

BELL ALIANT INC.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

September 30, 2011

BellAliant

INCOME STATEMENTS (unaudited)

For the period ended September 30

(in millions of Canadian dollars, except earnings per share/unit)	Notes	Three months		Nine months	
		2011	2010	2011	2010
Income (loss) from equity investments	3	76.6	(0.5)	248.7	349.3
Operating expenses		0.9	0.5	2.5	2.5
Earnings (loss) before income tax		75.7	(1.0)	246.2	346.8
Deferred income tax recovery		(0.3)	-	(0.8)	-
Net earnings (loss) from continuing operations		76.0	(1.0)	247.0	346.8
Net earnings (loss) from discontinued operations of equity investments	3	(0.2)	0.6	(4.4)	0.6
Net earnings (loss)		75.8	(0.4)	242.6	347.4
Earnings per share / unit	4				
Basic from continuing operations		0.33	(0.01)	1.08	2.72
Basic from discontinued operations		-	0.01	(0.01)	0.01
Basic		0.33	-	1.07	2.73
Diluted from continuing operations		0.33	(0.01)	1.08	1.52
Diluted from discontinued operations		-	0.01	(0.02)	0.01
Diluted		0.33	-	1.06	1.53

See accompanying notes to the financial statements

STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

For the period ended September 30

(in millions of Canadian dollars)	Note	Three months		Nine months	
		2011	2010	2011	2010
Net earnings (loss)		75.8	(0.4)	242.6	347.4
Other comprehensive income (loss)	3				
Actuarial losses on defined benefit pension (DB) and other post-employment benefits (OPEB) plans		(150.2)	(52.1)	(176.4)	(354.5)
Reclassification of losses on derivatives to finance expense		0.7	1.5	2.4	3.4
		(149.5)	(50.6)	(174.0)	(351.1)
Comprehensive income (loss)		(73.7)	(51.0)	68.6	(3.7)

See accompanying notes to the financial statements

STATEMENTS OF FINANCIAL POSITION (unaudited)

(in millions of Canadian dollars)	Notes	September 30, 2011	December 31, 2010
Assets			
Current assets			
Cash and cash equivalents	8	6.2	5.3
Distributions receivable	8	-	29.6
Due from related parties	8	29.9	27.4
		36.1	62.3
Non-current assets			
Deferred income tax asset		1.5	-
Investments	3	3,262.3	950.3
		3,263.8	950.3
Total assets		3,299.9	1,012.6
Liabilities and shareholders' / unitholders' equity			
Current liabilities			
Payables and accruals		0.3	0.1
Distributions payable		-	30.8
		0.3	30.9
Non-current liabilities			
		0.3	-
Shareholders' / unitholders' equity		3,299.3	981.7
Total liabilities and shareholders' / unitholders' equity		3,299.9	1,012.6

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS (unaudited)

For the period ended September 30

(in millions of Canadian dollars)	Notes	2011	2010
Cash from (used in) operating activities			
Net earnings from continuing operations		247.0	346.8
Adjustments to reconcile net earnings to cash from operating activities			
Income from equity investments	3	(248.7)	(349.3)
Change in operating assets and liabilities		1.0	(0.4)
Deferred income tax recovery		(0.8)	-
		(1.5)	(2.9)
Cash from (used in) financing activities			
Issuance of shares / units on exercise of deferred share/unit plan	5	0.9	3.2
Redemption of shares / units	5	-	(0.1)
Purchase of shares / units for dividend / distribution reinvestment	5	(9.7)	(12.2)
Cash distributions paid to unitholders		(29.4)	(264.8)
Cash dividends paid to shareholders		(316.3)	-
		(354.5)	(273.9)
Cash from investing activities			
Cash dividends / distributions received from equity investments	3	356.9	280.4
		356.9	280.4
Net increase in cash from continuing operations		0.9	3.6
Cash and cash equivalents, beginning of period		5.3	2.6
Cash and cash equivalents, end of period		6.2	6.2

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN EQUITY (unaudited)

