

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

**June 30, 2009**

**BellAliant**

## BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

### Consolidated balance sheets

(Unaudited)

(millions of dollars)

	Notes	As at June 30, 2009	As at December 31, 2008
<b>Assets</b>			
Current assets			
Cash and cash equivalents	7	\$ 3.2	\$ 6.2
Distributions receivable	7	31.3	31.2
Due from related parties	7	18.5	13.6
		<b>53.0</b>	51.0
Investments	2	<b>4,124.6</b>	4,160.6
<b>Total assets</b>		<b>\$ 4,177.6</b>	<b>\$ 4,211.6</b>
<b>Liabilities and unitholders' equity</b>			
Current liabilities			
Payables and accruals		\$ -	\$ 0.2
Distributions payable	5	30.8	30.7
		<b>30.8</b>	30.9
Unitholders' equity		<b>4,146.8</b>	4,180.7
<b>Total liabilities and unitholders' equity</b>		<b>\$ 4,177.6</b>	<b>\$ 4,211.6</b>

See accompanying notes to the consolidated financial statements

## BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

### Consolidated statements of earnings

(Unaudited)

For the period ended June 30

	Notes	Three months		Six months	
		2009	2008	2009	2008
<i>(millions of dollars, except earnings per unit)</i>					
Equity income from investments	2	\$ 76.3	\$ 69.4	\$ 142.7	\$ 113.5
Operating expenses		1.5	0.9	2.5	2.0
Net earnings from continuing operations		74.8	68.5	140.2	111.5
Net loss from discontinued operations	2	(3.4)	(0.7)	(2.8)	(0.7)
<b>Net earnings</b>		<b>\$ 71.4</b>	<b>\$ 67.8</b>	<b>\$ 137.4</b>	<b>\$ 110.8</b>
<b>Earnings per unit</b>					
	4				
Basic from continuing operations		\$ 0.59	\$ 0.54	\$ 1.10	\$ 0.88
Basic from discontinued operations		(0.03)	(0.01)	(0.02)	(0.01)
Basic		\$ 0.56	\$ 0.53	\$ 1.08	\$ 0.87
Diluted from continuing operations		\$ 0.55	\$ 0.54	\$ 1.06	\$ 0.88
Diluted from discontinued operations		(0.03)	(0.01)	(0.02)	(0.01)
Diluted		\$ 0.52	\$ 0.53	\$ 1.04	\$ 0.87

See accompanying notes to the consolidated financial statements

### Consolidated statements of comprehensive earnings

(Unaudited)

For the period ended June 30

	Note	Three months		Six months	
		2009	2008	2009	2008
<i>(millions of dollars)</i>					
Net earnings		\$ 71.4	\$ 67.8	\$ 137.4	\$ 110.8
Other comprehensive earnings	2	10.1	2.1	11.2	0.4
<b>Comprehensive earnings</b>		<b>\$ 81.5</b>	<b>\$ 69.9</b>	<b>\$ 148.6</b>	<b>\$ 111.2</b>

See accompanying notes to the consolidated financial statements

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**

**Consolidated statements of unitholders' equity**

(Unaudited)

For the period ended June 30, 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		-	-	137.4	-	-	137.4
Distributions declared	5	-	-	-	(184.4)	-	(184.4)
Redemption of units	3	(0.1)	-	-	-	-	(0.1)
Deferred unit plan	3, 6	6.7	(4.7)	-	-	-	2.0
Other comprehensive earnings of equity investee	2	-	-	-	-	11.2	11.2
<b>Balance June 30, 2009</b>		<b>\$ 4,191.5</b>	<b>\$ 41.0</b>	<b>\$ 1,021.5</b>	<b>\$ (1,083.8)</b>	<b>\$ (23.4)</b>	<b>\$ 4,146.8</b>

