BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

March 31, 2008

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated balance sheets
(Unaudited)

(millions of dollars)	**Notes**	**As at March 31, 2008**	As at December 31, 2007
Assets			
Current assets			
Cash and cash equivalents		**$ 10.9**	$ 48.1
Accounts receivable	3	**427.6**	371.5
Inventory	4	**21.8**	25.7
Prepayments		**36.2**	17.3
Future income tax asset		**22.5**	27.7
Income tax receivable		**9.0**	13.4
		528.0	503.7
Capital investments	2		
Property, plant and equipment		**3,720.0**	3,730.1
Finite-life intangibles		**3,301.4**	3,154.5
		7,021.4	6,884.6
Other assets			
Long-term receivable		**48.3**	48.8
Deferred charges		**17.7**	27.5
Future income tax asset		**7.0**	7.1
Accrued benefit asset	5	**366.7**	363.9
Indefinite-life intangibles	2	**123.3**	82.8
Goodwill	6	**2,762.7**	2,554.5
		3,325.7	3,084.6
Total assets		**$ 10,875.1**	$ 10,472.9
Liabilities and partners' equity			
Current liabilities			
Notes payable to related party	15	**$ 1.1**	$ 1.9
Payables and accruals	7	**349.0**	394.5
Distributions payable		**55.3**	52.0
Future income tax liability		**0.4**	0.3
Short-term debt	8	**285.4**	216.7
Long-term debt due within one year		**59.9**	59.8
		751.1	725.2
Future income tax liability		**453.8**	455.6
Long-term debt		**2,513.3**	2,513.8
Derivative liabilities	9	**8.0**	3.7
Accrued benefit liability	5	**426.3**	410.5
Deferred credits		**18.0**	18.1
		4,170.5	4,126.9
Non-controlling interest	10	**1,725.2**	1,829.6
Partners' equity		**4,979.4**	4,516.4
Total liabilities and partners' equity		**$ 10,875.1**	$ 10,472.9

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated statements of earnings

(Unaudited)

For the three months ended March 31

(millions of dollars, except per unit / common share amounts)	Notes		2008		2007
Operating revenues		$	**865.4**	$	851.4
Expenses					
Operating expenses			**535.1**		531.4
Depreciation and amortization			**174.5**		147.9
Restructuring and other charges			**0.1**		0.5
			709.7		679.8
			155.7		171.6
Other expenses					
Write down of goodwill	6		**11.2**		-
Other expenses			**1.9**		2.2
			13.1		2.2
Interest charges					
Interest on long-term debt			**34.3**		36.2
Other interest expense			**5.3**		3.2
			39.6		39.4
Earnings before underlisted items			**103.0**		130.0
Income taxes					
Current tax expense (recovery)			**(3.9)**		5.6
Future tax expense (recovery)			**6.2**		(10.2)
			2.3		(4.6)
Earnings before non-controlling interest			**100.7**		134.6
Non-controlling interest			**36.4**		51.6
Net earnings from continuing operations			**64.3**		83.0
Net earnings from discontinued operations			**-**		5.5
Net earnings		**$**	**64.3**	$	88.5
Earnings per unit / common share					
Basic and diluted from continuing operations		**$**	**0.40**	$	0.54
Basic and diluted from discontinued operations			**-**		0.04
Basic and diluted		**$**	**0.40**	$	0.58

Consolidated statements of comprehensive earnings

(Unaudited)

For the three months ended March 31

(millions of dollars)	Note		2008		2007
Net earnings		**$**	**64.3**	$	88.5
Other comprehensive earnings (losses), net of tax	12		**(2.4)**		3.5
Comprehensive earnings		**$**	**61.9**	$	92.0