For the period ended September 30, 2011

(in millions of Canadian dollars)

	Notes	Issued capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total accumulated deficit and other comprehensive loss	Total shareholders' equity
Balance December 31, 2010	5	4,195.6	47.5	(3,238.7)	(22.7)	(3,261.4)	981.7
Conversion to a corporation	5	2,606.7	(23.0)	(16.5)	-	(16.5)	2,567.2
Net earnings		-	-	242.6	-	242.6	242.6
Dividends declared	6	-	-	(324.6)	-	(324.6)	(324.6)
Deferred share plan	5, 7	0.9	5.5	-	-	-	6.4
Other comprehensive income (loss) of equity investments		-	-	(176.4)	2.4	(174.0)	(174.0)
Balance September 30, 2011		6,803.2	30.0	(3,513.6)	(20.3)	(3,533.9)	3,299.3

For the period ended September 30, 2010

(in millions of Canadian dollars)

	Notes	Issued capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total accumulated deficit and other comprehensive loss	Total unitholders' equity
Balance January 1, 2010	5, 9	4,192.2	45.7	(1,605.7)	(27.0)	(1,632.7)	2,605.2
Net earnings		-	-	347.4	-	347.4	347.4
Distributions declared	6	-	-	(277.0)	-	(277.0)	(277.0)
Redemption of units	5	(0.1)	-	-	-	-	(0.1)
Deferred unit plan	5, 7	3.2	(0.9)	-	-	-	2.3
Other comprehensive income (loss) of equity investments		-	-	(354.5)	3.4	(351.1)	(351.1)
Balance September 30, 2010		4,195.3	44.8	(1,889.8)	(23.6)	(1,913.4)	2,326.7

See accompanying notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

All amounts are in millions of Canadian dollars, except where noted.

1. Description of business

Bell Aliant Inc. (previously 7538502 Canada Inc.) was incorporated on April 30, 2010, under the laws of Canada to facilitate the conversion of Bell Aliant Regional Communications Income Fund (the Fund) from an income trust structure into a corporate structure (the Conversion). As of December 31, 2010, Bell Aliant Inc. had not carried on any active business. The Conversion is described in note 1 to the unaudited interim financial statements of Bell Aliant Inc. for the period ended March 31, 2011.

On January 1, 2011, as a result of the Conversion, BCE Inc. (BCE) and Bell Canada owned 43.88 per cent of the common shares of Bell Aliant Inc. on a fully diluted basis and one common share of Bell Aliant Regional Communications Inc. (Bell Aliant GP), with the remaining common shares of Bell Aliant GP owned by Bell Aliant Inc. Under the terms of the amended securityholders' agreement, BCE and Bell Canada continue to control Bell Aliant GP. Bell Aliant Inc. exercises significant influence over the operating, investing and financial policies of Bell Aliant GP, but does not control it. As a result, Bell Aliant Inc. equity accounts for its investment in Bell Aliant GP, which consolidates its operating subsidiaries. These unaudited interim financial statements (interim financial statements) should be read in conjunction with the unaudited interim consolidated financial statements of Bell Aliant GP as at September 30, 2011.

As the original unitholders of the Fund and Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) have an interest in essentially the same underlying assets and liabilities, but through different legal structures of Bell Aliant Inc. and Bell Aliant GP, the Conversion has been accounted for on a continuity of interests basis. Accordingly, the financial statements of Bell Aliant Inc. reflect the financial position, results of operations and cash flows as if it had always carried on the business of the Fund. Comparative amounts in these financial statements are those of the Fund and are presented on a consolidated basis.

All references to "we", "us" or "our" refer to Bell Aliant Inc. for 2011 and to the Fund and its subsidiaries for prior periods.

