Bell Aliant Regional Communications
Holdings, Limited Partnership

Consolidated financial statements and notes

December 31, 2007

Management's report

TO THE UNITHOLDERS

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

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

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

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

Stephen Wetmore
President and chief executive officer
Bell Aliant Regional Communications Holdings Inc., General Partner of Bell Aliant Regional Communications Holdings, Limited Partnership

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

March 4, 2008

Independent auditors' report

TO THE DIRECTORS OF BELL ALIANT REGIONAL COMMUNICATIONS INC, GENERAL PARTNER OF BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

We have audited the consolidated balance sheets of Bell Aliant Regional Communications Holdings, Limited Partnership (the "Partnership") as at December 31, 2007 and 2006, and the consolidated statements of earnings, comprehensive earnings, partners' equity and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
Halifax, Nova Scotia
March 4, 2008

Statements

CONSOLIDATED BALANCE SHEETS

As at December 31

(millions of dollars)	Notes	**2007**	2006
Assets			
Current assets			
Cash and cash equivalents		**48.1**	100.5
Note receivable from related party	23	**—**	38.9
Accounts receivable	3, 23	**371.5**	522.9
Inventory		**25.7**	27.6
Prepayments	23	**17.3**	13.2
Future income tax asset	4	**27.7**	91.9
Income tax receivable		**13.4**	8.0
Current assets of discontinued operations	5	**—**	11.0
		503.7	814.0
Capital investments	6		
Property, plant and equipment		**3,730.1**	3,744.8
Finite-life intangibles		**3,154.5**	174.5
		6,884.6	3,919.3
Other assets			
Long-term receivable	23	**48.8**	48.9
Deferred charges	7	**27.5**	45.5
Future income tax asset	4	**7.1**	22.4
Accrued benefit asset	8	**363.9**	379.3
Indefinite-life intangibles	9	**82.8**	16.7
Goodwill	10	**2,554.5**	5,446.2
Non-current assets of discontinued operations	5	**—**	0.2
		3,084.6	5,959.2
Total assets		**10,472.9**	10,692.5
Liabilities and partners' equity			
Current liabilities			
Notes payable to related party	23	**1.9**	—
Payables and accruals	11, 23	**394.5**	359.9
Distributions payable	23	**52.0**	55.0
Income tax payable		**—**	13.4
Future income tax liability	4	**0.3**	11.3
Short-term debt	12	**216.7**	8.5
Long-term debt due within one year	13	**59.8**	109.2
Current liabilities of discontinued operations	5	**—**	2.0
		725.2	559.3
Future income tax liability	4	**455.6**	257.9
Long-term debt	13	**2,513.8**	2,702.0
Derivative liabilities	14	**3.7**	—
Accrued benefit liability	8	**410.5**	399.1
Deferred credits	23	**18.1**	16.6
Non-current liabilities of discontinued operations	5	**—**	1.9
		4,126.9	3,936.8
Non-controlling interest	15	**1,829.6**	1,919.1
Partners' equity		**4,516.4**	4,836.6
Total liabilities and partners' equity		**10,472.9**	10,692.5

See accompanying notes to the consolidated financial statements

Approved on behalf of the board of directors of Bell Aliant Regional Communications Holdings Inc., general partner of Bell Aliant Regional Communications Holdings, Limited Partnership

Charles White
Director

Edward Reevey
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31

(millions of dollars, except per unit / common share amounts)	Notes	2007	2006
Operating revenues	18	**3,373.4**	2,684.3
Expenses			
Operating expenses		**2,054.8**	1,636.5
Depreciation and amortization		**775.8**	483.8
Restructuring and other charges	11	**27.4**	13.2
		2,858.0	2,133.5
		515.4	550.8
Other expenses (income)			
Financial derivative loss (gain)	14	**(6.4)**	31.0
Other expenses (income)	19	**6.6**	(2,799.5)
		0.2	(2,768.5)
Interest charges			
Interest on long-term debt		**142.1**	101.8
Other interest expense		**16.4**	6.2
		158.5	108.0
Earnings before underlisted items		**356.7**	3,211.3
Income taxes	4		
Current tax expense (recovery)		**(9.9)**	50.0
Future tax expense (recovery)		**(111.0)**	186.7
		(120.9)	236.7
Earnings before non-controlling interest		**477.6**	2,974.6
Non-controlling interest		**158.9**	93.9
Net earnings from continuing operations		**318.7**	2,880.7
Net earnings from discontinued operations	5	**265.6**	21.3
Net earnings		**584.3**	2,902.0
Earnings per unit / common share	20		
Basic and diluted from continuing operations		**2.09**	20.72
Basic and diluted from discontinued operations		**1.74**	0.15
Basic and diluted		**3.83**	20.87

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

For the years ended December 31

(millions of dollars)	Note	2007	2006
Net earnings		**584.3**	2,902.0
Other comprehensive earnings, net of tax	17	**3.0**	—
Comprehensive earnings		**587.3**	2,902.0

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY

For the year ended December 31, 2007 (millions of dollars)	Notes	Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (losses)	Total partners' equity
Balance December 31, 2006		2,008.9	—	158.5	(201.1)	—	2,870.3	—	4,836.6
Net earnings for the year		—	—	584.3	—	—	—	—	584.3
Distributions declared on:									
Class 1 exchangeable limited partnership units		—	—	—	(79.1)	—	—	—	(79.1)
Class 2 limited partnership units		—	—	—	(331.2)	—	—	—	(331.2)
Stock options expense		—	0.2	—	—	—	2.9	—	3.1
Repayment of partners' capital	16	(460.9)	—	—	—	—	—	—	(460.9)
Reclassification adjustment for gains (losses) on derivatives designated as cash flow hedges	1	—	—	0.8	—	—	—	(40.2)	(39.4)
Other comprehensive earnings, net of tax	17	—	—	—	—	—	—	3.0	3.0
Balance December 31, 2007		**1,548.0**	**0.2**	**743.6**	**(611.4)**	**—**	**2,873.2**	**(37.2)**	**4,516.4**

For the year ended December 31, 2006 (millions of dollars)	Notes	Partners' capital	Contributed surplus	Accumulated earnings	Distributions declared to unitholders	Capital stock	Retained earnings	Accumulated other comprehensive earnings (losses)	Total partners' equity
Balance December 31, 2005		—	0.9	—	—	1,176.0	235.0	—	1,411.9
Net earnings for the year		—	—	158.5	—	—	2,743.5	—	2,902.0
Dividends declared on:									
Preferred shares		—	—	—	—	—	(4.8)	—	(4.8)
Common shares		—	—	—	—	4.2	(79.0)	—	(74.8)
Common shares issued		—	—	—	—	13.7	—	—	13.7
Redemption of preferred shares		—	—	—	—	(172.2)	(2.8)	—	(175.0)
Repurchase of common shares		—	—	—	—	(4.5)	(15.3)	—	(19.8)
Treasury stock purchased for employee stock savings plan		—	(1.2)	—	—	—	—	—	(1.2)
Stock options expense		—	3.0	—	—	—	—	—	3.0
Cash settlement of stock options		—	(3.9)	—	—	—	(4.2)	—	(8.1)
Repurchase of common shares from dissenting shareholders		—	—	—	—	(0.1)	(0.5)	—	(0.6)
Conversion to the Income Fund	16	1,017.1	(0.5)	—	—	(1,017.1)	0.5	—	—
Issuance of units	16	991.8	—	—	—	—	—	—	991.8
Distributions declared on:									
Class 1 exchangeable limited partnership units		—	—	—	(37.0)	—	—	—	(37.0)
Class 2 limited partnership units		—	—	—	(164.1)	—	—	—	(164.1)
Dividends paid by subsidiaries to non-controlling interest		—	—	—	—	—	(1.8)	—	(1.8)
Other		—	1.7	—	—	—	(0.3)	—	1.4
Balance December 31, 2006		**2,008.9**	**—**	**158.5**	**(201.1)**	**—**	**2,870.3**	**—**	**4,836.6**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(millions of dollars)	Notes	**2007**	2006
Cash from (used in) operating activities			
Net earnings from continuing operations		**318.7**	2,880.7
Adjustments to reconcile net earnings to cash from operating activities			
Depreciation and amortization		**775.8**	483.8
Future income tax expense (recovery)		**(111.0)**	186.7
Net cost of benefit plans	8	**124.3**	93.4
Funding of defined benefit pension and other post-employment benefit plans	8	**(97.4)**	(111.0)
Non-controlling interest		**158.9**	93.9
Non-cash financial derivative loss		**—**	28.5
Gain on disposal of business units	19	**—**	(1,950.3)
Dilution gain	19	**—**	(1,000.3)
Other		**(2.3)**	14.0
Change in operating assets and liabilities		**40.8**	(127.3)
		1,207.8	592.1
Cash from (used in) financing activities			
Net proceeds on sale of accounts receivable	3	**100.0**	—
Net proceeds (repayments) of short-term debt	12	**208.2**	(3.1)
Proceeds of notes payable to related party	23	**1.9**	—
Proceeds of long-term debt	13	**994.5**	4,306.1
Repayment of long-term debt	13	**(1,238.5)**	(2,630.2)
Repayment of capital lease obligations	13	**(7.5)**	0.4
Decrease in non-controlling interest		**(4.1)**	—
Net settlement of financial derivatives	14	**(24.1)**	(58.1)
Dividends paid by subsidiaries to non-controlling interest		**—**	(2.1)
Repayment of partners' capital	16	**(460.9)**	—
Distributions paid by subsidiaries to non-controlling interest	15	**(242.7)**	(97.9)
Distributions paid		**(414.6)**	(166.2)
Cash settlement of stock options		**—**	(8.1)
Issuance of common shares		**—**	13.0
Redemption of preferred shares		**—**	(175.0)
Repurchase of common shares		**—**	(20.4)
Dividends paid on preferred shares		**—**	(4.8)
Dividends paid on common shares		**—**	(112.8)
		(1,087.8)	1,040.8
Cash from (used in) investing activities			
Purchase of capital investments		**(543.0)**	(445.0)
Proceeds on sale of capital investments		**1.7**	1.1
Business acquisitions, net of cash received	2	**—**	(17.5)
Business combination, net of cash received	2	**—**	(1,250.2)
		(541.3)	(1,711.6)
Net decrease in cash from continuing operations		**(421.3)**	(78.7)
Net increase in cash from discontinued operations		**330.0**	22.3
Cash and cash equivalents, beginning of year		**139.4**	195.8
Cash and cash equivalents, end of year		**48.1**	139.4
Cash consists of:			
Cash and cash equivalents		**48.1**	100.5
Note receivable from related party		**—**	38.9
		48.1	139.4
Supplementary disclosure			
Interest paid		**163.8**	99.7
Income taxes (recovered) paid, net		**(4.6)**	106.2

See accompanying notes to the consolidated financial statements

Notes

On July 7, 2006, the Plan of Arrangement (the Arrangement) creating Bell Aliant Regional Communications Income Fund (the Fund) was completed in accordance with the arrangement steps described in the management information circular of Aliant Inc. (Aliant), dated April 14, 2006. The Arrangement included the formation of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP), a limited partnership established under the laws of the Province of Quebec, to hold the operating businesses of the Fund. After giving effect to the Arrangement, as discussed further in note 2, Bell Aliant Holdings LP holds the wireline operation in Atlantic Canada, information technology and other operations formerly owned by Aliant and the wireline operation in regional territories in Ontario and Quebec formerly owned by Bell Canada as well as a then indirect 63.4 per cent interest in Télébec, Limited Partnership (Télébec) and NorthernTel, Limited Partnership (NorthernTel), the operating partnerships of the former Bell Nordiq Income Fund, which was held by Bell Nordiq Group Inc. (Bell Nordiq Group).

