

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

March 31, 2009

BellAliant

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Consolidated balance sheets

(Unaudited)

(millions of dollars)

	Notes	As at March 31, 2009	As at December 31, 2008
Assets			
Current assets			
Cash and cash equivalents	7	\$ 1.9	\$ 6.2
Distributions receivable	7	31.2	31.2
Due from related parties	7	21.0	13.6
		54.1	51.0
Investments	2	4,135.2	4,160.6
Total assets		\$ 4,189.3	\$ 4,211.6
Liabilities and unitholders' equity			
Current liabilities			
Payables and accruals		\$ 0.1	\$ 0.2
Distributions payable	5	30.7	30.7
		30.8	30.9
Unitholders' equity		4,158.5	4,180.7
Total liabilities and unitholders' equity		\$ 4,189.3	\$ 4,211.6

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Consolidated statements of earnings

(Unaudited)

For the three months ended March 31

(millions of dollars, except earnings per unit)

	Notes	2009	2008
Equity income from investments	2	\$ 66.4	\$ 44.1
Operating expenses		1.0	1.1
Net earnings from continuing operations		65.4	43.0
Net earnings from discontinued operations	2	0.6	-
Net earnings		\$ 66.0	\$ 43.0
Earnings per unit	4		
Basic from continuing operations		\$ 0.51	\$ 0.34
Basic from discontinued operations		0.01	-
Basic		\$ 0.52	\$ 0.34
Diluted from continuing operations		\$ 0.51	\$ 0.34
Diluted from discontinued operations		-	-
Diluted		\$ 0.51	\$ 0.34

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive earnings

For the three months ended March 31

(Unaudited)

(millions of dollars)

	Note	2009	2008
Net earnings		\$ 66.0	\$ 43.0
Other comprehensive earnings (losses)	2	1.1	(1.7)
Comprehensive earnings		\$ 67.1	\$ 41.3

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Consolidated statements of unitholders' equity
(Unaudited)

For the three months ended March 31, 2009

	Notes	Stated capital	Contributed surplus	Accumulated earnings	Distributions declared	Accumulated other comprehensive earnings (loss)	Unitholders' equity
Balance December 31, 2008		\$ 4,184.9	\$ 45.7	\$ 884.1	\$ (899.4)	\$ (34.6)	\$ 4,180.7
Net earnings		-	-	66.0	-	-	66.0
Distributions declared	5	-	-	-	(92.1)	-	(92.1)
Redemption of units	3	(0.1)	-	-	-	-	(0.1)
Deferred unit plan	3, 6	6.4	(3.5)	-	-	-	2.9
Other comprehensive earnings of equity investee		-	-	-	-	1.1	1.1
Balance March 31, 2009		\$ 4,191.2	\$ 42.2	\$ 950.1	\$ (991.5)	\$ (33.5)	\$ 4,158.5

For the three months ended March 31, 2008

	Notes	Stated capital	Contributed surplus	Accumulated earnings	Distributions declared	Accumulated other comprehensive earnings (loss)	Unitholders' equity
Balance December 31, 2007		\$ 4,184.0	\$ 31.8	\$ 632.7	\$ (531.9)	\$ (30.4)	\$ 4,286.2
Net earnings		-	-	43.0	-	-	43.0
Distributions declared	5	-	-	-	(91.2)	-	(91.2)
Deferred unit plan	3, 6	0.1	3.6	-	-	-	3.7
Other comprehensive losses of equity investee		-	-	-	-	(1.7)	(1.7)
Balance March 31, 2008		\$ 4,184.1	\$ 35.4	\$ 675.7	\$ (623.1)	\$ (32.1)	\$ 4,240.0

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

Consolidated statements of cash flows

(Unaudited)

For the three months ended March 31

(millions of dollars)

	Notes	2009	2008
Cash from (used in) operating activities			
Net earnings from continuing operations	\$	65.4	\$ 43.0
Adjustments to reconcile net earnings to cash from operating activities			
Income from equity investments	2	(66.4)	(44.1)
Change in operating assets and liabilities		(11.0)	0.8
		(12.0)	(0.3)
Cash from (used in) financing activities			
Issuance of units	3	6.4	0.1
Redemption of units	3	(0.1)	-
Purchase of units for distribution reinvestment plan	3	(3.4)	(3.3)
Cash distributions paid to unitholders		(88.7)	(87.0)
		(85.8)	(90.2)
Cash from investing activities			
Cash distributions received from equity investments	2	93.5	89.6
		93.5	89.6
Net decrease in cash from continuing operations		(4.3)	(0.9)
Cash and cash equivalents, beginning of year		6.2	2.1
Cash and cash equivalents, end of year	\$	1.9	\$ 1.2

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
(Unaudited)
March 31, 2009

Bell Aliant Regional Communications Income Fund was established in 2006 and is an unincorporated, open-ended, limited purpose trust governed by the laws of Ontario pursuant to a Declaration of Trust. All references to “we”, “us”, “our” or the “Fund” refer to Bell Aliant Regional Communications Income Fund and its subsidiaries. We hold investments in entities whose operations are primarily focused on the provision of regional telecommunications services in Atlantic Canada, Ontario and Quebec. Our principal investment is an 82.5 per cent equity interest in Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP), which consolidates its operating subsidiaries.

