

**BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED
PARTNERSHIP**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)**

June 30, 2010

BellAliant

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

<i>(millions of dollars)</i>	Notes	As at June 30, 2010	As at December 31, 2009
Assets			
Current assets			
Cash and cash equivalents	\$	12.1	\$ 27.1
Accounts receivable		296.0	304.0
Inventory		28.0	14.4
Prepayments		38.2	14.8
Future income tax asset		71.6	57.6
Income tax receivable		27.5	14.4
		473.4	432.3
Capital investments			
Property, plant and equipment		3,631.7	3,662.8
Finite-life intangibles		2,986.6	3,069.8
		6,618.3	6,732.6
Other assets			
Long-term receivables		21.8	23.8
Deferred charges		18.7	13.4
Future income tax asset		4.2	4.2
Accrued benefit asset	3	441.3	418.0
Indefinite-life intangibles		125.2	125.2
Goodwill		2,768.9	2,768.3
		3,380.1	3,352.9
Total assets	\$	10,471.8	\$ 10,517.8
Liabilities and partners' equity			
Current liabilities			
Notes payable to related parties	14	\$ 6.2	\$ 2.6
Payables and accruals	4	361.3	416.2
Distributions payable	14	55.5	55.3
Short-term debt	5	140.6	40.0
Long-term debt due within one year	6	19.0	17.2
		582.6	531.3
Future income tax liability		422.5	421.6
Long-term debt	6	2,761.0	2,759.9
Accrued benefit liability	3	378.8	382.9
Deferred credits and other long-term liabilities	4	37.5	34.8
Total liabilities		4,182.4	4,130.5
Non-controlling interest		1,548.9	1,587.9
Partners' equity		4,740.5	4,799.4
Total liabilities and partners' equity	\$	10,471.8	\$ 10,517.8

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated statements of earnings
(Unaudited)

For the period ended June 30

<i>(millions of dollars, except earnings per unit)</i>	Notes	Three months		Six months	
		2010	2009	2010	2009
Operating revenues		\$ 753.1	\$ 784.5	\$ 1,531.7	\$ 1,602.8
Expenses					
Operating expenses		418.3	439.8	865.4	921.6
Depreciation and amortization		178.1	177.1	350.9	353.4
Restructuring and other charges	4	4.4	3.1	16.0	12.8
		600.8	620.0	1,232.3	1,287.8
Operating income		152.3	164.5	299.4	315.0
Other expenses					
Financial derivatives loss	10	-	13.3	-	13.3
Other expenses (income)		1.0	(0.5)	1.9	(0.3)
		1.0	12.8	1.9	13.0
Interest charges					
Interest on long-term debt		37.5	36.4	74.7	70.8
Other interest expense		2.5	2.6	4.8	5.7
		40.0	39.0	79.5	76.5
Earnings before underlisted items		111.3	112.7	218.0	225.5
Income taxes					
Current tax recovery		-	(2.0)	-	(2.0)
Future tax recovery		(11.0)	(13.8)	(14.8)	(21.7)
		(11.0)	(15.8)	(14.8)	(23.7)
Earnings before non-controlling interest		122.3	128.5	232.8	249.2
Non-controlling interest		33.0	33.8	65.7	70.1
Net earnings from continuing operations		89.3	94.7	167.1	179.1
Net loss from discontinued operations	8	-	(5.4)	-	(7.3)
Net earnings		\$ 89.3	\$ 89.3	\$ 167.1	\$ 171.8
Earnings per unit	9				
Basic from continuing operations		\$ 0.56	\$ 0.59	\$ 1.04	1.12
Basic from discontinued operations		-	(0.03)	-	(0.05)
Basic		\$ 0.56	\$ 0.56	\$ 1.04	1.07

See accompanying notes to the consolidated financial statements

Consolidated statements of comprehensive earnings
(Unaudited)

For the period ended June 30

<i>(millions of dollars)</i>	Note	Three months		Six months	
		2010	2009	2010	2009
Net earnings		\$ 89.3	\$ 89.3	\$ 167.1	\$ 171.8
Other comprehensive earnings, net of tax	10	1.0	12.4	1.9	13.8
Comprehensive earnings		\$ 90.3	\$ 101.7	\$ 169.0	\$ 185.6