See accompanying notes to the consolidated financial statements

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

For the three months ended March 31, 2008 *(millions of dollars)*	**Note**	**Partners' capital**	**Contributed surplus**	**Accumulated earnings**	**Distributions declared to unitholders**	**Retained earnings**	**Accumulated other comprehensive earnings (losses)**	**Total partners' equity**
Balance December 31, 2007		$ 1,548.0	$ 0.2	$ 743.6	$ (611.4)	$ 2,873.2	$ (37.2)	$ 4,516.4
Net earnings for the period		-	-	64.3	-	-	-	64.3
Issuance of class 2 limited partnership units on business combination	2, 11	513.5	-	-	-	-	-	513.5
Distributions declared on:								
Class 1 exchangeable limited partnership units		-	-	-	(20.2)	-	-	(20.2)
Class 2 limited partnership units		-	-	-	(92.2)	-	-	(92.2)
Other comprehensive earnings, net of tax	12	-	-	-	-	-	(2.4)	(2.4)
Balance March 31, 2008		**$ 2,061.5**	**$ 0.2**	**$ 807.9**	**$ (723.8)**	**$ 2,873.2**	**$ (39.6)**	**$ 4,979.4**

For the three months ended March 31, 2007 *(millions of dollars)*	**Note**	**Partners' capital**	**Contributed surplus**	**Accumulated earnings**	**Distributions declared to unitholders**	**Retained earnings**	**Accumulated other comprehensive earnings (losses)**	**Total shareholders' equity**
Balance December 31, 2006		$ 2,008.9	$ -	$ 158.5	$ (201.1)	$ 2,870.3	$ -	$ 4,836.6
Net earnings for the period		-	-	88.5	-	-	-	88.5
Distributions declared on:								
Class 1 exchangeable limited partnership units		-	-	-	(19.7)	-	-	(19.7)
Class 2 limited partnership units		-	-	-	(89.6)	-	-	(89.6)
Stock options expense		-	0.2	-	-	-	-	0.2
Reclassification adjustment for gains (losses) on derivatives designated as cash flow hedges		-	-	0.8	-	-	(40.2)	(39.4)
Other comprehensive earnings, net of tax	12	-	-	-	-	-	3.5	3.5
Balance March 31, 2007		**$ 2,008.9**	**$ 0.2**	**$ 247.8**	**$ (310.4)**	**$ 2,870.3**	**$ (36.7)**	**$ 4,780.1**

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated statements of cash flows
(Unaudited)
For the three months ended March 31

(millions of dollars)	Notes	2008	2007
Cash from (used in) operating activities			
Net earnings from continuing operations		**$ 64.3**	$ 83.0
Adjustments to reconcile net earnings to cash from operating activities			
Depreciation and amortization		**174.5**	147.9
Future income tax expense (recovery)		**6.2**	(10.2)
Net cost of benefit plans	5	**23.0**	27.7
Funding of defined benefit pension and other post-employment benefit plans	5	**(27.6)**	(23.1)
Non-controlling interest		**36.4**	51.6
Write down of goodwill	6	**11.2**	-
Other		**(1.0)**	1.5
Change in operating assets and liabilities		**(50.7)**	(26.7)
		236.3	251.7
Cash from (used in) financing activities			
Repurchase of accounts receivable	3	**(55.0)**	-
Net proceeds (repayments) of short-term debt		**68.7**	(2.9)
Repayments of notes payable to related party		**(0.8)**	-
Proceeds of long-term debt		**-**	994.5
Repayment of long-term debt		**(0.8)**	(823.1)
Repayment of capital lease obligations		**(1.9)**	(2.0)
Decrease in non-controlling interest		**-**	(3.6)
Net settlement of financial derivatives		**-**	(30.5)
Distributions paid by subsidiaries to non-controlling interest	10	**(55.9)**	(59.8)
Distributions paid		**(105.1)**	(106.3)
		(150.8)	(33.7)
Cash from (used in) investing activities			
Issuance of notes receivable from related party		**-**	(200.9)
Purchase of capital investments		**(95.1)**	(115.3)
Proceeds on sale of capital investments		**-**	1.1
Business acquisition, net of cash received	2	**(27.6)**	-
		(122.7)	(315.1)
Net decrease in cash from continuing operations		**(37.2)**	(97.1)
Net increase in cash from discontinued operations		**-**	4.8
Cash and cash equivalents, beginning of year		**48.1**	139.4
Cash and cash equivalents, end of year		**$ 10.9**	$ 47.1
Supplementary disclosure			
Interest paid		**$ 64.2**	$ 49.5
Income taxes recovered, net		**$ (0.9)**	$ (2.0)

