

# CONSOLIDATED FINANCIAL STATEMENTS

## Management's responsibility for financial reporting

These financial statements form the basis for all of the financial information that appears in this annual report.

The financial statements and all of the information in this annual report are the responsibility of the management of BCE Inc. (BCE) and have been reviewed and approved by the board of directors. The board of directors is responsible for ensuring that management fulfills its financial reporting responsibilities. Deloitte LLP, Independent Registered Chartered Professional Accountants, have audited the financial statements.

Management has prepared the financial statements according to International Financial Reporting Standards (IFRS). Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present BCE's consolidated financial position, results of operations and cash flows.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. This is supported by an internal audit group that reports to the Audit Committee, and includes communication with employees about policies for ethical business conduct. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

The board of directors has appointed an Audit Committee, which is made up of unrelated and independent directors. The Audit Committee's responsibilities include reviewing the financial statements and other information in this annual report, and recommending them to the board of directors for approval. You will find a description of the Audit Committee's other responsibilities on page 156 of this annual report. The internal auditors and the shareholders' auditors have free and independent access to the Audit Committee.

(signed) George A. Cope  
*President and Chief Executive Officer*

(signed) Siim A. Vanaselja  
*Executive Vice-President and Chief Financial Officer*

(signed) Thierry Chaumont  
*Senior Vice-President and Controller*

March 5, 2015

## Report of independent registered public accounting firm

To the Board of Directors and Shareholders of BCE Inc.

We have audited the accompanying consolidated financial statements of BCE Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BCE Inc. and subsidiaries as at December 31, 2014 and December 31, 2013, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### OTHER MATTER

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 5, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

(signed) Deloitte LLP<sup>(1)</sup>

Independent Registered Chartered Professional Accountants

Montréal, Canada

March 5, 2015

(1) CPA auditor, CA, public accountancy permit No. A104644

## Consolidated income statements

FOR THE YEAR ENDED DECEMBER 31  
(IN MILLIONS OF CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

	NOTE	2014	2013
Operating revenues	5	21,042	20,400
Operating costs	5,6	(12,739)	(12,311)
Severance, acquisition and other costs	5,7	(216)	(406)
Depreciation	5,14	(2,880)	(2,734)
Amortization	5,15	(572)	(646)
Finance costs			
Interest expense	8	(929)	(931)
Interest on post-employment benefit obligations	22	(101)	(150)
Other income (expense)	9	42	(6)
Income taxes	10	(929)	(828)
<b>Net earnings</b>		<b>2,718</b>	<b>2,388</b>
<b>Net earnings attributable to:</b>			
Common shareholders		2,363	1,975
Preferred shareholders		137	131
Non-controlling interest	29	218	282
<b>Net earnings</b>		<b>2,718</b>	<b>2,388</b>
<b>Net earnings per common share</b>			
Basic	11	2.98	2.55
Diluted	11	2.97	2.54
<b>Average number of common shares outstanding – basic (millions)</b>		<b>793.7</b>	<b>775.8</b>

## Consolidated statements of comprehensive income

FOR THE YEAR ENDED DECEMBER 31  
(IN MILLIONS OF CANADIAN DOLLARS)

	NOTE	2014	2013
<b>Net earnings</b>		<b>2,718</b>	<b>2,388</b>
<b>Other comprehensive (loss) income, net of income taxes</b>			
Items that will be reclassified subsequently to net earnings			
Net change in value of available-for-sale financial assets, net of income taxes of nil for 2014 and 2013		58	(6)
Net change in value of derivatives designated as cash flow hedges, net of income taxes of (\$13) million and (\$9) million for 2014 and 2013, respectively		34	28
Items that will not be reclassified to net earnings			
Actuarial (losses) gains on post-employment benefit plans, net of income taxes of \$253 million and (\$380) million for 2014 and 2013, respectively	22	(685)	1,036
<b>Other comprehensive (loss) income</b>		<b>(593)</b>	<b>1,058</b>
<b>Total comprehensive income</b>		<b>2,125</b>	<b>3,446</b>
<b>Total comprehensive income attributable to:</b>			
Common shareholders		1,862	2,872
Preferred shareholders		137	131
Non-controlling interest	29	126	443
<b>Total comprehensive income</b>		<b>2,125</b>	<b>3,446</b>

## Consolidated statements of financial position

(IN MILLIONS OF CANADIAN DOLLARS)

	NOTE	DECEMBER 31, 2014	DECEMBER 31, 2013
<b>ASSETS</b>			
Current assets			
Cash		142	220
Cash equivalents		424	115
Trade and other receivables	12	3,069	3,043
Inventory	13	333	383
Prepaid expenses		379	415
Assets held for sale	4	3	719
Other current assets		198	175
<b>Total current assets</b>		<b>4,548</b>	<b>5,070</b>
Non-current assets			
Property, plant and equipment	14	21,327	20,743
Intangible assets	15	10,224	9,552
Deferred tax assets	10	162	165
Investments in associates and joint ventures	16	776	775
Other non-current assets	17	875	698
Goodwill	18	8,385	8,381
<b>Total non-current assets</b>		<b>41,749</b>	<b>40,314</b>
<b>Total assets</b>		<b>46,297</b>	<b>45,384</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade payables and other liabilities	19	4,398	4,339
Interest payable		145	147
Dividends payable		534	466
Current tax liabilities		269	367
Debt due within one year	20	3,743	2,571
<b>Total current liabilities</b>		<b>9,089</b>	<b>7,890</b>
Non-current liabilities			
Long-term debt	21	16,355	16,341
Deferred tax liabilities	10	1,321	1,318
Post-employment benefit obligations	22	2,772	2,127
Other non-current liabilities	23	1,521	1,458
<b>Total non-current liabilities</b>		<b>21,969</b>	<b>21,244</b>
<b>Total liabilities</b>		<b>31,058</b>	<b>29,134</b>
Commitments and contingencies			
27			
<b>EQUITY</b>			
Equity attributable to BCE shareholders			
Preferred shares	3,25	4,004	3,395
Common shares	3,25	16,717	13,629
Contributed surplus	3	1,141	2,615
Accumulated other comprehensive income		97	14
Deficit	3	(7,013)	(4,642)
<b>Total equity attributable to BCE shareholders</b>		<b>14,946</b>	<b>15,011</b>
Non-controlling interest	3,29	293	1,239
<b>Total equity</b>		<b>15,239</b>	<b>16,250</b>
<b>Total liabilities and equity</b>		<b>46,297</b>	<b>45,384</b>

## Consolidated statements of changes in equity

FOR THE YEAR ENDED DECEMBER 31, 2014 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	ATTRIBUTABLE TO BCE SHAREHOLDERS					NON-CONTROLLING INTEREST	TOTAL EQUITY	
		PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT			TOTAL
Balance at January 1, 2014		3,395	13,629	2,615	14	(4,642)	15,011	1,239	16,250
Net earnings		-	-	-	-	2,500	2,500	218	2,718
Other comprehensive (loss) income		-	-	-	90	(591)	(501)	(92)	(593)
Total comprehensive income		-	-	-	90	1,909	1,999	126	2,125
Common shares issued under stock option plan	25	-	53	(4)	-	-	49	-	49
Common shares issued under employee savings plan	25	-	107	-	-	-	107	-	107
Other share-based compensation		-	-	29	-	(4)	25	7	32
Dividends declared on BCE common and preferred shares		-	-	-	-	(2,098)	(2,098)	-	(2,098)
Dividends declared by subsidiaries to non-controlling interest		-	-	-	-	-	-	(145)	(145)
Privatization of Bell Aliant	3	609	2,928	(1,499)	(7)	(2,143)	(112)	(877)	(989)
Privatization transaction costs		-	-	-	-	(35)	(35)	(5)	(40)
Other		-	-	-	-	-	-	(52)	(52)
<b>Balance at December 31, 2014</b>		<b>4,004</b>	<b>16,717</b>	<b>1,141</b>	<b>97</b>	<b>(7,013)</b>	<b>14,946</b>	<b>293</b>	<b>15,239</b>

FOR THE YEAR ENDED DECEMBER 31, 2013 (IN MILLIONS OF CANADIAN DOLLARS)	NOTE	ATTRIBUTABLE TO BCE SHAREHOLDERS					NON-CONTROLLING INTEREST	TOTAL EQUITY	
		PREFERRED SHARES	COMMON SHARES	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFICIT			TOTAL
Balance at January 1, 2013		3,395	13,611	2,557	(6)	(5,682)	13,875	850	14,725
Net earnings		-	-	-	-	2,106	2,106	282	2,388
Other comprehensive income		-	-	-	20	877	897	161	1,058
Total comprehensive income		-	-	-	20	2,983	3,003	443	3,446
Common shares issued under stock option plan	25	-	14	(1)	-	-	13	-	13
Common shares issued under employee savings plan	25	-	4	-	-	-	4	-	4
Other share-based compensation		-	-	59	-	2	61	5	66
Dividends declared on BCE common and preferred shares		-	-	-	-	(1,938)	(1,938)	-	(1,938)
Dividends declared by subsidiaries to non-controlling interest		-	-	-	-	-	-	(290)	(290)
Equity securities issued by subsidiaries to non-controlling interest		-	-	-	-	-	-	225	225
Equity transaction with non-controlling interest		-	-	-	-	(7)	(7)	6	(1)
<b>Balance at December 31, 2013</b>		<b>3,395</b>	<b>13,629</b>	<b>2,615</b>	<b>14</b>	<b>(4,642)</b>	<b>15,011</b>	<b>1,239</b>	<b>16,250</b>

## Consolidated statements of cash flows

FOR THE YEAR ENDED DECEMBER 31  
(IN MILLIONS OF CANADIAN DOLLARS)

	NOTE	2014	2013
<b>Cash flows from operating activities</b>			
Net earnings		2,718	2,388
Adjustments to reconcile net earnings to cash flows from operating activities			
Severance, acquisition and other costs	7	216	406
Depreciation and amortization	14,15	3,452	3,380
Post-employment benefit plans cost	22	377	442
Net interest expense		921	924
(Gains) losses on investments	9	(10)	7
Income taxes	10	929	828
Contributions to post-employment benefit plans	22	(683)	(341)
Payments under other post-employment benefit plans	22	(73)	(73)
Severance and other costs paid		(190)	(203)
Acquisition costs paid		(131)	(80)
Interest paid		(907)	(879)
Income taxes paid (net of refunds)		(743)	(470)
Net change in operating assets and liabilities		365	147
<b>Cash flows from operating activities</b>		<b>6,241</b>	<b>6,476</b>
<b>Cash flows used in investing activities</b>			
Capital expenditures	5	(3,717)	(3,571)
Business acquisitions	4	(18)	(2,850)
Business dispositions	4	720	1
Acquisition of spectrum licences	15	(566)	-
Other investing activities		11	19
<b>Cash flows used in investing activities</b>		<b>(3,570)</b>	<b>(6,401)</b>
<b>Cash flows (used in) from financing activities</b>			
Increase in notes payable and bank advances		469	272
Issue of long-term debt	21	1,428	4,438
Repayment of long-term debt	21	(1,113)	(2,495)
Early debt redemption costs	9,21	(4)	(55)
Privatization of Bell Aliant	3	(989)	-
Issue of common shares		49	13
Issue of equity securities by subsidiaries to non-controlling interest		-	230
Cash dividends paid on common shares		(1,893)	(1,795)
Cash dividends paid on preferred shares		(134)	(127)
Cash dividends paid by subsidiaries to non-controlling interest		(145)	(283)
Other financing activities		(108)	(67)
<b>Cash flows (used in) from financing activities</b>		<b>(2,440)</b>	<b>131</b>
Net (decrease) increase in cash		(78)	101
Cash at beginning of period		220	119
<b>Cash at end of period</b>		<b>142</b>	<b>220</b>
Net increase in cash equivalents		309	105
Cash equivalents at beginning of period		115	10
<b>Cash equivalents at end of period</b>		<b>424</b>	<b>115</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

We, us, our, BCE and the company mean, as the context may require, either BCE Inc. or, collectively, BCE Inc., its subsidiaries, joint arrangements and associates; Bell means our Bell Wireless, Bell Wireline and Bell Media segments on an aggregate basis; and Bell Aliant means, as the context may require, until December 31, 2014, either Bell Aliant Inc. or, collectively, Bell Aliant Inc., its subsidiaries and associates, or after December 31, 2014, Bell Aliant Regional Communications Inc. or, collectively, Bell Aliant Regional Communications Inc. and its subsidiaries and associates.

## Note 1 Corporate information

BCE is incorporated and domiciled in Canada. BCE's head office is located at 1, Carrefour Alexander-Graham-Bell, Verdun, Québec, Canada. BCE is a telecommunications and media company providing wireless, wireline, Internet and television (TV) services to residential, business and wholesale customers in Canada. Our Bell Media

segment provides conventional, specialty and pay TV, digital media, and radio broadcasting services to customers across Canada and out-of-home advertising services. The consolidated financial statements (financial statements) were approved by BCE's board of directors on March 5, 2015.

## Note 2 Significant accounting policies

### a) Basis of presentation

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in our accounting policies.

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

#### FUNCTIONAL CURRENCY

The financial statements are presented in Canadian dollars, the company's functional currency.

### b) Basis of consolidation

We consolidate the financial statements of all our subsidiaries. Subsidiaries are entities we control, where control is achieved when the company is exposed or has the right to variable returns from its involvement with the investee and has the current ability to direct the activities of the investee that significantly affect the investee's returns.

The results of subsidiaries acquired (sold) during the year are (de-)consolidated from the date of acquisition (disposal). Where necessary, adjustments are made to the financial statements of acquired subsidiaries to conform their accounting policies with ours. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Changes in BCE's ownership interest in a subsidiary that do not result in a change of control are accounted for as equity transactions, with no effect on net earnings or on other comprehensive income.

At December 31, 2013, BCE owned 44.1% of Bell Aliant, with the remaining 55.9% publicly held. BCE consolidated Bell Aliant as control was achieved through its right to appoint a majority of the board of directors of Bell Aliant. On October 31, 2014, BCE completed its acquisition of all of the issued and outstanding common shares of Bell Aliant that it did not already own (Privatization). Refer to Note 3, *Privatization of Bell Aliant* for further information.

### c) Revenue recognition

We recognize revenues from the sale of products or the rendering of services when they are earned; specifically when all the following conditions are met:

- the significant risks and rewards of ownership are transferred to customers and we retain neither continuing managerial involvement nor effective control
- there is clear evidence that an arrangement exists
- the amount of revenues and related costs can be measured reliably

- it is probable that the economic benefits associated with the transaction will flow to the company

In particular, we recognize:

- fees for local, long distance and wireless services when we provide the services
- other fees, such as network access fees, licence fees, hosting fees, maintenance fees and standby fees, over the term of the contract
- subscriber revenues when customers receive the service

- revenues from the sale of equipment when the equipment is delivered and accepted by customers
- revenues on long-term contracts as services are provided, equipment is delivered and accepted, and contract milestones are met
- advertising revenue, net of agency commissions, when advertisements are aired on radio or TV, posted on our website, or appear on the company's advertising panels and street furniture

We measure revenues at the fair value of the arrangement consideration. We record payments we receive in advance, including upfront non-refundable payments, as deferred revenues until we provide the service or deliver the product to customers. Deferred revenues are presented in *Trade payables and other liabilities* or in *Other non-current liabilities* on the consolidated statements of financial position (statements of financial position).

Revenues are reduced for customer rebates and allowances and exclude sales and other taxes we collect from our customers.

We expense subscriber acquisition costs when the related services are activated.

## d) Share-based payments

Our equity-settled share-based payment arrangements include stock options, restricted share units and performance share units (RSUs/PSUs), deferred share units (DSUs) and employee savings plans (ESPs).

### STOCK OPTIONS

We use a fair value-based method to measure the cost of our employee stock options, based on the number of stock options that are expected to vest. Compensation expense is adjusted for subsequent changes in management's estimate of the number of stock options that are expected to vest.

We credit contributed surplus for stock option expense recognized over the vesting period. When stock options are exercised, we credit share capital for the amount received and the amounts previously credited to contributed surplus.

### RSUs/PSUs

For each RSU/PSU granted, we recognize compensation expense equal to the market value of a BCE common share at the date of grant based on the number of RSUs/PSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus. Additional RSUs/PSUs are issued to reflect dividends declared on the common shares.