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP

Consolidated statements of partners' equity

(Unaudited)

For the period ended June 30, 2010

<i>(millions of dollars)</i>	Notes	Partners' capital	Contributed surplus	<i>Accumulated earnings</i>	<i>Accumulated other comprehensive loss</i>	Total accumulated earnings and other comprehensive loss	Total partners' equity
Balance December 31, 2009		\$ 2,061.5	\$ 0.4	\$ 2,764.5	\$ (27.0)	\$ 2,737.5	\$ 4,799.4
Net earnings		-	-	167.1	-	167.1	167.1
Distributions declared on:							
Class 1 exchangeable limited partnership units		-	-	(40.9)	-	(40.9)	(40.9)
Class 2 limited partnership units	14	-	-	(187.0)	-	(187.0)	(187.0)
Other comprehensive earnings, net of tax	10	-	-	-	1.9	1.9	1.9
Balance June 30, 2010		\$ 2,061.5	\$ 0.4	\$ 2,703.7	\$ (25.1)	\$ 2,678.6	\$ 4,740.5

For the period ended June 30, 2009

<i>(millions of dollars)</i>	Notes	Partners' capital	Contributed surplus	<i>Accumulated earnings</i>	<i>Accumulated other comprehensive loss</i>	Total accumulated earnings and other comprehensive loss	Total partners' equity
Balance December 31, 2008		\$ 2,061.5	\$ 0.4	\$ 2,863.7	\$ (42.7)	\$ 2,821.0	\$ 4,882.9
Net earnings		-	-	171.8	-	171.8	171.8
Distributions declared on:							
Class 1 exchangeable limited partnership units		-	-	(40.9)	-	(40.9)	(40.9)
Class 2 limited partnership units	14	-	-	(187.1)	-	(187.1)	(187.1)
Other comprehensive earnings, net of tax	10	-	-	-	13.8	13.8	13.8
Balance June 30, 2009		\$ 2,061.5	\$ 0.4	\$ 2,807.5	\$ (28.9)	\$ 2,778.6	\$ 4,840.5

See accompanying notes to the consolidated financial statements

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Consolidated statements of cash flows
(Unaudited)

For the period ended June 30

<i>(millions of dollars)</i>	Notes	Three months		Six months	
		2010	2009	2010	2009
Cash from (used in) operating activities					
Net earnings from continuing operations		\$ 89.3	\$ 94.7	\$ 167.1	\$ 179.1
Adjustments to reconcile net earnings to cash from operating activities					
Depreciation and amortization		178.1	177.1	350.9	353.4
Gain on disposal of assets		-	(1.0)	-	(1.0)
Future income tax recovery		(11.0)	(13.8)	(14.8)	(21.7)
Net cost of benefit plans	3	20.3	20.4	40.6	40.7
Funding of defined benefit pension and other post-employment benefit plans	3	(28.9)	(29.5)	(62.4)	(58.8)
Non-controlling interest		33.0	33.8	65.7	70.1
Financial derivatives loss	10	-	13.3	-	13.3
Change in operating assets and liabilities	11	32.8	2.6	(87.8)	(66.8)
Other		(1.4)	(2.7)	(1.5)	(2.9)
		312.2	294.9	457.8	505.4
Cash from (used in) financing activities					
Repurchase of accounts receivable	2	(15.0)	-	(15.0)	-
Net proceeds (repayments) of short-term debt	5	(9.5)	(214.6)	100.6	(129.4)
Net proceeds (repayments) of notes payable to related party		2.4	2.0	3.6	(3.0)
Proceeds of long-term debt		-	348.6	-	348.6
Repayment of long-term debt		(0.2)	(150.2)	(1.3)	(151.1)
Repayment of capital lease obligations		(4.5)	(1.4)	(8.6)	(3.6)
Net settlement of financial derivatives	10	-	(15.4)	-	(15.4)
Distributions paid by subsidiaries to non-controlling interest		(52.3)	(52.3)	(104.7)	(104.7)
Distributions paid		(114.0)	(114.0)	(227.7)	(227.9)
		(193.1)	(197.3)	(253.1)	(286.5)
Cash from (used in) investing activities					
Purchase of capital investments		(125.0)	(121.7)	(219.7)	(229.0)
Proceeds on sale of capital investments		-	1.7	-	1.7
		(125.0)	(120.0)	(219.7)	(227.3)
Net decrease in cash from continuing operations		(5.9)	(22.4)	(15.0)	(8.4)
Net increase in cash from discontinued operations	8	-	14.2	-	9.3
Cash and cash equivalents, beginning of period		18.0	23.7	27.1	14.6
Cash and cash equivalents, end of period		\$ 12.1	\$ 15.5	\$ 12.1	\$ 15.5
Supplementary disclosure					
Cash and cash equivalents, end of period					
Cash				\$ 6.1	\$ 11.2
Cash equivalents				6.0	4.3
				\$ 12.1	\$ 15.5
Interest paid		\$ 4.9	\$ 7.5	\$ 76.5	\$ 71.3
Income taxes paid, net		\$ 0.4	\$ 0.6	\$ 4.1	\$ 0.8