As a result of the Arrangement, Aliant common shares held by the public and a certain number of Aliant common shares held by BCE Inc. (BCE) were automatically exchanged for Fund units. The remaining Aliant common shares held by BCE and Bell Nordiq Group common shares held by BCE were exchanged for limited partnership units of Bell Aliant Holdings LP and Bell Canada's wireline operation in certain regional territories in Ontario and Quebec was exchanged for limited partnership units of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), which are all exchangeable into Fund units. As the original shareholders of Aliant have an interest in essentially the same underlying assets and liabilities but through a different legal vehicle, Bell Aliant Holdings LP, the reorganization to a limited partnership has been accounted for on a continuity of interest basis. Accordingly, the consolidated financial statements of Bell Aliant Holdings LP reflect the financial position, results of operations and cash flows as if the limited partnership had carried on the business of Aliant. Due to the reorganization to a limited partnership, certain information included in the consolidated financial statements for the prior year may not be directly comparable. For purposes of these consolidated financial statements, the share capital of Aliant is reported under Partners' equity.

All references to "we", "us" or "our" refer to Bell Aliant Holdings LP and its subsidiaries.

1 SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

We have prepared the consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP).

We consolidate the financial statements of all the entities we control. At December 31, 2007, our principal subsidiaries include Bell Aliant Regional Communications Inc., Bell Aliant LP, Innovatia Inc., Atlantic Mobility Products, and Télébec and NorthernTel. All transactions and balances between these entities have been eliminated on consolidation.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Our non-controlling interest mainly consists of equity of our subsidiaries, Bell Aliant LP, and Télébec and NorthernTel, held by Bell Canada and the Fund, respectively.

Comparative figures

Certain comparative financial information has been reclassified to conform to the presentation adopted for 2007, including the reclassification for income taxes as discussed in note 4 and discontinued operations as discussed in note 5.

Use of accounting estimates

Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from estimates used in these financial statements. We use estimates for certain items such as revenues, allowance for doubtful accounts, useful life of capital investments, asset impairments, legal and tax contingencies, employee benefit plans, income taxes, restructuring and other charges, intangible assets and goodwill. We also use estimates when recording the fair value of assets acquired and liabilities assumed in a business combination.

In 2007, we shortened the estimated useful life of some of our telecommunications equipment from ten to five years as a result of an independent study. This change in accounting estimate has been applied prospectively and resulted in an increase in depreciation and amortization expense of $9.2 million for the year ended December 31, 2007.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments with a maturity of less than 90 days, all of which are readily convertible to cash and subject to an insignificant risk of change in fair value.

Transfer of receivables

Under a revolving purchase and sale agreement, we sell certain accounts receivable to a securitization trust. We record the sale when we transfer the accounts receivable and receive proceeds from the trust. The gains or losses that result from these transactions and program administration fees are recognized as other expenses (income). The gain or loss calculated is partly dependent on the carrying amount of the accounts receivable transferred, which is allocated between the accounts receivable sold and the retained interest based on their relative fair value at the date of the transfer. We determine fair value of the accounts receivable transferred based on the present value of future expected cash flows using management's best estimate of key assumptions, such as discount rates, weighted average life of accounts receivable and credit loss ratios.

We also have purchase and sale agreements to purchase wireless trade accounts receivable (wireless receivables) from Bell Canada and sell our Ontario and Quebec wireline trade accounts receivable to Bell Canada. We transfer these receivables at their billed amount, less a deduction for defaulted amounts. Our normal provisions for bad debts are made against the wireless receivables purchased.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 laid-down cost using the first-in, first-out method.

Income taxes

A portion of our income is earned through partnerships and as such is not subject to tax as the taxable income is allocated directly to the partners.

The income that is earned through corporate subsidiaries is subject to tax. Income taxes are accounted for using the asset and liability method. Under this method, income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and their corresponding tax values, as well as the benefit of losses that will more likely than not be realized and carried forward to future years to reduce income taxes. Accordingly, a future income tax asset or liability is determined for each temporary difference based on the tax rates enacted by tax law, or substantively enacted, that are expected to be in effect when the underlying items of income and expense are to be realized for tax purposes. The effect of a change in tax rates on future income tax assets and liabilities is included in earnings in the period that the change is substantively enacted. A valuation allowance is recorded, when necessary, to reduce future income tax assets to the amount more likely than not to be realized.

Capital investments

Capital investments are carried at cost, less accumulated depreciation and amortization. Most of our property, plant and equipment assets are amortized using the group depreciation method. When we retire assets in the ordinary course of business, we charge their original cost to accumulated depreciation and amortization. We review our estimates of the useful lives of the assets periodically and adjust them if needed. We calculate depreciation and amortization over the useful lives of the capital investments as follows:

Capital investments	Method	Estimated useful life
Property, plant and equipment		
Buildings and towers	Straight-line	10 – 40 years
Telecommunications facilities and equipment	Straight-line	3 – 40 years
Other equipment	Straight-line	3 – 20 years
Finite-life intangibles		
Software	Straight-line	2 – 7 years
Customer relationships	Straight-line	2 – 30 years
Bilateral license agreement	Straight-line	40 years
Roaming agreements	Straight-line	4.5 years

Costs capitalized on our self-constructed assets classified as plant under construction include contracted costs, labour and overhead. We do not capitalize interest costs. Depreciation commences when our plant under construction or software under development becomes operational.

We assess capital investments for impairment when events or changes in circumstances indicate that we may not be able to recover their carrying value. An impairment loss is recognized when the carrying value of the capital investment exceeds the total undiscounted cash flows expected from its use and disposition. The amount of the loss is determined by deducting the asset's fair value from its carrying value.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred charges and credits

Deferred charges and credits mainly include the following and are being recognized as noted:

	Recognition period	Income statement account
Deferred charges:		
Long-term customer contract costs, such as bid pursuit and other upfront costs	Length of the customer contract	Operating expenses
Debt issue costs	Period to maturity of the underlying debt obligation	Interest charges
Deferred credits:		
Deferred revenue	Length of the customer contract	Operating revenues

Post-employment benefits

We provide pension plans and non-pension post-employment benefits to qualified employees. These include defined benefit (DB) pension plans, defined contribution (DC) pension plans, retirement savings plans and other post-employment benefit (OPEB) plans such as life insurance and health care plans.

We accrue our obligations under these plans. In the case of DB pension plans, we present the liability and any deferred actuarial gains and losses in the plans net of the fair value of plan assets, which are invested to fund that liability.

December 31 is the measurement date of our employee benefit plans; however, a remeasurement occurred on July 7, 2006, for most of our DB pension and OPEB plans as a result of the Arrangement. A valuation of each plan is performed at least every three years to determine the actuarial present value of the accrued pension and other non-pension post-employment benefits. The most recent actuarial valuations for funding purposes were performed as of December 31, 2006, and were filed in July 2007. The next required actuarial valuations for funding purposes will be as of December 31, 2007, and will be completed during 2008.

We have adopted the following policies for our DB pension plans and OPEB plans:

The cost of pensions and other post-employment benefits earned by employees is actuarially determined using:

- The projected benefit method, prorated on years of service, which takes into account future salary levels;
- Management's best estimate of expected plan investment performance, salary increases, retirement age of employees and expected health care costs; and
- Discount rates that are based on current interest rates on the long-term debt of high-quality corporate issuers.

For the purpose of calculating the expected return on plan assets, equity securities are valued at market-related value, where investment returns (gains and losses) in excess of expected returns are recognized in the asset value over a period of three years. Fixed income securities are valued at their fair value. The expected long-term rate of return on plan assets is based on long-term forecasts of capital market returns, given our policy asset mix.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

We amortize past service costs from plan amendments on a straight-line basis over the average remaining service period of employees who were active at the date of amendment. Certain of our plans have transitional assets or obligations that arose upon implementation of new accounting standards for employee future benefits and these assets or obligations are amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan.

We use the corridor approach to calculate actuarial gains and losses that are reflected in earnings. This involves deducting the greater of 10 per cent of the benefit obligation or 10 per cent of the market-related value of the plan assets from the unamortized net actuarial gains or losses. The excess amount calculated is then amortized over the average remaining service period of active employees, or the average remaining lifetime of retired employees, 10 years and 23 years, respectively, at December 31, 2007 (2006 – 11 years and 24 years, respectively).

When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, we account for the curtailment prior to the settlement.

Goodwill and indefinite-life intangibles

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the net amount assigned to individual assets acquired and liabilities assumed. Indefinite-life intangibles, which are not being amortized, consist of brands, and spectrum, telecommunications and cable licenses.

We annually assess our goodwill and indefinite-life intangibles for impairment and when events or changes in circumstances indicate that an asset might be impaired. Any impairment in value is charged to other expenses (income) in the period that the review is performed. An impairment test conducted as at October 31, 2007, revealed no impairment.

Leases

Leases are classified as capital or operating depending on the terms of the contracts. Capital investments acquired under capital leases are amortized consistent with their nature. Obligations under capital leases are reduced by lease payments net of imputed interest.

Financial instruments

Commencing January 1, 2007, we adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

- Section 1530, Comprehensive Income;
- Section 3251, Equity;
- Section 3855, Financial Instruments – Recognition and Measurement;
- Section 3865, Hedges;
- Section 3862, Financial Instruments – Disclosures; and
- Section 3863, Financial Instruments – Presentation.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

As a result of adopting these new accounting standards, certain financial assets and financial liabilities are measured at fair value with the remainder recorded at amortized cost. The following describes policies adopted as a result of implementing the new standards:

- Derivative financial instruments are recorded on the balance sheet at fair value as either derivative assets or derivative liabilities. Changes in fair value related to the effective portion of cash flow hedges or deferred settlement gains and losses on cash flow hedges are recorded in other comprehensive earnings, net of related income tax. Changes in fair value related to the ineffective portion of cash flow hedges are reported in other expenses (income) on the consolidated statement of earnings.

  A reclassification adjustment of $40.2 million was recorded in accumulated other comprehensive earnings (losses) and $0.8 million was recorded as an adjustment to opening accumulated earnings on the balance sheet to reflect the fair value of the effective and ineffective portions of our cash flow hedges and deferred settlement gains and losses on cash flow hedges, respectively.

- We have changed our policy regarding transaction costs from the straight-line method to the effective interest method to calculate the amortized cost of financial assets and financial liabilities, where it is practical to do so, and amortize the costs over the relevant period to maturity. The difference arising from recording long-term debt using the effective interest method instead of the straight-line method is not material. It is impracticable to use the effective interest method in circumstances such as bank operating credit facilities, which are drawn on or repaid frequently. Costs relating to these credit facilities will continue to be amortized using straight-line amortization over the life of the facility.

  Debt issue costs in the amount of $12.8 million were reclassified from deferred charges and applied against the long-term debt with which they are associated. Costs related to credit facilities that have not been drawn upon will continue to be classified as deferred charges and will be amortized on a straight-line basis over the life of the facility.

The following table summarizes the January 1, 2007, reclassification adjustments on our balance sheet to adopt the new standards:

Consolidated balance sheet

(millions of dollars)	Increase (decrease)
Deferred charges	(33.3)
Long-term future income tax asset	13.5
Long-term debt	(12.8)
Deferred credits	32.4
Accumulated earnings	0.8
Accumulated other comprehensive losses	(40.2)

Prior period consolidated financial statements have not been restated and the above changes did not have any impact on our consolidated statement of earnings.

In accordance with handbook section 3855 we conducted a search for embedded derivatives in our contractual arrangements as at January 1, 2003, and did not identify any embedded features that required separate presentation from the related host contract.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The new standards require that we present a consolidated statement of comprehensive earnings which reflects changes in accumulated other comprehensive earnings (losses) as a result of changes in the fair value of derivatives designated as cash flow hedges, to the extent that they are effective, and the amortization of deferred settlement gains and losses on cash flow hedges. Accumulated other comprehensive earnings (losses) is a separate component of partners' equity.

Derivative financial instruments

We use derivative financial instruments, periodically, in the management of our foreign currency and interest rate exposure. We do not use derivative financial instruments for trading or speculative purposes.

We document all relationships between derivatives and the items they hedge, as well as the risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet, specific firm commitments or anticipated transactions. We assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair value or cash flow of hedged items. If a hedge becomes ineffective, we stop using hedge accounting.