Compensation expense is adjusted for subsequent changes in management's estimate of the number of RSUs/PSUs that are expected to vest. The effect of these changes is recognized in

## e) Income and other taxes

Current and deferred income tax expense is recognized in the consolidated income statements (income statements), except to the extent that the expense relates to items recognized in other comprehensive income or directly in equity.

## MULTIPLE-ELEMENT ARRANGEMENTS

We enter into arrangements that may include the sale of a number of products and services together, primarily to our wireless and business customers. When two or more products or services have value to our customers on a stand-alone basis, we separately account for each product or service according to the methods previously described. The total price to the customer is allocated to each product or service based on its relative fair value. When an amount allocated to a delivered item is contingent upon the delivery of additional items or meeting specified performance conditions, the amount allocated to that delivered item is limited to the non-contingent amount.

If the conditions to account for each product or service separately are not met, we recognize revenues proportionately over the term of the sale agreement.

## SUBCONTRACTED SERVICES

We may enter into arrangements with subcontractors and others who provide services to our customers. When we act as the principal in these arrangements, we recognize revenues based on the amounts billed to our customers. Otherwise, we recognize the net amount that we retain as revenues.

the period of the change. Upon settlement of the RSUs/PSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit. Vested RSUs/PSUs are settled in BCE common shares, DSUs, or a combination thereof.

### DSUs

If compensation is elected to be taken in DSUs we issue DSUs equal to the fair value of the services received. Additional DSUs are issued to reflect dividends declared on the common shares. DSUs are settled in BCE common shares purchased on the open market following the cessation of employment or when a director leaves the board. We credit contributed surplus for the fair value of DSUs at the issue date. Upon settlement of the DSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

### ESPs

We recognize our contributions to our ESPs as compensation expense. Employer ESP contributions accrue over a two-year vesting period. We credit contributed surplus for the ESP expense recognized over the vesting period, based on management's estimate of the accrued contributions that are expected to vest. Upon settlement of the ESPs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit.

A current or non-current tax asset (liability) is the estimated tax receivable (payable) on taxable earnings for the current or past periods. We also record future tax liabilities, which are included in *Other non-current liabilities*.

We use the liability method to account for deferred tax assets and liabilities, which arise from:

- temporary differences between the carrying amount of assets and liabilities recognized in the statements of financial position and their corresponding tax bases
- the carryforward of unused tax losses and credits, to the extent they can be used in the future

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply when the asset or liability is recovered or settled. Both our current and deferred tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred taxes are provided on temporary differences arising from investments in subsidiaries, joint arrangements and associates, except where we control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax liabilities are, where permitted, offset against tax assets within the same taxable entity and tax jurisdiction.

#### INVESTMENT TAX CREDITS (ITCs), OTHER TAX CREDITS AND GOVERNMENT GRANTS

We recognize ITCs, other tax credits and government grants given on eligible expenditures when it is reasonably assured that they will be realized. They are presented as part of *Trade and other receivables* when they are expected to be utilized in the next year. We use the cost reduction method to account for ITCs and government grants, under which the credits are applied against the expense or asset to which the ITC or government grant relates.

### f) Cash equivalents

Cash equivalents are comprised of highly liquid investments with original maturities of three months or less from the date of purchase.

### g) Securitization of trade receivables

Proceeds on the securitization of trade receivables are recognized as a collateralized borrowing as we do not transfer control and substantially all the risks and rewards of ownership to another entity.

### h) Inventory

We measure inventory at the lower of cost and net realizable value. Inventory includes all costs to purchase, convert and bring the inventories to their present location and condition. We determine cost using specific identification for major equipment held for resale and the

weighted average cost formula for all other inventory. We maintain inventory valuation reserves for inventory that is slow-moving or obsolete, calculated using an inventory ageing analysis.

### i) Property, plant and equipment

We record property, plant and equipment at historical cost. Historical cost includes expenditures that are attributable directly to the acquisition or construction of the asset, including the purchase cost, and labour.

Borrowing costs are capitalized for qualifying assets if the time to build or develop is in excess of one year.

We initially measure and record asset retirement obligations at management's best estimate using a present value methodology, adjusted subsequently for any changes in the timing or amount of the cash flows and changes in discount rates. We capitalize asset retirement costs as part of the related assets and amortize them into earnings over time. We also increase the asset retirement obligation and record a corresponding amount in interest expense to reflect the passage of time.

Gains or losses on the sale or retirement of property, plant and equipment are recorded in *Other income (expense)* in the income statements.

#### LEASES

Leases of property, plant and equipment are recognized as finance leases when we obtain substantially all the risks and rewards of ownership of the underlying assets. At the inception of the lease, we record an asset together with a corresponding long-term lease liability, at the lower of the fair value of the leased asset or the present value of the minimum future lease payments. If there is reasonable certainty that the lease transfers ownership of the asset to us by the end of the lease term, the asset is amortized over its useful life. Otherwise, the asset is amortized over the shorter of its useful life and the lease term. The long-term lease liability is measured at amortized cost using the effective interest method.

All other leases are classified as operating leases. Operating lease payments are expensed on a straight-line basis over the term of the lease.

## j) Intangible assets

### FINITE-LIFE INTANGIBLE ASSETS

Finite-life intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

#### SOFTWARE

We record internal-use software at historical cost. Cost includes expenditures that are attributable directly to the acquisition or development of the software, including the purchase cost, and labour.

Software development costs are capitalized when all the following conditions are met:

- technical feasibility can be demonstrated
- management has the intent and the ability to complete the asset for use or sale
- it is probable that economic benefits will be generated
- costs attributable to the asset can be measured reliably

#### CUSTOMER RELATIONSHIPS

Customer relationship assets are acquired through business combinations and are recorded at fair value at the date of acquisition.

#### PROGRAM AND FEATURE FILM RIGHTS

We account for program and feature film rights as intangible assets when these assets are acquired for the purpose of broadcasting. Program and feature film rights, which include producer advances and licence fees paid in advance of receipt of the program or film,

are stated at acquisition cost less accumulated amortization and accumulated impairment losses, if any. Programs and feature films under licence agreements are recorded as assets and liabilities for rights acquired and obligations incurred when:

- the company receives a broadcast master and the cost is known or reasonably determinable for new program and feature film licences
- the licence term commences for licence period extensions or syndicated programs.

Programs and feature films are classified as non-current assets with related liabilities classified as current or non-current, based on the payment terms. Amortization of program and feature film rights is recorded in *Operating costs* in the income statements.

### INDEFINITE-LIFE INTANGIBLE ASSETS

Brand assets, mainly comprised of the Bell and Bell Media brands, and broadcast licences are acquired through business combinations and are recorded at fair value at the date of acquisition, less accumulated impairment losses, if any. Wireless spectrum licences are recorded at acquisition cost, including borrowing costs when the time to build or develop the related network is in excess of one year.

Currently there are no legal, regulatory, competitive or other factors that limit the useful lives of our brands or spectrum licences.

## k) Depreciation and amortization

We depreciate property, plant and equipment and amortize finite-life intangible assets on a straight-line basis over their estimated useful lives. We review our estimates of useful lives on an annual basis and adjust depreciation and amortization on a prospective basis, if needed. Land and assets under construction or development are not depreciated.

	ESTIMATED USEFUL LIFE
Property, plant and equipment	
Network infrastructure and equipment	2 to 50 years
Buildings	5 to 50 years
Finite-life intangible assets	
Software	2 to 12 years
Customer relationships	6 to 30 years
Program and feature film rights	Up to 5 years

## l) Investments in associates and joint arrangements

Our financial statements incorporate our share of the results of our associates and joint ventures using the equity method of accounting, except when the investment is classified as held for sale. Equity income from investments is recorded in *Other income (expense)* in the income statements.

Investments in associates and joint ventures are recognized initially at cost and adjusted thereafter to include the company's share of income or loss and comprehensive income on an after-tax basis. Investments are reviewed for impairment by comparing their recoverable amount to their carrying amount.

We recognize our share of the assets, liabilities, revenues and expenses of joint operations in accordance with the related contractual agreements.

## m) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred.

Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair values at the date of acquisition. When we acquire control of a business, any previously-held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously-held equity interest

over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously-held equity interest, the difference is recognized in earnings immediately as a bargain purchase gain.

Changes in our ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the change in the carrying amount of non-controlling interest (NCI) and the consideration paid or received is attributed to owner's equity.

## n) Impairment of non-financial assets

Goodwill and indefinite-life intangible assets are tested for impairment annually or when there is an indication that the asset may be impaired. Property, plant and equipment and finite-life intangible assets are tested for impairment if events or changes in circumstances, assessed quarterly, indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets other than goodwill are grouped at the lowest level for which there are separately identifiable cash inflows.

Impairment losses are recognized and measured as the excess of the carrying value of the assets over their recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Previously recognized impairment losses, other than those attributable to goodwill, are reviewed for possible reversal at each reporting date and, if the asset's recoverable amount has increased, all or a portion of the impairment is reversed.

### GOODWILL IMPAIRMENT TESTING

We perform an annual test for goodwill impairment in the fourth quarter for each of our cash generating units (CGUs) or groups of CGUs to which goodwill is allocated and whenever there is an indication that goodwill might be impaired.

A CGU is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

We identify any potential impairment by comparing the carrying value of a CGU or groups of CGU to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal is based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience, actual operating results and business plans. When the recoverable amount of a CGU or group of CGUs is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU or group of CGUs over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill.

An impairment charge is deducted from earnings for any excess of the carrying value of goodwill over its recoverable amount. For purposes of impairment testing of goodwill, BCE's CGUs or groups of CGUs correspond to our reporting segments as disclosed in Note 5, *Segmented information*.

## o) Financial instruments

### AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

Our portfolio investments in equity securities are classified as AFS and are presented in our statements of financial position as *Other non-current assets*. They have been designated as such based on management's intentions or because they are not classified in any other categories. These securities are recorded at fair value on the date of acquisition, including related transaction costs, and are adjusted to fair value at each reporting date. The corresponding unrealized gains and losses are recorded in other comprehensive income and are reclassified to *Other income (expense)* in the income statements when realized or when an impairment is determined.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables, which include trade receivables and other short-term receivables, are measured at amortized cost using the effective interest method, net of any allowance for doubtful accounts. An allowance for doubtful accounts is established based

on individually significant exposures or on historical trends. Factors considered when establishing an allowance include current economic conditions, historical information and the reason for the delay in payment. Amounts considered uncollectible are written off.

### OTHER FINANCIAL LIABILITIES

Other financial liabilities, which include trade payables and accruals, compensation payable, obligations imposed by the Canadian Radio-television and Telecommunications Commission (CRTC), interest payable and long-term debt, are recorded at amortized cost using the effective interest method.

### COSTS OF ISSUING DEBT AND EQUITY

The cost of issuing debt is included as part of long-term debt and is accounted for at amortized cost using the effective interest method. The cost of issuing equity is reflected in the consolidated statements of changes in equity as a charge to the deficit.

## p) Derivative financial instruments

We use derivative financial instruments to manage interest rate risk, foreign currency risk and cash flow exposures related to share-based payment plans, capital expenditures, long-term debt instruments and purchase commitments. We do not use derivative financial instruments for speculative or trading purposes.

### HEDGE ACCOUNTING

To qualify for hedge accounting, we document the relationship between the derivative and the related identified risk exposure and our risk management objective and strategy. This includes associating each derivative to a specific asset or liability, a specific firm commitment, or a specific anticipated transaction.

We assess the effectiveness of a derivative in managing an identified risk exposure when hedge accounting is initially applied, and on an ongoing basis thereafter. If a hedge becomes ineffective, we stop using hedge accounting.

### FAIR VALUE HEDGES

Our fair value hedges consist of interest rate swaps used to manage the effect of changes in interest rates relating to fixed-rate long-term debt. These swaps involve exchanging interest payments without exchanging the notional amount on which the payments are based. We record the exchange of payments as an adjustment to interest expense on the hedged debt. We include the related net receivable or payable from counterparties in *Other current assets* or *Trade payables and other liabilities* for swaps due within one year and in *Other non-current assets* or *Other non-current liabilities* for swaps that have a maturity of more than one year. Changes in the fair value of these derivatives and the related long-term debt are recognized in *Other income (expense)* in the income statements and offset, unless a portion of the hedging relationship is ineffective.

### CASH FLOW HEDGES

Our cash flow hedges are used to mitigate foreign currency risk on certain long-term debt instruments and purchase commitments, as well as interest rate risk related to future debt issuances. We use foreign currency forward contracts to manage the exposure to anticipated transactions denominated in foreign currencies. Changes in the fair value of these derivatives are recognized in our consolidated statements of comprehensive income (statements of comprehensive income), except for any ineffective portion, which is recognized immediately in earnings. Realized gains and losses in *Accumulated other comprehensive income (loss)* are reclassified to the income statements in the same periods as the corresponding hedged items are recognized in earnings. Cash flow hedges that mature within one year are included in *Other current assets* or *Trade payables and other liabilities*, whereas hedges that have a maturity of more than one year are included in *Other non-current assets* or *Other non-current liabilities*.

We use cross currency basis swaps to manage our U.S. dollar borrowings under our unsecured committed term credit facility. Changes in the fair value of these derivatives and the related credit facility are recognized in *Other income (expense)* in the income statements and offset, unless a portion of the hedging relationship is ineffective.

### DERIVATIVES USED AS ECONOMIC HEDGES

Derivatives used to manage cash flow exposures related to share-based payment plans and capital expenditures are marked to market each reporting period because they do not qualify for hedge accounting. The changes in fair value of these financial assets and liabilities are recorded in *Other income (expense)* in the income statements.

## q) Post-employment benefit plans

### DEFINED BENEFIT (DB) AND OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

We maintain DB pension plans that provide pension benefits for certain employees. Benefits are based on the employee's length of service and average rate of pay during the highest paid consecutive five years of service. Most employees are not required to contribute to the plans. The plans provide cost of living adjustments to help protect the income of retired employees against inflation.

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections and future service.

We provide OPEBs to some of our employees, including:

- healthcare and life insurance benefits during retirement, which are being phased out over a ten-year period ending on December 31, 2016. We do not fund most of these OPEB plans.
- other benefits, including workers' compensation and medical benefits to former or inactive employees, their beneficiaries and dependants, from the time their employment ends until their retirement starts, under certain circumstances.

We accrue our obligations and related costs under post-employment benefit plans, net of the fair value of the benefit plan assets. Pension and OPEB costs are determined using:

- the projected unit credit method, prorated on years of service, which takes into account future pay levels
- a discount rate based on market interest rates of high-quality corporate bonds with maturities that match the timing of benefits expected to be paid under the plans
- management's best estimate of pay increases, retirement ages of employees, expected healthcare costs and life expectancy

We value post-employment benefit plan assets at fair value using current market values.

Post-employment benefit plans current service cost is included in operating costs. Interest on our post-employment benefit obligations is recognized in net earnings and represents the accretion of interest on the net obligations under the post-employment benefit plans. The interest rate is based on market conditions that existed at the beginning of the year. Actuarial gains and losses for all post-employment benefit plans are recorded in other comprehensive income in the period in which they occur and are recognized immediately in the deficit.

December 31 is the measurement date for our significant post-employment benefit plans. Our actuaries perform a valuation at least every three years to determine the actuarial present value of the accrued DB pension plan and OPEB obligations. The most recent actuarial valuation of our significant pension plans was December 31, 2013.

## DEFINED CONTRIBUTION (DC) PENSION PLANS

We maintain DC pension plans that provide certain employees with benefits. Under these plans, we are responsible for contributing a predetermined amount to an employee's retirement savings, based on a percentage of the employee's salary.

We recognize a post-employment benefit plans service cost for DC pension plans when the employee provides service to the company, essentially coinciding with our cash contributions.

Generally, new employees can participate only in the DC pension plans.

## r) Provisions

Provisions are recognized when all the following conditions are met:

- the company has a present legal or constructive obligation based on past events
- it is probable that an outflow of economic resources will be required to settle the obligation
- the amount can be reasonably estimated

Provisions are measured at the present value of the estimated expenditures expected to settle the obligation, if the effect of the time value of money is material. The present value is determined using current market assessments of the discount rate and risks specific to the obligation. The obligation increases as a result of the passage of time, resulting in interest expense.