See accompanying notes to the consolidated financial statements

Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) was established in 2006 under the laws of the Province 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 Holdings LP and its subsidiaries.

Our operations are principally focused on regional telecommunications services in Atlantic Canada, Quebec and Ontario. We provide a wide range of innovative and traditional voice and data communications services as well as information technology (IT) consulting, infrastructure management, product fulfillment and advanced technology solutions.

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

We have prepared these unaudited interim consolidated financial statements in accordance with Canadian generally accepted accounting principles using the same basis of presentation and accounting policies as our audited consolidated financial statements for the year ended December 31, 2009. These unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2009.

Future changes in accounting policies

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

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.

2. TRANSFER OF RECEIVABLES

In May 2010, we reduced the net cash proceeds under our revolving accounts receivable purchase and sale agreement with a securitization trust by \$15.0 million. At June 30, 2010, our net cash proceeds under the agreement were \$150.0 million. The security required under the agreement recorded as retained interest was \$39.1 million at June 30, 2010 (December 31, 2009 - \$43.0 million).

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
June 30, 2010

3. POST-EMPLOYMENT BENEFITS

Accrued benefit asset (liability)

The following table shows the status of the defined benefit (DB) pension and other post employment benefit (OPEB) plans and changes during the period.

<i>(millions of dollars)</i>	DB pension plans	OPEB plans	Total
Accrued benefit asset (liability) as at December 31, 2009	\$ 255.7	\$ (220.6)	\$ 35.1
Net cost of benefit plans	(36.5)	(4.1)	(40.6)
Contributions	63.9	4.1	68.0
Accrued benefit asset (liability) as at June 30, 2010	\$ 283.1	\$ (220.6)	\$ 62.5
Accrued benefit asset	\$ 441.3	\$ -	\$ 441.3
Accrued benefit liability	(158.2)	(220.6)	(378.8)
	\$ 283.1	\$ (220.6)	\$ 62.5

Net cost of benefit plans

The following table shows the net cost of DB pension and OPEB plans.

<i>(millions of dollars)</i>	Three months		Six months	
For the period ended June 30	2010	2009	2010	2009
<i>DB pension plans</i>				
Current service cost	\$ 10.8	\$ 11.7	\$ 21.7	\$ 23.4
Interest on the accrued benefit obligation	41.8	40.0	83.6	79.9
Expected return on plan assets	(41.1)	(38.6)	(82.1)	(77.2)
Amortization of deferred amounts:				
Past service costs	1.4	1.4	2.8	2.8
Net actuarial losses	5.3	4.4	10.5	8.8
	\$ 18.2	\$ 18.9	\$ 36.5	\$ 37.7
<i>OPEB plans</i>				
Current service cost	\$ 0.4	\$ 0.4	\$ 0.8	\$ 0.8
Interest on the accrued benefit obligation	3.1	2.7	6.1	5.4
Amortization of deferred amounts:				
Past service costs	(2.0)	(2.0)	(4.0)	(4.0)
Net actuarial losses	0.6	0.4	1.2	0.8
	\$ 2.1	\$ 1.5	\$ 4.1	\$ 3.0
Total net cost of DB pension and OPEB plans	\$ 20.3	\$ 20.4	\$ 40.6	\$ 40.7