We use interest rate swap agreements as part of a plan to manage the fixed and floating interest rate mix of our total debt portfolio and related overall cost of borrowing or to hedge the interest rate exposure on future refinancing of existing debt. We designate these agreements as hedges of the future cash flows of the underlying debt. Interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and are recorded as an adjustment of interest charges on the hedged debt instrument. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

Realized gains or losses associated with derivative financial instruments hedging anticipated transactions, which have been terminated, are recorded in other comprehensive earnings and recognized in interest charges in the period in which the underlying hedged transaction is recognized. Realized and unrealized gains and losses associated with derivative financial instruments which cease to be effective as a hedge prior to their maturity are recognized in other expenses (income) when the hedge is no longer effective. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative financial instrument, any realized or unrealized gain or loss on such derivative financial instrument previously recorded in other comprehensive earnings as a result of applying hedge accounting is recognized in other expenses (income). Derivatives that are economic hedges but do not qualify for hedge accounting are recognized at fair value with the change in fair value recorded in other expenses (income).

Revenue recognition

We recognize operating revenues when they are earned, specifically, when services are provided, products are delivered to customers, persuasive evidence of an arrangement exists, amounts are fixed or determinable, and collectability is reasonably assured.

For arrangements where sub-contractors perform services for our customers, we recognize revenue based on the amounts billed to the customers when we act as the principal in the arrangement. When we act as the sub-contractor, we recognize the net amount as revenue when we perform the service.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

We defer revenue recognition for payments received in advance until we provide the service or deliver the product to customers.

For fixed-price contracts, we recognize revenue using the percentage of completion method, based on performance as services are provided or contract milestones are met. If it is determined during the performance of the contract that a loss will result, a provision for the estimated loss is immediately recognized.

For transactions involving multiple products or services, we determine the separate units of accounting and allocate revenue to each based on their relative fair value, being the value it can be sold for on a stand-alone basis or other reliable evidence. Our relevant revenue recognition policies are then applied to the separate units of accounting.

We record sales revenue on sales-type leases of equipment at the inception of the lease. Finance income is recognized over the term of the lease.

Earnings per unit / common share

Earnings per unit / common share is based on the weighted average number of units or, prior to July 7, 2006, common shares outstanding during the period.

Unit-based compensation plans

Certain employees are eligible to participate in employees' unit purchase plans, performance share unit plans and a deferred unit plan, all of which are described in note 16. Compensation expense is recorded for our contributions to the employees' unit purchase plans and as units vest under our performance share unit plans and deferred unit plan.

Distributions

The distributions per unit paid by Bell Aliant Holdings LP to holders of exchangeable LP units are equal to the distributions per unit paid to the holders of Fund units. Distributions payable to our unitholders are recorded when declared.

Regulation of the telecommunications industry

Certain of our subsidiaries, including Bell Aliant LP, Télébec and NorthernTel, are regulated by the Canadian Radio-television and Telecommunications Commission (CRTC) pursuant to the Telecommunications Act and the Broadcasting Act. The CRTC ensures that Canadians have access to reliable telephone and other telecommunications services at affordable prices, and licenses and regulates the activities of broadcasting distribution undertakings. Our business is affected by CRTC decisions over the prices we charge for specific services, primarily local and access telephone service, and other operating requirements. Refer to note 21 for further information on the deferral account, a mechanism introduced under the CRTC's Price Cap Decision of 2002.

Future changes in accounting policies

The Accounting Standards Board of the CICA continually amends and improves certain standards and 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital disclosures

The CICA issued section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital as well as how the entity manages it. These standards come into effect for fiscal years beginning on or after October 1, 2007. As they relate only to disclosure requirements, these standards will have no effect on our financial results.

Inventories

The CICA issued section 3031, Inventories, to replace section 3030 of the same name, which establishes new standards for the measurement, recognition and disclosure of inventories. The standards come into effect for fiscal years beginning on or after January 1, 2008. We do not anticipate any material effects as a result of this change.

Goodwill and intangible assets

The CICA issued section 3064, Goodwill and Intangible Assets, to replace section 3062, Goodwill and Other Intangible Assets, and section 3450, Research and Development Costs. The changes to the existing standards address when an internally developed intangible asset meets the criteria for recognition as an asset. In conjunction with the issuance of the new section, the CICA made amendments to section 1000, Financial Statement Concepts to clarify the relationship between incurring expenses and creating assets. These standards come into effect for fiscal years beginning on or after October 1, 2008, with early adoption permitted. We will be assessing our internally developed intangible assets and deferred costs throughout 2008 to determine the effect of these changes on our business.

2 BUSINESS COMBINATION AND ACQUISITIONS

Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group

On July 7, 2006, the Arrangement creating the Fund was completed. Under the Arrangement, Bell Aliant Holdings LP, which was created to hold the operating businesses of the Fund, acquired Bell Canada's wireline operation in its regional territories in Ontario and Quebec and 100.0 per cent of the common shares of Bell Nordiq Group, which owned a 63.4 per cent interest in Télébec and NorthernTel. As part of the transaction, the net assets of the Aliant wireless operation and 100.0 per cent of the shares of DownEast Ltd. were sold to Bell Canada.

The total consideration paid for the Arrangement, including direct acquisition costs, was $7,405.3 million (December 31, 2006 – $7,333.2 million). Total consideration paid increased by a net $72.1 million, which mainly represents the consideration for an information technology services commitment from Bell Canada valued at $29.0 million and for a long-term receivable from Bell Canada valued at $44.0 million. The value of these assets had previously been reported as a reduction in the purchase price of other assets acquired.

Total consideration was settled through cash payments relating to a promissory note and acquisition costs of $1,294.4 million, issuance of class 1 exchangeable limited partnership units (note 16), issuance of special voting units of the Fund, issuance of exchangeable limited partnership units of Bell Aliant LP, and disposal of net assets of Aliant's wireless operations and shares of DownEast Ltd. The disposal of net assets generated a gain on disposal of $1,950.3 million (note 19).

2 BUSINESS COMBINATION AND ACQUISITIONS *(continued)*

The Arrangement has been accounted for at estimated fair value as the transactions are between related parties and there has been a substantive change in ownership. The total consideration paid was allocated to the assets acquired and liabilities assumed, based on their respective estimated fair value on July 7, 2006, with the remainder being allocated to goodwill. The purchase price allocation was completed in the second quarter of 2007 and resulted in the final estimated value of the assets acquired and the liabilities assumed for the Arrangement as follows:

(millions of dollars)	
Assets acquired:	
Cash and cash equivalents	44.2
Other current assets	68.4
Property, plant and equipment	2,255.8
Finite-life intangibles	3,158.7
Other long-term assets	42.4
Indefinite-life intangibles	82.8
Goodwill	2,509.4
	8,161.7
Less liabilities assumed:	
Long-term liabilities	124.8
Long-term debt	135.4
Future tax liability	324.2
Non-controlling interest	172.0
Net assets acquired	7,405.3

Goodwill includes our portion of the net future tax liability associated with the taxable temporary differences that resulted from accounting for the transaction at fair value. This goodwill is not deductible for tax purposes.

Upon finalizing the purchase price allocation in the second quarter of 2007, we recorded a $124.3 million adjustment relating to the period from July 7, 2006, to June 30, 2007, for depreciation and amortization on the property, plant and equipment and finite-life intangibles, and other interest charges on the long-term debt fair value allocation. The adjustment related to the following periods:

(millions of dollars)	April 1, 2007 to June 30, 2007	January 1, 2007 to March 31, 2007	July 7, 2006 to December 31, 2006	Total
Depreciation and amortization	31.8	31.5	62.0	125.3
Other interest charges	(0.2)	(0.3)	(0.5)	(1.0)
Total	31.6	31.2	61.5	124.3

Atlantic Mobility Products Limited (AMP)

On August 31, 2006, we purchased the remaining 54.96 per cent of the common shares of AMP for total cash consideration of $16.0 million. The acquisition was accounted for using the purchase method, which resulted in eliminating the non-controlling interest previously reported.

2 BUSINESS COMBINATION AND ACQUISITIONS *(continued)*

The estimated values of the assets acquired and the liabilities assumed for this acquisition are as follows:

(millions of dollars)

Assets acquired and liabilities assumed	
Cash and cash equivalents	1.0
Other current assets	9.0
Property, plant and equipment	0.4
Finite-life intangibles	2.1
Goodwill *(note 10)*	11.2
Current liabilities	(7.1)
Future tax liability	(0.6)
Net assets acquired	16.0

The finite-life intangibles relate to customer relationships in place at the time of acquisition and are subject to amortization. Goodwill recognized in this business acquisition is not deductible for tax purposes.

3 TRANSFER OF RECEIVABLES

We have a revolving accounts receivable purchase and sale agreement with a securitization trust to sell an interest in a pool of trade accounts receivable owned by our subsidiary Bell Aliant LP. The pool of accounts receivable also includes wireless receivables purchased from Bell Canada of approximately $46.5 million at December 31, 2007 (2006 – $47.2 million) or approximately 12.6 per cent (2006 – 18.4 per cent) of the total pool of accounts receivable. On June 22, 2007, we amended the agreement to increase the maximum amount of trade accounts receivable we can sell to the trust from $125.0 million to $220.0 million. With this increase, we were able to sell additional accounts receivable and received additional net cash proceeds of $100.0 million in 2007.

As part of the securitization agreement, we are required to provide security, currently in the form of additional accounts receivable over and above the net cash proceeds received, which is held and owned by the trust. This security, or retained interest, is transferred back to us upon the expiry of the agreement in December 2011. The retained interest is recorded in accounts receivable.

We continue to service these accounts receivable and collect the amounts owing, but the trust's interest in the collection of these accounts receivable, including accounts receivable that make up the retained interest, ranks ahead of our interest. We do not recognize a servicing asset or liability separate from the accounts receivable sold. The trust and its investors have no recourse to our other assets for failure of the customer to pay the amounts when due.

Under the securitization agreement, the trust reinvests the amounts collected by buying additional interest in our accounts receivable until the agreement expires. During the term of the securitization agreement, we remain subject to certain risks of default which, should they occur, could cause the securitization agreement to end early.

3 TRANSFER OF RECEIVABLES *(continued)*

The details of our trade accounts receivable sold, certain cash flows received from and paid to the trust during the year and the assumptions that were used in determining the fair value on the date of transfer are as follows:

(millions of dollars, except as otherwise noted)	Range 2007	**2007**	2006
As at December 31:			
Securitized interest in trade accounts receivable		**281.0**	168.7
Net cash proceeds		**220.0**	120.0
Retained interest		**61.0**	48.7
Average trade accounts receivable managed		**301.4**	227.7
For the years ended December 31:			
Collections reinvested in revolving sales		**2,207.9**	1,904.3
Increase in net cash proceeds		**100.0**	—
Pre-tax loss and adminstration fees *(note 19)*		**8.0**	5.2
Assumptions:			
Average cost of funds	4.34% – 5.62%	**4.81%**	4.28%
Average delinquency ratio	21.14% – 23.90%	**22.44%**	20.77%
Average net credit loss ratio	0.65% – 1.62%	**1.00%**	0.93%
Weighted average life in days	40 – 48	**46**	44

The sensitivity of these assumptions to an immediate 10 to 20 per cent change in the amount of trade receivables is not material.

4 INCOME TAXES

A provision for income taxes is recognized for our corporate subsidiaries that are subject to tax. Future income taxes reflect the net tax effects of temporary differences between the carrying value and income tax basis of assets and liabilities as well as the benefit of losses that will more likely than not be realized and carried forward to future years to reduce income taxes. The income tax effects of temporary differences in our corporate subsidiaries that give rise to significant portions of the future tax assets and future tax liabilities are as follows:

As at December 31 *(millions of dollars)*	**2007**	2006
Capital investments	**(9.0)**	(28.3)
Goodwill and other intangible assets	**(477.0)**	(225.1)
Pension and post-employment benefits	**(12.3)**	(32.1)
Deferred charges	**42.3**	51.1
Loss carryforwards	**203.8**	202.7
Partnership income deferral	**(182.8)**	(117.3)
Long-term debt expense and premium	**0.8**	(9.1)
Severance and benefits	**5.0**	1.5
Other	**8.1**	1.7
Total future income taxes	**(421.1)**	(154.9)

4 INCOME TAXES *(continued)*

We have reclassified the 2006 comparative figures as a result of the deferral of 2006 partnership income for tax purposes. The effect of the reclassification is to:

- Increase the net tax effect of the benefit of losses carried forward to future years to reduce income taxes by $105.7 million;
- Create the net tax effect of partnership income deferral of $117.3 million; and
- Reduce current income tax liability as a result of partnership income deferral by $11.6 million.