See accompanying notes to the consolidated financial statements

Bell Aliant Regional Communications Holdings, Limited Partnership was established under the laws of Quebec, and holds the principal operations of Bell Aliant Regional Communications Income Fund (the Fund). All references to “we”, “us” or “our” refer to Bell Aliant Regional Communications Holdings, Limited Partnership and its subsidiaries.

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

We have prepared these unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) using the same basis of presentation and accounting policies as our audited consolidated financial statements for the year ended December 31, 2007, with the exception of the adoption of new accounting policies discussed below. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2007.

Capital disclosures

Commencing January 1, 2008, we adopted Section 1535, Capital Disclosures, which was issued by the Canadian Institute of Chartered Accountants (CICA) and establishes standards for disclosing qualitative and quantitative information about an entity's capital and how it is managed. Refer to note 14 for our capital management discussion.

Inventories

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

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

Future changes in accounting policies

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

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

Comparative figures

Certain comparative financial information has been reclassified to conform to the presentation adopted for 2008.

2. BUSINESS COMBINATION AND ACQUISITION

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

On January 1, 2008, the Fund transferred their 36.7 per cent interest in Télébec and NorthernTel to us, in exchange for 8,246,429 class 2 limited partnership units (note 11), resulting in eliminating the non-controlling interest previously reported. The value of our units issued was determined using a combination of discounted cash flow methodology and comparable public company earnings multiple analysis.

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

2. BUSINESS COMBINATION AND ACQUISITION (Continued)

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

(millions of dollars)		
Assets acquired and liabilities assumed		
Property, plant and equipment	$	30.2
Finite-life intangibles		181.9
Indefinite-life intangibles		40.6
Goodwill (note 6)		191.8
Non-controlling interest (note 10)		89.0
Long-term liabilities		(20.0)
Net assets acquired	$	513.5

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

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

Kenora Municipal Telephone System

On February 1, 2008, we purchased the assets and operations of Kenora Municipal Telephone System for total cash consideration of $27.6 million. The results of operations have been included in our consolidated financial statements since that date.

As at March 31, 2008, the purchase price allocation has not been finalized, resulting in the total consideration currently allocated to goodwill (note 6).The allocation process requires an analysis of the value of customer relationships, acquired contractual rights, assumed contractual commitments and legal contingencies to identify and record the fair value of all assets acquired and liabilities assumed. In valuing acquired assets and assumed liabilities, fair values are based on, but are not limited to: quoted market prices, where available; expected future cash flows; current replacement cost for similar capacity for certain fixed assets; market rate assumptions for contractual obligations; and appropriate discount rates and growth rates. The purchase price allocation also requires the calculation of future income tax assets or liabilities associated with the assets acquired and liabilities assumed. Any excess purchase price over the fair value of the identifiable assets and liabilities will be allocated to goodwill.

We are in the process of conducting internal studies of assets including property, plant and equipment, intangible assets and certain liabilities. We will have finalized our valuations and completed our purchase price allocation by January 31, 2009, which will result in material adjustments to the goodwill. As well, net earnings may be affected by a material amount due to the calculation of amortization on the fair values of property, plant and equipment and other finite-life intangible assets subject to amortization.