## s) Estimates and key judgements

When preparing financial statements, management makes estimates and judgements relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

We base our estimates on a number of factors, including historical experience, current events and actions that the company may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. By their nature, these estimates and judgements are subject to measurement uncertainty and actual results could differ. Our more significant estimates and judgements are described below.

### ESTIMATES

#### *USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS*

Property, plant and equipment represent a significant proportion of our total assets. Changes in technology or our intended use of these assets, as well as changes in business prospects or economic and industry factors, may cause the estimated useful lives of these assets to change.

#### *POST-EMPLOYMENT BENEFIT PLANS*

The amounts reported in the financial statements relating to DB pension plans and OPEBs are determined using actuarial calculations that are based on several assumptions.

The actuarial valuation uses management's assumptions for, among other things, the discount rate, life expectancy, the rate of compensation increase, trends in healthcare costs and expected average remaining years of service of employees.

The most significant assumptions used to calculate the net post-employment benefit plans cost are the discount rate and life expectancy.

The discount rate is based on the yield on long-term, high-quality corporate fixed income investments, with maturities matching the estimated cash flows of the post-employment benefit plans. Life expectancy is based on publicly available Canadian mortality tables and is adjusted for the company's specific experience.

A lower discount rate and a higher life expectancy result in a higher net post-employment benefit obligation and a higher current service cost.

#### *IMPAIRMENT OF NON-FINANCIAL ASSETS*

We make a number of estimates when calculating recoverable amounts using discounted future cash flows or other valuation methods to test for impairment. These estimates include the assumed growth rates for future cash flows, the number of years used in the cash flow model, and the discount rate.

#### *DEFERRED TAXES*

The amount of deferred tax assets is estimated with consideration given to the timing, sources and amounts of future taxable income.

#### *FAIR VALUE OF FINANCIAL INSTRUMENTS*

Certain financial instruments, such as investments in equity securities, derivative financial instruments and certain elements of borrowings, are carried in the statements of financial position at fair value, with changes in fair value reflected in the income statements and the statements of comprehensive income. Fair values are estimated by reference to published price quotations or by using other valuation techniques that may include inputs that are not based on observable market data, such as discounted cash flows.

#### *CONTINGENCIES*

We become involved in various litigation matters as a part of our business. Pending litigations represent a potential cost to our business. We estimate the amount of a loss by analyzing potential outcomes and assuming various litigation and settlement strategies, based on information that is available at the time.

### ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the unavoidable costs of meeting our obligations under a contract exceed the expected benefits to be received from a contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of completing the contract.

### JUDGEMENTS

#### POST-EMPLOYMENT BENEFIT PLANS

The determination of the discount rate used to value our post-employment benefit obligations requires judgement. The rate is set by reference to market yields of high-quality corporate bonds at the beginning of each fiscal year. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the issue and credit quality, along with the identification of outliers, which are excluded.

#### INCOME TAXES

The calculation of income taxes requires judgement in interpreting tax rules and regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. Our tax filings

are also subject to audits, the outcome of which could change the amount of current and deferred tax assets and liabilities. Management believes that it has sufficient amounts accrued for outstanding tax matters based on information that currently is available.

Management judgement is used to determine the amounts of deferred tax assets and liabilities and future tax liabilities to be recognized. In particular, judgement is required when assessing the timing of the reversal of temporary differences to which future income tax rates are applied.

#### MULTIPLE ELEMENT ARRANGEMENTS

Determining the amounts of revenue to be recognized for multiple element arrangements requires judgement to establish the separately identifiable components and the allocation of the total price between those components.

#### CASH GENERATING UNITS

The determination of CGUs or groups of CGUs for the purpose of annual impairment testing requires judgement.

#### CONTINGENCIES

The determination of whether a loss is probable from litigation and whether an outflow of resources is likely requires judgement.

## t) Change in accounting estimate

As part of our ongoing annual review of property, plant and equipment and finite-life intangible assets, and to better reflect their useful lives, we increased the lives of certain information technology (IT) software assets from 5 to 7 years and reduced the lives of certain network

assets, including our code division multiple access (CDMA) network. The changes have been applied prospectively effective July 1, 2014 and did not have a significant impact on our financial statements.

## u) Adoption of new or amended accounting standards

As required, effective January 1, 2014, we adopted the following new or amended accounting standards and interpretations on a retrospective basis, none of which had a significant impact on our financial statements.

STANDARD	DESCRIPTION	IMPACT
Amendments to International Accounting Standard (IAS) 36 – Impairment of Assets	Provides guidance on recoverable amount disclosures for non-financial assets.	This amendment did not have a significant impact on our financial statements.
Amendments to IAS 39 – Financial Instruments: Recognition and Measurement	Provides guidance on novation of over-the-counter derivatives and continued designation for hedge accounting.	This amendment did not have a significant impact on our financial statements.
Amendments to IAS 32 – Financial Instruments: Presentation	Clarifies the application of the offsetting requirements of financial assets and financial liabilities.	This amendment did not have a significant impact on our financial statements.
International Financial Reporting Interpretations Committee (IFRIC) 21 – Levies	Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain.	IFRIC 21 did not have a significant impact on our financial statements.

## v) Future changes to accounting standards

The following new or amended standards issued by the IASB have an effective date after December 31, 2014 and have not yet been adopted by BCE.

STANDARD	DESCRIPTION	IMPACT	EFFECTIVE DATE
<b>IFRS 9 – Financial Instruments</b>	Sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard.	We are currently evaluating the impact of IFRS 9 on our financial statements.	Annual periods beginning on or after January 1, 2018, with early adoption permitted.
<b>Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets</b>	Clarifies that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset.	The amendments to IAS 16 and IAS 38 are not expected to have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2016, applied prospectively.
<b>Amendments to IFRS 11 – Joint Arrangements</b>	Provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 – Business Combinations. The amended standard requires the acquirer to apply all of the principles on accounting for business combinations in IFRS 3 and other IFRSs except for any principles that conflict with IFRS 11.	The amendments to IFRS 11 are not expected to have a significant impact on our financial statements.	Annual periods beginning on or after January 1, 2016, applied prospectively.
<b>IFRS 15 – Revenue from Contracts with Customers</b>	Establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps: <ol style="list-style-type: none"> <li>1. Identify the contract with a customer</li> <li>2. Identify the performance obligations in the contract</li> <li>3. Determine the transaction price</li> <li>4. Allocate the transaction price to the performance obligations in the contract</li> <li>5. Recognize revenue when (or as) the entity satisfies a performance obligation</li> </ol> <p>The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard.</p>	IFRS 15 will affect how we account for revenues and contract costs for Bell Wireless and our other segments. We are currently evaluating the impact of IFRS 15 on our financial statements.	Annual periods beginning on or after January 1, 2017, using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.

## Note 3 Privatization of Bell Aliant

On July 23, 2014, BCE announced its offer to acquire all of the issued and outstanding common shares of Bell Aliant that it did not already own for a total consideration of approximately \$3.95 billion. BCE already controlled Bell Aliant which provides local telephone, long distance, Internet, data, TV, wireless, home security and value-added business solutions to residential and business customers in the Atlantic provinces and in rural and regional areas of Ontario and Québec. On the same day, BCE also announced its offer to exchange all of the issued and outstanding preferred shares of Bell Aliant Preferred

Equity Inc. (Prefco) for newly issued First Preferred Shares of BCE, with the same financial terms as the existing Prefco preferred shares (Preferred Share Exchange).

The Privatization was completed on October 31, 2014 and the Preferred Share Exchange was completed on November 1, 2014. The Privatization is expected to simplify BCE's corporate structure and increase overall operating and capital investment efficiencies, while supporting BCE's broadband investment strategy and dividend growth objective.

As BCE already consolidated the financial results of Bell Aliant, the Privatization was accounted for as an equity transaction. The following table summarizes the impacts of the Privatization on our consolidated statement of financial position.

FOR THE YEAR ENDED DECEMBER 31	NOTE	2014
<b>Consideration</b>		
Issuance of 60.9 million BCE common shares <sup>(1)</sup>	25	2,928
Cash		989
Exchange of Prefco preferred shares for BCE First Preferred Shares <sup>(1)</sup>	25	609
<b>Total</b>		<b>4,526</b>
<b>Allocated to:</b>		
Carrying value of Bell Aliant non-controlling interest		877
Contributed surplus	25	1,499
Accumulated other comprehensive income		7
Deficit		2,143
<b>Total</b>		<b>4,526</b>

(1) The stated capital for the BCE common and First Preferred Shares was recorded at fair value on the date of issuance.

The following table outlines the BCE First Preferred Shares for which the existing Prefco preferred shares were exchanged as part of the Preferred Share Exchange.

SERIES	ANNUAL DIVIDEND RATE	CONVERTIBLE INTO	CONVERSION DATE	REDEMPTION DATE <sup>(1)</sup>	REDEMPTION PRICE	NUMBER OF SHARES		STATED CAPITAL
						AUTHORIZED	ISSUED AND OUTSTANDING	
AM	4.85%	AN	March 31, 2016	March 31, 2016	\$25.00	30,000,000	11,500,000	263
AO	4.55%	AP	March 31, 2017	March 31, 2017	\$25.00	30,000,000	4,600,000	118
AQ	4.25%	AR	September 30, 2018	September 30, 2018	\$25.00	30,000,000	9,200,000	228
								609

(1) BCE may redeem each of these series of preferred shares on the applicable redemption date and every five years after that date.

Additionally in 2014, \$35 million was charged to the deficit to record the transaction costs incurred related to the Privatization. These costs include financial advisory, filing and legal fees.

## Note 4 Acquisitions

### Glentel Inc. (Glentel) acquisition

On November 28, 2014, BCE announced the signing of a definitive agreement to acquire all of the issued and outstanding shares of Glentel for a total consideration of \$594 million. The total transaction is valued at approximately \$670 million, including net debt and non-controlling interest. The transaction consideration will consist of a combination of 50% in cash, to be funded from available liquidity, and 50% in BCE common shares. Glentel shareholder approval was obtained at a special meeting of shareholders held on January 12, 2015, and court approval was obtained on January 14, 2015. The transaction is expected to close in the spring of 2015, subject to closing conditions, including regulatory approvals. Glentel is a Canadian-based dual-carrier, multi-brand mobile products distributor. The transaction will enhance Bell's strategy to accelerate wireless and improve customer service.

On December 24, 2014, BCE announced that following the closing of the Glentel acquisition, it will divest 50% of its ownership interest in Glentel to Rogers Communications Inc. (Rogers). Rogers will pay BCE approximately \$392 million in cash. In addition, Rogers will pay 50% of any additional equity contribution made by BCE after the closing of the Glentel acquisition to repay Glentel outstanding debt. The transaction with Rogers is expected to close shortly after the acquisition of Glentel by BCE, subject to customary closing conditions, including regulatory approvals.

## Astral acquisition

On July 5, 2013, BCE acquired 100% of the issued and outstanding shares of Astral Media Inc. (Astral). Astral is a media company that operates specialty and pay TV channels, radio stations and digital media properties across Canada and provides out-of-home advertising services. BCE acquired Astral to enhance our competitive position in French-language broadcasting in Québec, control content costs, and increase opportunities for cross-platform innovation and advertising packages spanning digital, TV, radio and out-of-home advertising. Astral's results are included in our Bell Media segment.

The purchase price allocation was completed in 2014 and includes certain estimates. There has been no significant change to the purchase price allocation as disclosed in Note 4, *Acquisition of Astral* in our consolidated financial statements for the year ended December 31, 2013. The goodwill arising from the acquisition of Astral was allocated to our Bell Media group of CGUs.

As part of its approval of the Astral acquisition, the CRTC ordered BCE to spend \$247 million in new benefits for French- and English-language TV, radio and film content development, support for emerging Canadian musical talent, training and professional development for Canadian media, and new consumer participation initiatives. The present value of this tangible benefits obligation, amounting to \$245 million, was recorded as an acquisition cost in *Severance, acquisition and other costs* in the income statement as disclosed in Note 7, *Severance, acquisition and other costs*. Total acquisition costs relating to Astral, including the tangible benefits obligation, amounted to \$26 million and \$266 million for the years ended December 31, 2014 and 2013, respectively.

## Assets held for sale

As a result of BCE's acquisition of Astral and consistent with the CRTC's Common Ownership Policy for radio, BCE was required to sell ten Bell Media and Astral English-language radio stations. BCE also was required to sell eleven Astral TV services in order to comply with conditions attached to the Competition Bureau and CRTC approvals.

As required by the CRTC and the Competition Bureau, the management and control of the assets to be divested was transferred to an independent trustee pending their sale to third parties. These assets were classified as *Assets held for sale* in the statement of financial position and were recorded at their net realizable value.

In 2014, we completed the sale of the radio stations and TV services for total proceeds of \$720 million.

## Note 5 Segmented information

The accounting policies used in our segment reporting are the same as those we describe in Note 2, *Significant accounting policies*. Our earnings are reported in four segments: *Bell Wireless*, *Bell Wireline*, *Bell Media* and *Bell Aliant*. Our segments reflect how we manage our business and how we classify our operations for planning and measuring performance. Accordingly, we operate and manage our segments as strategic business units organized by products and services. Segments negotiate sales with each other as if they were unrelated parties.

We measure the performance of each segment based on segment profit, which is equal to operating revenues less operating costs for the segment. We report severance, acquisition and other costs and depreciation and amortization by segment for external reporting purposes. Substantially all of our finance costs and other income (expense) are managed on a corporate basis and, accordingly, are not reflected in segment results.

Our operations and virtually all of our assets are located in Canada. Below is a description of our segments at December 31, 2014:

Our Bell Wireless segment provides wireless voice and data communication products and services to Bell's residential, small and medium-sized business and large enterprise customers across Canada.

Our Bell Wireline segment provides data, including Internet access and TV, local telephone, long distance, as well as other communications services and products to Bell's residential, small and medium-sized business and large enterprise customers, primarily in the urban areas of Ontario and Québec. In addition, this segment includes our wholesale business, which buys and sells local telephone, long distance, data and other services from or to resellers and other carriers.

Our Bell Media segment provides conventional, specialty and pay TV, digital media, and radio broadcasting services to customers across Canada and out-of-home advertising services. On July 5, 2013, BCE acquired 100% of the issued and outstanding shares of Astral. The results of Astral are included in our Bell Media segment from the date of acquisition.

Our Bell Aliant segment provides Internet, data, TV, local telephone, long distance, wireless, home security and value-added business solutions to residential and business customers in the Atlantic provinces and in rural and regional areas of Ontario and Québec.