The taxation year end for certain of our corporate subsidiaries differs from the partnership year ends, which results in a deferral of partnership income for tax purposes. At December 31, 2007, we have a current future tax liability of $182.8 million (2006 – $117.3 million) related to this deferral.

A future tax liability of $330.9 million was recorded in 2007 with the finalization of the purchase price allocation on the Arrangement (note 10). A significant portion of this future tax liability relates to temporary differences between the carrying value and income tax basis of goodwill and other intangible assets.

The total future income taxes are composed of the following:

As at December 31 *(millions of dollars)*	**2007**	2006
Future income tax assets:		
Current portion	**27.7**	91.9
Long-term portion	**7.1**	22.4
Future income tax liabilities:		
Current portion	**(0.3)**	(11.3)
Long-term portion	**(455.6)**	(257.9)
Total future income taxes	**(421.1)**	(154.9)

The composition of total future taxes in 2006 has also changed in relation to the reclassification as noted above.

A portion of our income is earned through partnerships. Therefore, that portion of our income is not subject to tax at the partnership level and the taxable income is allocated directly to their respective partners. These partnerships have temporary differences between the carrying value and income tax basis of assets and liabilities which flow to the partners and that would result in future tax assets and liabilities if the partnerships were subject to income tax.

4 INCOME TAXES *(continued)*

Our portion of these temporary differences is as follows:

As at December 31 *(millions of dollars)*	**2007**	2006
Deductible temporary differences:		
Pension and other post-employment benefits	**141.2**	78.4
Long-term debt and premium	**52.6**	31.2
Severance and benefits	**12.1**	0.8
Other	**1.8**	1.1
	207.7	111.5
Taxable temporary differences:		
Capital investments	**(1,301.0)**	(769.7)
Deferred charges	**(4.3)**	(4.2)
	(1,305.3)	(773.9)

Significant components of income tax expense (recovery) are as follows:

For the years ended December 31 *(millions of dollars)*	**2007**	2006
Current tax expense (recovery)	**(9.9)**	50.0
Future tax expense (recovery):		
Change in temporary differences	**(16.3)**	215.4
Settlement of prior years tax issues	**—**	(4.3)
Change in statutory rate	**(94.7)**	(24.4)
Income tax expense (recovery)	**(120.9)**	236.7

As a result of federal and provincial tax rate reductions being substantively enacted in 2007, including the rate reductions announced as part of the federal government's October 30, 2007, annual Economic Statement, and corporate restructuring, which results in a higher percentage of taxable income being allocated to lower tax rate provinces, future tax assets and liabilities have been revalued resulting in a future tax recovery of $94.7 million.

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

For the years ended December 31	**2007**	2006
Combined statutory income tax rate (including surtax)	**35.74 %**	36.10 %
Inter-company interest income earned in non-taxable entities	**(37.25)**	(1.37)
Income allocated to non-controlling interest	**(15.92)**	(4.10)
Settlement of prior years tax issues	**—**	(0.14)
Effect of enacted future tax rates on temporary differences	**(26.55)**	(0.76)
Non-taxable gain	**—**	(22.32)
Non-deductible goodwill, amortization of intangible assets	**4.72**	0.01
Other permanent differences	**5.37**	(0.05)
Effective income tax rate	**(33.89)%**	7.37 %

4 INCOME TAXES *(continued)*

Tax losses

At December 31, 2007, our corporate subsidiaries had $640.9 million (2006 – $600.8 million) in non-capital tax losses that are available to reduce taxable income in future years. The tax benefit associated with $605.0 million of these losses (2006 – $568.2 million) has been recognized as part of the future tax asset. These losses expire in varying annual amounts from 2011 to 2026. No tax benefit has been recognized for $35.9 million (2006 – $32.6 million) of these losses. The losses for which no tax benefit has been recognized expire in varying annual amounts from 2011 to 2026.

At December 31, 2007, our corporate subsidiaries have no capital losses, (2006 – nil) available to be carried forward to reduce capital gains in future years.

5 DISCONTINUED OPERATIONS

Salesbridge Canada Corp. (Salesbridge)

The results of operations of SalesBridge, a subsidiary in which we hold an indirect 51.0 per cent interest, have been presented as discontinued operations. SalesBridge was economically dependent on a single contract, which was terminated effective September 30, 2006, and as such it is the intention of the shareholders that SalesBridge be wound up.

Aliant Directory Services (ADS)

On April 30, 2007, we sold our indirect 87.14 per cent joint venture interest in the net assets and operations of ADS to Yellow Pages Income Fund for proceeds of $327.4 million. Our interest in the carrying value of the net assets was $11.4 million at the time of the sale. The gain on disposal of $314.1 million, which is net of transaction costs of $1.9 million, has been recorded in net earnings from discontinued operations. The after-tax gain on disposal was $258.2 million. The future tax liability associated with the gain on sale and income from operations is reflected in future tax liability related to partnership income deferral (note 4). The results of operations and net assets of ADS have been presented as discontinued operations.

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

For the years ended December 31			**2007**			2006
(millions of dollars)	**SalesBridge**	**ADS**	**Total**	SalesBridge	ADS	Total
Operating revenues	**—**	**19.8**	**19.8**	11.3	57.0	68.3
Expenses	**1.0**	**7.7**	**8.7**	13.1	23.5	36.6
Gain on sale	**—**	**314.1**	**314.1**	—	—	—
Income taxes expense (recovery)	**(0.3)**	**60.2**	**59.9**	(0.6)	11.5	10.9
Non-controlling interest	**(0.3)**	**—**	**(0.3)**	(0.5)	—	(0.5)
Net earnings (loss) from discontinued operations	**(0.4)**	**266.0**	**265.6**	(0.7)	22.0	21.3

6 CAPITAL INVESTMENTS

As at December 31, 2007 *(millions of dollars)*	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment			
Land	**24.5**	**—**	**24.5**
Buildings and towers	**572.6**	**240.1**	**332.5**
Telecommunications facilities and equipment	**7,099.7**	**3,978.4**	**3,121.3**
Other equipment	**353.3**	**228.1**	**125.2**
Plant under construction	**121.1**	**—**	**121.1**
Materials and supplies	**5.5**	**—**	**5.5**
	8,176.7	**4,446.6**	**3,730.1**
Finite-life intangibles			
Software	**443.0**	**263.8**	**179.2**
Customer relationships	**2,694.1**	**172.2**	**2,521.9**
Bilateral license agreement	**464.5**	**17.2**	**447.3**
Roaming agreements	**9.2**	**3.1**	**6.1**
	3,610.8	**456.3**	**3,154.5**
	11,787.5	**4,902.9**	**6,884.6**

As at December 31, 2006 *(millions of dollars)*	Cost	Accumulated depreciation and amortization	Net book value
Property, plant and equipment			
Land	24.6	—	24.6
Buildings and towers	552.8	217.5	335.3
Telecommunications facilities and equipment	6,710.1	3,588.7	3,121.4
Other equipment	335.6	215.7	119.9
Plant under construction	138.1	—	138.1
Materials and supplies	5.5	—	5.5
	7,766.7	4,021.9	3,744.8
Finite-life intangibles			
Software	376.5	207.1	169.4
Customer relationships	9.0	3.9	5.1
	385.5	211.0	174.5
	8,152.2	4,232.9	3,919.3

As a result of the finalization of the purchase price allocation on the Arrangement in the second quarter of 2007, as discussed in note 2, we reduced property, plant and equipment by $0.4 million (note 10) and recorded $3,158.7 million in finite-life intangibles (note 10) related to customer relationships, a bilateral license agreement and roaming agreements.

Capital investments include assets acquired under capital leases totalling $33.0 million (2006 – $20.6 million), net of accumulated amortization of $8.3 million (2006 – $8.6 million).

We recorded aggregate depreciation and amortization expenses on property, plant and equipment and finite-life intangibles for the year ended December 31, 2007, of $523.5 million and $251.7 million, respectively (December 31, 2006 – $416.7 million and $67.1 million, respectively).

7 DEFERRED CHARGES

As at December 31 *(millions of dollars)*	2007	2006
Customer contract costs	**11.7**	2.7
Debt issue costs *(note 1)*	**3.5**	16.6
Interest rate swap *(note 1)*	**—**	21.3
Other	**12.3**	4.9
	27.5	45.5

We recorded aggregate amortization expense on deferred charges for the year ended December 31, 2007, of $0.1 million (2006 – $0.6 million).

8 POST-EMPLOYMENT BENEFITS

We provide pension and non-pension post-employment benefits to most of our employees. These include DC pension plans, DB pension plans, retirement savings plans and OPEB plans.

DC pension plans and retirement savings plans

For most member-employees, our DC pension plans and other retirement savings plans require employer contributions and employee contributions of between nil and 6 per cent of pensionable earnings, depending on the plan. For some executives, there is a DC pension plan that requires employer contributions of up to 15 per cent of the executive's eligible earnings. The total cost of these DC pension plans is equal to our required contributions and was $7.3 million for the year ended December 31, 2007 (2006 – $6.3 million).

DC pension plan costs are recognized and funded as employees render services during the year.

DB pension plans

Our DB pension plans provide pensions to employees who retire after meeting certain age and service conditions. Pensions are based on specified pension rates applied to the employees' years of service and best five-year average earnings. Our pension plans are contributory for certain members and non-contributory for others, depending on which plan the employee participates in and whether or not the employee is a member of a bargaining unit. All pensions are integrated with the Canada Pension Plan and include limited indexing to help protect the income of retired employees from inflation.

Effective December 31, 2007, we increased our assumed discount rate used to discount the obligations from 5.30 per cent to 5.50 per cent.

OPEB plans

The OPEB plans we provide to eligible retiring employees include health care coverage, life insurance and certain other benefits. We do not maintain a trust fund to pay for OPEBs, rather we pay the benefits directly to the plan carrier or to the retired employee.

8 POST-EMPLOYMENT BENEFITS *(continued)*

In January 2006, we made changes to certain of our OPEB plans that will limit future benefits for retirees. These changes resulted in a reduction in past service costs of $44.9 million, which is being amortized on a straight-line basis over the expected average remaining service lives of employees active at the date of amendment. Then in January 2007, we made changes to other OPEB plans that will limit the future benefits for those employees who retire after 2011. These changes resulted in a reduction in past service costs of $14.8 million which is being amortized on a straight-line basis over the expected average remaining service lives of those employees.

Effective December 31, 2007, we increased our assumed discount rate used to discount the obligations from 5.30 per cent to 5.50 per cent.

Components of accrued benefit asset (liability)

The following table shows the change in the obligations and assets related to the DB pension and the OPEB plans for the years ended December 31.

