

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of Brookfield Infrastructure Partners L.P.

We have audited the accompanying consolidated financial statements of Brookfield Infrastructure Partners L.P. and subsidiaries (the “Partnership”), which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, and the consolidated statements of operating results, consolidated statements of comprehensive income, consolidated statements of partnership capital, and consolidated statements of cash flows for each of the years in the three-year period ended December 31, 2014, 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 judgment, 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 the Partnership as at December 31, 2014 and December 31, 2013, and their financial performance and their cash flows for each of the years in the three-year period ended December 31, 2014 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 Partnership'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 17, 2015 expressed an unqualified opinion on the Partnership's internal control over financial reporting.

/s/ Deloitte LLP

Toronto, Canada
March 17, 2015

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Partners of Brookfield Infrastructure Partners L.P.

Dear Sirs/Mesdames:

We have audited the internal control over financial reporting of Brookfield Infrastructure Partners L.P. and subsidiaries (the “Partnership”) 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. As described in Management’s Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment of the internal control over financial reporting its mid-west and pacific U.S. district energy operations and North American west coast gas storage operation, in which control was acquired on August 21, 2014, November 21, 2014 and December 31, 2014, respectively. The financial statements of these entities constitute 4% of total assets, 4% of net assets, 1% of revenue and less than 1% of net income of the consolidated financial statements of the Partnership as of and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting at the aforementioned acquired operation. The Partnership’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Partnership’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the

risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Partnership maintained, in all material respects, effective 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.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Partnership and our report dated March 17, 2015 expressed an unmodified opinion on those financial statements.

/s/ Deloitte LLP

Toronto, Canada
March 17, 2015

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<u>US\$ MILLIONS</u>	<u>Notes</u>	<u>As of December 31, 2014</u>	<u>As of December 31, 2013</u>
Assets			
Cash and cash equivalents	8	\$ 189	\$ 538
Financial assets	9	484	362
Accounts receivable and other	10	299	346
Inventory	11	21	22
Assets classified as held for sale	6	567	—
Current assets		<u>1,560</u>	1,268
Property, plant and equipment	13	8,084	7,763
Intangible assets	14	3,575	4,006
Investments in associates	12	2,412	2,039
Investment properties	16	162	164
Goodwill	15	84	48
Financial assets	9	430	178
Other assets	10	89	92
Deferred income tax asset	26	99	124
Total assets		<u>\$16,495</u>	<u>\$15,682</u>
Liabilities and Partnership Capital			
Liabilities			
Accounts payable and other	17	532	491
Non-recourse borrowings	19	41	71
Financial liabilities	18	49	36
Liabilities directly associated with assets classified as held for sale	6	199	—
Current liabilities		<u>821</u>	598
Corporate borrowings	19, 20	588	377
Non-recourse borrowings	19	6,180	5,719
Financial liabilities	18	554	511
Other liabilities	17	569	557
Deferred income tax liability	26	1,441	1,295
Preferred shares	21	20	20
Total liabilities		<u>10,173</u>	<u>9,077</u>
Partnership capital			
Limited partners'		3,533	3,751
Non-controlling interest attributable to:			
Redeemable Partnership Units held by Brookfield		1,321	1,408
Interest of others in operating subsidiaries	25	1,444	1,419
General partner		24	27
Total partnership capital		<u>6,322</u>	<u>6,605</u>
Total liabilities and partnership capital		<u>\$16,495</u>	<u>\$15,682</u>

The accompanying notes are an integral part of the financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF OPERATING RESULTS

<u>US\$ MILLIONS (except per unit information)</u>	Notes	For the Year Ended December 31,		
		2014	2013	2012
Revenues	22	\$1,924	\$1,826	\$1,524
Direct operating costs		(846)	(823)	(766)
General and administrative expenses		(115)	(110)	(95)
Depreciation and amortization expense	13, 14	(380)	(329)	(230)
		583	564	433
Interest expense	23	(362)	(362)	(322)
Share of earnings from investments in associates	12	58	56	12
Mark-to-market on hedging items	7	38	19	(49)
Gain on sale of associates	12	—	53	—
Other (expenses) income		(1)	(35)	8
Income before income tax		316	295	82
Income tax (expense) recovery				
Current	26	(30)	(3)	(12)
Deferred	26	(49)	1	42
Net income from continuing operations		237	293	112
(Loss) income from discontinued operations, net of income tax	6	(8)	(228)	179
Net income		\$ 229	\$ 65	\$ 291
Attributable to:				
Limited partners		\$ 101	\$ (63)	\$ 64
Non-controlling interest attributable to:				
Redeemable Partnership Units held by Brookfield		39	(26)	26
Interest of others in operating subsidiaries	25	45	123	185
General partner		44	31	16
Basic and diluted earnings (loss) per unit attributable to:				
Limited partners	27	\$ 0.67	\$(0.43)	\$ 0.47

The accompanying notes are an integral part of the financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<u>US\$ MILLIONS</u>	Notes	For the Year Ended December 31,		
		2014	2013	2012
Net income		<u>\$ 229</u>	<u>\$ 65</u>	<u>\$ 291</u>
Other comprehensive (loss) income:				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of property, plant and equipment	13	547	658	556
Unrealized actuarial losses		(45)	(5)	(9)
Taxes on the above items	26	(135)	(185)	(161)
Equity accounted investments	12	<u>115</u>	<u>137</u>	<u>142</u>
		<u>482</u>	<u>605</u>	<u>528</u>
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation		(655)	(423)	99
Cash flow hedge	7	(41)	(13)	(29)
Net investment hedge	7	141	(12)	(9)
Available-for-sale securities	7	9	14	—
Taxes on the above items	26	(5)	7	—
Equity accounted investments	12	<u>8</u>	<u>23</u>	<u>(4)</u>
		<u>(543)</u>	<u>(404)</u>	<u>57</u>
Total other comprehensive (loss) income		<u>(61)</u>	<u>201</u>	<u>585</u>
Comprehensive income		<u>\$ 168</u>	<u>\$ 266</u>	<u>\$ 876</u>
Attributable to:				
Limited partners	28	\$ 68	\$ 53	\$ 432
Non-controlling interest attributable to:				
Redeemable Partnership Units held by Brookfield	28	27	20	173
Interest of others in operating subsidiaries		30	161	252
General partner	28	<u>43</u>	<u>32</u>	<u>19</u>

The accompanying notes are an integral part of the financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF PARTNERSHIP CAPITAL

Non-Controlling Interest—
Redeemable Partnership Units held by Brookfield

US\$ MILLIONS	Limited Partners'				General Partner				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield	Non-controlling interest— in operating subsidiaries	Total partners' capital	
	Limited partners' capital	(Deficit) Retained earnings	Ownership Changes	Accumulated other comprehensive income ⁽¹⁾	Limited partners'	General partner capital	Retained earnings	Accumulated other comprehensive income ⁽¹⁾	General partner	Redeemable units held by Brookfield	(Deficit) Retained earnings	Ownership Changes				Accumulated other comprehensive income ⁽¹⁾
Balance as at January 1, 2014	\$3,199	\$(213)	\$77	\$688	\$3,751	\$19	\$ 2	\$ 6	\$ 27	\$1,178	\$(95)	\$30	\$295	\$1,408	\$1,419	\$6,605
Net income	—	101	—	—	101	—	44	—	44	—	39	—	—	39	45	229
Other comprehensive loss	—	—	—	(33)	(33)	—	—	(1)	(1)	—	—	—	(12)	(12)	(15)	(61)
Comprehensive income (loss)	—	101	—	(33)	68	—	44	(1)	43	—	39	—	(12)	27	30	168
Unit issuance	2	—	—	—	2	—	—	—	—	—	—	—	—	—	—	2
Partnership distributions	—	(288)	—	—	(288)	—	(46)	—	(46)	—	(114)	—	—	(114)	—	(448)
Acquisition of interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	362	362
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(367)	(367)
Balance as at December 31, 2014	\$3,201	\$(400)	\$77	\$655	\$3,533	\$19	\$—	\$ 5	\$ 24	\$1,178	\$(170)	\$30	\$283	\$1,321	\$1,444	\$6,322

Non-Controlling Interest—
Redeemable Partnership Units held by Brookfield

US\$ MILLIONS	Limited Partners'				General Partner				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield	Non-controlling interest— in operating subsidiaries	Total partners' capital	
	Limited partners' capital	Retained earnings (deficit)	Ownership Changes	Accumulated other comprehensive income ⁽¹⁾	Limited partners'	General partner capital	Retained earnings	Accumulated other comprehensive income ⁽¹⁾	General partner	Redeemable units held by Brookfield	Retained earnings (deficit)	Ownership Changes				Accumulated other comprehensive income ⁽¹⁾
Balance as at January 1, 2013	\$2,955	\$ 48	\$—	\$629	\$3,632	\$19	\$ 3	\$5	\$ 27	\$1,084	\$ 9	\$—	\$272	\$1,365	\$ 2,784	\$ 7,808
Net (loss) income	—	(63)	—	—	(63)	—	31	—	31	—	(26)	—	—	(26)	123	65
Other comprehensive income	—	—	—	116	116	—	—	1	1	—	—	—	46	46	38	201
Comprehensive (loss) income	—	(63)	—	116	53	—	31	1	32	—	(26)	—	46	20	161	266
Unit issuance	244	—	—	—	244	—	—	—	—	94	—	—	—	94	—	338
Partnership distributions	—	(255)	—	—	(255)	—	(32)	—	(32)	—	(101)	—	—	(101)	—	(388)
Acquisition of interests	—	—	—	—	—	—	—	—	—	—	—	—	—	—	64	64
Dispositions of interests (notes 5,6)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,437)	(1,437)
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(156)	(156)
Changes in ownership (note 5)	—	—	77	—	77	—	—	—	—	—	—	—	—	30	3	110
Other items	—	57	—	(57)	—	—	—	—	—	—	23	—	(23)	—	—	—
Balance as at December 31, 2013	\$3,199	\$(213)	\$77	\$688	\$3,751	\$19	\$ 2	\$6	\$ 27	\$1,178	\$(95)	\$30	\$295	\$1,408	\$ 1,419	\$ 6,605

Non-Controlling Interest—
Redeemable Partnership Units held by Brookfield

US\$ MILLIONS	Limited Partners'				General Partner				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield				Non-Controlling Interest— Redeemable Partnership Units held by Brookfield	Non-controlling interest— in operating subsidiaries	Total partners' capital
	Limited partners' capital	Retained earnings	Ownership Changes	Accumulated other comprehensive income ⁽¹⁾	Limited partners'	General partner capital	Retained earnings	Accumulated other comprehensive income ⁽¹⁾	General partner	Redeemable units held by Brookfield	Retained earnings	Ownership Changes			
Balance as at January 1, 2012	\$2,597	\$ 191	\$261	\$3,049	\$19	\$ 3	\$2	\$ 24	\$ 942	\$ 66	\$125	\$1,133	\$1,683	\$5,889	
Net income	—	64	—	64	—	16	—	16	—	26	—	26	185	291	
Other comprehensive income	—	—	—	368	368	—	—	3	3	—	—	147	147	585	
Comprehensive income	—	64	—	368	368	—	16	3	19	—	26	147	173	876	
Unit issuance	358	—	—	358	—	—	—	—	142	—	—	—	142	500	
Partnership distributions	—	(206)	—	(206)	—	(16)	—	(16)	—	(82)	—	—	(82)	(304)	
Acquisition of interests (note 4)	—	—	—	—	—	—	—	—	—	—	—	—	—	943	
Subsidiary distributions to non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	(94)	
Other items	—	(1)	—	(1)	—	—	—	—	—	(1)	—	—	(1)	(2)	
Balance as at December 31, 2012	\$2,955	\$ 48	\$629	\$3,632	\$19	\$ 3	\$5	\$ 27	\$1,084	\$ 9	\$272	\$1,365	\$2,784	\$7,808	

(1) Refer to note 28 for an analysis of accumulated other comprehensive income (loss) by item.