## Segmented information

FOR THE YEAR ENDED DECEMBER 31, 2014	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTER- SEGMENT ELIMINA- TIONS	BELL	BELL ALIAN	INTER- SEGMENT ELIMINA- TIONS	BCE
Operating revenues									
External customers		6,188	9,687	2,642	–	18,517	2,525	–	21,042
Inter-segment		53	353	295	(484)	217	232	(449)	–
<b>Total operating revenues</b>		<b>6,241</b>	<b>10,040</b>	<b>2,937</b>	<b>(484)</b>	<b>18,734</b>	<b>2,757</b>	<b>(449)</b>	<b>21,042</b>
Operating costs	6	(3,677)	(6,272)	(2,203)	484	(11,668)	(1,520)	449	(12,739)
<b>Segment profit<sup>(1)</sup></b>		<b>2,564</b>	<b>3,768</b>	<b>734</b>	<b>–</b>	<b>7,066</b>	<b>1,237</b>	<b>–</b>	<b>8,303</b>
Severance, acquisition and other costs	7	(5)	(78)	(46)	–	(129)	(87)	–	(216)
Depreciation and amortization	14,15	(545)	(2,254)	(126)	–	(2,925)	(527)	–	(3,452)
Finance costs									
Interest expense	8								(929)
Interest on post-employment benefit obligations	22								(101)
Other income	9								42
Income taxes	10								(929)
<b>Net earnings</b>									<b>2,718</b>
Goodwill	18	2,302	2,521	2,592	–	7,415	970	–	8,385
Indefinite-life intangible assets	15	3,063	1,315	2,680	–	7,058	340	–	7,398
Capital expenditures		671	2,334	137	–	3,142	575	–	3,717

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

FOR THE YEAR ENDED DECEMBER 31, 2013	NOTE	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	INTER- SEGMENT ELIMINA- TIONS	BELL	BELL ALIAN	INTER- SEGMENT ELIMINA- TIONS	BCE
Operating revenues									
External customers		5,794	9,754	2,342	–	17,890	2,510	–	20,400
Inter-segment		55	343	215	(394)	219	249	(468)	–
<b>Total operating revenues</b>		<b>5,849</b>	<b>10,097</b>	<b>2,557</b>	<b>(394)</b>	<b>18,109</b>	<b>2,759</b>	<b>(468)</b>	<b>20,400</b>
Operating costs	6	(3,509)	(6,303)	(1,874)	394	(11,292)	(1,487)	468	(12,311)
<b>Segment profit<sup>(1)</sup></b>		<b>2,340</b>	<b>3,794</b>	<b>683</b>	<b>–</b>	<b>6,817</b>	<b>1,272</b>	<b>–</b>	<b>8,089</b>
Severance, acquisition and other costs	7	(2)	(110)	(283)	–	(395)	(11)	–	(406)
Depreciation and amortization	14,15	(479)	(2,248)	(110)	–	(2,837)	(543)	–	(3,380)
Finance costs									
Interest expense	8								(931)
Interest on post-employment benefit obligations	22								(150)
Other expense	9								(6)
Income taxes	10								(828)
<b>Net earnings</b>									<b>2,388</b>
Goodwill	18	2,302	2,521	2,588	–	7,411	970	–	8,381
Indefinite-life intangible assets	15	2,502	1,315	2,708	–	6,525	340	–	6,865
Capital expenditures		639	2,247	115	–	3,001	570	–	3,571

(1) The chief operating decision maker uses primarily one measure of profit to make decisions and assess performance, being operating revenues less operating costs.

## Revenues by product

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Wireless	5,705	5,362
Data	5,991	5,828
Local and access	2,364	2,497
Long distance	668	722
Media	2,642	2,342
Equipment and other	1,147	1,139
<b>Total external revenues</b>	<b>18,517</b>	<b>17,890</b>
Inter-segment revenues	217	219
<b>Bell</b>	<b>18,734</b>	<b>18,109</b>
Bell Aliant	2,757	2,759
Inter-segment eliminations	(449)	(468)
<b>BCE</b>	<b>21,042</b>	<b>20,400</b>

## Note 6 Operating costs

FOR THE YEAR ENDED DECEMBER 31	NOTE	2014	2013
Labour costs			
Wages, salaries and related taxes and benefits <sup>(1)</sup>		(4,351)	(4,232)
Post-employment benefit plans service cost (net of capitalized amounts)	22	(276)	(292)
Other labour costs <sup>(1)(2)</sup>		(957)	(969)
Less:			
Capitalized labour <sup>(1)</sup>		1,002	960
<b>Total labour costs</b>		<b>(4,582)</b>	<b>(4,533)</b>
Cost of revenues <sup>(1)(3)</sup>		(6,265)	(5,956)
Other operating costs <sup>(1)(4)</sup>		(1,892)	(1,822)
<b>Operating costs</b>		<b>(12,739)</b>	<b>(12,311)</b>

(1) We have reclassified amounts for the prior year to make them consistent with the presentation for the current year.

(2) Other labour costs include contractor and outsourcing costs.

(3) Cost of revenues includes costs of wireless devices and other equipment sold, network and content costs, and payments to other carriers.

(4) Other operating costs include marketing, advertising and sales commission costs, bad debt expense, taxes other than income taxes, information technology costs, professional service fees and rent.

Research and development expenses of \$167 million and \$201 million are included in operating costs for 2014 and 2013, respectively.

## Note 7 Severance, acquisition and other costs

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Severance	(82)	(116)
Acquisition and other	(134)	(290)
<b>Total severance, acquisition and other costs</b>	<b>(216)</b>	<b>(406)</b>

## Acquisition and other costs

Acquisition and other costs consist of transaction costs, such as legal and financial advisory fees, related to completed or potential acquisitions, employee severance costs related to the purchase of a business and the costs to integrate acquired companies into Bell's operations, when the integration costs are significant. Acquisition and other costs also include severance and integration costs relating to the Privatization of Bell Aliant. Refer to Note 3, *Privatization of Bell Aliant*.

Acquisition and other costs for the year ended December 31, 2013 include \$230 million relating to the CRTC tangible benefits obligation as part of our acquisition of Astral described in Note 4, *Acquisitions*.

## Note 8 Interest expense

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Interest expense on long-term debt	(865)	(850)
Interest expense on other debt	(97)	(97)
Capitalized interest	33	16
<b>Total interest expense</b>	<b>(929)</b>	<b>(931)</b>

Interest expense on long-term debt includes interest on finance leases of \$166 million and \$174 million for 2014 and 2013, respectively.

Capitalized interest was calculated using an average rate of 4.49% and 5.03% for 2014 and 2013, respectively, which represents the weighted average interest rate on our outstanding long-term debt.

## Note 9 Other income (expense)

FOR THE YEAR ENDED DECEMBER 31	NOTE	2014	2013
Net mark-to-market gains on derivatives used as economic hedges		134	94
Dividend income from assets held for sale		42	–
Gains (losses) on investments		10	(7)
Impairment of assets	14,15	(105)	(15)
Losses on disposal/retirement of software, plant and equipment		(51)	(44)
Early debt redemption costs	21	(29)	(55)
Equity losses from investments in associates and joint ventures	16	(12)	(32)
Pension surplus distribution		–	36
Other		53	17
<b>Other income (expense)</b>		<b>42</b>	<b>(6)</b>

## Impairment of assets

In 2014, we recorded an impairment charge of \$105 million relating mainly to our Conventional TV CGU within our Bell Media segment, of which \$67 million was allocated to property, plant and equipment and \$38 million to indefinite-life intangible assets. The impairment resulted from a softness in the overall Canadian TV advertising market and higher TV content costs. The charge was determined by

comparing the carrying value of the CGU to its fair value less costs of disposal, based on the expected future discounted cash flows for the period of January 1, 2015 to December 31, 2017 using a discount rate of 9.5% and a perpetuity growth rate of nil. The carrying value of our Conventional TV CGU was \$327 million at December 31, 2014.

## Equity investees

In 2014 and 2013, we recorded equity losses of \$16 million and \$25 million, respectively, representing our share of goodwill impairment charges recognized by an equity investee. The charge recorded in 2013 also related to a write-down of customer relationship intangibles.

## Note 10 Income taxes

The following table shows the significant components of income taxes deducted from net earnings.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
<b>Current taxes</b>		
Current taxes	(789)	(888)
Resolution of uncertain tax positions	1	51
Change in estimate relating to prior periods	93	53
Utilization of previously unrecognized tax credits	23	–
<b>Deferred taxes</b>		
Deferred taxes relating to the origination and reversal of temporary differences	(165)	72
Effect of change in provincial corporate tax rate	–	(6)
Change in estimate relating to prior periods	(82)	(33)
Recognition and utilization of loss carryforwards	(10)	(68)
Resolution of uncertain tax positions	–	(10)
Other	–	1
<b>Total income taxes</b>	<b>(929)</b>	<b>(828)</b>

The following table reconciles the amount of reported income taxes in the income statements with income taxes calculated at a statutory income tax rate of 26.6% for each of 2014 and 2013.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Earnings before income taxes	3,647	3,216
Applicable statutory tax rate	26.6%	26.6%
Income taxes computed at applicable statutory rates	(970)	(855)
Non-taxable portion of gains on investments	4	–
Resolution of uncertain tax positions	1	41
Utilization of previously unrecognized tax credits	23	–
Effect of change in provincial corporate tax rate	–	(6)
Change in estimate relating to prior periods	11	20
Other	2	(28)
<b>Total income taxes</b>	<b>(929)</b>	<b>(828)</b>
<b>Average effective tax rate</b>	<b>25.5%</b>	<b>25.7%</b>

The following table shows aggregate current and deferred taxes relating to items recognized outside the income statements.

AT DECEMBER 31	2014		2013		
	OTHER COMPREHENSIVE INCOME	DEFICIT	OTHER COMPREHENSIVE INCOME	DEFICIT	NCI
Current taxes	12	8	1	1	–
Deferred taxes	228	11	(390)	7	1
<b>Total income tax recovery (expense)</b>	<b>240</b>	<b>19</b>	<b>(389)</b>	<b>8</b>	<b>1</b>

The following table shows deferred taxes resulting from temporary differences between the carrying amounts of assets and liabilities recognized in the statements of financial position and their corresponding tax basis, as well as tax loss carryforwards.

NET DEFERRED TAX LIABILITY	NON-CAPITAL LOSS CARRY-FORWARDS	POST-EMPLOYMENT BENEFIT PLANS	INDEFINITE-LIFE INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT AND FINITE-LIFE INTANGIBLE ASSETS	INVESTMENT TAX CREDITS	PARTNERSHIP INCOME DEFERRAL <sup>(1)</sup>	CRTC TANGIBLE BENEFITS	OTHER	TOTAL
<b>January 1, 2013</b>	104	927	(1,269)	(453)	(60)	(88)	46	276	(517)
Income statement	(68)	(3)	(56)	(105)	39	85	46	18	(44)
Other comprehensive income	-	(384)	-	-	-	-	-	(6)	(390)
Deficit	-	-	-	-	-	-	-	7	7
Acquisition of Astral	-	7	(202)	(43)	-	-	1	30	(207)
NCI	-	-	-	-	-	-	-	1	1
Other	-	-	6	-	-	-	-	(9)	(3)
<b>December 31, 2013</b>	36	547	(1,521)	(601)	(21)	(3)	93	317	(1,153)
Income statement	(10)	(75)	(33)	(98)	14	3	(18)	(40)	(257)
Other comprehensive income	-	242	-	-	-	-	-	(14)	228
Deficit	-	-	-	-	-	-	-	11	11
Other	-	-	-	-	-	-	-	12	12
<b>December 31, 2014</b>	26	714	(1,554)	(699)	(7)	-	75	286	(1,159)

(1) The taxation year-end of certain of Bell Aliant's corporate subsidiaries differed, in prior years, from the partnership year-end. This resulted in a deferral of partnership income for tax purposes.

At December 31, 2014, BCE had \$212 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of \$26 million, of which \$14 million related to Bell Media, for \$99 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2029 to 2034.
- did not recognize a deferred tax asset for \$113 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2026 to 2032.

At December 31, 2014, BCE had \$766 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

At December 31, 2013, BCE had \$214 million of non-capital loss carryforwards. We:

- recognized a deferred tax asset of \$36 million, of which \$27 million related to Bell Media, for \$138 million of the non-capital loss carryforwards. These non-capital loss carryforwards expire in varying annual amounts from 2026 to 2033.
- did not recognize a deferred tax asset for \$76 million of non-capital loss carryforwards. This balance expires in varying annual amounts from 2023 to 2032.

At December 31, 2013, BCE had \$828 million of unrecognized capital loss carryforwards which can be carried forward indefinitely.

## Note 11 Earnings per share

The following table shows the components used in the calculation of basic and diluted earnings per common share for earnings attributable to common shareholders.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
<b>Net earnings attributable to common shareholders – basic</b>	<b>2,363</b>	1,975
Dividends declared per common share (in dollars)	2.47	2.33
<b>Weighted average number of common shares outstanding (in millions)</b>		
Weighted average number of common shares outstanding – basic	793.7	775.8
Assumed exercise of stock options <sup>(1)</sup>	0.9	0.6
<b>Weighted average number of common shares outstanding – diluted</b>	<b>794.6</b>	776.4

(1) The calculation of the assumed exercise of stock options includes the effect of the average unrecognized future compensation cost of dilutive options. It excludes options for which the exercise price is higher than the average market value of a BCE common share. The number of excluded options was 2,871,730 in 2014 and 2,621,806 in 2013.

## Note 12 Trade and other receivables

FOR THE YEAR ENDED DECEMBER 31	NOTE	2014	2013
Trade receivables <sup>(1)</sup>		3,068	3,074
Allowance for doubtful accounts	24	(69)	(79)
Allowance for revenue adjustments		(86)	(90)
Current tax receivable		87	36
Other accounts receivable		69	102
<b>Total trade and other receivables</b>		<b>3,069</b>	<b>3,043</b>

(1) The details of securitized trade receivables are set out in Note 20. Debt due within one year.

## Note 13 Inventory

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Work in progress	57	65
Finished goods	297	342
Provision	(21)	(24)
<b>Total inventory</b>	<b>333</b>	<b>383</b>

The total amount of inventory subsequently recognized as an expense in cost of revenues was \$2,421 million in 2014 and \$2,352 million in 2013.

## Note 14 Property, plant and equipment

FOR THE YEAR ENDED DECEMBER 31, 2014	NOTE	NETWORK INFRASTRUCTURE AND EQUIPMENT	LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	TOTAL <sup>(1)</sup>
<b>COST</b>					
January 1, 2014		54,674	4,996	1,276	60,946
Additions		2,150	84	1,640	3,874
Acquisition through business combinations		2	–	–	2
Transfers		1,108	67	(1,487)	(312)
Retirements and disposals		(2,923)	(23)	(2)	(2,948)
Impairment losses recognized in earnings	9	(43)	(24)	–	(67)
<b>December 31, 2014</b>		<b>54,968</b>	<b>5,100</b>	<b>1,427</b>	<b>61,495</b>
<b>ACCUMULATED DEPRECIATION</b>					
January 1, 2014		37,665	2,538	–	40,203
Depreciation		2,690	190	–	2,880
Retirements and disposals		(2,868)	(19)	–	(2,887)
Other		(26)	(2)	–	(28)
<b>December 31, 2014</b>		<b>37,461</b>	<b>2,707</b>	<b>–</b>	<b>40,168</b>
<b>NET CARRYING AMOUNT</b>					
January 1, 2014		17,009	2,458	1,276	20,743
December 31, 2014		17,507	2,393	1,427	21,327

(1) Includes assets under finance leases.

FOR THE YEAR ENDED DECEMBER 31, 2013	NETWORK INFRASTRUCTURE AND EQUIPMENT	LAND AND BUILDINGS	ASSETS UNDER CONSTRUCTION	TOTAL <sup>(1)</sup>
<b>COST</b>				
January 1, 2013	52,925	4,789	1,202	58,916
Additions	2,014	60	1,623	3,697
Acquisition through business combinations	159	39	2	200
Transfers	1,066	125	(1,551)	(360)
Retirements and disposals	(1,490)	(17)	-	(1,507)
<b>December 31, 2013</b>	<b>54,674</b>	<b>4,996</b>	<b>1,276</b>	<b>60,946</b>
<b>ACCUMULATED DEPRECIATION</b>				
January 1, 2013	36,539	2,370	-	38,909
Depreciation	2,545	189	-	2,734
Retirements and disposals	(1,414)	(14)	-	(1,428)
Other	(5)	(7)	-	(12)
<b>December 31, 2013</b>	<b>37,665</b>	<b>2,538</b>	<b>-</b>	<b>40,203</b>
<b>NET CARRYING AMOUNT</b>				
January 1, 2013	16,386	2,419	1,202	20,007
December 31, 2013	17,009	2,458	1,276	20,743

(1) Includes assets under finance leases.

## Finance leases

BCE's significant finance leases are for satellites and office premises. The office leases have a typical lease term of 25 years. The leases for satellites, used to provide programming to our Bell TV customers, have a term of 15 years. The satellite leases are non-cancellable.

The following table shows additions to and the net carrying amount of assets under finance leases.

FOR THE YEAR ENDED DECEMBER 31	ADDITIONS		NET CARRYING AMOUNT	
	2014	2013	2014	2013
Network infrastructure and equipment	317	319	1,605	1,655
Land and buildings	12	3	519	556
<b>Total</b>	<b>329</b>	<b>322</b>	<b>2,124</b>	<b>2,211</b>

The following table provides a reconciliation of our minimum future lease payments to the present value of our finance lease obligations.