We hold an investment in entities whose operations are primarily focused on the provision of regional telecommunications services in Atlantic Canada, Ontario and Quebec. We are incorporated and domiciled in Canada. The address of our registered office is 1505 Barrington Street, Halifax, Nova Scotia, B3J 2W3. These interim financial statements were approved and authorized for issue by the board of directors on November 1, 2011. The consolidated financial statements of the Fund for the year ended December 31, 2010, prepared using Canadian generally accepted accounting principles (GAAP), were approved by the board of directors and authorized for issue on March 9, 2011.

2. Significant accounting policies

Basis of presentation

These interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), and interpretations of the IFRS Interpretations Committee, under International Accounting Standard (IAS) 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. They are prepared in accordance with the accounting policies we expect to adopt in our financial statements for the year ending December 31, 2011, which are described in note 2 to our unaudited interim financial statements for the three months ended March 31, 2011. They do not include all of the disclosure information required for full annual financial statements. These interim financial statements should be read in conjunction with our unaudited interim financial statements for the three months ended March 31, 2011.

In 2010, our annual and interim financial statements were prepared in accordance with Canadian GAAP. The effect of the transition from Canadian GAAP to IFRS is explained in note 9.

Notes to the Financial Statements (unaudited)

These interim financial statements are presented in our functional currency, Canadian dollars.

New accounting standards not yet adopted

The IASB has issued several new standards, amendments to standards, and interpretations that are not effective for the year ending December 31, 2011, and although early adoption is permitted, they have not been applied in preparing these interim financial statements. We are currently evaluating the effect, if any, that these new standards and amendments will have on our financial results. They are as follows:

Disclosures—Transfers of Financial Assets (Amendments to IFRS 7, Financial Instruments: Disclosures)

The amendments to IFRS 7, effective for annual periods beginning on or after July 1, 2011, require increased disclosure for the transfer of financial assets, particularly where there is a disproportionate amount of transactions that take place at the end of a reporting period.

IFRS 9, Financial Instruments

IFRS 9, effective for annual periods beginning on or after January 1, 2013, is the first of the IASB's three phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. It requires classification and measurement of financial assets in either the amortized cost or the fair value category.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, effective for annual periods beginning on or after January 1, 2013, requires disclosure on all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance-sheet vehicles.

IFRS 13, Fair Value Measurement

IFRS 13, effective for annual periods beginning on or after January 1, 2013, sets out a single framework for measuring fair value and required disclosures. It is applicable when another IFRS requires or permits fair value measurements or related disclosures, except for share-based payment transactions within the scope of IFRS 2, *Share-based Payment*, leasing transactions within the scope of IAS 17, *Leases*, and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12, Income Taxes)

The amendments to IAS 12, effective for annual periods beginning on or after January 1, 2012, set out presumptions for the recovery of certain assets, and are relevant in those cases where different tax consequences can arise depending on how the carrying amounts are recovered.

IAS 28 (Revised), Investments in Associates and Joint Ventures

IAS 28 (Revised), effective for annual periods beginning on or after January 1, 2013, supersedes IAS 28, *Investments in Joint Ventures*. It sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Notes to the Financial Statements (unaudited)

3. Investments

For the nine months ended September 30	2011	2010
Investments, beginning of period	950.3	2,577.1
Income from equity investments	248.7	349.3
Net earnings (loss) from discontinued operations of equity investments	(4.4)	0.6
Other comprehensive loss	(174.0)	(351.1)
Dividends / distributions declared by equity investments	(327.3)	(280.5)
Common shares issued in exchange for class B exchangeable limited partnership units of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), class 1 exchangeable limited partnership units of Bell Aliant Holdings LP, special voting units of the Fund and all but one of BCE and Bell Canada's voting common shares of Bell Aliant Holdings GP (note 5)	2,608.5	-
Share issue costs recognized by Bell Aliant GP	(1.5)	-
Reduction in deferred income tax assets recorded by Bell Aliant GP in relation to the Conversion	(21.5)	-
De-recognition of the notional deferred tax recovery in relation to the Conversion	(16.5)	-
Investments, end of period	3,262.3	2,295.4

For the nine months ended September 30, 2010, income from equity investments comprised the net earnings of Bell Aliant Holdings LP for the same period of \$350.4 million, as well as an increase to the income from equity investment of \$60.9 million related to the changes in fair value of the class 1 units of Bell Aliant Holdings LP, and a decrease to the income from equity investments of \$61.3 million related to distributions to holders of class 1 units issued by Bell Aliant Holdings LP. Refer to note 9 for further details.