	DB pension plans		OPEB plans	
(millions of dollars)	**2007**	2006	**2007**	2006
Plan obligations:				
Accrued benefit obligation, beginning of year	**2,940.6**	2,374.3	**220.3**	224.7
Increase in accrued benefit obligation from Arrangement	**—**	428.9	**—**	36.8
Employee current service contributions	**4.3**	4.0	**—**	—
Current service cost	**64.6**	53.2	**2.5**	2.5
Interest on the obligation	**154.6**	138.1	**10.9**	10.4
Past service costs relating to plan amendments	**—**	—	**(14.8)**	(44.9)
Actuarial (gains) losses	**(88.5)**	53.4	**(3.4)**	(2.8)
Transfers from other plans	**9.5**	—	**—**	—
Special termination costs	**—**	2.4	**—**	—
Benefits paid out of the plan	**(120.8)**	(113.7)	**(7.2)**	(6.4)
Accrued benefit obligation, end of year	**2,964.3**	2,940.6	**208.3**	220.3
Plan assets:				
Fair value of plan assets, beginning of year	**2,443.8**	1,864.6	**—**	—
Increase in fair value of plan assets from Arrangement	**—**	317.0	**—**	—
Actual return on plan assets, excluding impact of foreign currency gains	**165.9**	241.5	**—**	—
Foreign currency gains (losses)	**(76.2)**	25.8	**—**	—
Benefits paid out of the plans	**(120.8)**	(113.7)	**(7.2)**	(6.4)
Employee current service contributions	**4.3**	4.0	**—**	—
Transfers from other plans	**9.5**	—	**—**	—
Employer cash contributions to the plans	**90.2**	104.6	**7.2**	6.4
Fair value of plan assets, end of year	**2,516.7**	2,443.8	**—**	—
Plan deficit, end of year	**(447.6)**	(496.8)	**(208.3)**	(220.3)
Unamortized actuarial losses	**587.8**	636.7	**47.0**	52.5
Unamortized past service costs	**58.3**	63.8	**(60.2)**	(53.1)
Unamortized transitional (asset) obligation	**(3.0)**	(3.6)	**0.8**	1.0
Valuation allowance	**(21.4)**	—	**—**	—
Accrued benefit asset (liability), end of year	**174.1**	200.1	**(220.7)**	(219.9)
Accrued benefit asset	**363.9**	379.3	**—**	—
Accrued benefit liability	**(189.8)**	(179.2)	**(220.7)**	(219.9)

8 POST-EMPLOYMENT BENEFITS *(continued)*

Effective July 7, 2006, as a result of the Arrangement, we created a new DB pension plan for employees who transferred employment to us from Bell Canada. The accrued benefit obligation and the fair value of the plan assets relating to the prior service earned while participating in Bell Canada's pension plan is included in the table. Asset transfer values have been calculated per the terms of the Arrangement, but the transfer of assets from Bell Canada's pension plan has not yet received regulatory approval. As well, on January 1, 2005, certain management and unionized employees had transferred membership and past service benefits from the DC to the DB pension plans. The DC assets of these employees and the corresponding obligation were reflected as transfers to DB pension plans in that year but we are awaiting regulatory approval for the plan amendments and corresponding asset transfers.

The individual DB pension plans that have deficits where the accrued benefit obligation exceeds the fair value of plan assets are aggregated in the following table.

(millions of dollars)	**2007**
Aggregate accrued benefit obligation of the individual plans	**2,599.9**
Aggregate fair value of plan assets of the individual plans	**2,131.1**

Net cost of benefit plans

The following tables show the components of the net cost of benefit plans.

For the years ended December 31	DB pension plans		OPEB plans	
(millions of dollars)	**2007**	2006	**2007**	2006
Current service cost	**64.6**	53.2	**2.5**	2.5
Interest on the accrued benefit obligation	**154.6**	138.1	**10.9**	10.4
Actual return on plan assets	**(89.7)**	(267.3)	**—**	—
Actuarial (gains) losses	**(88.5)**	53.4	**(3.4)**	(2.8)
Special termination costs	**—**	2.4	**—**	—
Past service costs relating to plan amendments	**—**	—	**(14.8)**	(44.9)
Elements of employee future benefit plans cost, before recognizing its long-term nature	**41.0**	(20.2)	**(4.8)**	(34.8)
Excess (deficiency) of actual return over expected return	**(65.9)**	117.5	**—**	—
Deferral of amounts arising during the year:				
Actuarial gains (losses) on accrued benefit obligation	**88.5**	(53.4)	**3.4**	2.8
Past service costs relating to plan amendments	**—**	—	**14.8**	44.9
Amortization of deferred amounts:				
Past service costs	**5.5**	5.3	**(7.9)**	(5.9)
Net actuarial losses	**26.4**	34.2	**2.3**	3.2
Transitional (asset) obligation	**(0.6)**	(0.3)	**0.2**	0.1
Adjustments to recognize long-term nature of employee future benefit plans cost	**53.9**	103.3	**12.8**	45.1
Increase in valuation allowance	**21.4**	—	**—**	—
Net cost of benefit plans	**116.3**	83.1	**8.0**	10.3

Assumptions

The measurement of the accrued benefit obligation and the annual net benefit plans cost for the DB pension plans and OPEB plans requires an actuary to perform the calculations. We make several assumptions, which are used as inputs to the actuarial calculations. The key assumptions are:

	2007	2006
Discount rate	**5.50%**	5.30%
Expected rate of return on plan assets	**6.70**	7.50
Rate of compensation increase	**3.00**	3.00
Growth rate of per capita health care costs, first five years	**8.00**	8.00
Growth rate of per capita health care costs, thereafter	**4.50%**	4.50%

8 POST-EMPLOYMENT BENEFITS *(continued)*

Sensitivity to changes in assumptions

The value of the accrued benefit obligation and the amount of net benefit plans cost for the DB pension plans and the OPEB plans that we record are sensitive to the assumptions we make and utilize in our calculations. The following table outlines the estimated effect on the value of the accrued benefit obligation and the annual net cost of benefit plans for a 0.25 percentage point change in the discount rate, the expected rate of return on plan assets and rate of compensation increase. The table also shows the sensitivity of a 1.0 percentage point change in the assumed growth in per capita health care costs.

		Rate	DB pension plans		OPEB plans	
(millions of dollars, except as otherwise noted)	**Assumption**	**change**	**Obligation**	**Cost**	**Obligation**	**Cost**
Discount rate	5.50 %	+/- 0.25 %	106.0	2.0	7.0	—
Expected rate of return on plan assets	6.70	+/- 0.25	—	6.0	—	—
Rate of compensation increase	3.00	+/- 0.25	19.0	2.0	—	—
Growth rate of per capita health care costs	4.50 – 8.00 %	+ 1.00	—	—	24.0	1.0
		- 1.00 %	—	—	(21.0)	(1.0)

Investment of DB pension plans assets

Our investment strategy is to maintain a diversified portfolio of assets, invested in a prudent manner to balance the security of the funds with long-term growth objectives for the assets. We strive to maximize long-term returns while maintaining a desired range of surplus and funding volatility. During the year, we revised our asset mix policy to better reflect the changing nature of the plan obligations. The asset mix policy includes the following targets and actual allocations as at December 31.

	Target weight		Percentage of plan assets	
Asset category	**2007**	2006	**2007**	2006
Domestic bonds/fixed income securities	**55 – 65%**	40%	**59%**	39%
Canadian equity securities	**10 – 15**	25	**15**	24
Non-Canadian equity securities	**25 – 30**	35	**26**	37
Total		100%	**100%**	100%

The asset mix policy is established through consideration of many factors, including plan funded ratios, plan demographics, tolerance for fluctuations in market value, portfolio diversification and the targeted long-term rate of return for the assets. Foreign exchange risk is inherent in the asset mix policy and foreign currency fluctuations may significantly affect the Canadian dollar returns on the portfolio, especially over short time periods (e.g. 1 – 5 years).

Over the past 10 years, our weighted average rate of return for our DB pension plans was 7.2 per cent per annum.

Our portfolios are not permitted to directly hold units of the Fund or debt instruments of Bell Aliant LP. Our portfolios do hold units of index funds that may hold units of the Fund or debt instruments of Bell Aliant LP by virtue of the fact that these securities are included in the indices.

8 POST-EMPLOYMENT BENEFITS *(continued)*

The total value of our securities and those of our related issuers held directly or indirectly in our portfolios as at December 31 was as follows:

As at December 31 *(millions of dollars, except as otherwise noted)*	2007 Approximate value	2007 Approximate per cent of total plan assets	2006 Approximate value	2006 Approximate per cent of total plan assets
Plan assets held				
Common shares of BCE Inc.	**4.1**	**0.20%**	18.3	0.80%
Debentures of BCE Inc. and Bell Canada	**7.4**	**0.30**	9.2	0.40
Securities of the Fund or Bell Aliant LP, held indirectly	**1.3**	**—**	1.5	—
	12.8	**0.50%**	29.0	1.20%

Plan contributions

We are responsible for adequately funding our DB pension plans. The required contributions to the registered plans are made to a trust fund that is used to pay benefits under the plans. These contributions are determined by actuarial valuations and reflect actuarial assumptions about future investment returns, salary projections and future service benefits. We are funding the registered DB pension plans through contributions that meet or exceed the applicable statutory funding rules and regulations governing the particular plans. Part of the funding for our DB pension plans is satisfied through the purchase of letters of credit (note 12) held in trust for the benefit of the plans.

The DB and DC pension arrangements for executives and OPEB plans are not registered pension plans. We fund payments under these plans directly when the benefits are paid. Certain benefits under the executive DB and DC pension arrangements are secured by letters of credit (note 12) held in trust for the benefit of the named current and retired executives.

Our contributions to DB and DC pension plans as well as OPEB plans are as follows:

For years ended December 31 *(millions of dollars)*	2007	2006
DB pension plans contributions	**90.2**	104.6
OPEB plans contributions	**7.2**	6.4
Funding of DB pension and OPEB plans	**97.4**	111.0
DC pension plans contributions	**7.3**	6.5
Total contributions	**104.7**	117.5

9 INDEFINITE-LIFE INTANGIBLES

For years ended December 31 *(millions of dollars)*	2007	2006
Spectrum licenses	**—**	1.0
Télébec and NorthernTel brands	**46.2**	—
Telecommunications licenses	**20.9**	—
Cable licenses	**15.7**	15.7
	82.8	16.7

As a result of the finalization of the purchase price allocation on the Arrangement in the second quarter of 2007, as discussed in note 2, we recorded $67.1 million in indefinite-life intangibles (note 10) related to the Télébec and NorthernTel brands and telecommunications licenses.

10 GOODWILL

(millions of dollars)

Goodwill, as at December 31, 2005	61.8
Acquisition of:	
Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group *(note 2)*	5,401.1
Atlantic Mobility Products Limited *(note 2)*	11.2
Other	0.8
Disposition of DownEast *(note 2)*	(28.7)
Goodwill, as at December 31, 2006	5,446.2
Allocations 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 *(note 2)*:	
Finite-life intangibles *(note 6)*	(3,158.7)
Indefinite-life intangibles *(note 9)*	(67.1)
Property, plant and equipment *(note 6)*	(0.4)
Long-term debt *(note 13)*	5.4
Future tax liabilites *(note 4)*	330.9
Change in operating assets and liabilities	(0.6)
Acquisition costs	(1.2)
Goodwill, as at December 31, 2007	2,554.5

11 RESTRUCTURING AND OTHER CHARGES

In 2006, we commenced a planned restructuring of our operations to improve productivity. Pre-tax restructuring charges of $13.2 million were incurred, the majority of which was severance and benefits.

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 includes $23.1 million of severance and benefit costs, and $4.3 million of real estate rationalization costs. The final cost of the initiatives could be materially different from our estimate as departing employees will have options that could affect their severance. The restructuring charge liability will be drawn down as employees leave the organization, which is expected to be completed by the end of the first quarter of 2008 or as lease vacancy and other real estate costs are incurred.

At December 31, 2007, payables and accruals included a restructuring and other charge balance of $22.8 million, comprised of $4.3 million of real estate rationalization costs and $18.5 million in severance and benefits (December 31, 2006 – $4.0 million).

12 SHORT-TERM DEBT

We have the following operating facilities available to us:

As at December 31 *(millions of dollars)*	**2007**	2006
Committed lines of credit:		
Revolving operating facilities	**576.0**	576.0
Non-revolving pension reserve facility	**450.0**	450.0
Dedicated letter of credit facility	**138.0**	137.7
Uncommitted operating lines of credit:		
Demand operating facilities	**17.0**	18.3
Total operating facilities	**1,181.0**	1,182.0

12 SHORT-TERM DEBT *(continued)*

We also maintain a $400.0 million commercial paper program. We ensure at all times that sufficient undrawn capacity exists on our revolving operating facilities to support issuances of commercial paper.

The status of our operating facilities is as follows:

As at December 31 *(millions of dollars)*	**2007**	2006
Letters of credit and guarantee issued:		
Letters of credit	**168.1**	115.2
Letters of guarantee	**2.0**	2.0
	170.1	117.2
Drawn amounts:		
Revolving operating facilities	**210.0**	—
Uncommitted lines of credit	**5.7**	7.7
Other	**1.0**	0.8
Short-term debt	**216.7**	8.5
Unused available credit facilities	**794.2**	1,056.3
Total operating facilities	**1,181.0**	1,182.0

The Banker's acceptance advances of $210.0 million issued under our revolving operating facilities have the following terms:

- $100.0 million, bearing interest at 5.24 per cent per annum, maturing on February 20, 2008;
- $60.0 million, bearing interest at 5.09 per cent per annum, maturing on January 4, 2008; and
- $50.0 million, bearing interest at 5.11 per cent per annum, maturing on January 14, 2008.