3. POST-EMPLOYMENT BENEFITS (Continued)

Benefit plan contributions

Our contributions to DB pension and OPEB plans, as well as defined contribution (DC) pension plans are as follows:

For the period ended June 30 <i>(millions of dollars)</i>	Three months		Six months	
	2010	2009	2010	2009
DB pension plans contributions	\$ 32.3	\$ 27.5	\$ 63.9	\$ 55.0
OPEB plans contributions	2.2	2.0	4.1	3.8
Funding of DB pension and OPEB plans	\$ 34.5	\$ 29.5	\$ 68.0	\$ 58.8
DC pension plans contributions	2.0	2.1	3.9	4.0
Total contributions	\$ 36.5	\$ 31.6	\$ 71.9	\$ 62.8

Included in the DB pension plans contributions for the three and six months ended June 30, 2010, is an accrual of \$5.6 million, which will be paid in July 2010.

4. RESTRUCTURING AND OTHER CHARGES

Restructuring charges

As part of our organizational productivity initiatives, during the first six months of 2010, we offered a voluntary retirement incentive to a limited number of our unionized employees in Ontario and Quebec, and continued to streamline our management workforce. As a result, during the three and six months ended June 30, 2010, we estimated and recorded a restructuring charge of \$4.0 million and \$12.9 million, respectively, in employee severance and benefit costs as well as real estate rationalization costs, which will be paid as employees retire or leave the organization.

In addition, for the three and six months ended June 30, 2010, we increased the estimated costs of the 2009 restructuring initiative by \$0.3 million and \$2.5 million, respectively, to reflect the final costs, as departing employees had options that affected the amount of their severance.

During the six months ended June 30, 2009, restructuring charges of \$11.9 million included employee severance and benefit costs related to a voluntary retirement incentive offered to certain unionized employees in Atlantic Canada and Ontario and Quebec and real estate rationalization costs.

The restructuring charges liability included in payables and accruals is as follows:

<i>(millions of dollars)</i>	
Liability as at December 31, 2009	\$ 41.2
Restructuring charges:	
Employee severance and benefit costs	12.1
Real estate rationalization costs	0.8
Change in the 2009 restructuring charge estimate	2.5
	15.4
Cash payments	34.1
Liability as at June 30, 2010	\$ 22.5

4. RESTRUCTURING AND OTHER CHARGES (Continued)

Restructuring charges (continued)

As at June 30, 2010, the restructuring charge liability included \$7.3 million in real estate rationalization costs, of which \$4.7 million are included in other long-term liabilities as they will be drawn down after June 30, 2011.

Other charges

During the three and six months ended June 30, 2010, we incurred \$0.1 million and \$0.6 million, respectively, of other charges (June 30, 2009 - \$0.5 million and \$0.9 million, respectively), which mainly relate to rebranding for our operations.

5. SHORT-TERM DEBT

As at June 30, 2010, we had amounts available for use under operating facilities of \$1,121.3 million (December 31, 2009 - \$1,121.9 million). The amount of issued letters of credit at June 30, 2010, was \$268.2 million (December 31, 2009 - \$269.6 million).

Amounts drawn under operating facilities are as follows:

<i>(millions of dollars)</i>	As at June 30, 2010	As at December 31, 2009
Drawn amounts:		
Commercial paper program	\$ 100.6	\$ -
Non-revolving pension reserve facility	40.0	40.0
	\$ 140.6	\$ 40.0

We ensure at all times that sufficient undrawn capacity exists on our committed revolving operating facilities to support issuances of commercial paper. Short-term promissory notes totalling \$100.6 million, issued under our commercial paper program to fund changes in operating assets and liabilities, carry interest at 0.6 percent per annum and have maturity dates from July 15, 2010, to July 29, 2010.

Bankers' acceptance advances of \$40.0 million outstanding under our non-revolving pension reserve facility carry interest at rates of 0.97 percent per annum and mature on July 30, 2010.

6. FINANCIAL INSTRUMENTS

Fair value

For cash and cash equivalents, trade receivables, trade payables and short-term loans and borrowings, the carrying value approximates their fair value due to the short-term maturity of these instruments.