Dividends / distributions received from equity investments for the nine months ended September 30, 2011, were \$356.9 million (nine months ended September 30, 2010 – \$280.4 million).

Other comprehensive loss relates to Bell Aliant GP's actuarial losses on DB pension and OPEB plans and adjustments in connection with asset limitations, as well as the reclassification to Bell Aliant GP's net earnings of the amortization of losses on forward fixed-floating interest rate swaps that were settled in 2007.

Notes to the Financial Statements (unaudited)

4. Earnings per share / unit

For the period ended September 30	Three months		Nine months	
	2011	2010	2011	2010
Basic:				
Net earnings (loss) from continuing operations	76.0	(1.0)	247.0	346.8
Net earnings (loss) from discontinued operations	(0.2)	0.6	(4.4)	0.6
Net earnings (loss)	75.8	(0.4)	242.6	347.4
Weighted average number of shares / units outstanding	227,795,791	127,384,921	227,786,941	127,339,137
Basic earnings per share / unit from continuing operations	0.33	(0.01)	1.08	2.72
Basic earnings per share / unit from discontinued operations	-	0.01	(0.01)	0.01
Basic earnings per share / unit	0.33	-	1.07	2.73
Diluted:				
Net earnings (loss) from continuing operations	76.0	(1.0)	247.0	346.8
Distributions declared to holders of class 1 exchangeable partnership units issued by Bell Aliant Holdings LP	-	20.4	-	61.3
Increase (decrease) in value of class 1 exchangeable partnership units issued by Bell Aliant Holdings LP	-	12.4	-	(60.9)
Distributions declared to holders of class B exchangeable partnership units issued by Bell Aliant LP	-	52.3	-	157.0
Increase (decrease) in value of class B exchangeable partnership units issued by Bell Aliant LP	-	31.7	-	(156.0)
	76.0	115.8	247.0	348.2
Net earnings (loss) from discontinued operations	(0.2)	0.6	(4.4)	0.6
Diluted net earnings	75.8	116.4	242.6	348.8
Weighted average number of shares / units outstanding	227,795,791	127,384,921	227,786,941	127,339,137
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 shares / units under share-based compensation plan (note 7)	927,998	666,248	927,998	666,248
	228,723,789	228,424,996	228,714,939	228,379,212
Diluted earnings per share / unit from continuing operations	0.33	(0.01)	1.08	1.52
Diluted earnings per share / unit from discontinued operations	-	0.01	(0.02)	0.01
Diluted earnings per share / unit	0.33	-	1.06	1.53

For the three months ended September 30, 2010, the exchangeable limited partnership units were anti-dilutive.

Notes to the Financial Statements (unaudited)

5. Shareholders' capital

Our shareholders' capital is authorized to include an unlimited number of common shares and preferred shares, which are issuable in series. There were no preferred shares issued and outstanding at September 30, 2011.

	As at September 30, 2011		As at December 31, 2010	
	Number of shares	Issued capital	Number of units	Issued capital
Issued and outstanding				
Common shares	227,803,538	6,803.2	-	-
Units	-	-	127,394,907	4,195.6
Special voting units	-	-	100,373,827	-
	227,803,538	6,803.2		4,195.6

Common shares

On January 1, 2011, as part of the Conversion, BCE and Bell Canada exchanged 100 per cent, or 72,205,024, class B exchangeable limited partnership units issued by Bell Aliant LP, 100 per cent, or 28,168,803, class 1 exchangeable limited partnership units issued by Bell Aliant Holdings LP, 100 per cent, or 100,373,827, special voting units issued by the Fund, and all but one of the voting common shares of Bell Aliant Regional Communications Holdings Inc. (Bell Aliant Holdings GP) that they held for 100,373,827 Bell Aliant Inc. common shares. Fund unitholders exchanged 100 per cent, or 127,394,907 units, for Bell Aliant Inc. common shares. Bell Aliant Inc. became the successor company of the Fund. The Conversion is further described in note 5 to our unaudited interim financial statements for the period ended March 31, 2011.