3. TRANSFER OF RECEIVABLES

During the three months ended March 31, 2008, we have reduced the net cash proceeds under our revolving accounts receivable purchase and sale agreement with a securitization trust by $55.0 million to $165.0 million. The security required under the agreement recorded as retained interest, was $53.6 million at March 31, 2008 (December 31, 2007 - $61.0 million).

4. INVENTORY

During the three months ended March 31, 2008, $23.3 million (March 31, 2007 - $21.1 million) of inventories have been recognized as expense, which includes cost of goods sold and an immaterial amount of write-downs (March 31, 2007 – immaterial amount). There were no reversals of inventory write-downs in the period. A portion of our inventory balance is pledged as security for certain uncommitted lines of credit with an outstanding balance of $1.4 million at March 31, 2008 (December 31, 2007 - $5.7 million) (note 8).

5. POST-EMPLOYMENT BENEFITS

The following table shows the net cost and funding of defined benefit (DB) pension and other post employment benefit (OPEB) plans.

For the three months ended March 31	DB pension plans		OPEB plans	
(millions of dollars)	**2008**	2007	**2008**	2007
Current service cost	**$ 15.5**	$ 16.7	**$ 0.5**	$ 0.7
Interest on the accrued benefit obligation	**40.3**	38.6	**2.8**	2.9
Expected return on plan assets	**(39.8)**	(38.7)	**-**	-
Amortization of deferred amounts:				
Past service costs	**1.4**	1.4	**(2.0)**	(1.5)
Net actuarial losses	**3.9**	7.0	**0.4**	0.6
Transitional asset (obligation)	**-**	(0.1)	**-**	0.1
Net cost of benefit plans	**$ 21.3**	$ 24.9	**$ 1.7**	$ 2.8
Funding of benefit plans	**$ 25.9**	$ 21.2	**$ 1.7**	$ 1.9

During the three months ended March 31, 2008, we contributed $1.8 million (March 31, 2007 - $1.8 million) to our defined contribution pension plans.

6. GOODWILL

(millions of dollars)		
Goodwill, as at December 31, 2006	$	5,446.2
Allocations to assets and liabilities as a result of the finalization of purchase price allocation on the acquisition of Bell Canada's wireline operation in Ontario and Quebec and Bell Nordiq Group		(2,891.7)
Goodwill, as at December 31, 2007	$	2,554.5
Acquisition of interest in Télébec and NorthernTel (note 2)		191.8
Acquisition of assets and operations of Kenora Municipal Telephone Systems (note 2)		27.6
Write down of Atlantic Mobility Products Limited Partnership (AMP) goodwill		(11.2)
Goodwill, as at March 31, 2008	**$**	**2,762.7**

AMP has an arrangement with Bell Canada to be their exclusive distributor of mobility products in Atlantic Canada. During the first quarter of 2008, Bell Canada notified us that it will not be continuing to use AMP as its exclusive distributor of mobility handsets in Atlantic Canada and will begin transitioning this business away from AMP in July 2008. Bell Canada is a major customer of AMP and management expects the loss of the exclusive arrangement to result in a loss of material future revenues to AMP. As a result, we assessed the carrying value of goodwill related to AMP and recorded an impairment charge of $11.2 million, which reduced the carrying value of the goodwill related to AMP to zero.

7. RESTRUCTURING AND OTHER CHARGES

In 2007, we estimated and recorded a pre-tax restructuring charge of $27.4 million related to costs to continue advancing the organization's productivity initiatives leading into 2008. The charge 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 second quarter of 2008, or as lease vacancy and other real estate costs are incurred.

At March 31, 2008, payables and accruals included a restructuring and other charge balance of $19.6 million (December 31, 2007 - $22.8 million), composed of $4.2 million of real estate rationalization costs and $15.4 million in severance and benefits (December 31, 2007 - composed of $4.3 million of real estate rationalization costs and $18.5 million in severance and benefits).