The accompanying notes are an integral part of the financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<u>US\$ MILLIONS</u>	Notes	For the Year Ended December 31,		
		2014	2013	2012
Operating Activities				
Net income		\$ 229	\$ 65	\$ 291
Adjusted for the following items:				
Earnings from investments in associates, net of distributions received	12	(12)	307	62
Fair value adjustments		—	10	(200)
Depreciation and amortization expense	13, 14	380	329	232
Mark-to-market on hedging items	7	(38)	(19)	49
Gain on sale of associates	12	—	(53)	—
Provisions and other items		29	62	15
Deferred income tax expense	26	49	12	30
Changes in non-cash working capital, net	37	54	(19)	156
Cash from operating activities		691	694	635
Investing Activities				
Acquisition of subsidiaries, net of cash acquired	4	(89)	(56)	(726)
Disposal of subsidiaries, net of cash disposed	6	—	622	317
Additions of investments in associates	12	(477)	(518)	(728)
Disposal of investments in associates	12	30	457	—
Purchase of long lived assets	13, 14	(454)	(425)	(654)
Disposal of long lived assets	13, 14	15	5	17
Purchase of financial assets		(177)	(331)	—
Sale of financial assets		57	110	—
Net settlement of foreign exchange hedging items		22	(26)	10
Cash used by investing activities		(1,073)	(162)	(1,764)
Financing Activities				
Distributions to general partner	29	(46)	(32)	(16)
Distributions to other unitholders	29	(402)	(356)	(288)
Subsidiary distributions to non-controlling interest		(314)	(156)	(94)
Proceeds from corporate credit facility	19	675	445	2,367
Repayment of corporate credit facility	19	(429)	(991)	(1,821)
Corporate debt issuance	19	—	—	408
Proceeds from subsidiary borrowings	19	1,796	2,648	1,181
Repayment of subsidiary borrowings	19	(1,240)	(2,128)	(999)
Partnership units issued, net of issuance costs	27	2	338	500
Cash from (used by) financing activities		42	(232)	1,238
Cash and cash equivalents				
Change during the year		(340)	\$ 300	\$ 109
Impact of foreign exchange on cash		(9)	(25)	1
Balance, beginning of year		538	263	153
Balance, end of year		\$ 189	\$ 538	\$ 263

The accompanying notes are an integral part of the financial statements.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Brookfield Infrastructure Partners L.P. (the “partnership”) owns and operates utility, transport and energy businesses in North and South America, Australia and Europe. The partnership was formed as a limited partnership established under the laws of Bermuda, pursuant to a limited partnership agreement dated May 17, 2007, as amended and restated. The partnership is a subsidiary of Brookfield Asset Management Inc. (“Brookfield”). The partnership’s limited partnership units are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbols “BIP” and “BIP.UN”, respectively. Our cumulative Class A preferred limited partnership units, series 1 are listed on the Toronto Stock Exchange under the symbol BIP.PR.A. The registered office is 73 Front Street, Hamilton, HM12, Bermuda.

NOTE 2. SUBSIDIARIES

The following provides information about the partnership’s wholly-owned subsidiaries as of December 31, 2014 and 2013:

<u>Defined Name</u>	<u>Name of entity</u>	<u>Country of incorporation</u>	<u>Ownership interest (%)</u>	
			<u>2014</u>	<u>2013</u>
<i>Utilities</i>				
Ontario electricity transmission operation	Great Lakes Power L.P.	Canada	100	100
<i>Transport</i>				
Australian rail operation	Brookfield Rail Holdings No. 1 Pty Ltd	Australia	100	100
<i>Energy</i>				
Australian energy distribution operation	Tasmania Gas Networks	Australia	100	100
European energy distribution operation	International Energy Group	UK	100	100

The following table presents details of non-wholly owned subsidiaries of the partnership:

<u>Defined Name</u>	<u>Name of entity</u>	<u>Country of incorporation</u>	<u>Ownership Interest (%)</u>		<u>Voting interest (%)</u>	
			<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<i>Utilities</i>						
UK regulated distribution operation	Brookfield Utilities UK Holdings Limited	UK	80	80	80	80
Australian regulated terminal operation	DBCT Management Pty Ltd	Australia	71	71	100	100
New England electricity transmission operation	Cross-Sound Cable Company LLC ⁽³⁾	U.S.	23	23	100	100
Colombian regulated distribution operation	Empresa de Energia de Boyaca S.A. ⁽³⁾	Colombia	17	17	100	100

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

Defined Name	Name of entity	Country of incorporation	Ownership Interest (%)		Voting interest (%)	
			2014	2013	2014	2013
<i>Transport</i>						
UK port operation	Brookfield Port Acquisitions (UK) Limited ⁽³⁾	UK	59	59	100	100
Chilean toll roads	Sociedad Concesionaria Vespucio Norte Express S.A. ⁽³⁾	Chile	51	51	89	89
<i>Energy</i>						
North American gas storage operation	Warwick Gas Storage L.P. ⁽³⁾	Canada	17	17	70	70
Canadian district energy operation	Enwave Energy Corporation ⁽³⁾	Canada	25	25	100	100
U.S. district energy operation	Enwave USA ^{(1),(3)}	U.S.	40	40	100	100
North American west coast gas storage operation	Lodi Gas Storage ^{(2),(3)}	U.S.	40	—	100	—
<i>Corporate & Other</i>						
Holding LP	Brookfield Infrastructure L.P.	Bermuda	72	72	100	100

- (1) In December 2013, Brookfield Infrastructure acquired a 40% interest in Enwave USA through a Brookfield sponsored infrastructure fund for \$43 million. On August 21, 2014 Brookfield Infrastructure acquired a 40% interest in Macquarie District Energy Holdings LLC, part of the U.S. district energy operation, for consideration of \$38 million through a Brookfield sponsored infrastructure fund. Also, in December 2014, Brookfield Infrastructure acquired a 40% interest in Seattle Steam Inc., part of the U.S. district energy operation, for consideration of \$9 million through a Brookfield sponsored infrastructure fund.
- (2) In December 2014, Brookfield Infrastructure acquired a 40% interest in Lodi Gas Storage through a Brookfield sponsored infrastructure fund for \$42 million.
- (3) For the above noted subsidiaries, the partnership has entered into voting arrangements to provide the partnership with the ability to direct the relevant activities of the investee. The partnership controls these investees given that the partnership is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The partnership exercises judgment to determine the level of variability that will achieve control over an investee, particularly in circumstances where the partnership's voting interest differs from its ownership interest in an investee. The following were considered to determine whether the partnership controls these investees: the degree of power (if any) held by other investors, the degree of exposure to variability of each investor, the determination of whether any general partner removal rights are substantive and the purpose and design of the investee.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

The consolidated financial statements were authorized for issue by the Board of Directors on February 1, 2015.

(b) Basis of Preparation

The consolidated financial statements are prepared on a going concern basis. Standards and guidelines not yet effective for the current accounting period are described in note 3(s).

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(i) Subsidiaries

These consolidated financial statements include the accounts of the partnership and subsidiaries over which the partnership has control. Subsidiaries are consolidated from the date of acquisition, being the date on which the partnership obtains control, and continue to be consolidated until the date when control is lost. The partnership (investor) controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Together, the partnership and its subsidiaries are referred to as “Brookfield Infrastructure” in these financial statements.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in partnership capital in addition to changes in ownership interests. Total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Holding LP has issued Redeemable Partnership Units held by Brookfield, which may, at the request of the holder, require the Holding LP to redeem the units for cash consideration equal to the market price of the partnership's limited partnership units. This right is subject to the partnership's right of first refusal which entitled it, at its sole discretion, to elect to acquire any unit so presented to Holding LP in exchange for one of the partnership's units subject to certain customary adjustments.

All intercompany balances, transactions, revenues and expenses are eliminated in full.

(ii) Associates

Associates are entities over which the partnership has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control. The partnership accounts for investments over which it has significant influence using the equity method, and are recorded as Investments in associates on the Consolidated Statements of Financial Position.

Interests in investments accounted for using the equity method are initially recorded at cost. If the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the partnership records a gain on the difference between the cost and the underlying fair values of the identifiable net assets of the associate. If the cost of the associate is greater than the partnership's proportionate share of the underlying fair value, goodwill and other adjustments arising from the purchase price allocation relating to the associate is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of the partnership's interest in an investee is adjusted for the partnership's share of comprehensive income or loss and distributions to the investee.

Profits or losses resulting from transactions with an associate are recognized in the consolidated financial statements based on the interests of unrelated investors in the associate.

(c) Foreign Currency Translation

The U.S dollar is the functional and presentation currency of Brookfield Infrastructure. Each of Brookfield Infrastructure's subsidiaries, associates and jointly controlled entities determines its own

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functional currency and items included in the financial statements of each subsidiary and associate are measured using that functional currency.

Assets and liabilities of foreign operations having a functional currency other than the U.S. dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Gains or losses on translation are included as a component of equity. On disposal of a foreign operation resulting in the loss of control, the component of other comprehensive income due to accumulated foreign currency translation relating to that foreign operation is reclassified to net income. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these operations are reported in the same manner. On partial disposal of a foreign operation in which control is retained, the proportionate share of the component of other comprehensive income or loss relating to that foreign operation is reclassified to non-controlling interests in that foreign operation.

Foreign currency denominated monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income. Gains and losses on transactions which hedge these items are also included in net income or loss. Foreign currency denominated non-monetary assets and liabilities, measured at historic cost, are translated at the rate of exchange at the transaction date.

(d) Business Combinations

Business acquisitions in which control is acquired are accounted for using the acquisition method, other than those between and among entities under common control. The consideration of each acquisition is measured at the aggregate of the fair values at the acquisition date of assets transferred by the acquirer, liabilities incurred or assumed, and equity instruments issued by Brookfield Infrastructure in exchange for control of the acquiree. Acquisition related costs are recognized in the Consolidated Statement of Operating Results as incurred and included in other expenses.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as liabilities will be recognized in the Consolidated Statements of Operating Results, whereas changes in the fair values of contingent consideration classified within partnership capital are not subsequently re-measured.

Where a business combination is achieved in stages, Brookfield Infrastructure's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, that is, the date Brookfield Infrastructure attains control and the resulting gain or loss, if any, is recognized in the Consolidated Statements of Operating Results. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to the Consolidated Statements of Operating Results, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Brookfield Infrastructure reports provisional amounts for the

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items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date Brookfield Infrastructure obtains complete information about facts and circumstances that existed as of the acquisition date. The measurement period is subject to a maximum of one year subsequent to the acquisition date.