	Number of shares	Issued capital
Effect of the Conversion:		
Common shares issued in exchange for class B exchangeable limited partnership units of Bell Aliant LP, class 1 exchangeable limited partnership units of Bell Aliant Holdings LP, special voting units of the Fund and all but one of BCE and Bell Canada's voting common shares of Bell Aliant Holdings GP (note 3)	100,373,827	2,608.5
Common shares issued in exchange for issued and outstanding Fund units	127,394,907	4,195.6
Share issue costs related to the Conversion, net of tax	-	(1.8)
Shares issued on exercise under deferred share plan, net of withholding tax (note 7)	34,818	0.9
Fractional share adjustments	(14)	-
Common shares outstanding as at September 30, 2011	227,803,538	6,803.2

Units

	Number of units	Issued capital
Units outstanding, December 31, 2009	127,264,016	4,192.2
Deferred unit plan units exercised (note 7)	122,030	3.2
Redemption of units	(1,115)	(0.1)
Fractional unit adjustment	(14)	-
Units outstanding, September 30, 2010	127,384,917	4,195.3

Dividend reinvestment and optional share purchase plan

For the nine months ended September 30, 2011, we bought 380,371 common shares (nine months ended September 30, 2010 – 509,873 Fund units) on the open market for shareholders participating in the dividend

Notes to the Financial Statements (unaudited)

reinvestment and optional share purchase plan. This was in lieu of paying \$8.3 million in cash dividends and \$1.4 million in cash distributions (nine months ended September 30, 2010 - \$12.2 million in cash distributions) and, in respect of the optional share purchase plan, cash payments received of \$0.7 million (nine months ended September 30, 2010 - \$1.0 million).

6. Dividends / distributions declared

Subject to Board approval, we pay quarterly dividends based on dividends received from Bell Aliant GP, less normal operating expenses, in respect of the relevant period. Shareholders can elect to receive additional shares in lieu of receiving cash dividends, as discussed in note 5. For the nine months ended September 30, 2011, we declared and paid three quarterly dividends of \$0.475 per share, for a total of \$1.425 per share, or \$324.6 million.

For the nine months ended September 30, 2010, we declared nine monthly distributions to unitholders of \$0.2417 per unit, for a total of \$2.1753 per unit, or \$277.0 million.

7. Share-based compensation plans

Employee stock savings plans

The total number of our common shares bought on the open market for employee stock savings plans for the three and nine months ended September 30, 2011, was 404,199 and 1,345,496, respectively (number of Fund units bought for the three and nine months ended September 30, 2010, was 444,189 and 1,474,127, respectively). Compensation expense related to the employee stock savings plans of \$2.5 million and \$7.3 million was recorded by Bell Aliant GP for the three and nine months ended September 30, 2011, respectively (three and nine months ended September 30, 2010 - \$2.2 million and \$6.7 million, respectively).

Bell Aliant Deferred Share Plan

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

For the nine months ended September 30	2011	2010
Deferred shares / units outstanding, beginning of period	1,380,568	1,293,699
Granted:		
June 2010 – Service period fiscal 2010 to 2012	-	369,784
January 2011 – Service period fiscal 2011 to 2013	321,949	-
Reinvested notional dividends / distributions during the period	90,472	91,102
	412,421	460,886
Forfeited	(93,578)	(267,190)
Exercised	(93,089)	(122,030)
Deferred shares/units outstanding, September 30	1,606,322	1,365,365
Deferred shares/units vested, September 30	927,998	666,248

The fair value of the 412,421 deferred shares granted or credited on reinvestment of notional dividends/distributions for the nine months ended September 30, 2011 (nine months ended September 30, 2010 - 460,886 deferred units granted or credited) was \$11.0 million, or \$26.68 per deferred share (nine months ended September 30, 2010 - \$11.9 million, or \$25.86 per deferred unit).