8. SHORT-TERM DEBT

Available operating facilities

We have increased the amounts available for use under operating credit facilities by $23.0 million to $1,204.0 million during the three months ended March 31, 2008, as follows:

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

Amounts drawn under operating facilities

(millions of dollars)		**As at March 31, 2008**		As at December 31, 2007
Drawn amounts:				
Revolving operating facilities	**$**	**284.0**	$	210.0
Uncommitted lines of credit (note 4)		**1.4**		5.7
Other		**-**		1.0
	$	**285.4**	$	216.7

Short-term promissory notes of $214.0 million (December 31, 2007 – NIL) under our commercial paper program, which is supported by our revolving operating facilities, bear interest at an average of 3.98 per cent and mature at various dates between April 1, 2008, and June 17, 2008.

Banker's acceptance advances of $70.0 million (December 31, 2007 - $210.0 million) outstanding under our revolving operating facilities have the following terms:

- $50.0 million, bearing interest at 4.14 per cent per annum, maturing on April 28, 2008;
- $15.0 million, bearing interest at 4.14 per cent per annum, maturing on April 30, 2008; and
- $5.0 million, bearing interest at 4.13 per cent per annum, maturing on May 1, 2008.

9. FINANCIAL INSTRUMENTS

Derivative financial instruments

At March 31, 2008, we have fixed-floating interest rate swaps outstanding 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, which have termination dates in August 2010, are being accounted for as cash flow hedges. At March 31, 2008, the fair values total $8.0 million (December 31, 2007 - $3.7 million) in favour of the counterparty and are recorded as derivative liabilities. At March 31, 2008, a one per cent increase (decrease) in the interest rates used to value our interest rate swaps would cause the derivative liability to decrease (increase) by approximately $5 million.

Fair value of financial instruments

The carrying value of all financial instruments approximate fair value with the exception of long-term debt, which at March 31, 2008, has a carrying value of $2,573.2 million and a fair value of $2,405.6 million (December 31, 2007 – $2,573.6 million and $2,422.8 million, respectively).

10. NON-CONTROLLING INTEREST

(millions of dollars, except as otherwise noted)		**As at March 31, 2008**		As at December 31, 2007
Bell Aliant LP	**$**	**1,724.8**	$	1,740.2
Télébec and NorthernTel (note 2)		**-**		89.0
SalesBridge		**0.4**		0.4
	$	**1,725.2**	$	1,829.6

10. NON-CONTROLLING INTEREST (Continued)

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

For the three months ended March 31		**2008**		2007
(millions of dollars)	**Declared**	**Paid**	Declared	Paid
Bell Aliant LP	**$ 51.8**	**$ 51.4**	$ 50.4	$ 49.9
Télébec and NorthernTel	**-**	**4.5**	9.5	9.9
	$ 51.8	**$ 55.9**	$ 59.9	$ 59.8

11. PARTNERS' CAPITAL

Limited partnership units

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

Employees' unit purchase plans

The total number of Fund units bought on the open market for our employees during the three months ended March 31, 2008, was 489,949 (March 31, 2007 – 566,816). Compensation expense related to the employees' unit purchase plans of $2.3 million was recorded for the three months ended March 31, 2008 (March 31, 2007 – $2.4 million).

Deferred unit plan (DUP)

A summary of units in the DUP as at December 31, 2007, and changes during the three months ended March 31, 2008, is as follows:

(number of deferred units)	**As at March 31, 2008**	As at December 31, 2007
Deferred units outstanding, beginning of period	**794,980**	-
Granted:		
Service period fiscal 2006 to 2008	**-**	316,717
Service period March 2007 to March 2010	**-**	453,742
Reinvested distributions	**19,621**	52,581
	814,601	823,040
Forfeited	**(5,087)**	(23,680)
Exercised	**(3,412)**	(4,380)
Deferred units outstanding, end of period	**806,102**	794,980
Deferred units vested, end of period	**358,232**	216,436

The weighted average grant-date fair value of the 19,621 deferred units granted in 2008 totals $0.6 million (823,040 deferred units granted in 2007 totals $24.1 million). For the three months ended March 31, 2008, compensation expense of $3.7 million (March 31, 2007 – $1.5 million) was recorded related to the deferred units outstanding.