For the period ended June 30, 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		-	-	110.8	-	-	110.8
Distributions declared	5	-	-	-	(183.3)	-	(183.3)
Redemption of units	3	(0.1)	-	-	-	-	(0.1)
Deferred unit plan	3, 6	0.1	6.6	-	-	-	6.7
Other comprehensive earnings of equity investee	2	-	-	-	-	0.4	0.4
<b>Balance June 30, 2008</b>		<b>\$ 4,184.0</b>	<b>\$ 38.4</b>	<b>\$ 743.5</b>	<b>\$ (715.2)</b>	<b>\$ (30.0)</b>	<b>\$ 4,220.7</b>

See accompanying notes to the consolidated financial statements

## BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND

### Consolidated statements of cash flows

(Unaudited)

For the period ended June 30

<i>(millions of dollars)</i>	Notes	Three months		Six months	
		2009	2008	2009	2008
Cash from (used in) operating activities					
Net earnings from continuing operations		\$ 74.8	\$ 68.5	\$ 140.2	\$ 111.5
Adjustments to reconcile net earnings to cash from operating activities					
Income from equity investments	2	(76.3)	(69.4)	(142.7)	(113.5)
Change in operating assets and liabilities		1.2	0.7	(9.8)	1.5
		<b>(0.3)</b>	<b>(0.2)</b>	<b>(12.3)</b>	<b>(0.5)</b>
Cash from (used in) financing activities					
Issuance of units	3	0.3	-	6.7	0.1
Redemption of units	3	-	(0.1)	(0.1)	(0.1)
Purchase of units for distribution reinvestment	3	(3.6)	(3.4)	(7.0)	(6.7)
Cash distributions paid to unitholders		(88.6)	(88.7)	(177.3)	(175.7)
		<b>(91.9)</b>	<b>(92.2)</b>	<b>(177.7)</b>	<b>(182.4)</b>
Cash from investing activities					
Cash distributions received from equity	2	93.5	93.8	187.0	183.4
		<b>93.5</b>	<b>93.8</b>	<b>187.0</b>	<b>183.4</b>
Net increase (decrease) in cash from continuing operations		1.3	1.4	(3.0)	0.5
Cash and cash equivalents, beginning of period		1.9	1.2	6.2	2.1
<b>Cash and cash equivalents, end of period</b>		<b>\$ 3.2</b>	<b>\$ 2.6</b>	<b>\$ 3.2</b>	<b>\$ 2.6</b>

See accompanying notes to the consolidated financial statements

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**(Unaudited)**  
**June 30, 2009**

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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 Bell Aliant Holdings LP’s audited consolidated financial statements for the year ended December 31, 2008, and unaudited interim consolidated financial statements for the six months ended June 30, 2009.

***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 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.

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**(Unaudited)**  
**June 30, 2009**

**2. INVESTMENTS**

At June 30, 2009, our principal investment was in Bell Aliant Holdings LP.

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

For the period ended June 30 <i>(millions of dollars)</i>	Three months		Six months	
	2009	2008	2009	2008
Equity income - continuing operations	\$ 76.3	\$ 69.4	\$ 142.7	\$ 113.5
Equity income - discontinued operations	(3.4)	(0.7)	(2.8)	(0.7)
Other comprehensive earnings	10.1	2.1	11.2	0.4
Distributions declared	93.6	93.9	187.1	186.1
Distributions received	93.5	93.8	187.0	183.4

For the three and six months ended June 30, 2009, equity income from continuing operations includes \$0.4 million and \$1.0 million, respectively, of future income tax expense (June 30, 2008 - \$0.6 million of future income tax expense and \$8.8 million of future income tax recovery, respectively) relating to our proportionate share of temporary differences in certain subsidiaries of Bell Aliant Holdings LP, which are expected to reverse after January 1, 2011.