The fair value of our long-term debt has been estimated based on calculations of the present value of future cash flows, using the appropriate discount rates in effect at the balance sheet dates for our long-term debt that is not actively traded, and quoted prices for our long-term debt that is actively traded.

The fair value of our long-term debt is estimated as follows:

<i>(millions of dollars)</i>	As at June 30, 2010		As at December 31, 2009	
	Fair value	Carrying value	Fair value	Carrying value
Long-term debt	\$ 2,882.8	\$ 2,780.0	\$ 2,844.1	\$ 2,777.1

7. UNIT-BASED COMPENSATION PLANS

Employee unit purchase plans

The total number of Fund units bought on the open market for our employee unit purchase plans for the three and six months ended June 30, 2010, was 492,728 and 1,029,938 respectively (June 30, 2009 - 532,516 and 1,109,719 respectively). Compensation expense related to the employee unit purchase plans of \$2.3 million and \$4.6 million, respectively, was recorded for the three and six months ended June 30, 2010 (June 30, 2009 - \$2.5 million and \$4.8 million, respectively).

Deferred unit plan

In February 2010, the Fund trustees approved amendments to the deferred unit plan (DUP) to allow plan members to receive either the cash equivalent of one Fund unit or one Fund unit for each vested deferred unit upon qualifying for payout under the terms of the grant. Previously, plan members were only permitted to receive one Fund unit upon qualification. There is no exercise price paid by the grantee for deferred units. The Fund may issue up to 3,154,120 (December 31, 2009 - 3,276,150) additional Fund units out of treasury to satisfy awards under this DUP. Any deferred units that do not vest due to failure to achieve prescribed performance targets are forfeited. Further, any unvested deferred units of a plan member are forfeited upon their departure.

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

For the six months ended June 30	2010	2009
Deferred units outstanding, beginning of period	1,293,699	1,181,958
Granted:		
February 2009 - Service period fiscal 2009 to 2011	-	350,492
June 2010 - Service period fiscal 2010 to 2012	369,784	-
Reinvested distributions during the period	55,490	65,716
	425,274	416,208
Forfeited	(248,387)	(56,924)
Exercised	(122,030)	(257,251)
Deferred units outstanding, end of period	1,348,556	1,283,991
Deferred units vested, end of period	649,573	437,380

The fair value of the 425,274 deferred units granted or credited on reinvestment of notional distributions in the six months ended June 30, 2010, was \$11.0 million (June 30, 2009 - 416,208 deferred units granted or credited was \$10.8 million). For the three and six months ended June 30, 2010, we recorded an increase (decrease) in compensation expense of \$2.1 million and \$(0.5) million, respectively (June 30, 2009 - \$(0.7) million and \$2.2 million, respectively), related to the deferred units' costs, recognized over the vesting period, and the change in the quoted market price of the Fund units between the grant date and the reporting period date.

8. DISCONTINUED OPERATIONS

Innovatia Inc. (Innovatia)

On November 1, 2009, Bell Aliant Holdings LP concluded a share purchase agreement under which the senior leaders of Innovatia acquired 100 per cent of the outstanding shares of Innovatia.

xwave New England Corp. (xwave NE)

On June 1, 2009, Bell Aliant Holdings LP and Abilis Solutions Inc. (Abilis) concluded a share purchase agreement under which Abilis acquired 100 per cent of the outstanding shares of xwave NE.

Defence, Security and Aerospace (DSA) business

On May 1, 2009, Bell Aliant Holdings LP and CAE Professional Services (Canada) Inc. (CAE) concluded an asset purchase agreement under which CAE acquired our DSA business, which operated under the xwave brand.

Presentation of discontinued operations

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

For the three months ended June 30, 2009 (millions of dollars)	Innovatia	xwave NE	DSA	Total
Operating revenues	\$ 5.2	\$ 1.4	\$ 1.8	\$ 8.4
Expenses	4.8	3.1	3.2	11.1
Gain (loss) on sale	-	(2.6)	2.0	(0.6)
Income tax expense	1.6	-	0.5	2.1
Net earnings (loss) from discontinued operations	\$ (1.2)	\$ (4.3)	\$ 0.1	\$ (5.4)
For the six months ended June 30, 2009 (millions of dollars)	Innovatia	xwave NE	DSA	Total
Operating revenues	\$ 10.7	\$ 5.6	\$ 9.0	\$ 25.3
Expenses	13.6	7.9	9.5	31.0
Gain (loss) on sale	-	(2.6)	2.0	(0.6)
Income tax expense	0.4	-	0.6	1.0
Net earnings (loss) from discontinued operations	\$ (3.3)	\$ (4.9)	\$ 0.9	\$ (7.3)