13 LONG-TERM DEBT

As at December 31 *(millions of dollars, except as otherwise noted)*	Interest rate	Maturity	**2007**	2006
Notes				
Aliant Telecom Inc.	4.52% to 6.80%	2007	**—**	100.0
Bell Aliant LP	4.72% to 6.17%	2011-2037	**2,250.0**	1,250.0
			2,250.0	1,350.0
Debentures				
Télébec	5.34% to 5.85%	2008-2020	**150.0**	150.0
NorthernTel	6.00% to 11.00%	2009-2020	**46.8**	48.8
			196.8	198.8
Total – notes and debentures			**2,446.8**	1,548.8
Non-revolving term	Floating	2009	**100.0**	1,234.7
Obligations under capital leases	3.73% to 5.91%	Various dates to 2017	**24.1**	15.6
Note payable	6.70%	2009	**2.9**	4.2
Mortgage – Télébec	12.50%	2011	**3.1**	3.3
Other		2009	**8.3**	4.6
Debt issue costs			**(11.6)**	—
Total long-term debt			**2,573.6**	2,811.2
Less: portion due within one year			**59.8**	109.2
			2,513.8	2,702.0

13 LONG-TERM DEBT *(continued)*

Interest rates on the non-revolving term debt depend upon the form of borrowing selected and our credit rating. Prime rate based loans bear interest at the prime rate per annum while Canadian Bankers' Acceptance, US LIBOR loans, Letters of Credit and Letters of Guarantee bear interest at the base rate plus 0.50 per cent per annum. These rates may vary based on the credit ratings of our long-term debt.

All notes are issued in series and certain series are redeemable at our option prior to maturity at the prices, times and conditions specified in each series. The notes are issued under trust indentures and are unsecured.

Télébec's debentures are secured by a mortgage on land and buildings located in Val D'Or, Quebec. The NorthernTel debentures and the non-revolving term debt are unsecured.

During the year ended December 31, 2007, we:

- Repaid at maturity, $100.0 million of Aliant Telecom Inc. medium-term notes, bearing interest at 5.35 per cent per annum;
- Issued $400.0 million of unsecured medium-term notes, bearing interest at 4.95 per cent per annum, maturing in February 2014;
- Issued $300.0 million of unsecured medium-term notes, bearing interest at 5.52 per cent per annum, maturing in February 2019;
- Issued $300.0 million of unsecured medium-term notes, bearing interest at 6.17 per cent per annum, maturing in February 2037;
- Repaid $1,134.7 million of the non-revolving bank term facility;
- Entered into capital lease obligations totalling $16.0 million for telecommunications and other equipment and bearing interest at rates ranging from 4.85 per cent to 5.91 per cent per annum; and
- Repaid principal amounts as they came due for obligations under capital leases, mortgage, note payable and other long-term debt totalling $11.3 million.

As a result of the finalization of the purchase price allocation on the Arrangement in the second quarter of 2007, we allocated $5.4 million (note 10) to long-term debt related to the fair market value of long-term debt held by Télébec and NorthernTel. The finalization of the purchase price allocation required amortization on this amount for the period from July 7, 2006, to June 30, 2007, of $1.0 million to be recorded, with an additional $0.4 million in the six months ended December 31, 2007.

Debt issue costs of $5.5 million were incurred in relation to the issue of medium-term notes and have been applied against the long-term debt with which they are associated. In addition, debt issue costs of $12.8 million incurred in 2006, were reclassified from deferred charges with the implementation of new financial instruments accounting standards, as discussed in note 1. For the year ended December 31, 2007, we recorded amortization on debt issue costs of $6.7 million (2006 – $4.7 million).

The aggregate amount of payments required in each of the next five years to meet principal repayments and maturities of our long-term debt and the future minimum lease payments under capital leases presently outstanding are as follows:

(millions of dollars)	2008	2009	2010	2011	2012	Thereafter
Long-term debt	53.0	107.0	3.5	754.8	4.7	1,626.5
Capital leases	6.8	5.4	5.4	0.8	0.3	5.4
	59.8	112.4	8.9	755.6	5.0	1,631.9

14 FINANCIAL INSTRUMENTS

Cash, cash equivalents and notes receivable

We hold highly liquid money market instruments as short-term, cash equivalent investments. We follow a policy for making these investments that ensures they are highly diversified by issuer and face minimal credit exposure, as they are required to be placed with issuers that have strong short-term credit ratings. Interest rate exposure is limited as all instruments have terms less than 90 days.

Accounts receivable

We are exposed to credit risk from customer accounts receivable, but the concentration of this risk is minimized because we have a large and diverse customer base. We have credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintain provisions for potential credit losses that are assessed on an ongoing basis. Refer to notes 1 and 3 for details on the transfer of receivables.

Derivative financial instruments

We use derivative financial instruments to manage our exposure to interest rate risk. We do not use derivative instruments for speculative purposes. Since we do not trade actively in derivative instruments, we are not exposed to any significant liquidity risks relating to them.

We are exposed to credit risks if counterparties to our derivative financial instruments are unable to meet their obligations. We expect that they will be able to meet their obligations, as we deal only with Canadian Chartered Banks and their subsidiaries. There was minimal credit risk relating to derivative financial instruments at December 31, 2007.

We use interest rate swaps to manage the interest rate exposure between fixed and floating interest rates on our outstanding long-term debt and to hedge the interest rate exposure on future refinancing of existing debt.

At December 31, 2006, we had forward fixed-floating interest rate swaps outstanding with notional amounts totalling $1.25 billion and with effective dates ranging from February 28, 2007, to August 31, 2007. During the year ended December 31, 2007, we:

- Settled $1.0 billion forward fixed-floating interest rate swaps upon the issuance of fixed rate long-term debt, as further detailed in note 13, and paid cash of $30.5 million to the counterparty. With the application of hedge accounting, the cash settlement was deferred to other comprehensive earnings and is being amortized as interest charges in conjunction with the long-term debt coupon payments these swaps were designed to hedge.
- Settled the remaining $250.0 million forward fixed-floating interest rate swaps and received cash of $6.4 million from the counterparty. Since we did not issue fixed rate long-term debt in the third quarter, as anticipated, hedge accounting does not apply and the settlement was recorded as other expenses (income).
- Entered into three year fixed-floating interest rate swaps with notional amounts totalling $200.0 million to hedge the variability in cash flows related to a portion of our floating rate debt. Under the swaps, we pay a fixed rate of interest of 4.98 per cent and receive the floating bankers' acceptance rate, reset quarterly. These swaps are being accounted for as cash flow hedges. At December 31, 2007, the fair values total $3.7 million in favour of the counterparty and are recorded as derivative liabilities.

14 FINANCIAL INSTRUMENTS *(continued)*

Long-term debt

Long-term debt is normally issued at fixed rates of interest and remains outstanding until maturity. Therefore, both liquidity and interest rate risk is considered minimal once issued. Refer to note 13 for details of our long-term debt.

Fair value of financial instruments

Fair value is the amount that willing parties dealing at arm's length would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. Fair value is determined using future cash flows discounted at prevailing market rates. These estimates are affected significantly by assumptions we make about the amount and timing of estimated future cash flows and discount rates, which all reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were actually settled.

The carrying value of all financial instruments approximate fair value with the exception of long-term debt, which as at December 31, 2007, has a carrying value of $2,573.6 million and a fair value of $2,422.8 million (2006 – $2,811.2 million and $2,826.8 million, respectively).

15 NON-CONTROLLING INTEREST

As at December 31 *(millions of dollars, except as otherwise noted)*	**2007**	2006
Bell Aliant LP	**1,740.2**	1,825.6
Télébec and NorthernTel	**89.0**	92.3
SalesBridge	**0.4**	1.2
	1,829.6	1,919.1

Bell Nordiq Income Fund terminated its stock option plan prior to its privatization in January 2007 and paid $3.6 million to option holders and $0.5 million was received as a dividend from Salesbridge, which reduced our non-controlling interest. In 2006, Salesbridge paid a $2.1 million dividend to non-controlling interests.

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

For the years ended December 31	**2007**		2006	
(millions of dollars)	**Declared**	**Paid**	Declared	Paid
Bell Aliant LP	**203.1**	**202.7**	94.8	78.3
Télébec and NorthernTel	**40.9**	**40.0**	19.6	19.6
	244.0	**242.7**	114.4	97.9

16 PARTNERS' CAPITAL

Authorized

An unlimited number authorized of each of three classes of units:

- Class 1 exchangeable limited partnership units;
- Class 2 limited partnership units; and
- General partnership (GP) units.

The class 1 exchangeable limited partnership units, which are held by BCE and Bell Canada, are intended to be, to the greatest extent practicable, the economic equivalent of Fund units. Both classes of limited partnership units are voting and share equally in all distributions from the partnership whether of net earnings (losses), taxable income (losses), net realized capital gains or other amounts; provided that, for so long as Fund units are outstanding, holders of class 1 exchangeable limited partnership units are entitled to receive distributions on a per-unit basis from the partnership equal to, the greatest extent practicable, distributions on a per-unit basis paid by the Fund to holders of Fund units. Both classes of limited partnership units are also entitled to share equally in the net assets of the partnership in the event of its termination or winding up; provided that, for so long as Fund units are outstanding, holders of class 1 exchangeable limited partnership units are entitled to a liquidation entitlement, on a per-unit basis, equivalent to that of a Fund unit. Except as otherwise specified in the partnership agreement, both classes of limited partnership units rank among themselves equally and ratably without preference or priority. Both classes of limited partnership units are transferable, subject to certain restrictions. In addition, each class 1 exchangeable limited partnership unit is exchangeable for a Fund unit on a one-for-one basis.

The GP units, as a class, are entitled to a distribution of 0.001 per cent of distributable cash for any distribution period in priority to the class 1 exchangeable and class 2 limited partnership units, and are entitled to 0.001 per cent of the net assets of the partnership in the event of its termination or winding up in priority to the class 1 exchangeable and class 2 limited partnership units.

Issued and outstanding

As at December 31 *(millions of dollars, except as otherwise noted)*	**2007** **Number of units**	**2007** **Stated capital**	2006 Number of units	2006 Stated capital
Class 1 exchangeable limited partnership units	**28,168,803**	**1,017.1**	28,168,803	1,017.1
Class 2 limited partnership units	**124,121,177**	**530.9**	124,121,177	991.8
General partnership units	**54,000**	**—**	54,000	—
		1,548.0		2,008.9

16 PARTNERS' CAPITAL *(continued)*

Limited partnership units

(millions of dollars, except as otherwise noted)

	Class 1 units		Class 2 units		GP units		Common shares	
	Number	Stated capital	Number	Stated capital	Number	Stated capital	Number	Stated capital
Common shares, as at December 31, 2005							127,137,554	1,003.8
Common shares purchased for cancellation							(562,216)	(4.5)
Fractional share adjustment							(13,410)	—
Shares issued under:								
Dividend reinvestments							128,138	4.2
Stock option plan							471,684	13.7
Common shares purchased from dissenting shareholders							(15,458)	(0.1)
Trust conversion			124,121,176	991.8			(124,121,176)	(991.8)
Common shares converted to exchangeable limited partnership units	3,025,116	25.3					(3,025,116)	(25.3)
Business combination *(note 2)*	25,143,687	991.8					—	—
Other			1		54,000		—	—
Units, as at December 31, 2006	28,168,803	1,017.1	124,121,177	991.8	54,000	—	—	—
Return of capital	—	—	—	(460.9)	—	—	—	—
Units, as at December 31, 2007	28,168,803	1,017.1	124,121,177	530.9	54,000	—	—	—

There were no changes in the number of units or stated capital of class 1 exchangeable limited partnership units and GP units during the year ended December 31, 2007.

In May 2007, a series of transactions was undertaken to enable the Fund to repurchase Fund units under its normal course issuer bid (NCIB) and settle a loan we had made to the Fund. This included us making a payment to return capital on the class 2 limited partnership units to Bell Aliant Holdings Trust in an amount of $460.9 million.