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

We have prepared these consolidated financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) using the same basis of presentation and accounting policies as our audited consolidated financial statements for the year ended December 31, 2008. These financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2008, along with the audited consolidated financial statements for the year ended December 31, 2008, and the unaudited interim consolidated financial statements for three months ended March 31, 2009, of Bell Aliant Holdings LP.

Economic dependence

We are economically dependent on Bell Aliant Holdings LP, and our ability to pay distributions is entirely dependent on the distributions received from them. Significant events or transactions in Bell Aliant Holdings LP could materially influence our ability to pay distributions.

Future changes in accounting policies

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) continually amends 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.

Business combinations, Consolidated financial statements, and Non-controlling interests

The CICA issued Section 1582, Business combinations, concurrently with Sections 1601, Consolidated financial statements, and 1602, Non-controlling interests. Section 1582, which replaced Section 1581, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaced Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition except for those dealing with non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. The new standards apply to interim and annual financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. We are currently assessing the effect of the new standards on our consolidated financial statements.

2. INVESTMENTS

At March 31, 2009, our principal investment was in Bell Aliant Holdings LP.

Equity income and other comprehensive earnings (losses) from our investment in Bell Aliant Holdings LP, and distributions declared and received from them were as follows:

For the three months ended March 31			
<i>(millions of dollars)</i>			
		2009	2008
Equity income - continuing operations	\$	66.4	\$ 44.1
Equity income - discontinued operations		0.6	-
Other comprehensive earnings (losses)		1.1	(1.7)
Distributions declared		93.5	92.2
Distributions received		93.5	89.6

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
Notes to the consolidated financial statements
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2. INVESTMENTS (Continued)

Equity income from continuing operations includes \$0.6 million future income tax expense (March 31, 2008 - \$9.4 million future income tax recovery) relating to our proportionate share of temporary differences in certain subsidiaries of Bell Aliant Holdings LP that are expected to reverse after January 1, 2011.

3. UNITHOLDERS' CAPITAL

Issued and outstanding

	As at March 31, 2009		As at December 31, 2008	
	Number of units	Stated capital	Number of units	Stated capital
<i>(millions of dollars, except as otherwise noted)</i>				
Units	127,227,697	\$ 4,191.2	126,983,707	\$ 4,184.9
Special voting units	100,373,827	-	100,373,827	-
		\$ 4,191.2		\$ 4,184.9

Units

The following table provides the details of the change in our issued and outstanding units.

	2009		2008	
	Number of units	Stated capital	Number of units	Stated capital
<i>(millions of dollars, except as otherwise noted)</i>				
For the three months ended March 31				
Units, beginning of period	126,983,707	\$ 4,184.9	126,949,663	\$ 4,184.0
Deferred unit plan units exercised (note 6)	245,545	6.4	3,412	0.1
Redemption of units	(1,551)	(0.1)	(1,108)	-
Fractional unit adjustment	(4)	-	(15)	-
Units, end of period	127,227,697	\$ 4,191.2	126,951,952	\$ 4,184.1

Distribution reinvestment and optional unit purchase plan

For the three months ended March 31, 2009, we bought 150,631 units (March 31, 2008 – 137,535 units) on the open market for unitholders participating in the distribution reinvestment plan in lieu of paying \$3.4 million in cash distributions (March 31, 2008 - \$3.3 million), and in respect of optional unit purchase plan cash payments received we bought additional units for \$0.3 million (March 31, 2008 - \$0.6 million).

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
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4. EARNINGS PER UNIT

For the three months ended March 31 <i>(millions of dollars, except as otherwise noted)</i>	2009	2008
Basic:		
Net earnings from continuing operations	\$ 65.4	\$ 43.0
Net earnings from discontinued operations	0.6	-
Net earnings	\$ 66.0	\$ 43.0
Weighted average number of units outstanding	127,097,939	129,951,417
Basic earnings per unit from continuing operations	\$ 0.51	\$ 0.34
Basic earnings per unit from discontinued operations	0.01	-
Basic earnings per unit	\$ 0.52	\$ 0.34
Diluted:		
Net earnings from continuing operations	\$ 65.4	\$ 43.0
Add non-controlling interest of holders of exchangeable units:		
Bell Aliant Holdings LP	14.7	11.6
Bell Aliant LP	36.3	36.4
	116.4	91.0
Net earnings from discontinued operations	0.6	-
Add non-controlling interest of holders of exchangeable units:		
Bell Aliant Holdings LP	0.1	-
	0.7	-
Diluted net earnings	\$ 117.1	\$ 91.0
Weighted average number of units outstanding	127,097,939	126,951,417
Add exchangeable limited partnership units:		
Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP	28,168,803	28,168,803
Class B exchangeable limited partnership units of Bell Aliant LP	72,205,024	72,205,024
Deferred units under unit-based compensation plan	437,769	467,611
	227,909,535	227,792,855
Diluted earnings per unit from continuing operations	\$ 0.51	\$ 0.40
Diluted earnings per unit from discontinued operations	-	-
Diluted earnings per unit	\$ 0.51	\$ 0.40