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
June 30, 2010

8. DISCONTINUED OPERATIONS (Continued)

Presentation of discontinued operations (continued)

The summarized statements of cash flows for discontinued operations are as follows:

For the three months ended June 30, 2009 (millions of dollars)	Innovatia	xwave NE	DSA	Total
Cash from (used in):				
Operating activities	\$ 1.2	\$ (3.3)	\$ (2.7)	\$ (4.8)
Investing activities	(0.3)	2.9	16.4	19.0
Net increase (decrease) in cash from discontinued operations	\$ 0.9	\$ (0.4)	\$ 13.7	\$ 14.2

For the six months ended June 30, 2009 (millions of dollars)	Innovatia	xwave NE	DSA	Total
Cash from (used in):				
Operating activities	\$ 2.3	\$ (4.7)	\$ (7.1)	\$ (9.5)
Investing activities	(0.5)	2.9	16.4	18.8
Net increase (decrease) in cash from discontinued operations	\$ 1.8	\$ (1.8)	\$ 9.3	\$ 9.3

9. EARNINGS PER UNIT

For the period ended June 30 (millions of dollars, except as otherwise noted)	Three months		Six months	
	2010	2009	2010	2009
Net earnings from continuing operations	\$ 89.3	\$ 94.7	\$ 167.1	\$ 179.1
Net loss from discontinued operations	-	(5.4)	-	(7.3)
Net earnings	\$ 89.3	\$ 89.3	\$ 167.1	\$ 171.8
Basic:				
Weighted average number of units outstanding	160,536,409	160,536,409	160,536,409	160,536,409
Basic from continuing operations	\$ 0.56	\$ 0.59	\$ 1.04	\$ 1.12
Basic from discontinued operations	-	(0.03)	-	(0.05)
Basic earnings per unit	\$ 0.56	\$ 0.56	\$ 1.04	\$ 1.07

BELL ALIANT REGIONAL COMMUNICATIONS HOLDINGS, LIMITED PARTNERSHIP
Notes to the consolidated financial statements
(Unaudited)
June 30, 2010

10. OTHER COMPREHENSIVE EARNINGS

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

For the three months ended June 30	2010			2009		
<i>(millions of dollars)</i>	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
Losses on derivatives designated as cash flow hedges	\$ -	\$ -	\$ -	(0.7)	(0.2)	(0.5)
Reclassification to other expense	-	-	-	13.3	2.9	10.4
Reclassification to interest charges	1.2	0.2	1.0	3.3	0.8	2.5
Other comprehensive earnings	\$ 1.2	\$ 0.2	\$ 1.0	\$ 15.9	\$ 3.5	\$ 12.4

For the six months ended June 30	2010			2009		
<i>(millions of dollars)</i>	Amount arising	Income taxes	Net	Amount arising	Income taxes	Net
Losses on derivatives designated as cash flow hedges	\$ -	\$ -	\$ -	(0.1)	(0.1)	-
Reclassification to other expense	-	-	-	13.3	2.9	10.4
Reclassification to interest charges	2.4	0.5	1.9	4.5	1.1	3.4
Other comprehensive earnings	\$ 2.4	\$ 0.5	\$ 1.9	\$ 17.7	\$ 3.9	\$ 13.8

We reclassify to net earnings the amortization of losses on forward fixed-floating interest rate swaps that were settled in 2007. These interest rate swaps were designated to hedge the coupon payments of anticipated long-term debt issuances, and the interest rate swaps were settled as the anticipated long-term debt issuances occurred. As such, the losses are being amortized as interest charges in conjunction with the long-term debt coupon payments in the year, in accordance with the application of hedge accounting.

In May 2009, we reclassified to net earnings \$15.4 million in net losses related to cash flow hedges that were settled, composed of \$13.3 million loss on settlement and \$2.1 million interest charges. Hedge accounting no longer applies to these hedges.