AT DECEMBER 31, 2014	NOTE	2015	2016	2017	2018	2019	THERE- AFTER	TOTAL
Minimum future lease payments	24	491	444	313	260	237	1,405	3,150
Less:								
Future finance costs		(146)	(132)	(120)	(108)	(97)	(326)	(929)
<b>Present value of future lease obligations</b>		<b>345</b>	<b>312</b>	<b>193</b>	<b>152</b>	<b>140</b>	<b>1,079</b>	<b>2,221</b>

## Note 15 Intangible assets

YEAR ENDED DECEMBER 31, 2014	NOTE	FINITE-LIFE				INDEFINITE-LIFE				TOTAL INTANGIBLE ASSETS	
		SOFTWARE	CUSTOMER RELATION- SHIPS	PROGRAM AND FEATURE FILM RIGHTS	OTHER	TOTAL	BRAND	SPECTRUM AND OTHER LICENCES <sup>(1)</sup>	BROADCAST LICENCES		TOTAL
<b>COST</b>											
January 1, 2014		6,041	865	389	293	7,588	2,344	2,132	2,389	6,865	14,453
Additions <sup>(1)</sup>		271	-	885	-	1,156	-	578	-	578	1,734
Transfers		322	-	-	(6)	316	-	-	-	-	316
Retirements and disposals		(336)	-	-	-	(336)	-	(7)	-	(7)	(343)
Impairment losses recognized in earnings	9	-	-	-	-	-	(11)	(10)	(17)	(38)	(38)
Amortization included in operating costs		-	-	(750)	-	(750)	-	-	-	-	(750)
<b>December 31, 2014</b>		<b>6,298</b>	<b>865</b>	<b>524</b>	<b>287</b>	<b>7,974</b>	<b>2,333</b>	<b>2,693</b>	<b>2,372</b>	<b>7,398</b>	<b>15,372</b>
<b>ACCUMULATED AMORTIZATION</b>											
January 1, 2014		4,429	368	-	104	4,901	-	-	-	-	4,901
Amortization		502	51	-	19	572	-	-	-	-	572
Retirements and disposals		(336)	-	-	-	(336)	-	-	-	-	(336)
Other		11	-	-	-	11	-	-	-	-	11
<b>December 31, 2014</b>		<b>4,606</b>	<b>419</b>	<b>-</b>	<b>123</b>	<b>5,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,148</b>
<b>NET CARRYING AMOUNT</b>											
January 1, 2014		1,612	497	389	189	2,687	2,344	2,132	2,389	6,865	9,552
<b>December 31, 2014</b>		<b>1,692</b>	<b>446</b>	<b>524</b>	<b>164</b>	<b>2,826</b>	<b>2,333</b>	<b>2,693</b>	<b>2,372</b>	<b>7,398</b>	<b>10,224</b>

(1) On April 2, 2014, Bell acquired 700 megahertz spectrum licences in every province and territorial market, comprised of 31 licences for \$566 million.

YEAR ENDED DECEMBER 31, 2013	NOTE	FINITE-LIFE				INDEFINITE-LIFE				TOTAL INTANGIBLE ASSETS	
		SOFTWARE	CUSTOMER RELATION- SHIPS	PROGRAM AND FEATURE FILM RIGHTS	OTHER	TOTAL	BRAND	SPECTRUM AND OTHER LICENCES	BROADCAST LICENCES		TOTAL
<b>COST</b>											
January 1, 2013		5,949	847	263	270	7,329	2,242	2,128	1,293	5,663	12,992
Additions		238	-	570	-	808	-	4	-	4	812
Acquisition through business combinations		14	25	101	23	163	102	-	1,136	1,238	1,401
Transfers		377	-	-	-	377	-	-	(25)	(25)	352
Retirements and disposals		(537)	(7)	-	-	(544)	-	-	-	-	(544)
Impairment losses recognized in earnings	9	-	-	-	-	-	-	-	(15)	(15)	(15)
Amortization included in operating costs		-	-	(545)	-	(545)	-	-	-	-	(545)
<b>December 31, 2013</b>		<b>6,041</b>	<b>865</b>	<b>389</b>	<b>293</b>	<b>7,588</b>	<b>2,344</b>	<b>2,132</b>	<b>2,389</b>	<b>6,865</b>	<b>14,453</b>
<b>ACCUMULATED AMORTIZATION</b>											
January 1, 2013		4,399	325	-	85	4,809	-	-	-	-	4,809
Amortization		577	50	-	19	646	-	-	-	-	646
Retirements and disposals		(535)	(7)	-	-	(542)	-	-	-	-	(542)
Other		(12)	-	-	-	(12)	-	-	-	-	(12)
<b>December 31, 2013</b>		<b>4,429</b>	<b>368</b>	<b>-</b>	<b>104</b>	<b>4,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,901</b>
<b>NET CARRYING AMOUNT</b>											
January 1, 2013		1,550	522	263	185	2,520	2,242	2,128	1,293	5,663	8,183
<b>December 31, 2013</b>		<b>1,612</b>	<b>497</b>	<b>389</b>	<b>189</b>	<b>2,687</b>	<b>2,344</b>	<b>2,132</b>	<b>2,389</b>	<b>6,865</b>	<b>9,552</b>

## Note 16 Investments in associates and joint ventures

The following table provides summarized financial information in respect to BCE's associates and joint ventures. For a list of associates and joint ventures please see Note 28, *Related party transactions*.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Assets	3,910	3,878
Liabilities	(2,202)	(2,164)
<b>Total net assets</b>	<b>1,708</b>	<b>1,714</b>
<b>BCE's share of net assets</b>	<b>776</b>	<b>775</b>
Revenues	871	805
Expenses	(918)	(912)
<b>Total net losses</b>	<b>(47)</b>	<b>(107)</b>
<b>BCE's share of net losses</b>	<b>(12)</b>	<b>(32)</b>

## Note 17 Other non-current assets

FOR THE YEAR ENDED DECEMBER 31	NOTE	2014	2013
Net assets of post-employment benefit plans	22	151	136
AFS publicly-traded and privately-held investments	24	107	91
Long-term notes and other receivables		47	45
Derivative assets		269	199
Other		301	227
<b>Total other non-current assets</b>		<b>875</b>	<b>698</b>

## Note 18 Goodwill

The following table provides details about the changes in the carrying amounts of goodwill for the years ended December 31, 2014 and 2013. BCE's groups of CGUs correspond to our reporting segments.

	BELL WIRELESS	BELL WIRELINE	BELL MEDIA	BELL ALIAN T	BCE
<b>Balance at January 1, 2013</b>	2,302	2,521	1,393	969	7,185
Acquisitions and other	–	–	1,195	1	1,196
<b>Balance at December 31, 2013</b>	2,302	2,521	2,588	970	8,381
Acquisitions and other	–	–	4	–	4
<b>Balance at December 31, 2014</b>	<b>2,302</b>	<b>2,521</b>	<b>2,592</b>	<b>970</b>	<b>8,385</b>

### Impairment testing

As described in Note 2, *Significant accounting policies*, goodwill is tested annually for impairment by comparing the carrying value of a group of CGUs to the recoverable amount, where the recoverable amount is the higher of fair value less costs of disposal or value in use.

#### VALUE IN USE

The value in use for our groups of CGUs is determined by discounting five-year cash flow projections from business plans reviewed by senior management. The projections reflect management's expectations of revenue, segment profit, capital expenditures, working capital and operating cash flows, based on past experience and future expectations of operating performance.

Cash flows beyond the five-year period are extrapolated using perpetuity growth rates. None of the perpetuity growth rates exceed the long-term historical growth rates for the markets in which we operate.

The discount rates are applied to the cash flow projections and are derived from the weighted average cost of capital for each group of CGUs.

The following table shows the key assumptions used to estimate the recoverable amounts of the groups of CGUs.

GROUPS OF CGUs	ASSUMPTIONS USED	
	PERPETUITY GROWTH RATE	DISCOUNT RATE
Bell Wireless	0.8%	9.1%
Bell Wireline	0.9%	7.2%
Bell Media	1.0%	8.2%
Bell Aliant	0.2%	6.1%

We believe that any reasonable possible change in the key assumptions on which the estimate of recoverable amounts of the Bell Wireless, Bell Wireline and Bell Aliant groups of CGUs is based would not cause their carrying amounts to exceed their recoverable amounts.

For the Bell Media group of CGUs, a decrease of (0.3%) in the perpetuity growth rate or an increase of 0.2% in the discount rate, would have resulted in its recoverable amount being equal to its carrying value.

## Note 19 Trade payables and other liabilities

FOR THE YEAR ENDED DECEMBER 31	NOTE	2014	2013
Trade payables and accruals		2,415	2,373
Compensation payable		631	576
Deferred revenues		764	743
Taxes payable		115	136
Severance and other costs payable		69	73
CRTC deferral account obligation	24	24	80
CRTC tangible benefits obligation	24	63	100
Other current liabilities		317	258
<b>Total trade payables and other liabilities</b>		<b>4,398</b>	<b>4,339</b>

## Note 20 Debt due within one year

FOR THE YEAR ENDED DECEMBER 31	NOTE	WEIGHTED AVERAGE INTEREST RATE	2014	2013
Bank advances			–	129
Notes payable <sup>(1)</sup>		0.95%	1,454	843
<b>Total bank advances and notes payable</b>	24		<b>1,454</b>	<b>972</b>
Loans secured by trade receivables	24	1.78%	921	921
<b>Long-term debt due within one year<sup>(2)</sup></b>				
Bell Canada		4.10%	1,330	340
CTV Specialty Television Inc. (CTV Specialty)		3.48%	7	305
Bell Aliant		4.06%	39	40
			<b>1,376</b>	<b>685</b>
Net unamortized discount			(1)	(2)
Unamortized debt issuance costs			(7)	(5)
<b>Total long-term debt due within one year</b>	21		<b>1,368</b>	<b>678</b>
<b>Total debt due within one year</b>			<b>3,743</b>	<b>2,571</b>

(1) Includes commercial paper of \$501 million Canadian dollars (\$431 million U.S. dollars) which was drawn under our U.S. commercial paper program and has been hedged for foreign currency fluctuations through forward currency contracts. Refer to Note 24, Financial and capital management.

(2) Included in long-term debt due within one year is the current portion of finance leases of \$345 million at December 31, 2014 and \$337 million at December 31, 2013.

## Securitized trade receivables

Our securitized trade receivable programs are recorded as floating rate revolving loans secured by certain trade receivables and expire on November 30, 2016 and December 31, 2017.

The following table provides further details on our securitized trade receivables.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Average interest rate	1.89%	1.82%
Secured trade receivables	2,091	2,061

We continue to service these trade receivables. The buyers' interest in the collection of these trade receivables ranks ahead of our interests, which means that we are exposed to certain risks of default on the amounts securitized.

We have provided various credit enhancements in the form of overcollateralization and subordination of our retained interests.

The buyers will reinvest the amounts collected by buying additional interests in our trade receivables until the securitized trade receivables agreements expire or are terminated. The buyers and their investors have no further claim on our other assets if customers do not pay amounts owed.

## Credit facilities

Bell Canada may issue notes in an aggregate amount of up to 2 billion dollars in either Canadian or U.S. dollars under its commercial paper program, supported by a committed revolving bank credit facility. The total amount of this credit facility may be drawn at any time.

The table below is a summary of our total bank credit facilities at December 31, 2014.

	TOTAL AVAILABLE	DRAWN	LETTERS OF CREDIT	COMMERCIAL PAPER OUTSTANDING	NET AVAILABLE
<b>Committed credit facilities</b>					
Unsecured revolving facility <sup>(1)(2)</sup>	2,500	–	–	1,453	1,047
Unsecured committed term credit facility (Astral) <sup>(3)</sup>	1,018	1,018	–	–	–
Other	100	–	98	–	2
<b>Total committed credit facilities</b>	<b>3,618</b>	<b>1,018</b>	<b>98</b>	<b>1,453</b>	<b>1,049</b>
<b>Total non-committed credit facilities</b>	<b>1,101</b>	<b>–</b>	<b>626</b>	<b>–</b>	<b>475</b>
<b>Total committed and non-committed credit facilities</b>	<b>4,719</b>	<b>1,018</b>	<b>724</b>	<b>1,453</b>	<b>1,524</b>

(1) Bell Canada's \$2,500 million revolving facility expires in November 2019. Bell Aliant's \$750 million revolving facility was cancelled in 2014.

(2) As of December 31, 2014, Bell Canada's outstanding commercial paper included \$431 million U.S. dollars (\$501 million Canadian dollars). All of Bell Canada's commercial paper outstanding is included in debt due within one year.

(3) Bell Canada may borrow up to 1 billion Canadian dollars in either Canadian or equivalent U.S. dollars under this credit facility. Bell Canada's outstanding balance at December 31, 2014 was \$1,018 million Canadian dollars (\$877 million U.S. dollars), which is included in long-term debt and has been hedged using cross currency basis swaps. Refer to Note 24, Financial and capital management.

## Restrictions

Some of our credit agreements:

- require us to meet specific financial ratios
- require us to offer to repay and cancel the credit agreement upon a change of control of BCE or Bell Canada

We are in compliance with all conditions and restrictions under such credit agreements.

## Note 21 Long-term debt

FOR THE YEAR ENDED DECEMBER 31	NOTE	WEIGHTED AVERAGE INTEREST RATE	MATURITY	2014	2013
<b>Bell Canada</b>					
Debtures					
1997 trust indenture		4.39%	2015–2044	12,900	9,350
1976 trust indenture		9.54%	2021–2054	1,100	1,100
Subordinated debtures		8.21%	2026–2031	275	275
Finance leases		7.28%	2015–2047	2,129	2,166
Unsecured committed term credit facility (Astral) <sup>(1)</sup>		1.16%	2016	1,018	1,000
Other				170	197
<b>Total – Bell Canada</b>				<b>17,592</b>	<b>14,088</b>
<b>CTV Specialty</b>					
Notes					
Finance leases		3.48%	2015–2019	21	19
<b>Total – CTV Specialty</b>				<b>21</b>	<b>319</b>
<b>Bell Aliant</b>					
Debtures and notes					
Finance leases		6.24%	2016–2020	49	2,559
		3.92%	2015–2017	71	63
<b>Total – Bell Aliant</b>				<b>120</b>	<b>2,622</b>
<b>Total debt</b>				<b>17,733</b>	<b>17,029</b>
Net unamortized premium				30	40
Unamortized debt issuance costs				(40)	(50)
Less:					
Amount due within one year	20			(1,368)	(678)
<b>Total long-term debt</b>				<b>16,355</b>	<b>16,341</b>

(1) Represents \$1,018 million Canadian dollars (\$877 million U.S. dollars) which was drawn under Bell Canada's unsecured committed credit facility and has been hedged using cross currency basis swaps. Refer to Note 24, Financial and capital management.

All debtures and subordinated debtures have been issued in Canadian dollars and bear a fixed rate of interest.

Interest payments on debt for a principal amount of \$700 million have been swapped from fixed to floating. See Note 24, *Financial and capital management* for additional details.

### Restrictions

Some of our debt agreements:

- require us to meet specific financial ratios
- impose covenants, maintenance tests and new issue tests
- require us to make an offer to repurchase certain series of debtures upon the occurrence of a change of control event as defined in the relevant debt agreements

We are in compliance with all conditions and restrictions under such debt agreements.

## Bell Canada

All outstanding debentures are issued under trust indentures and are unsecured. All debentures are issued in series and certain series are redeemable at Bell Canada's option prior to maturity at the prices, times and conditions specified for each series.

On November 20, 2014, all Bell Aliant Regional Communications, Limited Partnership medium term notes (MTN) and floating rate MTNs (collectively, Bell Aliant notes) in the aggregate principal amount of \$2.3 billion were exchanged for Bell Canada debentures having the same financial terms as the Bell Aliant notes, including with respect to coupon rate, maturity date and redemption price. As a result, \$25 million of deferred costs related to the Bell Aliant debt were expensed and recorded as early debt redemption costs in *Other income (expense)* in the income statement.

The following Bell Canada debentures were issued in exchange for the previously held Bell Aliant notes.

