operations of the Combined Business and the 63.3 per cent interest in NorthernTel and Télébec. We also indirectly own an equity investment in the remaining 36.7 per cent of NorthernTel and Télébec. We equity account for these investments as we exercise significant influence over operating, investing and financial policies of these entities, but do not control them. BCE Inc. (BCE) and Bell Canada own the remaining 18.5 per cent interest of Bell Aliant Holdings LP. Under a Securityholders' Agreement, BCE has certain rights which give it control over the board of Bell Aliant Holdings LP.

We are entirely dependent on distributions from Bell Aliant Holdings LP and from our 36.7 per cent indirect interest in NorthernTel and Télébec to make our distributions.

Summary financial information

For the period ended March 31, 2007	
<i>(millions of dollars)</i>	
Net earnings	\$94.7
Total assets	\$4,677.9
Total liabilities	\$240.4
Unitholders' equity	\$4,437.5
Distributions declared	\$96.0

Net earnings

Net earnings for the period represents operating revenues, which consist of our equity percentage ownership of Bell Aliant Holdings LP, NorthernTel and Télébec's net earnings, less \$0.9 million in Fund expenses and \$1.1 million in interest charges related to loans from related parties. The financial performance of Bell Aliant Holdings LP for the period ended March 31, 2007, is discussed in its MD&A.

Assets and liabilities

At March 31, 2007, our assets mainly consist of our indirect investment in, and distributions and other amounts receivable from, Bell Aliant Holdings LP, NorthernTel and Télébec.

Our liabilities consist mainly of loans due to related parties and distributions payable to our unitholders.

Fund units

During the three months ended March 31, 2007, we issued, redeemed or repurchased units as follows:

- On January 30, 2007, we acquired the assets and liabilities of Bell Nordiq Income Fund in exchange for 0.4113 Fund units for each outstanding Bell Nordiq Income Fund unit, for a total of 13,467,791 Fund units.
- On February 28, 2007, we commenced a NCIB, which allows us to purchase, from time to time, up to 13,738,000 of our outstanding units at market prices, with cash, through the facilities of the TSX. The NCIB will expire on February 27, 2008. During the period from the inception of our NCIB to March 31, 2007, we purchased for cancellation 2,384,200 units for an aggregate price of \$70.9 million.
- We redeemed 3,095 units according to their redemption terms.

At March 31, 2007, there were 135,196,386 Fund units outstanding and 100,373,827 exchangeable limited partnership units outstanding, which represent 235,570,213 Fund units on a fully diluted basis.

Distributions

We make monthly cash distributions to our unitholders. During the period ended March 31, 2007, we declared distributions totalling \$96.0 million, or \$0.6983 per unit.

Pro forma summary financial information

We equity account for our 81.5 per cent indirect investment in Bell Aliant Holdings LP and our 36.7 per cent indirect investment in NorthernTel and Télébec, as we do not exercise control over these investments.

Bell Aliant Holdings LP controls NorthernTel and Télébec through its 63.3 per cent ownership and therefore, NorthernTel and Télébec's results of operations are consolidated in the Bell Aliant Holdings LP financial statements with a non-controlling interest of 36.7 per cent recorded, reflecting our indirect equity investment.

The following pro forma summary financial information reflects our financial results had we been able, under Canadian GAAP, to consolidate our equity investments in Bell Aliant Holdings LP, NorthernTel and Télébec:

<i>For the period ended March 31, 2007</i>				
<i>Unaudited</i> <i>(millions of dollars)</i>	Bell Aliant Income Fund	Bell Aliant Holdings LP	Pro forma adjustments	Pro forma Fund consolidated
Operating revenues	\$96.7	\$851.4	(\$96.7)	\$851.4
Net earnings from continuing operations	\$94.7	\$83.0	(\$88.5)	\$89.2
net earnings	\$94.7	\$88.5	(\$88.5)	\$94.7
Current assets	\$39.2	\$836.6	(\$247.0)	\$628.8
Non-current assets	\$4,638.7	\$9,804.3	(\$4,201.0)	\$10,242.0
Current liabilities	\$240.4	\$440.0	(\$247.0)	\$433.4
Non-current liabilities	-	\$3,513.7	-	\$3,513.7

The pro forma adjustments represent the elimination of the Fund's investments in Bell Aliant Holdings LP, Telebec and NorthernTel as well as intercompany receivables and payables. The excess of the cost of the Fund's investment in NorthernTel and Télébec over its carrying value is included as goodwill in non-current assets as the purchase price allocation has not yet been completed.

Stability ratings

Our stability ratings have not changed during the first quarter of 2007.

Related party transactions

BCE owns, directly and indirectly, 42.6 per cent of the Fund units on a fully diluted basis at March 31, 2007. There have been no changes to the Securityholders' Agreement in the first quarter of 2007.

Significant accounting policies and critical accounting estimates

Our unaudited interim consolidated financial statements as at March 31, 2007, have been prepared in accordance with Canadian GAAP. Our accounting policies and methods and critical accounting estimates and assumptions are consistent with those as described in note 1 to our consolidated financial statements for the year ended December 31, 2006. As discussed in note 1 to our unaudited interim consolidated financial statements as at March 31, 2007, on January 1, 2007, we adopted sections 1530, 3251, 3855, 3862, 3863, and 3865 of the CICA Handbook, relating to comprehensive income, financial instruments and hedges.

The adoption of these sections did not directly have any impact on the way we recognize and measure our financial assets and financial liabilities. Bell Aliant Holdings LP recorded a reclassification adjustment in accumulated other comprehensive earnings (losses) and opening accumulated earnings which related to the adoption of the standards, as well as other comprehensive earnings during the three months ended March 31, 2007. As a result of our equity investment in Bell Aliant Holdings LP, we have recorded our indirect interest in these amounts.

We constantly monitor changes in accounting standards and guidelines to ensure that we continue to adhere to Canadian GAAP. Other than described above, there have not been any changes in accounting standards or guidelines which have resulted in changes to our accounting in the first three months of 2007.

Risk management

For a discussion of risks that are unique to the Fund, refer to the “Risk and risk management” section of our December 31, 2006, MD&A. For a discussion of risks related to the business of Bell Aliant Holdings LP, refer to the “Risk and risk management” section of Bell Aliant Holdings LP’s MD&A for the year ended December 31, 2006.

Internal controls over financial reporting

Management has designed internal controls over financial reporting (as defined in Multilateral Instrument 52-109, *Certification of Disclosure in Issuers’ Annual and Interim Filings*) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in our internal controls over financial reporting during the three months ended March 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Supplementary financial information

The accompanying table shows selected quarterly consolidated financial data. This quarterly information has been prepared on the same basis as the consolidated financial statements.

<i>For the three quarters ended March 31</i> <i>(millions of dollars, except for per unit amounts)</i>	2006		2007
	Q3	Q4	Q1
Operating revenues	\$78.6	\$85.5	\$96.7
Net earnings	\$78.6	\$84.5	\$94.7
Basic and diluted earnings per unit	\$0.63	\$0.68	\$0.71
Cash distributions declared	\$77.9	\$85.1	\$96.0

The third quarter of 2006 represents results subsequent to July 7, 2006.