As at June 30, 2010, the accumulated other comprehensive loss of \$25.1 million (December 31, 2009 - \$27.0 million) represents the unamortized portion of losses on these forward fixed-floating interest rate swaps that were settled in 2007.

11. CHANGES IN OPERATING ASSETS AND LIABILITIES

For the period ended June 30	Three months		Six months	
<i>(millions of dollars)</i>	2010	2009	2010	2009
Accounts receivable	\$ 32.3	\$ 21.9	\$ 17.7	\$ 26.7
Inventory	(3.2)	1.5	(13.6)	0.9
Prepayments	(9.0)	(1.2)	(23.5)	(22.4)
Income tax receivable	-	2.4	(11.9)	(2.3)
Long-term receivables	0.4	0.7	1.5	1.0
Deferred charges	(1.6)	1.8	(6.0)	1.8
Payables and accruals	17.2	(25.4)	(56.2)	(82.2)
Deferred credits and other long-term liabilities	(3.3)	0.9	4.2	9.7
	\$ 32.8	\$ 2.6	\$ (87.8)	\$ (66.8)

12. COMMITMENTS

Operating leases and purchase commitments

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

<i>(millions of dollars)</i>	Remainder of 2010	2011	2012	2013	2014	Thereafter	Total
Operating leases	\$ 18.8	\$ 29.0	\$ 23.5	\$ 23.3	\$ 32.8	\$ 110.7	\$ 238.1
Purchase commitments	199.6	359.5	338.6	315.0	298.9	1,636.0	3,147.6
	\$ 218.4	\$ 388.5	\$ 362.1	\$ 338.3	\$ 331.7	\$ 1,746.7	\$ 3,385.7

Purchase commitments primarily relate to various information systems and technology agreements and obligations under service agreements.

In the second quarter of 2010, we gave notice of our intention not to renew certain existing pole use agreements we have with the power utility serving Newfoundland, which triggered an obligation to repurchase an interest in the poles previously sold to the utility. The purchase is subject to the satisfaction of certain conditions and we anticipate the transaction to close by late 2010 or early 2011 with an estimated \$55.0-60.0 million in capital investments, not included in the balance of the future minimum purchase commitments reported above.

As a result, we decreased the previously reported commitment for operating leases by \$241.6 million in total.

13. CONTINGENCIES

System Access Fee Class Action

As discussed in note 23 of our audited consolidated financial statements for the year ended December 31, 2009, on August 9, 2004, a lawsuit was filed in the Saskatchewan Court of Queen's Bench 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. We, as well as the other parties, sought leave to appeal the certification order. The court 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 also sought leave to appeal this decision.

The applications for leave to appeal the certification order and the jurisdictional issue were heard on February 24, 2010. On March 15, 2010, the Court of Appeal granted all parties leave to appeal the certification order. We also obtained leave to appeal the jurisdiction issue. The plaintiffs also obtained leave to appeal an earlier decision which denied their motion to convert the certified class into a national "opt-out" class. All appeals are tentatively scheduled for hearing beginning on October 12, 2010.

We have defences to these claims, but the outcome of these matters is not determinable at this time.

14. RELATED PARTY TRANSACTIONS

The Fund is entirely dependent on the distributions we pay to them to make their distributions. For the three and six months ended June 30, 2010, we declared distributions to them totaling \$93.6 million and \$187.0 million, respectively (June 30, 2009 - \$93.6 million and \$187.1 million, respectively). At June 30, 2010, \$31.2 million was included in distributions payable (December 31, 2009 - \$31.1 million).

The Fund loans us their excess cash through a series of promissory notes, and requests repayments as required for operating purposes. The \$2.6 million promissory note that was payable to the Fund at December 31, 2009, was repaid on January 15, 2010. Subsequently issued promissory notes carried rates of interest from 0.50 per cent to 0.76 per cent per annum, resulting in an immaterial amount of interest expense being incurred during the three and six months ended June 30, 2010 (June 30, 2009 - immaterial amount). At June 30, 2010, a \$6.2 million promissory note was payable to the Fund, which carries interest at 0.76 per cent per annum and matures on July 15, 2010.