SERIES	COUPON RATE	MATURITY DATE	PRINCIPAL AMOUNT
M-32	5.41%	September 26, 2016	500
M-33	5.52%	February 26, 2019	300
M-34	6.17%	February 26, 2037	300
M-35	4.37%	September 13, 2017	350
M-36	4.88%	April 26, 2018	300
M-37	3.54%	June 12, 2020	400
M-38	floating	April 22, 2016	150
Total			2,300

On September 29, 2014, Bell Canada issued 3.15% Series M-30 MTN debentures under its 1997 trust indenture, with a principal amount of \$750 million which mature on September 29, 2021. In addition, on the same date, Bell Canada issued 4.75% Series M-31 MTN debentures under its 1997 trust indenture, with a principal amount of \$500 million, which mature on September 29, 2044.

On September 10, 2013, Bell Canada issued 4.70% Series M-29 MTN debentures under its 1997 trust indenture, with a principal amount of \$600 million, which mature on September 11, 2023. In addition, on the same date, Bell Canada issued 3.50% Series M-28 MTN debentures under its 1997 trust indenture, with a principal amount of \$400 million, which mature on September 10, 2018.

On August 9, 2013, Bell Canada redeemed early its 4.85% Series M-20 MTN debentures, issued under its 1997 trust indenture, having an outstanding principal amount of \$1 billion which were due on June 30, 2014. We incurred a \$28 million charge for the early debt redemption costs which was recorded in *Other income (expense)* in the income statement.

On July 5, 2013, Bell Canada borrowed \$1 billion under its unsecured committed term acquisition credit facility which matures on July 5, 2016.

On June 17, 2013, Bell Canada issued 3.25% Series M-27 MTN debentures under its 1997 trust indenture, with a principal amount of \$1 billion, which mature on June 17, 2020.

On March 22, 2013, Bell Canada issued 3.35% Series M-26 MTN debentures under its 1997 trust indenture, with a principal amount of \$1 billion, which mature on March 22, 2023.

On February 11, 2013, Bell Canada redeemed early its 10.0% Series EA debentures, issued under its 1976 trust indenture, having an outstanding principal amount of \$150 million which was due on June 15, 2014. We incurred a \$17 million charge for the early debt redemption costs which was recorded in *Other income (expense)* in the income statement.

## CTV Specialty

On February 18, 2014, all of the outstanding CTV Specialty notes of \$300 million were repaid upon maturity.

## Bell Aliant

On November 20, 2014, Bell Aliant notes in the aggregate principal amount of \$2.3 billion were exchanged for Bell Canada debentures.

On October 30, 2014, Bell Aliant redeemed early its 6.29% MTNs with a principal amount of \$350 million which were due on February 17, 2015. We incurred a \$4 million charge for the early debt redemption costs which was recorded in *Other income (expense)* in 2014 in the income statement.

On April 22, 2014, Bell Aliant issued floating rate MTNs, with a principal amount of \$150 million, which would have matured on April 22, 2016. These MTNs were exchanged for Bell Canada debentures on November 20, 2014.

On June 25, 2013, Bell Aliant redeemed early its 4.95% MTNs with a principal amount of \$400 million. We incurred a \$10 million charge for the early debt redemption costs which was recorded in *Other income (expense)* in the income statement.

On June 14, 2013, Bell Aliant issued 3.54% MTNs, with a principal amount of \$400 million, which mature on June 12, 2020. These MTNs were exchanged for Bell Canada debentures on November 20, 2014.

## Note 22 Post-employment benefit plans

### Post-employment benefit plans cost

We provide pension and other benefits for most of our employees. These include DB pension plans, DC pension plans and OPEBs.

We operate our DB and DC pension plans under applicable Canadian and provincial pension legislation, which prescribes minimum and maximum DB funding requirements. Plan assets are held in trust and the oversight of governance of the plans, including investment

decisions, contributions to DB plans and the selection of the DC plans investment options offered to plan participants, lies with the Pension Fund Committee, a committee of our board of directors.

The interest rate risk is managed using a liability matching approach which reduces the exposure of the DB plan to a mismatch between investment growth and obligation growth.

### COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS SERVICE COST

FOR THE YEAR ENDED DECEMBER 31	2014	2013
DB pension	(214)	(252)
DC pension	(94)	(81)
OPEBs	(9)	(7)
Plan amendment gain on OPEBs	–	1
Less:		
Capitalized benefit plans cost	41	47
<b>Total post-employment benefit plans service cost included in operating costs</b>	<b>(276)</b>	<b>(292)</b>
Other (costs) benefits recognized in Severance, acquisition and other costs	(29)	6
<b>Total post-employment benefit plans service cost</b>	<b>(305)</b>	<b>(286)</b>

### COMPONENTS OF POST-EMPLOYMENT BENEFIT PLANS FINANCING COST

FOR THE YEAR ENDED DECEMBER 31	2014	2013
DB pension	(35)	(87)
OPEBs	(66)	(63)
<b>Total interest on post-employment benefit obligations</b>	<b>(101)</b>	<b>(150)</b>

The statements of comprehensive income include the following amounts before income taxes.

	2014	2013
Cumulative losses recognized directly in equity, January 1	(2,036)	(3,452)
Actuarial (losses) gains in other comprehensive income <sup>(1)</sup>	(933)	1,403
(Increase) decrease in the effect of the asset limit <sup>(2)</sup>	(5)	13
<b>Cumulative losses recognized directly in equity, December 31</b>	<b>(2,974)</b>	<b>(2,036)</b>

(1) The cumulative actuarial losses recognized in the statements of comprehensive income are \$3,234 million in 2014.

(2) The cumulative decrease in the effect of the asset limit recognized in the statements of comprehensive income is \$260 million in 2014.

## COMPONENTS OF POST-EMPLOYMENT BENEFIT (OBLIGATIONS) ASSETS

The following table shows the change in post-employment benefit obligations and the fair value of plan assets.

	DB PENSION PLANS		OPEB PLANS		TOTAL	
	2014	2013	2014	2013	2014	2013
Post-employment benefit obligations, January 1	(18,672)	(19,542)	(1,641)	(1,707)	(20,313)	(21,249)
Current service cost	(214)	(252)	(9)	(7)	(223)	(259)
Interest on obligations	(901)	(850)	(78)	(73)	(979)	(923)
Actuarial (losses) gains <sup>(1)</sup>	(2,240)	1,025	(56)	69	(2,296)	1,094
Net curtailment (loss) gain	(29)	4	–	3	(29)	7
Business combinations	–	(143)	–	(3)	–	(146)
Benefit payments	1,076	1,088	77	77	1,153	1,165
Employee contributions	(5)	(6)	–	–	(5)	(6)
Other	(3)	4	–	–	(3)	4
<b>Post-employment benefit obligations, December 31</b>	<b>(20,988)</b>	<b>(18,672)</b>	<b>(1,707)</b>	<b>(1,641)</b>	<b>(22,695)</b>	<b>(20,313)</b>
Fair value of plan assets, January 1	18,082	17,727	241	220	18,323	17,947
Expected return on plan assets <sup>(2)</sup>	866	763	12	10	878	773
Actuarial gains	1,351	294	12	15	1,363	309
Business combinations	–	120	–	–	–	120
Benefit payments	(1,076)	(1,088)	(77)	(77)	(1,153)	(1,165)
Employer contributions	591	260	73	73	664	333
Employee contributions	5	6	–	–	5	6
<b>Fair value of plan assets, December 31</b>	<b>19,819</b>	<b>18,082</b>	<b>261</b>	<b>241</b>	<b>20,080</b>	<b>18,323</b>
Plan deficit	(1,169)	(590)	(1,446)	(1,400)	(2,615)	(1,990)
Effect of asset limit	(6)	(1)	–	–	(6)	(1)
<b>Post-employment benefit liability, December 31</b>	<b>(1,175)</b>	<b>(591)</b>	<b>(1,446)</b>	<b>(1,400)</b>	<b>(2,621)</b>	<b>(1,991)</b>
Post-employment benefit assets included in other non-current assets	151	136	–	–	151	136
<b>Post-employment benefit obligations</b>	<b>(1,326)</b>	<b>(727)</b>	<b>(1,446)</b>	<b>(1,400)</b>	<b>(2,772)</b>	<b>(2,127)</b>

(1) Actuarial (losses) gains include experience gains of \$1,534 million in 2014 and \$424 million in 2013.

(2) The actual return on plan assets was \$2,241 million or 12.6% in 2014 and \$1,082 million or 6.4% in 2013.

## FUNDED STATUS OF POST-EMPLOYMENT BENEFIT PLANS COST

The following table shows the funded status of our post-employment benefit obligations.

FOR THE YEAR ENDED DECEMBER 31	FUNDED		PARTIALLY FUNDED <sup>(1)</sup>		UNFUNDED <sup>(2)</sup>		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Present value of post-employment benefit obligations	(20,375)	(18,134)	(1,906)	(1,820)	(414)	(359)	(22,695)	(20,313)
Fair value of plan assets	19,783	18,048	297	275	–	–	20,080	18,323
<b>Plan deficit</b>	<b>(592)</b>	<b>(86)</b>	<b>(1,609)</b>	<b>(1,545)</b>	<b>(414)</b>	<b>(359)</b>	<b>(2,615)</b>	<b>(1,990)</b>

(1) The partially funded plans consist of supplementary executive retirement plans (SERPs) for eligible employees and OPEBs. The company partially funds the SERPs through letters of credit and a retirement compensation arrangement account with Canada Revenue Agency. Certain paid-up life insurance benefits are funded through life insurance contracts.

(2) Our unfunded plans consist of OPEBs, which are pay-as-you-go.

## SIGNIFICANT ASSUMPTIONS

We used the following key assumptions to measure the post-employment benefit obligations and the net benefit plans cost for the DB pension plans and OPEB plans. These assumptions are long-term, which is consistent with the nature of post-employment benefit plans.

	DB PENSION PLANS AND OPEB PLANS	
	2014	2013
<b>At December 31</b>		
Post-employment benefit obligations		
Discount rate	4.0%	4.9%
Rate of compensation increase	2.5%	2.8%
Cost of living indexation rate <sup>(1)</sup>	1.6%	1.7%
Life expectancy at age 65 (years)	23.0	22.4
<b>For the year ended December 31</b>		
Net post-employment benefit plans cost		
Discount rate	4.9%	4.4%
Rate of compensation increase	2.8%	3.0%
Cost of living indexation rate <sup>(1)</sup>	1.7%	1.8%
Life expectancy at age 65 (years)	22.4	20.9

(1) Cost of living indexation rate is only applicable to DB pension plans.

The weighted average duration of the post-employment benefit obligation is 15 years.

We assumed the following trend rates in healthcare costs:

- an annual increase of 4.0% in the cost per person of covered dental benefits and 4.5% in the cost per person of other covered healthcare benefits for 2014 and the foreseeable future
- an annual increase of 5.0% for retirees under age 65 and 4.5% for retirees over age 65 in the cost of medication for 2014 and the foreseeable future

Assumed trend rates in healthcare costs have a significant effect on the amounts reported for the healthcare plans.

The following table shows the effect of a 1% change in the assumed trend rates in healthcare costs.

EFFECT ON POST-EMPLOYMENT BENEFITS – INCREASE/(DECREASE)	1% INCREASE	1% DECREASE
Total service and interest cost	7	(6)
Post-employment benefit obligations	147	(128)

## SENSITIVITY ANALYSIS

The following table shows a sensitivity analysis of key assumptions used to measure the net post-employment benefit obligations and the net post-employment benefit plans cost for our DB pension plans and OPEB plans.

CHANGE IN ASSUMPTION	IMPACT ON NET POST-EMPLOYMENT BENEFIT PLANS COST FOR 2014 – INCREASE/(DECREASE)		IMPACT ON POST-EMPLOYMENT BENEFIT OBLIGATIONS AT DECEMBER 31, 2014 – INCREASE/(DECREASE)		
	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION	INCREASE IN ASSUMPTION	DECREASE IN ASSUMPTION	
Discount rate	1%	(175)	148	(2,978)	3,428
Mortality rate	25%	(73)	78	(1,423)	1,518

## POST-EMPLOYMENT BENEFIT PLAN ASSETS

The investment strategy for the post-employment benefit plan assets is to maintain a diversified portfolio of assets invested in a prudent manner to maintain the security of funds.

The following table shows the target allocations for 2014 and the allocation of our post-employment benefit plan assets at December 31, 2014 and 2013.

ASSET CATEGORY	WEIGHTED AVERAGE TARGET ALLOCATION	TOTAL PLAN ASSETS FAIR VALUE AT DECEMBER 31 (%)	
	2014	2014	2013
Equity securities	20%–35%	30%	33%
Debt securities	55%–70%	62%	59%
Alternative investments	0%–25%	8%	8%
<b>Total</b>		<b>100%</b>	<b>100%</b>

The fair value of the DB pension plan assets at the end of the year for each category are tabled below.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
<b>Observable markets</b>		
<b>Equity securities</b>		
Canadian	1,195	1,278
Foreign	4,657	4,692
<b>Debt securities</b>		
Canadian	10,986	9,491
Foreign	921	792
Money market	463	376
<b>Unobservable inputs</b>		
<b>Alternative investments</b>		
Private equities	947	873
Hedge funds	651	602
Other	(1)	(22)
<b>Total</b>	<b>19,819</b>	<b>18,082</b>

Equity securities included approximately \$1 million of BCE common shares, or 0.01% of total plan assets, at December 31, 2014 and approximately \$2 million BCE common shares or 0.01% of total plan assets, at December 31, 2013.

Debt securities included approximately \$2 million of Bell Canada and Bell Aliant debentures, or 0.01% of total plan assets, at December 31, 2014 and approximately \$14 million of Bell Canada debentures, or 0.08% of total plan assets, at December 31, 2013.

In the first quarter of 2015, the Bell Canada Pension Plan (the Plan) entered into an investment arrangement to hedge part of the Plan's exposure to potential increases in longevity which covers approximately \$5 billion of post-employment benefit obligations. This arrangement requires no additional cash contributions from BCE.

## CASH FLOWS

We are responsible for adequately funding our DB pension plans. We make contributions to them based on various actuarial cost methods that are permitted by pension regulatory bodies. Contributions reflect actuarial assumptions about future investment returns, salary projections and future service benefits. Changes in these factors could cause actual future contributions to differ from our current estimates and could require us to increase contributions to our post-employment benefit plans in the future, which could have a negative effect on our liquidity and financial performance.

We contribute to the DC pension plans as employees provide service.

The following table shows the amounts we contributed to the DB and DC pension plans and the payments made to beneficiaries under OPEB plans.

FOR THE YEAR ENDED DECEMBER 31	PENSION PLANS		OPEB PLANS	
	2014	2013	2014	2013
Bell Canada	(348)	(245)	(64)	(64)
Bell Media	(43)	(40)	(1)	-
Bell Aliant	(292)	(56)	(8)	(9)
<b>Total</b>	<b>(683)</b>	<b>(341)</b>	<b>(73)</b>	<b>(73)</b>
Comprised of:				
Contributions to DB pension plans and OPEB plans <sup>(1)</sup>	(591)	(260)	(73)	(73)
Contributions to DC pension plans	(92)	(81)	-	-

(1) Includes voluntary contributions of \$350 million in 2014.

We expect to contribute approximately \$225 million to our DB pension plans in 2015, subject to actuarial valuations being completed. We expect to pay approximately \$80 million to beneficiaries under OPEB plans and to contribute approximately \$95 million to the DC pension plans in 2015.

## Note 23 Other non-current liabilities

FOR THE YEAR ENDED DECEMBER 31	NOTE	2014	2013
Long-term disability benefits obligation		261	224
CRTC tangible benefits obligation	24	222	250
CRTC deferral account obligation	24	150	184
Maple Leaf Sports and Entertainment Ltd. (MLSE) financial liability <sup>(1)</sup>	24	135	135
Deferred revenue on long-term contracts		96	99
Future tax liabilities		81	88
Other		576	478
<b>Total other non-current liabilities</b>		<b>1,521</b>	<b>1,458</b>

(1) Represents BCE's obligation to repurchase the BCE Master Trust Fund's (Master Trust) 9% interest in MLSE at a price not less than an agreed minimum price should the Master Trust exercise its put option. The obligation to repurchase is marked to market each reporting period and the gain or loss is recorded in Other income (expense).

## Note 24 Financial and capital management

### Financial management

Management's objectives are to protect BCE and its subsidiaries on a consolidated basis against material economic exposures and variability of results from various financial risks that include credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk.

#### DERIVATIVES

We use derivative instruments to manage our exposure to foreign currency risk, interest rate risk and changes in the price of BCE common shares under our share-based payment plans.