As the deferred shares may be settled with our common shares when exercised, for the nine months ended September 30, 2011, we recorded in contributed surplus the equivalent of the compensation expense that was recorded by Bell Aliant GP of \$8.1 million (nine months ended September 30, 2010 - \$2.2 million plus \$0.1 million of other adjustments). This amount reflects the grant value of the deferred shares/ units, recognized over the vesting period, and the change in the quoted market price of our common shares / units between the grant date and the reporting period date.

Notes to the Financial Statements (unaudited)

Of the 93,089 deferred shares exercised during the nine months ended September 30, 2011, we issued 34,818 common shares from treasury, as discussed in note 5, and the remainder were settled in cash by Bell Aliant GP, net of amounts withheld for income taxes (nine months ended September 30, 2010, - 122,030 Fund units issued from treasury and none cash settled). The 34,818 common shares (nine months ended September 30, 2010 - 122,030 units) we issued out of treasury had an average market value of \$26.97 per share (nine months ended September 30, 2010 - \$25.98 per unit). When exercised, the corresponding value of \$0.9 million (nine months ended September 30, 2010 - \$3.2 million) was reclassified from contributed surplus to issued capital (note 5).

Bell Aliant Directors' Deferred Share Unit Plan

On January 1, 2011, we adopted the Bell Aliant Directors' Deferred Share Unit Plan (DDSUP). The DDSUP is a cash-settled plan for our eligible directors who are not employees of Bell Aliant Inc., its subsidiaries, BCE or Bell Canada, under which a portion of annual directors' fees will be credited in notional share units. The directors may elect to receive 25 per cent, 50 per cent, 75 per cent or 100 per cent of their annual director fees in the form of deferred share units under the DDSUP. 100 per cent of director fees for a calendar year will be received in the form of deferred share units under the DDSUP if a director did not meet minimum ownership requirements on January 1st of the applicable year. There are no vesting criteria for the grants and the deferred share units vest immediately. Directors are only eligible to redeem the deferred share units upon termination of their duties as directors of Bell Aliant Inc. The redemption payment amount is equal to the value of the deferred share units, calculated as the average closing price of our common shares traded on the TSX for the last five days preceding the redemption date, net of applicable taxes.

For the nine months ended September 30, 2011, we granted 11,545 deferred share units under the DDSUP and 193 deferred share units were credited on reinvestment of notional dividends. The fair value of the 11,738 deferred share units granted and credited under the DDSUP for the nine months ended September 30, 2011, was \$0.3 million, or \$27.26 per deferred share unit. No deferred share units were redeemed under the DDSUP during the nine months ended September 30, 2011. We recognized an immaterial amount of expense related to the DDSUP for the three and nine months ended September 30, 2011.

8. Related party transactions

Bell Aliant GP

We receive dividends from Bell Aliant GP, as discussed in note 3, which allow us to make our dividend payments, as discussed in note 6. There were no dividends receivable at September 30, 2011 (December 31, 2010 - \$29.6 million distributions receivable).

At September 30, 2011, \$29.9 million was due from Bell Aliant LP and its subsidiaries (December 31, 2010 - \$27.4 million), which relates to the net of our operating expenses payable as well as amounts receivable from the deferred share plan, as discussed in note 7.

We loan our excess cash to Bell Aliant LP through a series of promissory notes, and request repayment as required for operating purposes. The \$5.3 million promissory note that was receivable from Bell Aliant LP at December 31, 2010, was repaid on January 31, 2011. Subsequently issued promissory notes carried a rate of interest of 1.30 per cent per annum, resulting in an immaterial amount of interest revenue being earned during the three and nine months ended September 30, 2011, and 2010. At September 30, 2011, \$6.2 million in promissory notes was receivable from Bell Aliant LP, bearing interest at 1.30 per cent per annum and maturing on dates from October 28 to 31, 2011. There is minimal credit risk associated with balances receivable from related parties at September 30, 2011.