If, after reassessment, Brookfield Infrastructure's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree if any, the excess is recognized immediately in income or loss as a bargain purchase gain.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37") and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, *Revenue* ("IAS 18").

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

(f) Accounts Receivable

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for uncollectability.

(g) Property, Plant and Equipment

Brookfield Infrastructure uses the revaluation method of accounting for all classes of property, plant and equipment. Certain assets which are under development for future use as property, plant and equipment are also accounted for using the revaluation method. Property, plant and equipment is initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations are made on an annual basis or more frequently if facts and circumstances warrant, to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income or loss and accumulated in equity within the revaluation surplus reserve, unless the increase reverses a previously recognized impairment recorded through net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset is decreased, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in net income. Revaluation gains are included in other comprehensive income, but are not subsequently recycled into profit or loss.

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An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Statements of Operating Results. However, any balance accumulated in revaluation surplus is subsequently recorded in retained earnings when an asset is derecognized and not transferred to profit or loss.

Depreciation of an asset commences when it is available for use. Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of each component of the assets as follows:

Buildings	Up to 50 years
Transmission stations, towers and related fixtures	Up to 40 years
Leasehold improvements	Up to 49 years
Plant and equipment	Up to 39 years
Network systems	Up to 40 years
Track premium	40 years
District energy systems	50 years
Gas storage assets	20 years

Depreciation on property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognized on a prospective basis.

(h) Investment Property

Brookfield Infrastructure uses the fair value method to account for assets classified as investment property. An asset is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment property is initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are included in profit or loss.

Fair values are primarily determined by discounting the expected future cash flows of each property, generally over a term of 10 years, using a discount and terminal capitalization rate reflective of the characteristics, location and market of each property. The future cash flows of each property are based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows in respect of such current and future leases. Fair value is estimated by management of the partnership with due consideration given to other relevant data points.

(i) Asset Impairment

At each reporting date Brookfield Infrastructure assesses whether for assets, other than those measured at fair value with changes in values recorded in net income, there is any indication that such

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assets are impaired. This assessment includes a review of internal and external factors which includes, but is not limited to, changes in the technological, political, economic or legal environment in which the entity operates in, structural changes in the industry, changes in the level of demand, physical damage and obsolescence due to technological changes. An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs of disposal or the discounted future cash flows generated from use and eventual disposal from an asset or cash generating unit is less than their carrying value. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(j) Intangible Assets

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Brookfield Infrastructure's intangible assets are comprised primarily of conservancy rights, service concession arrangements and customer order backlogs.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization unless indefinite lived and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Public service concessions that provide Brookfield Infrastructure the right to charge users for a service in which the service and fee is regulated by the grantor are accounted for as an intangible asset under IFRIC 12, *Service Concession Arrangements*.

Concession arrangements were acquired as part of the acquisition of the Australian regulated terminal operation and Chilean toll roads and were recognized at their fair values. The intangible asset at the Australian regulated terminal operation relates to use of a specific coal port terminal for a contractual length of time and is amortized over the life of the contractual arrangement with 89 years remaining. The intangible assets at the Chilean toll roads relate to the right to operate a road and charge users a specified tariff for a contractual length of time and is amortized over the life of the contractual arrangement with 19 years remaining.

The conservancy right was acquired as part of the acquisition of the UK port operation and was recorded at its fair value. As a right in perpetuity issued by the Statutory Harbour Authority in the UK, the conservancy right is classified as having an indefinite life and is subject to an annual impairment review.

The customer order backlog was acquired as part of the acquisition of the UK regulated distribution operation and was recorded at its fair value. The customer order backlog represents the present value of future earnings derived from the build out of contracted connections at the acquisition date of the UK regulated distribution operation. The customer order backlog is amortized over its estimated useful life of 50 years.

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization of the Australian regulated terminal operation concession arrangement and UK regulated distribution customer order backlog intangible assets are recognized on a straight-line basis over the intangible assets' estimated useful lives. Amortization of the Chilean toll

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road reflects the pattern of consumption of the intangible asset over the estimated useful life of the concession arrangement. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(k) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit or units to which it relates. Brookfield Infrastructure identifies cash generating units as identifiable groups of assets that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal or the value in use. Impairment losses recognized in respect of a cash generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash generating unit. Any goodwill impairment is charged to profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal of the operation.

(l) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Brookfield Infrastructure and the revenue and costs incurred or to be incurred can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of estimated customer returns, trade allowances, rebates and other similar allowances.

When the partnership receives a transfer of cash or property, plant and equipment from a customer, it assesses whether the constructed or acquired item of property, plant and equipment meets the definition of an asset in accordance with IFRIC 18, *Transfer of Assets from Customers*. If the definition of an asset is met, the partnership recognizes the item of property, plant and equipment at its cost and recognizes revenue or deferred revenue, as applicable, for the same amount based on the appropriate revenue recognition policy.

Brookfield Infrastructure recognizes revenue when the specific criteria have also been met for each of Brookfield Infrastructure's activities as described below. Cash received by Brookfield Infrastructure from customers is recorded as deferred revenue until revenue recognition criteria are met.

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Utilities

Revenue from utilities infrastructure is derived from the distribution and transmission of energy as well as from Brookfield Infrastructure’s Australian regulated terminal operation. Distribution and transmission revenue is recognized when services are rendered based upon usage or volume during that period. Terminal infrastructure charges are charged at set rates per tonne of coal based on each customer’s annual contracted tonnage and is then recognized on a pro-rata basis each month. Brookfield Infrastructure’s Australian regulated terminal operation also recognizes handling charges based on tonnes of coal shipped through the terminal.

Transport

Revenue from transport infrastructure consists primarily of freight, toll road operations and transportation services revenue. Revenue is recognized when services are provided and rendered based primarily on usage or volume throughput during the period.

Energy

Revenue from energy infrastructure consists primarily of energy distribution and storage as well as district energy services. Revenue is recognized when services are provided and rendered based primarily on usage or volume throughput during the period.

(m) Financial Instruments and Hedge Accounting

The following summarizes Brookfield Infrastructure’s classification and measurement of financial assets and liabilities:

	<u>Classification</u>	<u>Measurement</u>
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable and other	Loans and receivables	Amortized cost
Restricted cash and deposits	Loans and receivables	Amortized cost
Marketable securities	Available-for-sale	Fair value
Financial assets		
Derivative assets	FVTPL ⁽¹⁾	Fair value
Other financial assets	Loans and receivables/ Available-for-sale	Amortized cost/ Fair value
Financial liabilities		
Corporate borrowings	Other liabilities	Amortized cost
Non-recourse borrowings	Other liabilities	Amortized cost ⁽²⁾
Accounts payable and other	Other liabilities	Amortized cost
Preferred shares	Other liabilities	Amortized cost
Financial liabilities	FVTPL	Fair value

(1) Fair value through profit or loss (“FVTPL”), except for derivatives in a hedging relationship.

(2) Except for derivatives embedded in the related financial instruments that are classified as FVTPL and measured at fair value.

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The partnership maintains a portfolio of marketable securities comprised of liquid equity and debt securities. The marketable securities are classified as available-for-sale and are subsequently measured at fair value at each reporting date with the change in fair value recorded in other comprehensive income. When a decline in the fair value of an available—for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Brookfield Infrastructure selectively utilizes derivative financial instruments primarily to manage financial risks, including interest rate and foreign exchange risks. Derivative financial instruments are recorded at fair value. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is assurance that it will continue to be highly effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive income by the application of hedge accounting is recognized in profit or loss over the remaining term of the original hedging relationship as amounts related to the hedged item are recognized in profit or loss. The assets or liabilities relating to unrealized mark-to-market gains and losses on derivative financial instruments are recorded in Financial Assets and Financial Liabilities, respectively.

(i) Items Classified as Hedges

Realized and unrealized gains and losses on foreign exchange contracts, designated as hedges of currency risks relating to a net investment in a subsidiary with a functional currency other than the U.S. dollar are included in equity and are included in net income in the period in which the subsidiary is disposed of or to the extent partially disposed and control is not retained. Derivative financial instruments that are designated as hedges to offset corresponding changes in the fair value of assets and liabilities and cash flows are measured at estimated fair value with changes in fair value recorded in profit or loss or as a component of equity as applicable.

Unrealized gains and losses on interest rate contracts designated as hedges of future variable interest payments are included in equity as a cash flow hedge when the interest rate risk relates to an anticipated variable interest payment. The periodic exchanges of payments on interest rate swap contracts designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense. The periodic exchanges of payments on interest rate contracts designated as hedges of future interest payments are amortized into profit or loss over the term of the corresponding interest payments.

(ii) Items Not Classified as Hedges

Derivative financial instruments that are not designated as hedges are carried at estimated fair value, and gains and losses arising from changes in fair value are recognized in net income in the period the changes occur. Realized and unrealized gains on other derivatives not designated as hedges are recorded in other expenses.

Other financial assets are classified as loans and receivables or available-for-sale securities based on their nature and use within the partnership's business and are recorded initially at fair value. Other financial assets classified as available-for-sale are subsequently measured at fair value at each reporting

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date with the change in fair value recorded in other comprehensive income. Other financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment. Assets classified as loans and receivables are impaired when there exists objective evidence that the financial asset is impaired.

(n) Income Taxes

Income tax expense represents the sum of the tax accrued in the period and deferred income tax.

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the reporting date. Current income tax relating to items recognized directly in partnership capital are also recognized directly in partnership capital and other comprehensive income.

(ii) Deferred income tax

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the consolidated financial statements. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income, other than in a business combination. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where Brookfield Infrastructure is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflect the tax consequences that would follow from the manner in which Brookfield Infrastructure expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority within a single taxable entity or Brookfield Infrastructure intends to settle its current tax assets and liabilities on a net basis in the case where there exist different taxable entities in

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the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

(o) Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification subject to limited exceptions.

When Brookfield Infrastructure is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether Brookfield Infrastructure will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale and the assets of a disposal group are presented separately from other assets in the Consolidated Statements of Financial Position and are classified as current. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Statements of Financial Position.

Once classified as held for sale, property, plant and equipment and intangible assets, are not depreciated or amortized, respectively.

(p) Provisions

Provisions are recognized when Brookfield Infrastructure has a present obligation either legal or constructive as a result of a past event, it is probable that Brookfield Infrastructure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments made by management and utilized in the normal course of preparing Brookfield Infrastructure's consolidated financial statements are outlined below.

(i) Common control transactions

IFRS 3 (2008) *Business Combinations* does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, Brookfield Infrastructure has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. Brookfield Infrastructure's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying value on the transferor's financial statements, and to have the Consolidated Statements of Financial Position, Consolidated Statements of Operating Results, Consolidated Statements of Comprehensive Income and Statements of Cash Flows reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

(ii) Classification of assets and liabilities as held for sale

Brookfield Infrastructure's accounting policy relating to assets held for sale is described in note 3(o) of Brookfield Infrastructure's consolidated financial statements. In applying this policy, judgment is applied in determining whether certain assets should be reclassified to assets held for sale on the Consolidated Statements of Financial Position. Judgment is also applied in determining whether the results of operations associated with the assets should be recorded in discontinued operations on the Consolidated Statements of Operating Results. Brookfield Infrastructure will reclassify the results of operations associated with certain assets to discontinued operations where the assets represent a component of the partnership whose operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the partnership.