The following derivative instruments were outstanding during 2014 and/or 2013:

- foreign currency forward contracts and options that manage the foreign currency risk of certain purchase commitments
- interest rate swaps that hedge interest rate risk on a portion of our long-term debt
- forward contracts on BCE common shares that mitigate the cash flow exposure related to share-based payment plans

- cross currency basis swaps that hedge foreign currency risk on a portion of our long-term debt due within one year
- interest rate locks on future debt issuances

#### FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Certain fair value estimates are affected by assumptions we make about the amount and timing of future cash flows and discount rates, all of which reflect varying degrees of risk. Income taxes and other expenses that would be incurred on disposition of financial instruments are not reflected in the fair values. As a result, the fair values are not the net amounts that would be realized if these instruments were settled.

The carrying values of our cash and cash equivalents, trade and other receivables, assets held for sale, trade payables and accruals, compensation payable, severance and other costs payable, interest payable, notes payable, bank advances, and loans secured by trade receivables approximate fair value as they are short-term.

The following table provides the fair value details of financial instruments measured at amortized cost in the statements of financial position.

	FAIR VALUE METHODOLOGY	NOTE	DECEMBER 31, 2014		DECEMBER 31, 2013	
			CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
CRTC tangible benefits obligation	Present value of estimated future cash flows discounted using observable market interest rates	19,23	285	289	350	350
CRTC deferral account obligation	Present value of estimated future cash flows discounted using observable market interest rates	19,23	174	191	264	283
Debentures, finance leases and other debt	Quoted market price of debt or present value of future cash flows discounted using observable market interest rates	21	17,723	20,059	17,019	18,714

The following table provides the fair value details of financial instruments measured at fair value in the statements of financial position.

	NOTE	CARRYING VALUE OF ASSET (LIABILITY) AT DECEMBER 31	FAIR VALUE AT DECEMBER 31		
			QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	OBSERVABLE MARKET DATA (LEVEL 2) <sup>(1)</sup>	NON-OBSERVABLE MARKET INPUTS (LEVEL 3) <sup>(2)</sup>
<b>2014</b>					
AFS publicly-traded and privately-held investments	17	107	17	–	90
Derivative financial instruments		276	–	276	–
MLSE financial liability	23	(135)	–	–	(135)
Other		12	–	22	(10)
<b>2013</b>					
AFS publicly-traded and privately-held investments	17	91	14	–	77
Derivative financial instruments		209	–	209	–
MLSE financial liability	23	(135)	–	–	(135)

(1) Observable market data such as equity prices, interest rates, swap rate curves and foreign currency exchange rates.

(2) Non-observable market inputs such as discounted cash flows. A reasonable change in our assumptions would not result in a significant increase (decrease) to our level 3 financial instruments.

## CREDIT RISK

We are exposed to credit risk from operating activities and certain financing activities, the maximum exposure of which is represented by the carrying amounts reported on the statements of financial position.

We are exposed to credit risk if counterparties to our trade receivables and derivative instruments are unable to meet their obligations. The concentration of credit risk from our customers is minimized because we have a large and diverse customer base. There was minimal credit risk relating to derivative instruments at December 31, 2014 and 2013. We deal with institutions that have investment-grade credit ratings and as such we expect that they will be able to meet their obligations. We regularly monitor our credit risk and credit exposure.

The following table provides the change in allowance for doubtful accounts for trade receivables.

	2014	2013
Balance, January 1	(79)	(97)
Additions	(101)	(123)
Use	111	145
Acquisition through business combinations	–	(4)
<b>Balance, December 31</b>	<b>(69)</b>	<b>(79)</b>

In many instances, trade receivables are written off directly to bad debt expense if the account has not been collected after a predetermined period of time.

The following table provides further details on trade receivables not impaired.

AT DECEMBER 31	2014	2013
Trade receivables not past due	2,267	2,274
Trade receivables past due and not impaired		
Under 60 days	317	325
60 to 120 days	352	365
Over 120 days	63	31
<b>Trade receivables, net of allowance for doubtful accounts</b>	<b>2,999</b>	<b>2,995</b>

## LIQUIDITY RISK

We generate enough cash from our operating activities to fund our operations and fulfill our obligations as they become due.

We have sufficient committed bank facilities in place should our cash requirements exceed cash generated from our operations.

The following table is a maturity analysis for recognized financial liabilities at December 31, 2014 for each of the next five years and thereafter.

AT DECEMBER 31, 2014	NOTE	2015	2016	2017	2018	2019	THEREAFTER	TOTAL
Long-term debt	21	1,031	2,389	1,130	1,729	1,309	7,924	15,512
Notes payable and bank advances	20	1,454	–	–	–	–	–	1,454
Minimum future lease payments under finance leases	14	491	444	313	260	237	1,405	3,150
Loan secured by trade receivables	20	921	–	–	–	–	–	921
Interest payable on long-term debt, notes payable, bank advances and loan secured by trade receivables		652	554	510	470	415	4,548	7,149
MLSE financial liability	23	–	–	135	–	–	–	135
Net interest receipts on derivatives		(23)	(22)	(11)	–	–	–	(56)
<b>Total</b>		<b>4,526</b>	<b>3,365</b>	<b>2,077</b>	<b>2,459</b>	<b>1,961</b>	<b>13,877</b>	<b>28,265</b>

We are also exposed to liquidity risk for financial liabilities due within one year as shown in the statements of financial position.

## MARKET RISK

### CURRENCY EXPOSURES

We use forward contracts, options and cross currency basis swaps to manage foreign currency risk related to anticipated transactions and certain foreign currency debt.

A 10% depreciation (appreciation) in the value of the Canadian dollar relative to the U.S. dollar would result in a gain of \$9 million (loss of \$21 million) recognized in net earnings at December 31, 2014 and a gain (loss) of \$57 million recognized in other comprehensive income at December 31, 2014, with all other variables held constant.

The following table provides further details on our outstanding foreign currency forward contracts, options and cross currency basis swaps as at December 31, 2014.

TYPE OF HEDGE	BUY CURRENCY	AMOUNTS TO RECEIVE IN USD	SELL CURRENCY	AMOUNTS TO PAY IN CAD	MATURITY	HEDGED ITEM
Cash flow	USD	409	CAD	445	2015	Purchase commitments
Cash flow	USD	431	CAD	498	2015	Commercial paper
Cash flow	USD	269	CAD	291	2016–2017	Purchase commitments
Cash flow	USD	877	CAD	1,000	2015	Credit facility
Economic	USD	146	CAD	162	2015	Purchase commitments
Economic – call options	USD	253	CAD	272	2015	Purchase commitments
Economic – put options	USD	506	CAD	543	2015	Purchase commitments

### INTEREST RATE EXPOSURES

We use interest rate swaps to manage the mix of fixed and floating interest rates of our debt. We also use interest rate locks to hedge the interest rates on future debt issuances.

As at December 31, 2014, we had interest rate locks with a notional amount of \$500 million which mature in 2015.

The following table shows the interest rate swap outstanding at December 31, 2014.

TYPE OF HEDGE	NOTIONAL AMOUNT	RECEIVE INTEREST RATE	PAY INTEREST RATE	MATURITY	HEDGED ITEM
Fair value	700	5.00%	3-month CDOR <sup>(1)</sup> + 0.42%	2017	Long-term debt

(1) Canadian dollar offered rate.

In 2014, we recognized a loss of \$15 million (2013 – \$22 million) on an interest rate swap used as a fair value hedge of long-term debt and an offsetting gain of \$15 million (2013 – \$21 million) on the corresponding long-term debt.

A 1% decrease (increase) in interest rates would result in a gain (loss) of \$27 million recognized in net earnings at December 31, 2014 and in a gain of \$32 million (loss of \$36 million) recognized on other comprehensive income as at December 31, 2014.

For our post-employment benefit plans, the interest rate risk is managed using a liability matching approach which reduces the exposure of the DB plan to a mismatch between investment growth and obligation growth.

### EQUITY PRICE EXPOSURES

We use equity forward contracts on BCE's common shares to economically hedge the cash flow exposure related to share-based payment plans. See Note 26, *Share-based payments* for details on our share-based payment arrangements. The fair value of our equity forward contracts at December 31, 2014 was \$157 million (2013 – \$100 million).

A 10% increase (decrease) in the market price of BCE's common shares at December 31, 2014 would result in a gain (loss) of \$69 million recognized in net earnings for 2014, all other variables held constant.

## Capital management

We have various capital policies, procedures and processes which are utilized to achieve our objectives for capital management. These include optimizing our cost of capital and maximizing shareholder return while balancing the interests of our stakeholders.

Our definition of capital includes equity attributable to BCE shareholders, debt, and cash and cash equivalents.

Concurrent with the announcement of the Privatization of Bell Aliant on July 23, 2014, Bell Canada increased its net debt<sup>(1)</sup> leverage ratio target range from 1.5 to 2.0 times Adjusted EBITDA<sup>(2)</sup> to 1.75 to 2.25 times Adjusted EBITDA. We monitor our capital structure and

make adjustments, including to our dividend policy, as required. At December 31, 2014, we had exceeded our internal net debt to Adjusted EBITDA ratio by 0.34. This increase over our internal ratio does not create risk to our investment-grade credit rating.

On February 4, 2015, the board of directors of BCE approved an increase of 5.3% in the annual dividend on BCE's common shares, from \$2.47 to \$2.60 per common share. In addition, the board of directors declared a quarterly dividend of \$0.65 per common share, payable on April 15, 2015 to shareholders of record at March 16, 2015.

(1) We define net debt as debt due within one year plus long-term debt and 50% of preferred shares less cash and cash equivalents.

(2) For the purposes of calculating the net debt leverage ratio, Adjusted EBITDA is twelve-month trailing Adjusted EBITDA defined as operating revenues less operating costs as shown in our income statement.

On February 5, 2014, the board of directors of BCE approved an increase of 6.0% in the annual dividend on BCE's common shares, from \$2.33 to \$2.47 per common share.

The following table summarizes some of our key ratios used to monitor and manage Bell Canada's capital structure. As of 2014, we report these ratios at the BCE level as opposed to the Bell level. Comparative figures are also reported at the BCE level.

AT DECEMBER 31	2014	2013
Net debt to Adjusted EBITDA	2.59	2.51
Adjusted EBITDA to net interest expense <sup>(1)</sup>	8.38	8.17

(1) Net interest expense excludes interest on post-employment benefit obligations and includes 50% of preferred dividends.

## Note 25 Share capital

### Preferred shares

BCE's articles of amalgamation provide for an unlimited number of First Preferred Shares and Second Preferred Shares, all without par value. The terms set out in the articles authorize BCE's directors to issue the shares in one or more series and to set the number of shares and the conditions for each series.

The following table is a summary of the principal terms of BCE's First Preferred Shares. There were no Second Preferred Shares issued and outstanding at December 31, 2014. BCE's articles of amalgamation, as amended, describe the terms and conditions of these shares in detail.

SERIES	ANNUAL DIVIDEND RATE	CONVERTIBLE INTO	CONVERSION DATE	REDEMPTION DATE	REDEMPTION PRICE	NUMBER OF SHARES		STATED CAPITAL	
						AUTHORIZED	ISSUED AND OUTSTANDING	DEC. 31, 2014	DEC. 31, 2013
Q	floating	Series R	December 1, 2015	At any time	\$25.50	8,000,000	–	–	–
R <sup>(1)</sup>	4.49%	Series Q	December 1, 2015	December 1, 2015	\$25.00	8,000,000	8,000,000	200	200
S	floating	Series T	November 1, 2016	At any time	\$25.50	8,000,000	3,606,225	90	90
T <sup>(1)</sup>	3.393%	Series S	November 1, 2016	November 1, 2016	\$25.00	8,000,000	4,393,775	110	110
Y	floating	Series Z	December 1, 2017	At any time	\$25.50	10,000,000	8,772,468	219	219
Z <sup>(1)</sup>	3.152%	Series Y	December 1, 2017	December 1, 2017	\$25.00	10,000,000	1,227,532	31	31
AA <sup>(1)</sup>	3.45%	Series AB	September 1, 2017	September 1, 2017	\$25.00	20,000,000	10,144,302	259	259
AB	floating	Series AA	September 1, 2017	At any time	\$25.50	20,000,000	9,855,698	251	251
AC <sup>(1)</sup>	3.55%	Series AD	March 1, 2018	March 1, 2018	\$25.00	20,000,000	5,069,935	129	129
AD	floating	Series AC	March 1, 2018	At any time	\$25.50	20,000,000	14,930,065	381	381
AE	floating	Series AF	February 1, 2015	At any time	\$25.50	24,000,000	1,422,900	36	36
AF <sup>(1)</sup>	4.541%	Series AE	February 1, 2015	February 1, 2015	\$25.00	24,000,000	14,577,100	364	364
AG <sup>(1)</sup>	4.50%	Series AH	May 1, 2016	May 1, 2016	\$25.00	22,000,000	10,841,056	271	271
AH	floating	Series AG	May 1, 2016	At any time	\$25.50	22,000,000	3,158,944	79	79
AI <sup>(1)</sup>	4.15%	Series AJ	August 1, 2016	August 1, 2016	\$25.00	22,000,000	10,754,990	269	269
AJ	floating	Series AI	August 1, 2016	At any time	\$25.50	22,000,000	3,245,010	81	81
AK <sup>(1)</sup>	4.15%	Series AL	December 31, 2016	December 31, 2016	\$25.00	25,000,000	25,000,000	625	625
AL <sup>(2)</sup>	floating	Series AK	December 31, 2021			25,000,000	–	–	–
AM <sup>(1)</sup>	4.85%	Series AN	March 31, 2016	March 31, 2016	\$25.00	30,000,000	11,500,000	263	–
AN <sup>(2)</sup>	floating	Series AM	March 31, 2021			30,000,000	–	–	–
AO <sup>(1)</sup>	4.55%	Series AP	March 31, 2017	March 31, 2017	\$25.00	30,000,000	4,600,000	118	–
AP <sup>(2)</sup>	floating	Series AO	March 31, 2022			30,000,000	–	–	–
AQ <sup>(1)</sup>	4.25%	Series AR	September 30, 2018	September 30, 2018	\$25.00	30,000,000	9,200,000	228	–
AR <sup>(2)</sup>	floating	Series AQ	September 30, 2023			30,000,000	–	–	–
								4,004	3,395

(1) BCE may redeem each of these series of First Preferred Shares on the applicable redemption date and every five years after that date.

(2) If Series AL, AN, AP or AR First Preferred Shares are issued on December 31, 2016, March 31, 2016, March 31, 2017 and September 30, 2018, respectively, BCE may redeem such shares at \$25.00 per share on December 31, 2021, March 31, 2021, March 31, 2022 and September 30, 2023, respectively, and every five years thereafter (collectively, a Series conversion date). Alternatively, BCE may redeem Series AL, AN, AP or AR First Preferred Shares at \$25.50 per share on any date after December 31, 2016, March 31, 2016, March 31, 2017 and September 30, 2018, respectively, which is not a Series conversion date.

### VOTING RIGHTS

All of the issued and outstanding First Preferred Shares at December 31, 2014 are non-voting, except under special circumstances, when the holders are entitled to one vote per share.

## PRIORITY AND ENTITLEMENT TO DIVIDENDS

The First Preferred Shares of all series rank on a parity with each other and in priority to all other shares of BCE with respect to payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of BCE.

Holders of Series R, T, Z, AA, AC, AF, AG, AI, AK, AM, AO and AQ First Preferred Shares are entitled to fixed cumulative quarterly dividends. The dividend rate on these shares is reset every five years, as set out in BCE's articles of amalgamation, as amended.

Holders of Series S, Y, AB, AD, AE, AH and AJ First Preferred Shares are entitled to floating adjustable cumulative monthly dividends. The floating dividend rate on these shares is calculated every month, as set out in BCE's articles of amalgamation, as amended.

Dividends on all series of First Preferred Shares are paid as and when declared by the board of directors of BCE.

## CONVERSION FEATURES

All of the issued and outstanding First Preferred Shares at December 31, 2014 are convertible at the holder's option into another associated series of First Preferred Shares on a one-for-one basis according to the terms set out in BCE's articles of amalgamation, as amended.