12. OTHER COMPREHENSIVE EARNINGS (LOSSES)

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

For the three months ended March 31		**2008**			2007	
(millions of dollars)	**Amount arising**	**Income taxes**	**Net**	Amount arising	Income taxes	Net
Gains (losses) on derivatives designated as cash flow hedges	**$ (4.3)**	**$ (0.9)**	**$ (3.4)**	$ 2.4	$ -	$ 2.4
Less reclassification to earnings	**1.2**	**0.2**	**1.0**	1.3	0.2	1.1
Other comprehensive earnings (losses)	**$ (3.1)**	**$ (0.7)**	**$ (2.4)**	$ 3.7	$ 0.2	$ 3.5

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

13. COMMITMENTS

Operating leases and purchase commitments

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

(millions of dollars)	*Remainder of* 2008	2009	2010	2011	2012	Thereafter
Operating leases	$ 29.3	$ 34.2	$ 30.4	$ 27.5	$ 26.8	$ 307.6
Purchase commitments	303.0	348.2	319.7	312.2	312.5	2,534.7
	$ 332.3	$ 382.4	$ 350.1	$ 339.7	$ 339.3	$ 2,842.3

Deferral account

Bell Canada's accumulated deferral account commitment at March 31, 2008, was estimated to be $152.0 million, with an estimated future annualized commitment of $1.3 million. The accumulated deferral account commitment takes into account the estimated deferral account drawdown during the first quarter of 2008 associated with the CRTC approved broadband expansion program and the initiatives associated with improving access to communications services for persons with disabilities. On March 3, 2008, along with Bell Canada, we filed proposed reductions to rates for stand-alone local residential telephone access services in regulated exchanges within the non-high cost serving area (non-HCSA) portions of the Ontario and Québec serving areas which, if approved, would eliminate Bell Canada's future annualized commitment.

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

The operating territory in Ontario and Quebec that we acquired in 2006 is included in Bell Canada's deferral account balance. Therefore, subject to the outcome of CRTC decisions and court proceedings, we will be affected by these and further proposals of Bell Canada to satisfy their deferral account obligations, as we have agreed to contribute to the economic spending portion of the project. We are unable to estimate the effect on our financial results at this time.

14. CAPITAL MANAGEMENT

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

Our objectives in managing our capital structure are to:

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

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

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

Our net debt to EBITDA ratio at March 31, 2008, and December 31, 2007, were as follows:

(millions of dollares, except as otherwise noted)		**As at March 31, 2008**		As at December 31, 2007
Short-term debt (including notes payable)	**$**	**286.5**	$	218.6
Long-term debt, including current portion		**2,573.2**		2,573.6
Less: Cash and cash equivalents		**(10.9)**		(48.1)
Net debt	**$**	**2,848.8**	$	2,744.1
Operating revenues	**$**	**3,387.4**	$	3,373.4
Less: Operating expenses		**(2,058.5)**		(2,054.8)
Add: Net cost of benefit plans included in operating expenses		**126.9**		131.6
EBITDA	**$**	**1,455.8**	$	1,450.2
Net debt to EBITDA ratio		**2.0:1**		1.9:1

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

15. RELATED PARTY TRANSACTIONS

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

Throughout the first quarter of 2008, the Fund loaned us their excess cash through a series of promissory notes. The Fund requests repayments as required for operating purposes. The $1.9 million promissory note that was payable to the Fund at December 31, 2007, was repaid on January 15, 2008. Subsequently issued promissory notes carried interest rates from 3.73 per cent to 4.53 per cent per annum, resulting in an immaterial amount of interest charges being recorded. At March 31, 2008, a $1.1 million promissory note was payable to the Fund, which bears interest at 3.73 per cent per annum.