(iii) Financial instruments

Brookfield Infrastructure's accounting policies relating to derivative financial instruments are described in note 3(m). The critical judgments inherent in these policies relate to applying the criteria to the assessment of the effectiveness of hedging relationships. Estimates and assumptions used in determining the fair value of financial instruments are equity and commodity prices; future interest rates; the credit worthiness of the company relative to its counterparties; the credit risk of the partnership and counterparty; estimated future cash flows; and discount rates.

(iv) Revaluation of property, plant and equipment

Property, plant and equipment is revalued on a regular basis. The critical estimates and assumptions underlying the valuation of property, plant and equipment are set out in note 13.

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(v) Valuation of investment property

The fair value of investment property is primarily determined by discounting the expected future cash flows of each property, generally over a term of 10 years, using a discount and terminal capitalization rate reflective of the characteristics, location and market of each property. The future cash flows of each property are based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows in respect of such current and future leases.

In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of Brookfield Infrastructure. Fair value is estimated by management of the partnership with due consideration given to other relevant data points.

(vi) Fair values in business combinations

Brookfield Infrastructure accounts for business combinations using the acquisition method of accounting. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often predicated on estimates and judgments including future cash flows discounted at an appropriate rate to reflect the risk inherent in the acquired assets and liabilities (refer to note 4 for details of business combinations). The determination of the fair values may remain provisional for up to 12 months from the date of acquisition due to the time required to obtain independent valuations of individual assets and to complete assessments of provisions. When the accounting for a business combination has not been completed as at the reporting date, this is disclosed in the financial statements, including observations on the estimates and judgments made as of the reporting date.

(vii) Impairment of goodwill and intangibles with indefinite lives

The impairment assessment of goodwill and intangible assets with indefinite lives requires estimation of the value-in-use or fair value less costs of disposal of the cash-generating units to which goodwill or the intangible asset has been allocated. Brookfield Infrastructure uses the following critical assumptions and estimates: the circumstances that gave rise to the goodwill, timing and amount of future cash flows expected from the cash-generating unit; discount rates; terminal capitalization rates; terminal valuation dates; useful lives and residual values.

Other estimates utilized in the preparation of the partnership's financial statements are: depreciation and amortization rates and useful lives; recoverable amount of goodwill and intangible assets; ability to utilize tax losses and other tax measurements.

Other critical judgments utilized in the preparation of the partnership's financial statements include the determination of functional currency, determination of operating segments, recoverability of deferred income tax assets and assessment of tax uncertainties, and determination of control.

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(r) Recently Adopted Accounting Policies

Brookfield Infrastructure applied, for the first time, certain Standards and amendments to Standards applicable to Brookfield Infrastructure that became effective January 1, 2014. The impact of adopting these Standards on the partnership's accounting policies and disclosures are as follows:

IFRIC 21 Levies—("IFRIC 21")

IFRIC 21, *Levies* ("IFRIC 21") 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 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. A liability is recognized progressively if the obligating event occurs over a period of time or, if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. IFRIC 21 was applied retrospectively and the application of this new standard had no impact on Brookfield Infrastructure's accounting for levies for the current and prior periods presented.

IAS 32 Financial Instruments: Presentation—("IAS 32")

IAS 32, *Financial Instruments: Presentation* ("IAS 32") was amended to clarify certain aspects as a result of the application of offsetting requirements, namely focusing on the following four main areas: the interpretation of "currently has a legally enforceable right of set-off", the application of simultaneous realization and settlement, the offsetting of collateral amounts, and the unit of account for applying the offsetting requirements. The amendments to IAS 32 were applied retrospectively and the application of these amendments had no impact on Brookfield Infrastructure's accounting for or presentation of financial instruments for the current and prior periods presented.

(s) Future Changes in Accounting Policies

Standards issued, but not yet adopted

IAS 16 Property, Plant, and Equipment—("IAS 16") and IAS 38 Intangible Assets—("IAS 38")

IAS 16, *Property, Plant, and Equipment*—"IAS 16") and IAS 38, *Intangible Assets*—"IAS 38") were both amended by the IASB as a result of clarifying the appropriate amortization method for intangible assets of service concession arrangements under IFRIC 12, *Service Concession Arrangements* ("SCAs"). The IASB determined that the issue does not only relate to SCAs but all tangible and intangible assets that have finite useful lives. Amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant, and equipment. Similarly, the amendment to IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset, with only limited circumstances where the presumption can be rebutted. Guidance is also introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset. The amendments apply prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. Brookfield Infrastructure is currently evaluating the impact of the amendments to IAS 16 and IAS 38 on its consolidated financial statements.

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IFRS 15 Revenue from Contracts with Customers—(“IFRS 15”)

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The Standard supersedes IAS 18, *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied for periods beginning on or after January 1, 2017 with early application permitted. Brookfield Infrastructure is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

IFRS 9 Financial Instruments—(“IFRS 9”)

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39, *Financial Instruments* standard. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with an entity’s risk management activities. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. Brookfield Infrastructure is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

NOTE 4. ACQUISITION OF BUSINESSES

(a) Acquisition of Macquarie District Energy

On August 21, 2014 Brookfield Infrastructure expanded the U.S. district energy platform to the mid-west U.S. as it acquired a 40% interest in Macquarie District Energy, for consideration of \$38 million through a Brookfield sponsored infrastructure fund. Brookfield Infrastructure has entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to elect the majority of the Board of Directors of the entity, thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective August 21, 2014. Acquisition costs of less than \$1 million were expensed at the acquisition date and recorded as other expenses on the Consolidated Statement of Operating Results.

The following summarizes the consideration transferred, assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

US\$ MILLIONS

Cash	<u>\$38</u>
Total consideration	<u>\$38</u>

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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

Fair value of assets and liabilities acquired as at August 21, 2014 (provisional)⁽¹⁾:

US\$ MILLIONS

Accounts receivable and other	\$ 28
Property, plant and equipment	347
Goodwill	40
Accounts payable and other	(10)
Non-recourse borrowings	(175)
Deferred income tax liability	(132)
Net assets acquired before non-controlling interest	98
Non-controlling interest ⁽²⁾	(60)
Net assets acquired	<u>\$ 38</u>

(1) *The fair values of all acquired assets, liabilities and goodwill for this operation have been determined on a provisional basis, pending finalization of the fair value of acquired net assets.*

(2) *Non-controlling interest represents the interest not acquired by Brookfield Infrastructure and was measured at fair value at the acquisition date.*

Upon acquisition of Macquarie District Energy by Brookfield Infrastructure, a deferred tax liability of \$132 million was recorded. The deferred income tax liability arose because tax bases of the net assets to Brookfield Infrastructure were significantly lower than their fair value. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of \$40 million, which is viewed to be recoverable so long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred. None of the goodwill recognized is expected to be deductible for income tax purposes.

Brookfield Infrastructure's results from operations for the year ended December 31, 2014, include \$20 million of revenue and \$2 million of net loss from Macquarie District Energy.

(b) Acquisition of Seattle Steam

On November 21, 2014 Brookfield Infrastructure expanded the U.S. district energy platform to the pacific U.S. as it acquired a 40% interest in Seattle Steam, for consideration of \$9 million through a Brookfield sponsored infrastructure fund. Brookfield Infrastructure has entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to elect the majority of the Board of Directors of the entity thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective November 21, 2014. Acquisition costs of less than \$1 million were expensed at the acquisition date and recorded as other expenses on the consolidated statement of operating results.

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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following summarizes the consideration transferred, assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

US\$ MILLIONS

Cash	\$9
Consideration	<u>\$9</u>

Fair value of assets and liabilities acquired as at November 21, 2014 (provisional)⁽¹⁾:

US\$ MILLIONS

Accounts receivable and other	\$ 17
Property, plant and equipment	45
Non-recourse borrowings	<u>(37)</u>
Net assets acquired before non-controlling interest	\$ 25
Non-controlling interest ⁽²⁾	<u>(16)</u>
Net assets acquired	<u>\$ 9</u>

(1) The fair values of all acquired assets, liabilities and goodwill for this operation have been determined on a provisional basis, pending finalization of the fair value of acquired net assets.

(2) Non-controlling interest represents the interest not acquired by Brookfield Infrastructure and was measured at fair value at the acquisition date.

No goodwill arose on acquisition as the consideration transferred by Brookfield Infrastructure equaled its share of the fair value of the net assets of Seattle Steam.

Brookfield Infrastructure's results from operations for the year ended December 31, 2014, include \$3 million of revenue and less than \$1 million of net income from Seattle Steam.

(c) Acquisition of Lodi Gas Storage

On December 31, 2014 Brookfield Infrastructure expanded the North American gas storage operation to the U.S. West Coast as it acquired a 40% interest in Lodi Gas Storage, for consideration of \$42 million through a Brookfield sponsored infrastructure fund. Brookfield Infrastructure has entered into a voting agreement with an affiliate of Brookfield, providing Brookfield Infrastructure the right to elect the majority of the Board of Directors of the entity thereby providing Brookfield Infrastructure with control. Accordingly, Brookfield Infrastructure consolidated the entity effective December 31, 2014. Acquisition costs of less than \$1 million were expensed at the acquisition date and recorded as other expenses on the consolidated statement of operating results.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following summarizes the consideration transferred, assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

US\$ MILLIONS

Cash	<u>\$42</u>
Consideration	<u>\$42</u>

Fair value of assets and liabilities acquired as at December 31, 2014 (provisional)⁽¹⁾:

US\$ MILLIONS

Accounts receivable and other	\$ 4
Property, plant and equipment	130
Accounts payable and other	<u>(30)</u>
Net assets acquired before non-controlling interest	104
Non-controlling interest ⁽²⁾	<u>(62)</u>
Net assets acquired	<u>\$ 42</u>

(1) The fair values of all acquired assets, liabilities and goodwill for this operation have been determined on a provisional basis, pending finalization of the fair value of acquired net assets.

(2) Non-controlling interest represents the interest not acquired by Brookfield Infrastructure and was measured at fair value at the acquisition date.

No goodwill arose on acquisition as the consideration transferred by Brookfield Infrastructure equaled its share of the fair value of the net assets of Lodi Gas Storage.

Brookfield Infrastructure's results from operations for the year ended December 31, 2014 did not record any revenue or net income from the acquisition of Lodi Gas Storage as the transaction was completed on December 31, 2014.