Trust conversion and common shares converted to exchangeable limited partnership units

As a result of the Arrangement, the Fund acquired Aliant common shares held by the public and a certain number of Aliant common shares held by BCE in exchange for one newly issued Fund unit for each Aliant share held. The Fund indirectly exchanged the Aliant common shares for 124,121,176 class 2 limited partnership units. As well, the remaining Aliant common shares held by BCE were contributed to us in exchange for 3,025,116 class 1 exchangeable limited partnership units on a one-for-one basis.

We then contributed all of the Aliant common shares to 6591710 Canada Inc. in return for debt, preference shares and common shares. The Aliant common shares were then cancelled when Aliant and 6591710 Canada Inc. amalgamated to form Bell Aliant Regional Communications Inc., general partner of Bell Aliant LP.

16 PARTNERS' CAPITAL *(continued)*

Performance share unit (PSU) plans

We had PSU plans for certain executives and senior management to further align their long-term incentive compensation with total shareholder returns. Share units granted under the plans were subject to both time-based, over three years, and performance-based vesting. On July 5, 2006, all outstanding PSUs granted prior to 2005 were cash settled on a prorated basis for the completed months of this fiscal year prior to the Arrangement, for a total aggregate cost of $3.7 million. The PSU granted in 2005 continued to vest and there were no grants of PSUs subsequent to 2005.

Upon vesting, each remaining 2005 PSU was convertible to one Fund unit acquired on the open market or a cash payment equal to the fair market value of those Fund units, subject to adjustment depending on the achievement of performance criteria. Grantees were also entitled to receive additional share units based on Fund distributions paid monthly on Fund units.

The performance criteria related to the PSUs granted in 2005 was not met in 2007, which resulted in the PSUs expiring. We do not intend to issue further grants under this plan.

A summary of the changes in our PSU plans during the years ended December 31, are as follows:

(number of share units)	**2007**	2006
Share units outstanding, beginning of year	**24,544**	173,750
Granted	**2,079**	12,165
Cash settled	**—**	(161,371)
Forfeited	**(1,848)**	—
Expired	**(24,775)**	—
Share units outstanding, end of year	**—**	24,544

For the year ended December 31, 2007, no compensation expense related to the PSUs outstanding was recorded (2006 – $2.0 million).

Employees' stock savings plan / unit purchase plans

Prior to June 30, 2006, we had an employees' stock savings plan for our eligible, full-time employees, over 80 per cent of whom participated in the plan. Upon completion of the Arrangement, the employees' stock savings plan was replaced by two unit purchase plans having similar plan terms. Under the terms of the new plans, our employees can choose each year to have up to 10 or 12 per cent of their annual base earnings withheld to purchase Fund units. We will also contribute to the plan on behalf of participants based upon the employee's contributions using a prescribed formula. Depending on which plan the employee participates in, the purchase price of the Fund units is the arithmetic average of the closing price of the Fund units traded on the TSX on the last five days up to, and including, the distribution payment date, or the value paid by the trustee to purchase the units on the open market. Participants in the plan purchase additional Fund units in lieu of receiving cash distributions from the Fund. To satisfy the employees' purchases of units under this plan, the Fund could issue up to 2,079,527 additional Fund units out of treasury or purchase them on the open market.

The total number of Fund units bought on the open market for our employees during the year ended December 31, 2007, was 1,766,276 (2006 – combined Aliant common shares and Fund units of 980,737).

16 PARTNERS' CAPITAL *(continued)*

Compensation expense related to the employees' unit purchase plans of $9.9 million, for the year ended December 31, 2007, (2006 – combined purchases under employees' stock savings plan and unit purchase plans – $7.9 million) was recorded.

Deferred unit plan (DUP)

During 2007, the Fund implemented a DUP for certain of our executives and senior management to further align their long-term incentive compensation with total unitholder returns. Under this DUP, the Fund may grant deferred units to eligible plan members in such number and at such times as is determined as a bonus or in respect of services rendered by the plan member in the year of the grant. On the grant date, plan members will be credited with the deferred units granted to them. Grantees are also entitled to receive additional deferred units based on cash distributions that would have been received had the deferred unit been converted to a Fund unit. The deferred units vest over a period of three years and are subject to certain performance criteria, with the exception of the 2006 grant, which was not made subject to further performance criteria as it was awarded in recognition of 2006 performance. Plan members are eligible to receive one Fund unit for each vested deferred unit upon their departure from the organization or may hold the deferred units in an account until the end of the second year following their departure. There is no exercise price paid by the grantee for deferred units. The Fund may issue up to 1,195,620 additional units out of treasury to satisfy awards under this DUP. Any unvested units of a plan member upon their departure are forfeited.

A summary of the status of the DUP as at December 31, 2007, and changes during the year then ended is presented below:

	Number of deferred units
Deferred units outstanding, beginning of year	–
Granted in 2007:	
Service period fiscal 2006 to 2008	316,717
Service period March 2007 to March 2010	453,742
Reinvested distributions	52,581
	823,040
Forfeited	(23,680)
Exercised	(4,380)
Deferred units outstanding, end of year	794,980
Deferred units vested, end of year	108,219

The weighted average grant-date fair value of the 823,040 units granted in 2007 totals $24.1 million. For the year ended December 31, 2007, compensation expense of $8.5 million (2006 – $2.8 million recorded for DUP grant related to fiscal 2006 to 2008) related to the deferred units outstanding was recorded.

17 OTHER COMPREHENSIVE EARNINGS (LOSSES)

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

For the years ended December 31 (millions of dollars)	**2007** Amount arising	Income taxes	Net	2006 Amount arising	Income taxes	Net
Gains on derivatives designated as cash flow hedges	**5.0**	**0.5**	**4.5**	–	–	–
Less reclassification to earnings	**1.8**	**0.3**	**1.5**	–	–	–
Other comprehensive earnings	**3.2**	**0.2**	**3.0**	–	–	–

The amounts arising relating to reclassification to earnings for the year ended December 31, 2007, represent 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.

18 SEGMENTED INFORMATION

During 2007, there were several events which occurred that caused us to reorganize the management of our business and our reportable segments:

- In January 2007, the Fund acquired the non-controlling interest in the assets of Bell Nordiq Income Fund, and subsequently privatized Bell Nordiq Income Fund. As a result of the acquisition, the governance and key decision makers are now similar to those of our Bell Aliant segment. As well, the products and services offered by Bell Nordiq Group are similar to our Bell Aliant segment. Therefore, we have combined the Bell Nordiq Group segment with the Bell Aliant segment.
- In February 2007, we entered into a memorandum of understanding for Yellow Pages Income Fund to acquire the net assets of ADS, which was subsequently sold on April 30, 2007. As a result, we have presented the results of operations of ADS as discontinued operations (note 5). The remaining subsidiaries in the Other subsidiaries segment have either changed their key decision makers to be similar to the Bell Aliant segment or do not meet the quantitative thresholds for disclosure as a reportable segment.

As a result of these changes, we now operate as one business segment, which is driven by our products and services, in order to provide customers with integrated communication services. This represents the manner in which we are organized and managed for assessing performance and making resource allocation decisions. Our operations, including all revenues from customers, capital investments and goodwill are concentrated in Canada.

The prior year's reportable segments have been restated to be comparable with the current year's presentation.

18 SEGMENTED INFORMATION *(continued)*

Revenue from external customers by product and service

For the years ended December 31 *(millions of dollars)*	**2007**	2006
Local and access	**1,430.9**	1,008.1
Long distance	**474.8**	350.8
Data	**722.5**	515.3
Information technology	**319.7**	278.6
Wireless	**64.4**	269.3
Product	**65.2**	43.4
Rentals	**46.2**	43.4
Service agreements	**50.7**	22.8
Innovatia Inc.	**25.8**	27.3
Atlantic Mobility Products	**100.7**	86.0
Other revenues	**72.5**	39.3
	3,373.4	2,684.3

19 OTHER EXPENSES (INCOME)

For the years ended December 31 *(millions of dollars)*	**2007**	2006
Gain on disposal of Aliant's wireless operation and DownEast *(note 2)*	**—**	(1,950.3)
Dilution gain	**—**	(1,000.3)
Debt prepayment premiums	**—**	147.8
Interest income	**(6.3)**	(7.6)
Accounts receivable securitization *(note 3)*	**8.0**	5.2
Other	**4.9**	5.7
	6.6	(2,799.5)

As a result of the Arrangement, a dilution gain was recorded, which represents the excess value of the assets contributed into Bell Aliant LP in exchange for the 32.16 per cent economic non-controlling interest in Bell Aliant LP.

In 2006, $147.8 million of prepayment premiums were recorded in connection with the early redemption of $785.0 million of notes and bonds.

20 EARNINGS PER UNIT / COMMON SHARE

For the years ended December 31 *(millions of dollars, except as otherwise noted)*	2007	2006
Net earnings from continuing operations	**318.7**	2,880.7
Preferred share dividends	**—**	(4.8)
Net earnings applicable to units / common shares from continuing operations	**318.7**	2,875.9
Net earnings from discontinued operations	**265.6**	21.3
Net earnings applicable to units / common shares	**584.3**	2,897.2
Basic and diluted:		
Weighted average number of units / common shares outstanding	**152,289,979**	138,820,594
Basic and diluted from continuing operations	**2.09**	20.72
Basic and diluted from discontinued operations	**1.74**	0.15
Basic and diluted earnings per unit / common share	**3.83**	20.87

21 COMMITMENTS

Operating leases and purchase commitments

The estimated future minimum lease payments under operating leases and purchase commitments are as follows:

(millions of dollars)	2008	2009	2010	2011	2012	Thereafter
Operating leases	37.0	34.4	30.6	27.6	26.8	308.3
Purchase commitments	396.1	336.9	317.4	310.4	312.1	2,530.3
	433.1	371.3	348.0	338.0	338.9	2,838.6

Purchase commitments primarily relate to various information systems and technology agreements and obligations under service agreements, including those with a related party as described in note 23.

Deferral account

As at December 31, 2006, Bell Aliant LP's deferral account, which only includes the operating territory of the former Aliant Telecom Inc., was estimated to be $8.3 million with an annual recurring shortfall of $3.2 million.

During the first quarter of 2007, the CRTC issued two decisions related to competitor digital network services. After assessing the deferral account effects associated with these CRTC decisions, the estimated balance in Bell Aliant LP's deferral account was zero, with an annual recurring shortfall of $4.8 million. This shortfall represented funds Bell Aliant LP is permitted to recover through rate increases. Rate increases have been implemented resulting in the clearing and closing of Bell Aliant LP's deferral account.

21 COMMITMENTS *(continued)*

The deferral account related to the operating territory in Ontario and Quebec that we acquired in 2006, as discussed in note 2, is included in Bell Canada's deferral account balance. Bell Canada's proposal to the CRTC to spend the funds in its deferral account included investment initiatives to expand broadband services to communities within our operating territory. We will cooperate with Bell Canada to determine how to effectively complete those initiatives approved by the CRTC in 2007 and any additional approvals. We have agreed to contribute to the economic spending portion of the program; however we are unable to estimate the effect on our financial results at this time.

In 2006, the Consumer Groups filed an appeal in the Federal Court of Appeal challenging the legality of the deferral accounts and the use of deferral account funds for broadband and accessibility initiatives. They argued that the funds should instead be rebated to residential customers. Bell Canada filed an appeal as well, claiming that the CRTC does not have the jurisdiction to order rebates in connection with prices they had approved on a final basis. Both appeals were heard by the Court in January 2008; it is not known when a decision will be rendered.

On September 14, 2007, the CRTC directed Télébec to amortize the cumulative deferral account shortfall in equal amounts over a four year period and also approved an exogenous factor of $3.0 million for the recovery of the company's recurring shortfall each year. As of December 31, 2007, Télébec's cumulative deferral account shortfall is estimated at $3.0 million (2006 – nil) and the recurring shortfall is now evaluated at $2.2 million (2006 – $3.3 million), considering the rate increase approved by the CRTC on November 2, 2007.

Due to the nature and number of uncertainties which remain concerning the disposition of the accumulated balance in the deferral accounts, we are unable to estimate the effect of the CRTC's decision on our financial results at this time.