## ISSUE OF BCE FIRST PREFERRED SHARES IN EXCHANGE FOR PREFCO PREFERRED SHARES

BCE issued Series AM, AO and AQ First Preferred Shares in exchange for the issued and outstanding preferred shares of Prefco, having the same financial terms as the existing Prefco preferred shares, as described in Note 3, *Privatization of Bell Aliant*.

## CONVERSION OF FIRST PREFERRED SHARES

On February 1, 2015, 7,904,105 of BCE's 14,577,100 Cumulative Redeemable First Preferred Shares, Series AF (Series AF Preferred Shares) were converted, on a one-for-one basis, into Cumulative Redeemable First Preferred Shares, Series AE (Series AE Preferred Shares). In addition, on February 1, 2015, 34,872 of BCE's 1,422,900 Series AE Preferred Shares were converted, on a one-for-one basis, into Series AF Preferred Shares. As a result, 6,707,867 Series AF Preferred Shares and 9,292,133 Series AE Preferred Shares remain outstanding.

For the five year period beginning on February 1, 2015, the Series AF Preferred Shares will pay a quarterly fixed dividend based on an annual dividend rate of 3.11%. The Series AE Preferred Shares will continue to pay a monthly floating adjustable cash dividend.

## Common shares and Class B shares

BCE's articles of amalgamation provide for an unlimited number of voting common shares and non-voting Class B shares, all without par value. The common shares and the Class B shares rank equally in the payment of dividends and in the distribution of assets if BCE is liquidated, dissolved or wound up, after payments due to the holders of preferred shares. No Class B shares were outstanding at December 31, 2014 and 2013.

The following table provides details about the outstanding common shares of BCE.

	NOTE	2014		2013	
		NUMBER OF SHARES	STATED CAPITAL	NUMBER OF SHARES	STATED CAPITAL
Outstanding, January 1		775,892,556	13,629	775,381,645	13,611
Shares issued for the Privatization of Bell Aliant	3	60,879,365	2,928	–	–
Shares issued under employee stock option plan	26	1,372,006	53	420,822	14
Shares issued under ESP		2,186,426	107	90,089	4
<b>Outstanding, December 31</b>		<b>840,330,353</b>	<b>16,717</b>	<b>775,892,556</b>	<b>13,629</b>

## CONTRIBUTED SURPLUS

Contributed surplus in 2014 includes premiums in excess of par value upon the issuance of BCE common shares.

As described in Note 3, *Privatization of Bell Aliant*, contributed surplus decreased in 2014 by \$1,499 million, as compared to 2013, which represents primarily the amount originally recorded to contributed surplus from the distribution of fund units to the holders of BCE common shares by way of a return of capital when Bell Aliant converted from a corporate structure to an income fund in 2006.

## Note 26 Share-based payments

The following share-based payment amounts are included in the income statements as operating costs.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
ESPs	(30)	(35)
RSUs/PSUs	(49)	(44)
Deferred share plans – Bell Aliant	(10)	(10)
Other <sup>(1)</sup>	(10)	(9)
<b>Total share-based payments</b>	<b>(99)</b>	<b>(98)</b>

(1) Includes DSUs and stock options.

## Description of the plans

### ESPs

ESPs are designed to encourage employees of BCE and its participating subsidiaries to own shares of BCE. Each year, employees can choose to have a certain percentage of their eligible annual earnings withheld through regular payroll deductions for the purchase of BCE common shares. In some cases, the employer also will contribute a percentage of the employee's eligible annual earnings to the plan, up to a specified maximum. Dividends are credited to the participant's account on each dividend payment date and are equivalent in value to the dividends paid on BCE common shares.

The BCE ESP allows employees to contribute up to 12% of their annual earnings with a maximum employer contribution of 2%.

Employer contributions to the BCE plan are subject to employees holding their shares for a two-year vesting period. Dividends related to employer contributions are also subject to the two-year vesting period.

The trustee of the ESP buys BCE common shares for the participants on the open market, by private purchase or from treasury. BCE determines the method the trustee uses to buy the shares.

At December 31, 2014, 10,135,275 common shares were authorized for issuance from treasury under the BCE ESP.

The following table summarizes the status of unvested employer contributions at December 31, 2014 and 2013.

NUMBER OF ESPs	2014	2013
Unvested contributions, January 1	1,230,265	1,290,286
Contributions <sup>(1)</sup>	631,038	659,568
Dividends credited	60,621	65,067
Vested	(645,141)	(687,157)
Forfeited	(123,130)	(97,499)
<b>Unvested contributions, December 31</b>	<b>1,153,653</b>	<b>1,230,265</b>

(1) The weighted average fair value of the ESPs contributed was \$49 and \$45 in 2014 and 2013, respectively.

### RSUs/PSUs

RSUs/PSUs are granted to executives and other key employees. The value of an RSU/PSU at the grant date is equal to the value of one BCE common share. Dividends in the form of additional RSUs/PSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on BCE common

shares. Executives and other key employees are granted a specific number of RSUs/PSUs for a given performance period based on their position and level of contribution. RSUs/PSUs vest fully after three years of continuous employment from the date of grant and, in certain cases, if performance objectives are met as determined by the board of directors.

The following table summarizes outstanding RSUs/PSUs at December 31, 2014 and 2013.

NUMBER OF RSUs/PSUs	2014	2013
Outstanding, January 1	3,733,830	2,468,405
Granted <sup>(1)</sup>	1,058,031	1,219,042
Dividends credited	184,590	174,989
Settled	(1,259,067)	(68,182)
Forfeited	(100,417)	(60,424)
<b>Outstanding, December 31</b>	<b>3,616,967</b>	<b>3,733,830</b>
<b>Vested, December 31<sup>(2)</sup></b>	<b>1,307,824</b>	<b>1,210,791</b>

(1) The weighted average fair value of the RSUs/PSUs granted was \$48 and \$45 in 2014 and 2013, respectively.

(2) The RSUs/PSUs vested on December 31, 2014 were fully settled in February 2015 with BCE common shares and/or DSUs.

### DEFERRED SHARE PLANS – BELL ALIANT

Participants have the option to receive either BCE common shares or a cash equivalent for each vested deferred share upon qualifying for payout under the terms of the grant. The carrying amount of the liability recorded in the statement of financial position and related to the deferred share plans was \$52 million at December 31, 2014.

### STOCK OPTIONS

Under BCE's long-term incentive plans, BCE may grant options to executives to buy BCE common shares. The subscription price of a grant is based on the higher of:

- the volume-weighted average of the trading price on the trading day immediately prior to the effective date of the grant

- the volume-weighted average of the trading price for the last five consecutive trading days ending on the trading day immediately prior to the effective date of the grant

At December 31, 2014, 22,881,173 common shares were authorized for issuance under these plans. Options vest fully after three years of continuous employment from the date of grant. All options become exercisable when they vest and can be exercised for a period of seven years from the date of grant. Special vesting provisions may apply if:

- there is a change in control of BCE and the option holder's employment ends
- the option holder is employed by a designated subsidiary of BCE and BCE's ownership interest in that subsidiary falls below the percentage set out in the plan

The following table summarizes BCE's outstanding stock options at December 31, 2014 and 2013.

	NOTE	2014		2013	
		NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)
Outstanding, January 1		7,870,231	\$40	5,310,356	\$37
Granted		2,915,361	\$48	2,993,902	\$44
Exercised <sup>(1)</sup>	25	(1,372,006)	\$36	(420,822)	\$30
Forfeited		(135,396)	\$44	(13,205)	\$40
<b>Outstanding, December 31</b>		<b>9,278,190</b>	<b>\$43</b>	<b>7,870,231</b>	<b>\$40</b>
<b>Exercisable, December 31</b>		<b>865,600</b>	<b>\$36</b>	<b>–</b>	<b>–</b>

(1) The weighted average share price for options exercised was \$49 and \$45 in 2014 and 2013, respectively.

The following table provides additional information about BCE's stock option plans at December 31, 2014.

RANGE OF EXERCISE PRICES	STOCK OPTIONS OUTSTANDING		
	NUMBER	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE (\$)
\$30–\$39	865,600	3.9	\$36
\$40 or more	8,412,590	5.9	\$44
	<b>9,278,190</b>	<b>5.7</b>	<b>\$43</b>

#### ASSUMPTIONS USED IN STOCK OPTION PRICING MODEL

The fair value of options granted was determined using a variation of a binomial option pricing model that takes into account factors specific to the share incentive plans, such as the vesting period. The following table shows the principal assumptions used in the valuation.

	2014
Weighted average fair value per option granted	\$2.37
Weighted average share price	\$48
Weighted average exercise price	\$48
Dividend yield	5.2%
Expected volatility	15%
Risk-free interest rate	1.5%
Expected life (years)	4.5

Expected volatilities are based on the historical volatility of BCE's share price. The risk-free rate used is equal to the yield available on Government of Canada bonds at the date of grant with a term equal to the expected life of the options.

#### DSUs

Eligible bonuses and RSUs/PSUs may be paid in the form of DSUs when executives or other key employees elect to or are required to participate in the plan. The value of a DSU at the issuance date is equal to the value of one BCE common share. For non-management directors, compensation is paid in DSUs until the minimum share ownership requirement is met or as elected by the directors thereafter. There are no vesting requirements relating to DSUs. Dividends in the form of additional DSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividends paid on BCE common shares. DSUs are settled when the holder leaves the company.

The following table summarizes the status of outstanding DSUs at December 31, 2014 and 2013.

NUMBER OF DSUs	2014	2013
Outstanding, January 1	3,625,053	3,305,861
Issued <sup>(1)</sup>	142,231	230,718
Settlement of RSUs/PSUs	415,091	–
Dividends credited	202,885	182,065
Settled	(268,733)	(93,591)
<b>Outstanding, December 31</b>	<b>4,116,527</b>	<b>3,625,053</b>

(1) The weighted average fair value of the DSUs issued was \$48 and \$44 in 2014 and 2013, respectively.

## Note 27 Commitments and contingencies

### Commitments

The following table is a summary of our contractual obligations at December 31, 2014 that are due in each of the next five years and thereafter.

	NOTE	2015	2016	2017	2018	2019	THERE-AFTER	TOTAL
Operating leases		295	249	211	161	134	748	1,798
Commitments for property, plant and equipment and intangible assets		851	573	441	450	321	1,617	4,253
Purchase obligations		1,443	448	360	188	178	1,005	3,622
Glentel acquisition	4	670	–	–	–	–	–	670
<b>Total</b>		<b>3,259</b>	<b>1,270</b>	<b>1,012</b>	<b>799</b>	<b>633</b>	<b>3,370</b>	<b>10,343</b>

BCE's significant operating leases are for office premises, cellular tower sites and retail outlets with lease terms ranging from 1 to 33 years. These leases are non-cancellable and are renewable at the end of the lease period. Rental expense relating to operating leases was \$335 million in 2014 and \$300 million in 2013.

Purchase obligations consist of contractual obligations under service and product contracts for operating expenditures. Our commitments for property, plant and equipment and intangible assets include program and feature film rights and investments to expand and update our networks to meet customer demand.

### Contingencies

We become involved in various legal proceedings as a part of our business. While we cannot predict the final outcome or timing of the legal proceedings pending at December 31, 2014, based on the information currently available and management's assessment of

the merits of such legal proceedings, management believes that the resolution of these legal proceedings will not have a material and negative effect on our financial statements. We believe that we have strong defences and we intend to vigorously defend our positions.

## Note 28 Related party transactions

### Subsidiaries

The following table shows BCE's significant subsidiaries at December 31, 2014. BCE has other subsidiaries which have not been included in the table as each represents less than 10% individually and less than 20% in aggregate of total consolidated revenues.

All of these subsidiaries are incorporated in Canada and provide services to each other in the normal course of operations. The value of these transactions is eliminated on consolidation.

SUBSIDIARY	OWNERSHIP PERCENTAGE	
	2014	2013
Bell Canada	100.0%	100.0%
Bell Mobility Inc.	100.0%	100.0%
Bell Aliant <sup>(1)</sup>	100.0%	44.1%
Bell Media Inc.	100.0%	100.0%

(1) In 2014, BCE acquired all of the issued and outstanding common shares of Bell Aliant that it did not already own. Refer to Note 3, Privatization of Bell Aliant. At December 31, 2013, BCE controlled Bell Aliant through its right to appoint a majority of the board of directors of Bell Aliant.

### Transactions with joint arrangements and associates

During 2014 and 2013, BCE provided telecommunication services and received programming content and other services in the normal course of business on an arm's length basis to and from its joint arrangements and associates. Our joint arrangements are comprised of MLSE, Inukshuk, Enstream Inc., Cirque du Soleil Media Limited Partnership and Dome Productions Partnership. Our associates

are comprised of Summerhill Ventures LLP, Q9 Networks Inc., The NHL Network Inc., Suretap Wallet Inc. and, until July 2013, Viewer's Choice Canada Inc.

BCE recognized revenues and incurred expenses with our associates and joint arrangements of \$6 million (2013 – \$7 million) and \$56 million (2013 – \$56 million), respectively.

## BCE Master Trust Fund

Bimcor Inc. (Bimcor), a wholly-owned subsidiary of Bell Canada, is the administrator of the Master Trust. Bimcor recognized management fees of \$12 million from the Master Trust for 2014 and 2013. The details of BCE's post-employment benefit plans are set out in Note 22, *Post-employment benefit plans*.

## Compensation of key management personnel and board of directors

The following table includes compensation of the key management personnel and board of directors for the years ended December 31, 2014 and 2013 included in our income statements. Key management personnel are the company's Chief Executive Officer (CEO) and the executives who report directly to the CEO.

FOR THE YEAR ENDED DECEMBER 31	2014	2013
Wages, salaries, fees and related taxes and benefits	(24)	(24)
Post-employment benefit plans and OPEBs cost	(4)	(4)
Share-based compensation	(26)	(25)
<b>Key management personnel and board of directors compensation expense</b>	<b>(54)</b>	<b>(53)</b>

## Note 29 Significant partly-owned subsidiaries

The following tables show summarized financial information for our subsidiaries with significant NCI.

### Summarized statements of financial position

FOR THE YEAR ENDED DECEMBER 31	BELL ALIANT <sup>(1)</sup>	CTV SPECIALTY <sup>(1)</sup>	
	2013	2014	2013
Current assets	408	255	378
Non-current assets	4,584	999	1,004
<b>Total assets</b>	<b>4,992</b>	<b>1,254</b>	<b>1,382</b>
Current liabilities	712	152	448
Non-current liabilities	3,117	185	189
<b>Total liabilities</b>	<b>3,829</b>	<b>337</b>	<b>637</b>
<b>Total equity attributable to BCE shareholders</b>	<b>221</b>	<b>643</b>	<b>522</b>
<b>NCI<sup>(2)</sup></b>	<b>942</b>	<b>274</b>	<b>223</b>

(1) In 2014, BCE acquired all the issued and outstanding shares of Bell Aliant that it did not already own, therefore eliminating the 55.9% ownership interest held by NCI. Refer to Note 3, Privatization of Bell Aliant. At December 31, 2013 and 2014, the ownership interest held by NCI in CTV Specialty was 29.9%. Both of Bell Aliant and CTV Specialty were incorporated and operated in Canada as at such dates.

(2) The Bell Aliant NCI was greater than its share of net assets by \$662 million for 2013, primarily due to preferred shares, all of which were owned by the NCI.

### Selected income and cash flow information

FOR THE YEAR ENDED DECEMBER 31	BELL ALIANT <sup>(1)</sup>		CTV SPECIALTY <sup>(2)</sup>	
	2014	2013	2014	2013
Operating revenues	2,757	2,759	807	781
Net earnings	328	379	174	190
Net earnings attributable to NCI	165	224	53	58
<b>Total comprehensive income</b>	<b>171</b>	<b>664</b>	<b>175</b>	<b>194</b>
Total comprehensive income attributable to NCI	72	384	54	59
<b>Cash dividends paid to NCI</b>	<b>143</b>	<b>270</b>	<b>2</b>	<b>13</b>

(1) Bell Aliant net earnings and total comprehensive income include \$22 million and \$28 million of dividends declared on preferred shares for 2014 and 2013, respectively.

(2) CTV Specialty net earnings and total comprehensive income includes \$2 million directly attributable to NCI for 2014 and 2013.