(d) Business combinations—supplemental information

Had the acquisitions of Macquarie District Energy, Seattle Steam and Lodi Gas Storage been effective January 1, 2014, the revenue of Brookfield Infrastructure would have been \$1,985 million (unaudited) for the year ended December 31, 2014 and net income would have been \$217 million (unaudited) for the year ended December 31, 2014. In determining the pro-forma revenue and net income attributable to the partnership, management has:

- Calculated depreciation of property, plant and equipment acquired on the basis of the fair values at the time of the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements;
- Based borrowing costs on the funding levels, credit ratings and debt/equity position of Brookfield Infrastructure after the business combination; and
- Excluded transaction deal costs of the acquiror as a non-recurring pre-acquisition cost.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 5. PARTIAL DISPOSITION OF UK REGULATED DISTRIBUTION OPERATION

In November 2012, a wholly-owned subsidiary of Brookfield Infrastructure entered into an arrangement whereby a 20% economic interest in its UK regulated distribution operation was sold to an institutional investor for £145 million subject to the UK regulated distribution operation attaining long-term financing under certain pre-defined contractual terms. In the event that the UK regulated distribution operation did not obtain long-term financing at the contractually specified terms within two years of the arrangement, the institutional investor had the right to request repayment of £145 million plus 3% interest. Consequently, the proceeds were recorded as a financial liability.

In March 2013, the UK regulated distribution operation satisfied the requirements within the contractual terms of the arrangement, which resulted in the derecognition of the financial liability as the £145 million initially received under the arrangement was recognized as proceeds on the disposal of a partial interest of a subsidiary.

The partial disposition of Brookfield Infrastructure's 20% interest in the UK regulated distribution operation resulted in an adjustment to the carrying amounts of controlling and non-controlling interests to reflect the change in interest in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received was recognized directly in equity.

The partial disposition was accounted for as follows:

US\$ MILLIONS

Fair value of consideration received (£145 million)	\$ 221
Less: carrying value of 20% interest in UK regulated distribution operation allocated to non-controlling interest—in operating subsidiaries	(115)
Gain on changes in ownership interest recognized in equity ⁽¹⁾	<u>\$ 106</u>

(1) *The gain on changes in ownership interest recognized in equity is recorded as ownership changes within the Consolidated Statements of Partnership Capital and attributed on a ratable basis to the partners of Brookfield Infrastructure based on their respective ownership interests existing at the date of the partial disposal. Amounts in accumulated other comprehensive income at the date of the partial disposition that were attributable to the UK regulated distribution operation were ratably allocated to accumulated other comprehensive income attributable to non-controlling interest—in operating subsidiaries.*

NOTE 6. ASSETS CLASSIFIED HELD FOR SALE & DISCONTINUED OPERATIONS

Assets Held for Sale

a) New England electricity transmission operations

In the fourth quarter of 2014, Brookfield Infrastructure initiated a plan to dispose of its interest in its New England electricity transmission operations. Management is actively seeking a buyer and expects to complete the sale during the year ending December 31, 2015. The New England electricity transmission operation was reported as a non-wholly owned subsidiary on the Consolidated Statement of Financial Position until the fourth quarter of 2014 and was reclassified as held for sale as of December 31, 2014.

Subsequent to December 31, 2014 Brookfield Infrastructure executed a definitive agreement to sell its 23% interest in its New England electricity transmission operations to a third party. The business

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

will be sold for proceeds of \$281 million (on 100% basis). Completion of the transaction is expected to occur in the second half of 2015, subject to customary closing conditions.

b) North American natural gas transmission business

In the fourth quarter of 2014, Brookfield Infrastructure initiated a plan to dispose of its interest in its North American natural gas transmission business. Management is actively seeking a buyer and expects to complete the sale during the year ending December 31, 2015. The North American natural gas transmission business was reported as an investment in associate on the Consolidated Statement of Financial Position until the fourth quarter of 2014 and was reclassified as held for sale as of December 31, 2014.

The following table presents the assets and liabilities that are classified as held for sale as of December 31, 2014:

US\$ MILLIONS

Assets

Cash and cash equivalents	\$ 1
Accounts receivable and other	4
Property, plant and equipment	218
Intangible assets	33
Investments in associates	311
Assets classified as held for sale	<u>\$567</u>

Liabilities

Accounts payable and other	3
Non-recourse borrowings	145
Financial liabilities	4
Other liabilities	4
Deferred income tax liability	43
Liabilities directly associated with assets classified as held for sale	<u>\$199</u>

Discontinued Operations

The revenues and expenses related to the partnership's North American natural gas transmission business and the U.S. and Canadian freehold timberlands, Brookfield Infrastructure's timber segment, have been presented within the Consolidated Statements of Operating Results as discontinued operations as a result of the following transactions:

- i) During the fourth quarter of 2014, Brookfield Infrastructure initiated a plan to dispose of its interest in its North American natural gas transmission business and expects to complete the sale during the year ending December 31, 2015;
- ii) Brookfield Infrastructure sold its 30% interest in its U.S. freehold timberlands to a third party for proceeds of \$467 million. This transaction closed in the third quarter of 2013;
- iii) During the second quarter of 2013, Brookfield Infrastructure disposed of its 25% interest in its Canadian freehold timberlands to a third party for proceeds of \$173 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The North American natural gas transmission business and timber segment were reported as part of continuing operations until the third quarter of 2014 and second quarter of 2013, respectively, and have since been classified as discontinued operations for both the current and comparative periods.

The operating results of discontinued operations for the years ended December 31, 2014, 2013 and 2012 are as follows:

<u>US\$ MILLIONS</u>	For the year ended December 31,		
	2014	2013	2012
Revenues	\$—	\$ 305	\$ 480
Direct operating costs	—	(174)	(328)
Depreciation and amortization expense	—	—	(2)
	—	131	150
Interest expense	—	(44)	(85)
Share of losses from investments in associates	(8)	(273)	(11)
Fair value adjustments	—	(10)	203
Other expenses	—	(2)	—
(Loss) income before income tax	(8)	(198)	257
Attributable current and deferred income taxes	—	(14)	(78)
	(8)	(212)	179
Gain on disposal of timber segment	—	57	—
Attributable current and deferred income taxes	—	(73)	—
	(8)	(16)	—
(Loss) income from discontinued operations	<u>\$(8)</u>	<u>\$(228)</u>	<u>\$ 179</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

Income (loss) attributable to unitholders for the years ended December 31, 2014, 2013 and 2012 is as follows:

US\$ MILLIONS	For the year ended December 31,		
	2014	2013	2012
Income from continuing operations attributable to:			
Limited partners	\$ 107	\$ 131	\$ 31
Non-controlling interest attributable to:			
Redeemable Partnership Units held by Brookfield	41	50	12
Interest of others in operating subsidiaries	45	80	53
General partner	44	32	16
(Loss) income from discontinued operations attributable to:			
Limited partners	\$ (6)	\$ (194)	\$ 33
Non-controlling interest attributable to:			
Redeemable Partnership Units held by Brookfield	(2)	(76)	14
Interest of others in operating subsidiaries	—	43	132
General partner	—	(1)	—
Basic and diluted earnings (loss) per unit attributable to:			
Limited partners from continuing operations	0.71	0.86	0.23
Limited partners from discontinued operations	(0.04)	(1.29)	0.24
Basic and diluted earnings (loss) per unit attributable to Limited partners	\$ 0.67	\$(0.43)	\$0.47

Comprehensive income (loss) attributable to unitholders for the years ended December 31, 2014, 2013 and 2012 is as follows:

US\$ MILLIONS	For the year ended December 31,		
	2014	2013	2012
Comprehensive income from continuing operations attributable to:			
Limited partners	\$74	\$ 245	\$498
Non-controlling interest attributable to:			
Redeemable Partnership Units held by Brookfield	29	96	206
Interest of others in operating subsidiaries	30	111	118
General partner	43	33	19
Comprehensive (loss) income from discontinued operations attributable to:			
Limited partners	\$ (6)	\$ (192)	\$ (66)
Non-controlling interest attributable to:			
Redeemable Partnership Units held by Brookfield	(2)	(76)	(33)
Interest of others in operating subsidiaries	—	50	134
General partner	—	(1)	—

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

Other comprehensive (loss) income relating to the disposal groups for the years ended December 31, 2014, 2013 and 2012 is as follows:

<u>US\$ MILLIONS</u>	For the year ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revaluation of property, plant and equipment	\$ —	\$(4)	\$(3)
Cash flow hedges	—	5	16
Taxes on the above items	—	(1)	(2)
Total	<u>\$ —</u>	<u>\$—</u>	<u>\$11</u>

The net cash flows attributable to the operating, investing and financing activities of discontinued operations for the years ended December 31, 2014, 2013 and 2012 are as follows:

	For the year ended December 31,		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating cash flows	\$ —	\$ 67	\$ 56
Investing cash flows	—	(49)	(7)
Financing cash flows	—	(49)	(52)
Net cash flows	<u>\$ —</u>	<u>\$(31)</u>	<u>\$ (3)</u>

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument 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. Fair values are determined by reference to quoted bid or ask prices, as appropriate. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates such as bid and ask prices, as appropriate for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analyses, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, Brookfield Infrastructure looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. The fair value of interest rate swap contracts which form part of financing arrangements is calculated by way of discounted cash flows using market interest rates and applicable credit spreads.

Classification of Financial Instruments

Financial instruments classified as fair value through profit or loss are carried at fair value on the Consolidated Statements of Financial Position. Changes in the fair values of financial instruments classified as fair value through profit or loss are recognized in profit or loss. Mark-to-market

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adjustments on hedging items for those in an effective hedging relationship and changes in the fair value of available-for-sale securities are recognized in other comprehensive income.

Carrying Value and Fair Value of Financial Instruments

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2014:

US\$ MILLIONS Financial Instrument Classification MEASUREMENT BASIS	FVTPL (Fair Value)	Available for sale securities (Fair Value through OCI)	Loans and Receivables/ Other Liabilities (Amortized Cost)	Total
Financial assets				
Cash and cash equivalents	\$ —	\$ —	\$ 189	\$ 189
Accounts receivable and other	—	—	299	299
Financial assets (current and non-current) ⁽¹⁾	607	—	2	609
Marketable securities	—	305	—	305
Total	<u>\$607</u>	<u>\$305</u>	<u>\$ 490</u>	<u>\$1,402</u>
Financial liabilities				
Corporate borrowings	\$ —	\$ —	\$ 588	\$ 588
Non-recourse borrowings (current and non-current)	—	—	6,221	6,221
Accounts payable and other	—	—	532	532
Preferred shares	—	—	20	20
Financial liabilities (current and non-current) ⁽¹⁾	528	—	75	603
Total	<u>\$528</u>	<u>\$ —</u>	<u>\$7,436</u>	<u>\$7,964</u>

(1) Derivative instruments which are elected for hedge accounting totaling \$560 million are included in Financial assets and \$164 million of derivative instruments are included in Financial liabilities.

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The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2013:

US\$ MILLIONS Financial Instrument Classification MEASUREMENT BASIS	FVTPL (Fair Value)	Available for sale securities (Fair Value through OCI)	Loans and Receivables/ Other Liabilities (Amortized Cost)	Total
Financial assets				
Cash and cash equivalents	\$ —	\$ —	\$ 538	\$ 538
Accounts receivable and other	—	—	346	346
Financial assets (current and non-current) ⁽¹⁾	241	—	69	310
Marketable securities	—	230	—	230
Total	<u>\$241</u>	<u>\$230</u>	<u>\$ 953</u>	<u>\$1,424</u>
Financial liabilities				
Corporate borrowings	\$ —	\$ —	\$ 377	\$ 377
Non-recourse borrowings (current and non-current)	—	—	5,790	5,790
Accounts payable and other	—	—	491	491
Preferred shares	—	—	20	20
Financial liabilities (current and non-current) ⁽¹⁾	547	—	—	547
Total	<u>\$547</u>	<u>\$ —</u>	<u>\$6,678</u>	<u>\$7,225</u>

(1) Derivative instruments which are elected for hedge accounting totaling \$196 million are included in Financial assets and \$195 million of derivative instruments are included in Financial liabilities.