22 CONTINGENCIES

Outstanding litigation matters as at December 31, 2007 include the following:

(a) On August 9, 2004, a lawsuit was filed in Saskatchewan against several Canadian wireless and cellular service providers, including one of our predecessor companies, Aliant Telecom Inc. by several alleged customers or former customers of the defendants. In the claim, the plaintiffs alleged, among other things, breach of contract, misrepresentation, negligence, collusion and breach of statutory obligations under the Competition Act (Canada) in relation to the system access fees that the defendants charge to their customers, and sought unspecified damages. On September 17, 2007, the court granted class action certification to the plaintiffs. We, as well as the other defendants, have appealed this decision granting certification. The court has also denied our motion seeking dismissal of the action against us on the basis that the Saskatchewan court does not have jurisdiction over disputes between us and our customers. We are also appealing this decision. We have defences to this claim, but the outcome of the matter is not determinable at this time.

22 CONTINGENCIES *(continued)*

(b) On November 28, 2005, a lawsuit was filed against us in the Supreme Court of Nova Scotia by Ellph.com Solutions Inc. and Ellph.com Technologies Inc. seeking approximately $9.0 million for alleged breach of a software license contract. The contract had been terminated by one of our predecessor companies, Aliant Telecom Inc., due to perceived technical defects in the software. This proceeding is at an early stage. We have defences to this claim, but the outcome of the matter is not determinable at this time.

(c) On April 28, 2006, Aliant Telecom Inc. filed a claim against Voice Mobility Inc. in the New Brunswick Court of Queen's Bench seeking payment of approximately $3.7 million under a promissory note. On November 14, 2006, Voice Mobility Inc. filed a defence and counterclaim which alleges, among other things, breach of contract and misrepresentation in connection with certain contracts that had existed between the parties, and seeks various relief, including damages of approximately $6.2 million. This proceeding is at an early stage. We have defences to the counterclaim, but the outcome is not determinable at this time.

We become involved in various other claims and litigation as a regular part of our business. While we cannot predict the final outcome of claims and litigation that were pending at December 31, 2007, management believes that the resolution of these claims and litigation will not have a material effect on our consolidated financial position or results of operations.

23 RELATED PARTY TRANSACTIONS

BCE and Bell Canada

BCE and Bell Canada own 100 per cent of our class 1 exchangeable limited partnership units and 100 per cent of the class B exchangeable limited partnership units of Bell Aliant LP. As the units are exchangeable into Fund units, BCE and Bell Canada beneficially own and control 44.15 per cent of the Fund's outstanding units on a fully diluted basis as at December 31, 2007 (2006 – 44.71 per cent).

Under a Securityholders' Agreement, BCE has certain rights in respect of the board of Bell Aliant Holdings GP including the right to appoint up to a majority of directors for so long as BCE and Bell Canada, directly or indirectly, holds not less than 30 per cent of Fund units (on a fully diluted basis) and certain commercial agreements are in place. As a result of this right, BCE controls the board of Bell Aliant Holdings GP, and thus Bell Aliant Holdings LP. BCE also has the right to require written consent from BCE, along with the majority vote from the board, prior to undertaking certain matters or transactions for so long as BCE and Bell Canada, directly or indirectly, holds not less than 20 per cent of Fund units (on a fully diluted basis).

23 RELATED PARTY TRANSACTIONS *(continued)*

In 1999, we entered into a Memorandum of Agreement (MOA) with BCE and Bell Canada. This long-term strategic alliance agreement describes the understanding between us, BCE and Bell Canada with respect to the offering, marketing and provisioning of certain telecommunications services on a cooperative basis. Through this MOA, we gained access to Bell Canada's technology, the exclusive right to use specified Bell Canada trademarks in our territory and a license to use Bell Canada's promotional materials. Bell Canada agreed to promote the use and sale of technology and intellectual property developed by us. We agreed to provide each other with support services, including operational, technical, marketing, training and other support services. The MOA continues to apply to our operations in Atlantic Canada, subject to certain amendments that were made to the MOA in connection with the Arrangement.

In connection with the Arrangement, we have entered into a series of long-term commercial agreements with Bell Canada, which provide us with a broad range of technical, operational and human resource support services required for us to operate the wireline and Internet access operations previously operated by Bell Canada in the Ontario and Quebec regional territory (the Bell Partnership Territory). These agreements permit us to continue to receive the commercial and telecommunications services that Bell Canada was providing to us in Atlantic Canada prior to the Arrangement. Any pre-existing commercial agreements between us and Bell Canada, which were not amended or replaced by those commercial agreements entered into pursuant to the Arrangement, continue to apply. The commercial agreements also provide Bell Canada with the telecommunications and support services required to operate its wireless operation in the Bell Partnership Territory and Atlantic Canada and to operate the Aliant wireless operation that Bell Canada acquired as part of the Arrangement.

As part of the Arrangement, we also entered into a Commercial Relationship Management Agreement with Bell Canada, which governs our general commercial relationship and addresses matters such as non-competition and customer primeship. This agreement, together with certain agreements referred to therein, also amend certain provisions of the MOA and extends the term of the MOA to that of this agreement.

The Commercial Relationship Management Agreement will automatically terminate upon termination or expiration of the Connecting and Operating Agreement, which we entered into with Bell Canada as part of the Arrangement. Pursuant to the Connecting and Operating Agreement, the parties have agreed to interconnect their respective telecommunications systems for the exchange of telecommunications traffic. This agreement has an original term of 15 years from July 7, 2006, with automatic renewals for consecutive five year periods, unless notice of non-renewal is provided. The Connecting and Operating Agreement may be terminated for material breach at any time by a party, if the parties mutually agree, or a court or arbitrator makes a final and unappealable determination that the other party has materially breached the agreement and has not cured the breach within 60 days.

23 RELATED PARTY TRANSACTIONS *(continued)*

The commercial agreements and the Commercial Relationship Management Agreement may also be terminated by Bell Canada in the event that, without Bell Canada's prior consent, a competitor of Bell Canada acquires, directly or indirectly, more than 30 per cent of Bell Aliant LP or de facto control of it or its business. In addition, Bell Canada is entitled to terminate, at its sole discretion, its provision of services to us in circumstances where Bell Canada is ceasing to offer the corresponding services to its customers. Further, Bell Canada is entitled to terminate at its discretion many of the commercial agreements by giving two years prior notice of its intention to terminate the relevant commercial agreement, provided that such notice is not given prior to a fixed date, which is generally July 7, 2011.

We also have an agreement with Bell Canada that provides access to certain of each other's intellectual property, in addition to providing us with access to Bell Canada's engineering and network intellectual property. As part of the Arrangement, we entered into trademark license agreements with Bell Canada whereby each party and its affiliates are permitted to use the trademarks of the other party in accordance with the terms of the license for 30 years (subject to an additional 10 year renewal on request by licensee, at licensor's discretion).

As part of the Arrangement, we entered into a distribution agreement with Bell Distribution Inc. (BDI) under which BDI acts as our agent for sales and distribution of our wireline and Internet access telecommunications services and related products in Atlantic Canada and the Bell Partnership Territory. We also entered into a corresponding distribution agreement with BDI under which we act as BDI's agent for the distribution of Bell Canada's wireless and satellite telecommunications services and related products and services in the same territory.

We also have an IS/IT agreement with Bell Canada under which Bell Canada will provide information technology (IT) services in the Bell Partnership Territory. As part of this agreement, the two parties will jointly develop a plan to migrate IT services to us. The total capital investments anticipated to be expended on this plan amount to $90.0 million. Bell Canada has agreed to fund the first $32.0 million with the remaining $58.0 million being equally funded by Bell Canada and us.

In the normal course of business, we enter into agreements with Bell Canada and its controlled investees to provide and purchase telecommunications and other support services, and purchase capital investments. All related party transactions are at the exchange amounts as follows:

For the years ended December 31 *(millions of dollars)*	**2007**	2006
Operating revenues	**398.0**	252.9
Operating expenses	**600.6**	369.0
Other expenses (income)	**(0.1)**	2.7
Capital investments	**8.4**	68.0

23 RELATED PARTY TRANSACTIONS *(continued)*

Balances with Bell Canada and its controlled investees are as follows:

As at December 31 *(millions of dollars)*	**2007**	2006
Note receivable from related party	—	38.9
Accounts receivable:		
Trade	**142.9**	161.6
Wireless receivables *(note 3)*	**46.5**	47.2
Prepayments	**1.6**	—
Long-term receivable, including current portion in accounts receivable	**38.0**	44.0
Payables and accruals	**120.3**	129.2
Distributions payable	**23.6**	22.9
Deferred credits	**4.0**	—

A $38.9 million note receivable from Bell Canada at December 31, 2006, was repaid in January 2007.

The accounts receivable from, and payables and accruals to, Bell Canada and its controlled investees are non-interest bearing and under normal credit terms and have arisen from the sale of products and provision of services referred to above.

The long-term receivable from Bell Canada relates to consideration on the Arrangement as discussed in note 2. The balance bears interest at 9.75 per cent per annum and is due over a period of 10 years.

The distributions payable to BCE and Bell Canada relate to their interest in exchangeable limited partnership units of Bell Aliant LP and Bell Aliant Holdings LP. For the year ended December 31, 2007, $281.6 million of distributions were paid to BCE and Bell Canada (2006 – $108.9 million).

Estimated future minimum payments under our contractual obligations with Bell Canada, which are included in commitments in note 21, are as follows:

(millions of dollars)	2008	2009	2010	2011	2012	Thereafter
Contractual obligations	348.8	311.6	301.2	296.5	296.5	2,530.3

The Fund

In the normal course of business, we have an administrative agreement with the Fund for the provision of administrative and support services, such as corporate reporting, governance, investor relations, communications, treasury and all other services as may be necessary or requested by the Fund trustees, for the administration of the Fund. The agreement has an initial term of 10 years, and will be automatically extended for additional five year periods unless notice of termination is given. These services are recorded at their exchange amount of $5.5 million (2006 – $1.0 million).

Several of our stock-based compensation plans, as discussed in note 16, are based on Fund units. All compensation expense for these plans is recorded in Holdings LP.

23 RELATED PARTY TRANSACTIONS *(continued)*

Included in payables and accruals is a net amount due to the Fund of $3.0 million (2006 – $0.9 million included in accounts receivable), which includes the administrative expenses as well as unit-based compensation. Interest will be charged on the balance owing in accordance with policies established from time to time by us.

During 2007, $372.1 million of distributions were paid to the Fund (2006 – $135.6 million). At December 31, 2007, distributions payable included $28.5 million (2006 – $28.5 million) related to the Fund's interest in our class 2 limited partnership units.

In January 2007, as part of the transaction for the Fund to acquire the indirect 36.7 per cent interest in Télébec and NorthernTel, we loaned to Bell Nordiq Income Fund $131.0 million to enable it to make a special distribution to its unitholders. On the privatization of Bell Nordiq Income Fund, the Fund indirectly assumed the loan. The loan was repaid in May 2007, together with interest calculated at a rate of 5.10 per cent per annum, which amounted to $1.7 million of interest income being recorded.

In March 2007, we loaned the Fund $69.9 million to enable the repurchase of units under its NCIB. Similar loans were made in April 2007 through a series of promissory notes. All of the loans were repaid in April 2007 and May 2007, together with interest calculated thereon at a rate of 4.40 per cent to 4.42 per cent per annum, which amounted to $0.3 million of interest income being recorded.

Throughout 2007, the Fund loaned us funds through a series of promissory notes. The Fund requests repayments as required to enable it to repurchase units under its NCIB program and for operating purposes. All of these promissory notes were subsequently repaid, with interest calculated thereon from 4.42 per cent to 5.14 per cent per annum totalling $2.6 million of interest charges being recorded, with the exception of $1.9 million that was loaned on December 14, 2007, and is payable together with interest calculated thereon at 4.68 per cent per annum.

24 SUBSEQUENT EVENTS

Télébec and NorthernTel

On January 1, 2008, the Fund's 36.7 per cent indirect ownership interest in Télébec and NorthernTel was transferred to us in exchange for 8,246,429 class 2 limited partnership units. As there is no substantive change in ownership, the transfer will be accounted for at carrying value, which was $527.5 million.

Kenora Municipal Telephone System

On February 1, 2008, we purchased the assets and business of Kenora Municipal Telephone System. The acquisition price was approximately $27.0 million.