**3. UNITHOLDERS' CAPITAL**

*Issued and outstanding*

<i>(millions of dollars, except as otherwise noted)</i>	As at June 30, 2009		As at December 31, 2008	
	Number of units	Stated capital	Number of units	Stated capital
Units	127,239,398	\$ 4,191.5	126,983,707	\$ 4,184.9
Special voting units	100,373,827	-	100,373,827	-
		\$ 4,191.5		\$ 4,184.9

*Units*

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

<i>(millions of dollars, except as otherwise noted)</i>	2009		2008	
	Number of units	Stated capital	Number of units	Stated capital
Units, beginning of period	126,983,707	\$ 4,184.9	126,949,663	\$ 4,184.0
Deferred unit plan units exercised (note 6)	257,251	6.7	4,397	0.1
Redemption of units	(1,551)	(0.1)	(1,796)	(0.1)
Fractional unit adjustment	(9)	-	(21)	-
Units, end of period	127,239,398	\$ 4,191.5	126,952,243	\$ 4,184.0

*Distribution reinvestment and optional unit purchase plan*

For the three and six months ended June 30, 2009, we bought 153,292 units and 303,923 units, respectively (June 30, 2008 - 125,662 units and 263,197 units, respectively) on the open market for unitholders participating in the distribution reinvestment plan in lieu of paying \$3.6 million and \$7.0 million in cash distributions, respectively (June 30, 2008 - \$3.4 million and \$6.7 million, respectively), and in respect of optional unit purchase plan cash payments received of \$0.3 million and \$0.6 million, respectively (June 30, 2008 - \$0.4 million and \$1.0 million, respectively).

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**(Unaudited)**  
**June 30, 2009**

**4. EARNINGS PER UNIT**

For the period ended June 30 <i>(millions of dollars, except as otherwise noted)</i>	Three months		Six months	
	2009	2008	2009	2008
<b>Basic:</b>				
Net earnings from continuing operations	\$ 74.8	\$ 68.5	\$ 140.2	\$ 111.5
Net loss from discontinued operations	(3.4)	(0.7)	(2.8)	(0.7)
Net earnings	\$ 71.4	\$ 67.8	\$ 137.4	\$ 110.8
Weighted average number of units outstanding	127,236,840	126,952,226	127,167,773	126,951,819
Basic earnings per unit from continuing operations	\$ 0.59	\$ 0.54	\$ 1.10	\$ 0.88
Basic earnings per unit from discontinued operations	(0.03)	(0.01)	(0.02)	(0.01)
Basic earnings per unit	\$ 0.56	\$ 0.53	\$ 1.08	\$ 0.87
<b>Diluted:</b>				
Net earnings from continuing operations	\$ 74.8	\$ 68.5	\$ 140.2	\$ 111.5
Add non-controlling interest of holders of exchangeable units:				
Bell Aliant Holdings LP	16.8	15.3	31.5	26.6
Bell Aliant LP	33.8	41.8	70.1	78.2
	125.4	125.6	241.8	216.3
Net loss from discontinued operations	(3.4)	(0.7)	(2.8)	(0.7)
Add non-controlling interest of holders of exchangeable units:				
Bell Aliant Holdings LP	(0.8)	(0.1)	(0.7)	0.1
	(4.2)	(0.8)	(3.5)	(0.6)
Diluted net earnings	\$ 121.2	\$ 124.8	\$ 238.3	\$ 215.7
Weighted average number of units outstanding	127,236,840	126,952,226	127,167,773	126,951,819
Add exchangeable limited partnership units:				
Class 1 exchangeable limited partnership units of Bell Aliant Holdings LP	28,168,803	28,168,803	28,168,803	28,168,803
Class B exchangeable limited partnership units of Bell Aliant LP	72,205,024	72,205,024	72,205,024	72,205,024
Deferred units under unit-based compensation plan	437,380	480,991	437,380	480,991
	228,048,047	227,807,044	227,978,980	227,806,637
Diluted earnings per unit from continuing operations	\$ 0.55	\$ 0.55	\$ 1.06	\$ 0.95
Diluted earnings per unit from discontinued operations	(0.02)	-	(0.01)	-
Diluted earnings per unit	\$ 0.53	\$ 0.55	\$ 1.05	\$ 0.95

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. In 2009, the exchangeable limited partnership units were anti-dilutive for discontinued operations, and in 2008, the exchangeable limited partnership units were anti-dilutive for continuing operations and discontinued operations. The deferred units under unit-based compensation plans, relating to the 2006 grant and a portion of the 2007 and 2008 grants, as discussed in note 6, are dilutive.