Notes to the Financial Statements (unaudited)

9. Transition to IFRS

First time adoption of IFRS

The significant optional exemptions and mandatory exceptions we applied upon adoption and the key accounting differences at the date of transition, January 1, 2010, are presented in note 11 to our unaudited interim financial statements for the period ended March 31, 2011.

Reconciliation of Canadian GAAP to IFRS

The reconciliations below highlight the key accounting differences between Canadian GAAP and IFRS and their effect on our financial results for the three and nine months ended September 30, 2010.

Reconciliation of equity

	Note	At September 30, 2010
Total equity under Canadian GAAP		4,045.3
Investments	A	(1,718.6)
Total equity under IFRS		2,326.7

Reconciliation of net earnings (loss) and comprehensive income (loss)

For the period ended September 30, 2010	Note	Three months	Nine months
Net earnings under Canadian GAAP		61.4	196.5
Income (loss) from equity investments	A	(61.8)	150.9
Net earnings (loss) under IFRS		(0.4)	347.4

For the period ended September 30, 2010	Note	Three months	Nine months
Comprehensive income under Canadian GAAP		62.6	199.3
Change in net earnings (loss)		(61.8)	150.9
Other comprehensive loss	A	(51.8)	(353.9)
Comprehensive loss under IFRS		(51.0)	(3.7)

(A) Income from equity investments

Under Canadian GAAP, the class 1 units of Bell Aliant Holdings LP, held by BCE and Bell Canada, were considered to be equity instruments and included in non-controlling interest of Bell Aliant Holdings LP. As such, we equity accounted for our 82.46 per cent investment in Bell Aliant Holdings LP. The original terms and conditions of the exchange and liquidity rights issued in connection with the class 1 units allowed for the class 1 units to be exchanged for Fund units or cash at the option of the holder, and are therefore considered to be our financial liability under IFRS for 2010 and prior periods. As a result of this change in presentation, we equity accounted for 100 per cent of the net assets and net earnings (loss) of Bell Aliant Holdings LP.

Income from equity investments was decreased by \$29.0 million and increased by \$151.3 million for the three and nine months ended September 30, 2010, respectively. As well, other comprehensive loss of \$51.8 million and \$353.9 million for the three and nine months ended September 30, 2010, respectively, was recorded. The adjustments reflect the increase in the per cent equity investment as well as the IFRS adjustments to net earnings and other comprehensive loss of Bell Aliant Holdings LP in the period. For a complete description of the differences and adjustments to the net assets and net earnings (loss) recognized by Bell Aliant GP for the three and nine months ended September 30, 2010, refer to note 20 of Bell Aliant GP's unaudited interim consolidated financial statements for the period ended September 30, 2011.

Changes in the fair value of the class 1 units were recorded in income from equity investments and amounted to (\$12.4) million and \$60.9 million for the three and nine months ended September 30, 2010,

Notes to the Financial Statements (unaudited)

respectively. As the class 1 units were intended to be, to the greatest extent practicable, the economic equivalents of the Fund units, the fair value of the class 1 units was established based on the quoted market price of the Fund units at the reporting period date.

Distributions declared by Bell Aliant Holdings LP on the class 1 units in the amount of \$20.4 million and \$61.3 million for the three and nine months ended September 30, 2010, respectively, were recognized as a decrease to income from equity investments.

As a result of the net effect of the transition to IFRS at January 1, 2010, the key accounting differences between IFRS and Canadian GAAP during the nine months ended September 30, 2010, and the increase in the per cent equity investment, the total equity reported at September 30, 2010, related to investments decreased by \$1,718.6 million, compared to total equity reported under Canadian GAAP.

10. Subsequent events

On November 1, 2011, we declared a quarterly dividend of \$0.4750 per common share to shareholders of record as of December 15, 2011, which is payable on December 30, 2011.