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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following table provides the carrying values and fair values of financial instruments as at December 31, 2014 and December 31, 2013:

US\$ MILLIONS	Dec. 31, 2014		Dec. 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	\$ 189	\$ 189	\$ 538	\$ 538
Accounts receivable and other	299	299	346	346
Financial assets (current and non-current)	609	609	310	310
Marketable securities	305	305	230	230
Total	\$1,402	\$1,402	\$1,424	\$1,424
Financial liabilities				
Corporate borrowings ⁽¹⁾	\$ 588	\$ 600	\$ 377	\$ 381
Non-recourse borrowings ⁽²⁾	6,221	6,544	5,790	5,973
Accounts payable and other (current and non-current)	532	532	491	491
Preferred shares	20	20	20	20
Financial liabilities (current and non-current)	603	603	547	547
	\$7,964	\$8,299	\$7,225	\$7,412

(1) Corporate borrowings is classified under level 1 of the fair value hierarchy; quoted prices in an active market are available.

(2) Non-recourse borrowings are classified under level 2 of the fair value hierarchy with the exception of certain borrowings at the UK port operation and Chilean toll road which are classified under level 1. For level 2 fair values, future cash flows are estimated based on observable forward interest rates at the end of the reporting period.

Hedging Activities

Brookfield Infrastructure uses derivatives and non-derivative financial instruments to manage or maintain exposures to interest and currency risks. For certain derivatives which are used to manage exposures, Brookfield Infrastructure determines whether hedge accounting can be applied. When hedge accounting can be applied, a hedge relationship can be designated as a fair value hedge, cash flow hedge or a hedge of foreign currency exposure of a net investment in a foreign operation with a functional currency other than the U.S. dollar. To qualify for hedge accounting the derivative must be highly effective in accomplishing the objective of offsetting changes in the fair value or cash flows attributable to the hedged risk both at inception and over the life of the hedge. If it is determined that the derivative is not highly effective as a hedge, hedge accounting is discontinued prospectively.

Cash Flow Hedges

Brookfield Infrastructure uses interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability and highly probably forecast issuances of debt. The settlement dates typically coincide with the dates on which the interest is payable on the underlying debt, and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss. For the year ended December 31, 2014, pre-tax net unrealized losses of \$41 million (2013: losses of \$13 million, 2012: losses of \$29 million) were recorded in other comprehensive income for the effective portion of the cash flow hedges. As at December 31,

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

2014, there was a net derivative asset balance of \$269 million relating to derivative contracts designated as cash flow hedges (2013: \$31 million liability).

Net Investment Hedges

Brookfield Infrastructure uses foreign exchange contracts and foreign currency denominated debt instruments to manage its foreign currency exposures arising from net investments in foreign operations having a functional currency other than the U.S. dollar. For the year ended December 31, 2014, unrealized net gains of \$118 million (2013: gains of \$14 million, 2012: losses of \$19 million) were recorded in other comprehensive income for the effective portion of hedges of net investments in foreign operations. Further, Brookfield Infrastructure recognized a \$23 million gain (2013: loss of \$26 million, 2012: gain of \$10 million) in other comprehensive income relating to the net settlement of foreign exchange contracts in the period. As at December 31, 2014, there was a net unrealized derivative asset balance of \$127 million relating to derivative contracts designated as net investment hedges (2013: net unrealized derivative asset balance of \$8 million).

Fair Value Hierarchical Levels—Financial Instruments

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation inputs of these assets and liabilities, and are as follows:

- Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 — Inputs other than quoted prices included in Level 1 are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Fair valued assets and liabilities that are included in this category are primarily certain derivative contracts and other financial assets carried at fair value in an inactive market.
- Level 3 — Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to determining the estimate. Fair valued assets and liabilities that are included in this category are interest rate swap contracts, derivative contracts, certain equity securities carried at fair value which are not traded in an active market and the non-controlling interest's share of net assets of limited life funds.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The fair value of the partnership's financial assets and financial liabilities are measured at fair value on a recurring basis. The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's financial assets and financial liabilities:

US\$ MILLIONS	Fair value hierarchy	Dec. 31, 2014	Dec. 31, 2013
Marketable securities	Level 1 ⁽¹⁾	\$305	\$230
Foreign currency forward contracts	Level 2 ⁽²⁾		
Financial asset		188	64
Financial liability		6	36
Interest rate swaps	Level 2 ⁽²⁾		
Financial asset		\$419	177
Financial liability		510	511
Other contracts			
Financial liability	Level 3 ⁽³⁾	\$ 12	—

- (1) Valuation technique: Quoted bid prices in an active market.
- (2) Valuation technique: Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects our credit risk and the credit risk of various counterparties.
- (3) Valuation technique: Discounted cash flow. Future cash flows primarily driven by freight volumes and the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. See note 12 for additional information pertaining to the North American container terminal.

Assets and liabilities measured at fair value on a recurring basis include \$912 million (2013: \$471 million) of financial assets and \$528 million (2013: \$547 million) of financial liabilities which are measured at fair value using valuation inputs based on management's best estimates.

During the year, no transfers were made between level 1 and 2 or level 2 and 3. The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the level of input.

US\$ MILLIONS	Dec. 31, 2014			Dec. 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Marketable securities	305	—	—	230	—	—
Financial assets (current and non-current)	<u>—</u>	<u>607</u>	<u>—</u>	<u>—</u>	<u>241</u>	<u>—</u>
Financial liabilities						
Financial liabilities (current and non-current)	<u>\$—</u>	<u>\$516</u>	<u>\$ 12</u>	<u>\$—</u>	<u>\$547</u>	<u>\$ —</u>

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset with the net amount reported in the Consolidated Statements of Financial Position where the partnership currently has a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. As of December 31, 2014 the amounts offset in the Consolidated Statements of Financial Position totaled \$3 million (2013: \$1 million).

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 8. CASH AND CASH EQUIVALENTS

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Cash	\$122	\$529
Cash equivalents	67	9
Total cash and cash equivalents	<u>\$189</u>	<u>\$538</u>

NOTE 9. FINANCIAL ASSETS

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Current:		
Foreign currency forward contracts	\$173	\$ 30
Marketable securities	305	230
Other	6	102
Total current	<u>\$484</u>	<u>\$362</u>
Non-current:		
Cross currency interest rate swaps	\$398	\$175
Other	32	3
Total non-current	<u>\$430</u>	<u>\$178</u>

NOTE 10. ACCOUNTS RECEIVABLE AND OTHER

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Current:		
Accounts receivable	\$268	\$313
Prepayments & other assets	31	33
Total current	<u>\$299</u>	<u>\$346</u>
Non-current:		
Deferred financing costs ⁽¹⁾	\$ 2	\$ 2
Other assets	87	90
Total non-current	<u>\$ 89</u>	<u>\$ 92</u>

(1) Deferred financing costs are amortized to interest expense over the term of the borrowing using the effective interest method.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 11. INVENTORY

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Current:		
Raw materials and consumables	<u>\$21</u>	<u>\$22</u>
Carrying amount of inventories	<u>\$21</u>	<u>\$22</u>

The amount of inventory written down in 2014 is \$nil (2013: \$nil, 2012: \$nil).

NOTE 12. INVESTMENTS IN ASSOCIATES

The following table presents the ownership interest and carrying values of Brookfield Infrastructure's investments in associates:

<u>US\$ MILLIONS</u>	<u>Ownership Interest</u>		<u>Voting Interest</u>		<u>Carrying Value</u>	
	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
Brazilian toll road	31%	31%	31%	31%	\$ 985	\$ 773
South American transmission operation	28%	28%	28%	28%	724	717
Brazilian rail business ⁽¹⁾	11%	—%	11%	—%	320	—
Other ^{(2),(3),(4)}	11%-40%	11%-50%	11%-40%	11%-50%	383	549
Total					<u>\$2,412</u>	<u>\$2,039</u>

The following table represents the change in the balance of investments in associates:

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$2,039	\$2,179
Share of earnings for the year—continuing operations	58	56
Share of losses for the year—discontinued operations	(8)	(273)
Foreign currency translation and other	(307)	(81)
Share of other reserves for the year—OCI	123	160
Distributions	(38)	(90)
Acquisitions, net of disposals ^{(1),(3),(4),(5)}	856	88
Reclassification to asset held for sale ⁽⁶⁾	(311)	—
Balance at end of year	<u>\$2,412</u>	<u>\$2,039</u>

(1) On August 19, 2014, Brookfield Infrastructure, through a Brookfield sponsored fund, acquired an 11% interest in a Brazilian rail business for \$367 million. Brookfield Infrastructure has significant influence through its representation on the board of directors of the business. Accordingly, Brookfield Infrastructure equity accounts for the entity.

(2) Other includes the partnership's North American gas transmission operation, European port operation, Texas electricity transmission project, North American west coast container terminal and U.S. gas storage operation. Brookfield Infrastructure executed definitive agreements in the fourth quarter of 2014 to sell its 50% interest in its Social Infrastructure assets to a third party for proceeds of \$9 million and recorded a gain of \$5 million.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

- (3) On March 26, 2014, Brookfield Infrastructure, through an arrangement formed between Brookfield and Mitsui O.S.K. Lines Ltd., acquired a 20% interest in a North American west coast container terminal operation. Brookfield Infrastructure has significant influence through its position in the arrangement. Accordingly, Brookfield Infrastructure equity accounts for the entity. The purchase price is payable in a series of three equal payments, one on the date of acquisition as well as one and two years subsequent to this date and consequently an amount payable of \$76 million is recorded as a financial liability within the consolidated financial statements of financial position. Also, an acquisition earn-out may be payable to the extent that certain earnings-based performance metrics are met, the potential earn-out is based on certain 2015 and 2016 EBITDA targets whereby a further \$11 million financial liability was recorded. The earn-out will be subsequently measured at fair value with resulting changes in fair value recorded in profit or loss. Based on an expected value methodology of performance targets the partnership has determined a possible undiscounted range of payment outcomes ranging from \$nil to \$28 million.
- (4) On December 3, 2014, Brookfield Infrastructure, through a Brookfield sponsored fund, acquired a 20% interest in a U.S. gas storage operation. The purchase price is payable in a series of payments, one on the date of acquisition for \$27 million as well as payments over the next five years resulting in an amount payable of \$12 million recorded as a financial liability within the consolidated financial statements of financial position. Brookfield Infrastructure has significant influence through Brookfield's governance rights in relation to the business. Accordingly, Brookfield Infrastructure equity accounts for the entity.
- (5) In the fourth quarter of 2013, Brookfield Infrastructure sold its 42% interest in its Australasian energy distribution business to a third party for net proceeds of USD \$415 million, resulting in a gain on disposition of \$35 million recognized on the Consolidated Statement of Operating Results within the gain on sale of associates line item. As a result of the disposition, accumulated revaluation surplus of \$80 million post-tax was reclassified from other comprehensive income directly to retained earnings and noted as an other item on the Consolidated Statements of Partnership Capital.
- (6) In the fourth quarter of 2014, Brookfield Infrastructure initiated a plan to dispose of its interest in its North American natural gas transmission business—see note 6 for additional information.