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
**(Unaudited)**  
**June 30, 2009**

**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
<b>Record date:</b>			<b>Record date:</b>	
<b>January 30</b>	\$ 30.7	\$ 0.2417	January 31	\$ 29.8 \$ 0.2350
<b>February 27</b>	30.7	0.2417	February 29	30.7 0.2417
<b>March 31</b>	30.7	0.2417	March 31	30.7 0.2417
<b>April 30</b>	30.7	0.2417	April 30	30.7 0.2417
<b>May 29</b>	30.8	0.2417	May 30	30.7 0.2417
<b>June 30</b>	30.8	0.2417	June 29	30.7 0.2417
	\$ 184.4	\$ 1.4502		\$ 183.3 \$ 1.4435

**6. UNIT-BASED COMPENSATION PLANS**

*Employee unit purchase plans*

For the three and six months ended June 30, 2009, we bought 532,516 units and 1,109,719 units, respectively (June 30, 2008 – 429,088 units and 919,037 units, respectively), at a total cost of \$13.4 million and \$27.6 million, respectively (June 30, 2008 – \$12.8 million and \$27.0 million, respectively), on the open market for employees of certain subsidiaries of Bell Aliant Holdings LP participating in the employee unit purchase plans. Of these totals, \$2.5 million and \$4.8 million, respectively (June 30, 2008 - \$2.3 million and \$4.6 million, respectively) 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:

	2009	2008
For the six months ended June 30		
Deferred units outstanding, beginning of period	1,181,958	794,980
Granted:		
Service period fiscal 2008 to 2010	-	411,768
Service period fiscal 2009 to 2011	350,492	-
Reinvested distributions	65,716	42,247
	416,208	454,015
Forfeited	(56,924)	(16,585)
Exercised (note 3)	(257,251)	(4,397)
Deferred units outstanding, end of period	1,283,991	1,228,013
Deferred units vested, end of period	437,380	369,496

For the six months ended June 30, 2009, the grant-date fair value of the 416,208 units (June 30, 2008 – 454,015 units) granted was \$10.8 million, or \$26.05 per deferred unit (June 30, 2008 - \$13.6 million, or \$30.05 per deferred unit).

**BELL ALIANT REGIONAL COMMUNICATIONS INCOME FUND**  
**Notes to the consolidated financial statements**  
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**6. UNIT-BASED COMPENSATION PLANS (Continued)**

*Deferred unit plan (continued)*

As the deferred units will be settled with our units when exercised, for the three and six months ended June 30, 2009, we have recorded in contributed surplus the equivalent of the compensation expense increase (decrease) that was recorded in certain subsidiaries of Bell Aliant Holdings LP of \$(0.7) million and \$2.2 million, respectively (June 30, 2008 - \$2.9 million and \$6.6 million, respectively). We issued 257,251 units (June 30, 2008 - 4,397 units) out of treasury at an average market value of \$26.08 per unit (June 30, 2008 - \$29.13 per unit) related to the deferred units exercised in the period. When exercised, the corresponding value of \$6.7 million (June 30, 2008 - \$0.1 million) was reclassified from contributed surplus to stated capital.

**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 5). At June 30, 2009, \$31.3 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 0.49 per cent to 1.81 per cent per annum, resulting in an immaterial amount of interest revenue being earned during the six month period ended June 30, 2009 (June 30, 2008 - immaterial amount). At June 30, 2009, \$3.1 million in promissory notes were receivable from Bell Aliant LP, bearing interest at 0.49 per cent per annum and maturing on dates up to July 15, 2009. This balance is included in cash and cash equivalents.

At June 30, 2009, \$18.5 million was due from Bell Aliant Holdings LP and its subsidiaries (December 31, 2008 - \$13.6 million), which relates to the net of operating expenses payable as well as amounts receivable related to the deferred unit plan, as described in note 6.