The exchangeable limited partnership units are intended to be, to the greatest extent practicable, the economic equivalent of our units. If holders of the exchangeable limited partnership units were to trigger an exchange for our units, the distributions currently being paid to the holders by Bell Aliant Holdings LP and Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP) would be paid directly to us. For the three months ended March 31, 2008, the exchangeable limited partnership units were anti-dilutive. The deferred units under unit-based compensation plans, as discussed in note 6, relating to the 2006 grant and a portion of the 2007 and 2008 grants, are dilutive.

BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND
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5. DISTRIBUTIONS DECLARED TO UNITHOLDERS

Distributions declared were as follows:

<i>(millions of dollars, except per unit amounts)</i>	2009		2008	
	Monthly distributions	Distributions per unit	Monthly distributions	Distributions per unit
Record date:			Record date:	
January 30	\$ 30.7	\$ 0.2417	January 31	\$ 29.8 \$ 0.2350
February 27	30.7	0.2417	February 29	30.7 0.2417
March 31	30.7	0.2417	March 31	30.7 0.2417
	\$ 92.1	\$ 0.7251		\$ 91.2 \$ 0.7184

6. UNIT-BASED COMPENSATION PLANS

Employee unit purchase plans

For the three months ended March 31, 2009, we bought 577,203 units (March 31, 2008 – 489,949 units), at a total cost of \$14.2 million (March 31, 2008 – \$14.2 million), on the open market for employees of certain subsidiaries of Bell Aliant Holdings LP participating in the employee unit purchase plans. Of these totals, \$2.3 million (March 31, 2008 - \$2.3 million) was recorded as compensation expense in certain subsidiaries of Bell Aliant Holdings LP, and the remainder was contributed by employees through payroll deduction, interest earned or distributions reinvested in employee plan accounts.

Deferred unit plan

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

For the three months ended March 31	2009	2008
Deferred units outstanding, beginning of period	1,181,958	794,980
Granted:		
Service period fiscal 2009 to 2011	350,492	-
Reinvested distributions	30,909	19,621
	381,401	19,621
Forfeited	(34,608)	(5,087)
Exercised (note 3)	(245,545)	(3,412)
Deferred units outstanding, end of period	1,283,206	806,102
Deferred units vested, end of period	437,769	358,232

For the three months ended March 31, 2009, the weighted average grant-date fair value of the 381,401 units (March 31, 2008 – 19,621 units) granted was \$10.0 million, or \$26.14 per deferred unit (March 31, 2008 - \$0.6 million, or \$28.73 per deferred unit).

As the deferred units will be settled with our units when exercised, for the three months ended March 31, 2009, we have recorded in contributed surplus the equivalent of the compensation expense that was recorded in certain subsidiaries of Bell Aliant Holdings LP of \$2.9 million (March 31, 2008 - \$3.7 million). We issued 245,545 units (March 31, 2008 – 3,412 units) out of treasury at an average market value of \$26.15 per unit (March 31, 2008 – \$28.22 per unit) related to the deferred units exercised in the period. When exercised an amount of \$6.4 million (March 31, 2008 - \$0.1 million) was reclassified from contributed surplus to stated capital.

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7. RELATED PARTY TRANSACTIONS

Bell Aliant Holdings LP

We are entirely dependent on the distributions we receive from Bell Aliant Holdings LP (note 2) to make our distributions (note 6). At March 31, 2009, \$31.2 million was included in distributions receivable (December 31, 2008 - \$31.2 million).

We loan our excess cash to Bell Aliant LP through a series of promissory notes. Payments are requested as required for operating purposes. The \$6.2 million promissory note that was receivable from Bell Aliant LP at December 31, 2008, was repaid on January 15, 2009. Promissory notes carried rates of interest from 0.76 per cent to 1.81 per cent per annum, resulting in an immaterial amount of interest revenue being earned during the three month period ended March 31, 2009 (March 31, 2008 - immaterial amount). At March 31, 2009, a \$1.2 million promissory note was receivable from Bell Aliant LP, which bears interest at 0.76 per cent per annum and matures on April 15, 2009. This balance is included in cash and cash equivalents.

At March 31, 2009, \$21.0 million was due from related parties (December 31, 2008 - \$13.6 million), which relates to the net of operating expenses payable as well as amounts receivable from the deferred unit plan, as described in note 6.