The following tables presents the gross assets and liabilities of Brookfield Infrastructure's investments in associates:

US\$ MILLIONS	As at December 31, 2014								
	Total						Attributable to		
	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Total Net Assets	Other Ownership Interests	Partnership's Share
Brazilian toll road	\$ 683	\$ 5,867	\$ 6,550	\$ 666	\$ 1,495	\$ 2,161	\$ 4,389	\$ 3,404	\$ 985
South American transmission operation	244	5,513	5,757	155	3,361	3,516	2,241	1,517	724
Brazilian rail business . .	787	3,337	4,124	240	883	1,123	3,001	2,681	320
Other	330	3,374	3,704	230	1,730	1,960	1,744	1,361	383
Total	<u>\$2,044</u>	<u>\$18,091</u>	<u>\$20,135</u>	<u>\$1,291</u>	<u>\$7,469</u>	<u>\$8,760</u>	<u>\$11,375</u>	<u>\$8,963</u>	<u>\$2,412</u>

US\$ MILLIONS	As at December 31, 2013								
	Total						Attributable to		
	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Total Net Assets	Other Ownership Interests	Partnership's Share
Brazilian toll road	\$ 805	\$ 4,758	\$ 5,563	\$ 532	\$ 2,578	\$ 3,110	\$ 2,453	\$ 1,680	\$ 773
South American transmission operation .	1,254	4,543	5,797	1,189	2,055	3,244	2,553	1,836	717
Other	541	8,087	8,628	382	6,235	6,617	2,011	1,462	549
Total	<u>\$2,600</u>	<u>\$17,388</u>	<u>\$19,988</u>	<u>\$2,103</u>	<u>\$10,868</u>	<u>\$12,971</u>	<u>\$7,017</u>	<u>\$4,978</u>	<u>\$2,039</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following tables present the gross amounts of revenue, net income, other comprehensive income and distributions from Brookfield Infrastructure's investments in associates for the year ended December 31, 2014, 2013, and 2012:

US\$ MILLIONS	Year Ended December 31, 2014							
	Total				Attributable to Other Ownership Interests		Attributable to Partnership	
	Revenue	Net Income	OCI	Total	Comprehensive Income	Distributions	Comprehensive Income	Distributions
Brazilian toll road	\$1,056	\$ 88	\$(431)	\$(343)	\$(236)	\$ —	\$(107)	\$—
South American transmission operation . .	434	65	30	95	60	70	35	28
Brazilian rail business	459	58	(480)	(422)	(376)	—	(46)	—
Other	929	26	72	98	106	65	(8)	10
Total	\$2,878	\$237	\$(809)	\$(572)	\$(446)	\$135	\$(126)	\$38

US\$ MILLIONS	Year Ended December 31, 2013							
	Total				Attributable to Other Ownership Interests		Attributable to Partnership	
	Revenue	Net Income	OCI	Total	Comprehensive Income	Distributions	Comprehensive Income	Distributions
Brazilian toll road	\$1,125	\$ (15)	\$(193)	\$(208)	\$(192)	\$ —	\$ (16)	\$—
South American transmission operation . .	446	113	264	377	202	175	175	68
Australasian energy distribution	308	206	(45)	161	73	26	88	19
Other	1,459	(1,032)	204	(828)	(524)	6	(304)	3
Total	\$3,338	\$ (728)	\$ 230	\$(498)	\$(441)	\$207	\$ (57)	\$90

US\$ MILLIONS	Year Ended December 31, 2012							
	Total				Attributable to Other Ownership Interests		Attributable to Partnership	
	Revenue	Net Income	OCI	Total	Comprehensive Income	Distributions	Comprehensive Income	Distributions
Brazilian toll road	\$ 65	\$ 10	\$ 35	\$ 45	\$ 42	\$ —	\$ 3	\$—
South American transmission operation . .	439	55	321	376	298	92	78	39
Australasian energy distribution	322	45	206	251	164	52	87	17
Other	1,472	(96)	(39)	(135)	(106)	3	(29)	7
Total	\$2,298	\$ 14	\$ 523	\$ 537	\$ 398	\$147	\$ 139	\$63

As at December 31, 2014 and 2013, none of the associates have quoted prices in an active market.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

US\$ MILLIONS	Utility Assets	Transport Assets	Energy Assets	Timberland Assets	Total Assets
Gross Carrying Amount:					
Balance at January 1, 2013	\$3,320	\$3,000	\$1,082	\$ 651	\$8,053
Additions	172	170	43	—	385
Disposals	—	—	(5)	—	(5)
Acquisitions (dispositions) through business combinations	—	—	145	(651)	(506)
Fair value adjustment	167	225	39	—	431
Net foreign currency exchange differences	(13)	(410)	(71)	—	(494)
Balance at December 31, 2013	<u>\$3,646</u>	<u>\$2,985</u>	<u>\$1,233</u>	<u>\$ —</u>	<u>\$7,864</u>
Additions, net of disposals	214	128	61	—	403
Acquisitions (dispositions) through business combinations	—	—	522	—	522
Fair value adjustment	321	—	43	—	364
Reclassified as held for sale assets	(233)	—	—	—	(233)
Net foreign currency exchange differences	(311)	(295)	(74)	—	(680)
Balance at December 31, 2014	<u>\$3,637</u>	<u>\$2,818</u>	<u>\$1,785</u>	<u>\$ —</u>	<u>\$8,240</u>
Accumulated depreciation:					
Balance at December 31, 2012	\$ (10)	\$ (43)	\$ (25)	\$ (5)	\$ (83)
Depreciation expense	(121)	(111)	(43)	—	(275)
Fair value adjustment	102	93	32	—	227
Disposals	—	—	—	5	5
Net foreign currency exchange differences	5	17	3	—	25
Balance at December 31, 2013	<u>\$ (24)</u>	<u>\$ (44)</u>	<u>\$ (33)</u>	<u>\$ —</u>	<u>\$ (101)</u>
Depreciation expense	(130)	(129)	(58)	—	(317)
Fair value adjustment	128	8	47	—	183
Reclassified as held for sale assets	15	—	—	—	15
Net foreign currency exchange differences	11	49	4	—	64
Balance at December 31, 2014	<u>\$ —</u>	<u>\$ (116)</u>	<u>\$ (40)</u>	<u>\$ —</u>	<u>\$ (156)</u>
Net book value:					
December 31, 2014	<u>\$3,637</u>	<u>\$2,702</u>	<u>\$1,745</u>	<u>\$ —</u>	<u>\$8,084</u>
December 31, 2013	<u>\$3,622</u>	<u>\$2,941</u>	<u>\$1,200</u>	<u>\$ —</u>	<u>\$7,763</u>

The fair value of the partnership's property, plant, and equipment is measured at fair value on a recurring basis with an effective date of revaluation for all asset classes of December 31, 2014 and 2013. Brookfield Infrastructure determined fair value under the income method. Assets under development were revalued where fair value could be reliably measured. The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's property,

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

plant and equipment assets, categorized by segment. The partnership has classified all assets below under level 3 of the fair value hierarchy:

Segment	December 31, 2014				December 31, 2013			
	Valuation Technique	Discount Rate	Terminal Value Multiple	Investment Horizon	Valuation Technique	Discount Rate	Terminal Value Multiple	Investment Horizon
Utilities	Discounted cash flow model	8% to 12%	8x to 16x	10 to 20 yrs	Discounted cash flow model	8% to 13%	10x to 16x	10 to 20 yrs
Transport	Discounted cash flow model	11% to 15%	10x to 12x	10 to 20 yrs	Discounted cash flow model	11% to 12%	7x to 11x	10 yrs
Energy	Discounted cash flow model	10% to 13%	8x to 12x	10 yrs	Discounted cash flow model	12% to 16%	8x to 12x	10 yrs

An increase in the discount rate would lead to a decrease in the fair value of property, plant and equipment. Additionally, an increase in the discount rate could result in a decrease to the terminal value multiple which would further decrease the value of property, plant and equipment. Conversely, an increase to the terminal value multiple would increase the fair value of property, plant and equipment.

At December 31, 2014, Brookfield Infrastructure carried out a review of the fair value of its Utility property, plant and equipment, resulting in a gain from revaluation of \$449 million (2013: \$269 million) which was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The carrying amount of Utility property, plant and equipment that would have been recognized had the assets been carried under the cost model is \$2,706 million (2013: \$3,140 million).

At December 31, 2014, Brookfield Infrastructure carried out a review of the fair value of its Transport property, plant and equipment. A gain from revaluation of \$8 million (2013: \$318 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The carrying amount of Transport assets that would have been recognized had the assets been carried under the cost model is \$1,832 million (2013: \$2,079 million).

At December 31, 2014, Brookfield Infrastructure carried out a review of the fair value of its Energy property, plant and equipment. A gain from revaluation of \$90 million (2013: \$71 million) was recognized in revaluation surplus in the Consolidated Statements of Comprehensive Income. The carrying amount of Energy assets that would have been recognized had the assets been carried under the cost model is \$1,538 million (2013: \$1,083 million).

The fair value of the partnership's property, plant and equipment are determined by management of the partnership using estimated inputs and observable market data when available.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 14. INTANGIBLE ASSETS

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Cost	\$3,729	\$4,117
Accumulated amortization	<u>(154)</u>	<u>(111)</u>
Net intangible assets	<u>\$3,575</u>	<u>\$4,006</u>

Intangible assets are allocated to the following cash generating units:

<u>US\$ MILLIONS</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
Australian regulated terminal	\$2,048	\$2,231
Chilean toll roads	1,093	1,278
UK port operation	334	355
Other ⁽¹⁾	<u>100</u>	<u>142</u>
Total	<u>\$3,575</u>	<u>\$4,006</u>

(1) Other intangibles are comprised of easements and permits to use and operate on government land.

The intangible assets at Brookfield Infrastructure's Australian regulated terminal operation and Chilean toll roads relate to service concession arrangements.

The terms and conditions of access to the Australian regulated terminal's services, including tariffs that can be charged to the users, are regulated by the Queensland Competition Authority. Brookfield Infrastructure's Australian regulated terminal operation has Standard Access Agreements with the users of the terminal which entails 100% take or pay contracts at a designated tariff rate based on the asset value. The concession arrangement has an expiration date of 2051 with an option to extend the arrangement an additional 49 years.

The terms and conditions of the Chilean toll roads concession, including tariffs that can be charged to the users and the duties to be performed by the operator, are regulated by the Ministerio de Obras Publicas ("MOP"). The service concession provides the operator the right to charge a tariff to vehicles which use the road over the term of the concession in exchange for operating the road, including preserving the road based on a defined maintenance and construction schedule. Tariffs are adjusted annually for Chilean Consumer Price Index plus 3.5%, in addition to congestion charges which may be levied should specified traffic levels be reached. The concession arrangement has an expiration date of 2033 at which point the underlying concessions assets will be returned to the MOP.

The intangible asset at Brookfield Infrastructure's UK port operation relates to a conservancy right. As a right in perpetuity issued by the Statutory Harbour Authority in the UK, the conservancy right is classified as having an indefinite life, and is subject to an annual impairment review.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The carrying value as at December 31, 2014, of Brookfield Infrastructure's indefinite lived intangibles is \$334 million (2013: \$355 million). The following table presents the change in the balance of intangible assets:

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Cost at beginning of the year	\$4,117	\$4,566
Additions	36	40
Acquisitions through business combinations	—	4
Reclassified as held for sale	(42)	—
Foreign currency translation	(382)	(493)
Cost at end of year	<u>\$3,729</u>	<u>\$4,117</u>

The following table presents the accumulated amortization for Brookfield Infrastructure's intangible assets:

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Accumulated amortization at beginning of year	\$(111)	\$ (69)
Amortization	(63)	(54)
Reclassified as held for sale	10	—
Foreign currency translation	10	12
Accumulated amortization at end of year	<u>\$(154)</u>	<u>\$(111)</u>

NOTE 15. GOODWILL

<u>US\$ MILLIONS</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
Cost	\$48	\$ 636
Acquisitions through business combinations ⁽¹⁾	40	3
Disposition of subsidiary	—	(591)
Foreign currency translation	(4)	—
Total	<u>\$84</u>	<u>\$ 48</u>

(1) See note 4 for additional information.

Upon the acquisition of U.S freehold timberlands by Brookfield Infrastructure, a deferred income tax liability of approximately \$591 million was recorded. The deferred income tax liability arose because tax bases of the net assets, to Brookfield, were significantly lower than their fair value. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of approximately \$591 million. This goodwill was attributable to a single cash-generating unit (CGU) and is tested for impairment annually using a fair value less costs of disposal model. In July 2013, Brookfield Infrastructure sold its 30% interest in the U.S freehold timberlands business resulting in the disposal of \$591 million of goodwill.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 16. INVESTMENT PROPERTIES

<u>US\$ MILLIONS</u>	<u>UK port operation</u>	<u>HBU⁽¹⁾</u>	<u>Total</u>
Gross carrying amount:			
Balance at January 1, 2013	\$157	\$ 56	\$213
Disposition of subsidiary	—	(54)	(54)
Fair value adjustments	4	(2)	2
Foreign exchange differences	3	—	3
Balance at December 31, 2013	\$164	\$ —	\$164
Additions	3	—	3
Fair value adjustments	4	—	4
Foreign exchange differences	(9)	—	(9)
Balance at December 31, 2014	<u>\$162</u>	<u>\$ —</u>	<u>\$162</u>

(1) HBU is defined as "highest and best use" lands.

As at December 31, 2014, a \$4 million gain was recognized for the UK port operation (2013: \$4 million gain). Fair values are generally determined by calculating the discounted future cash flows of the properties.

During the year ended December 31, 2013, Brookfield Infrastructure sold its 30% interest in its U.S freehold timberlands and 25% interest in its Canadian freehold timberlands resulting in the disposal of \$54 million of investment properties.

Investment properties are measured at fair value on a recurring basis and the effective date of revaluation is December 31, 2014 and 2013. The fair value of the partnership's investment properties are determined by management of the partnership with due consideration given to other relevant market conditions. The following table summarizes the valuation techniques and significant inputs for Brookfield Infrastructure's investment property. The partnership has classified all assets below under level 3 of the fair value hierarchy:

<u>Segment</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range of inputs</u>
<i>Transport</i>	Direct Income Capitalization	Capitalization Rate	7% to 15%

An increase in the capitalization rate would lead to a decrease in the fair value of property, plant and equipment, with the opposite impact for a decrease in the capitalization rate.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 17. ACCOUNTS PAYABLE AND OTHER

<u>US\$ MILLIONS</u>	<u>Note</u>	<u>2014</u>	<u>2013</u>
Current:			
Accounts payable ⁽¹⁾		\$264	\$222
Accrued & other liabilities		149	188
Deferred revenue	(i)	102	65
Provisions		17	16
Total current		<u>\$532</u>	<u>\$491</u>
Non-current:			
Deferred revenue	(i)	\$340	\$397
Provisions		15	57
Pension liability ⁽²⁾		99	80
Other liabilities		115	23
Total non-current		<u>\$569</u>	<u>\$557</u>

(1) The average credit period on purchases of goods and services is 30 days. No interest is incurred on trade creditors. Brookfield Infrastructure has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

(2) See Note 32, Retirement Benefit Plans for further details.

Brookfield Infrastructure's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 35.

(i) Deferred revenue

Deferred revenue relates primarily to cash contributions from third parties to build or upgrade existing network capabilities and for future natural gas and electricity connections at Brookfield Infrastructure's Australian rail operation and UK regulated distribution operation, respectively. The deferred revenue is recorded on receipt of cash payments and recognized as revenue over the life of the contracted track access and connections arrangement.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 18. FINANCIAL LIABILITIES

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Current:		
Foreign currency forward contracts	\$ 6	\$ 36
Other financial liabilities	<u>43</u>	<u>—</u>
Total current financial liabilities	<u>\$ 49</u>	<u>\$ 36</u>
Non-current:		
Interest rate swaps	\$143	\$103
Inflation swaps	294	354
Other financial liabilities	<u>117</u>	<u>54</u>
Total non-current financial liabilities	<u>\$554</u>	<u>\$511</u>

NOTE 19. BORROWINGS

(a) Corporate Borrowings

Brookfield Infrastructure has a \$1.4 billion senior unsecured revolving credit facility used for general working capital including acquisitions. The \$1.4 billion is available on a revolving basis for the full term of the facility. All amounts outstanding under this facility will be repayable on June 30, 2019. All obligations of Brookfield Infrastructure under the facility are guaranteed by the partnership. Loans under this facility accrue interest at a floating rate based on LIBOR plus 1.20%. Brookfield Infrastructure is required to pay an unused commitment fee under the facility of 18 basis points per annum. As at December 31, 2014, draws on the credit facility were \$246 million (2013: \$nil) and \$110 million of letters of credit issued (2013: \$99 million).

(b) Non-Recourse Borrowings

The current and non-current balances of non-recourse borrowings are as follows:

<u>US\$ MILLIONS</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current	\$ 41	\$ 71
Non-current	<u>6,180</u>	<u>5,719</u>
Total	<u>\$6,221</u>	<u>\$5,790</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

Principal repayments on non-recourse borrowings due over the next five years and thereafter are as follows:

<u>US\$ MILLIONS</u>	<u>Utilities</u>	<u>Transport</u>	<u>Energy</u>	<u>Total</u>
2015	\$ 3	\$ 35	\$ 3	\$ 41
2016	289	36	1	326
2017	59	120	53	232
2018	2	61	1	64
2019	58	66	1	125
Thereafter	2,723	2,179	612	5,514
Total Principal repayments	<u>3,134</u>	<u>2,497</u>	<u>671</u>	<u>6,302</u>
Deferred financing costs	(69)	(2)	(10)	(81)
Total—Dec. 31, 2014	<u>\$3,065</u>	<u>\$2,495</u>	<u>\$661</u>	<u>\$6,221</u>
Total—Dec. 31, 2013	<u>\$3,148</u>	<u>\$2,198</u>	<u>\$444</u>	<u>\$5,790</u>

The weighted average interest rate of non-recourse borrowings are as follows:

<u>US\$ MILLIONS</u>	<u>Utilities</u>	<u>Transport</u>	<u>Energy</u>	<u>Corporate & Other</u>	<u>Total</u>
Dec. 31, 2014	6%	5%	4%	3%	5%
Dec. 31, 2013	6%	6%	4%	4%	6%

Principal repayments on non-recourse borrowings in their local currency are as follows:

<u>US\$ MILLIONS, except as noted</u>	<u>Dec 31, 2014</u>	<u>Local Currency</u>		<u>Dec 31, 2013</u>	<u>Local Currency</u>	
Australian dollars	\$2,859	AUD	3,499	\$2,835	AUD	3,179
British pounds	1,540	GBP	988	1,444	GBP	872
U.S. dollars	285	USD	285	190	USD	190
Chilean Unidad de Fomento ⁽¹⁾	884	UF	22	683	UF	16
Canadian dollars	395	CAD	459	432	CAD	459
Colombian Peso	168	COP	400,155	206	COP	398,631
Brazilian reais	90	BRL	239	—	BRL	—

(1) Chilean Unidad de Fomento is an inflation adjusted unit of account indexed to the Chilean Peso.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 20. SUBSIDIARY PUBLIC ISSUERS

On October 10, 2012, wholly-owned subsidiaries of Brookfield Infrastructure executed a C\$400 million, five-year medium term note offering in the Canadian bond market with a coupon of 3.5%, which was swapped into U.S. dollars on a matched maturity basis at an all-in rate of 2.7%. These notes, which mature in October 2017 and remain outstanding as of December 31, 2014, are unconditionally guaranteed by Brookfield Infrastructure Partners L.P., Brookfield Infrastructure L.P., and wholly-owned subsidiaries, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation, Brookfield Infrastructure LLC and BIP Bermuda Holdings I Limited.

In December 2014, wholly-owned subsidiaries of Brookfield Infrastructure, Brookfield Infrastructure Finance ULC, Brookfield Infrastructure Finance LLC, Brookfield Infrastructure Finance Pty Ltd and Brookfield Infrastructure Finance Limited (collectively, the “Debt Issuers”) and Brookfield Infrastructure Preferred Equity Inc. (collectively with the Debt Issuers, the “Issuers”), filed a base shelf prospectus qualifying the distribution of debt securities and Class A preference shares in Canada. The Issuers may offer and sell these instruments in one or more issuances in the aggregate, of up to C\$1 billion (or the equivalent in other currencies).

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following tables set forth consolidated summary financial information for Brookfield Infrastructure and the Issuers:

For the year ended December 31, 2014	Brookfield Infrastructure⁽²⁾	The Issuers	Subsidiaries of the Partnership other than the Issuers⁽³⁾	Consolidating Adjustments⁽⁴⁾	Brookfield Infrastructure Consolidated
Revenue	\$ —	\$ —	\$ 1,924	\$ —	\$ 1,924
Net income (loss) from continuing operations attributable to partnership	107	—	477	(392)	192
Net income (loss) attributable to partnership ⁽¹⁾	<u>101</u>	<u>—</u>	<u>469</u>	<u>(386)</u>	<u>184</u>
For the year ended December 31, 2013					
Revenue	\$ —	\$ —	\$ 1,826	\$ —	\$ 1,826
Net income (loss) from continuing operations attributable to partnership	131	—	655	(573)	213
Net income (loss) attributable to partnership ⁽¹⁾	<u>(63)</u>	<u>—</u>	<u>384</u>	<u>(379)</u>	<u>(58)</u>
As at December 31, 2014					
Current assets	\$ —	\$ 3	\$ 1,560	\$ (3)	\$ 1,560
Non-current assets	3,493	351	14,935	(3,844)	14,935
Current liabilities	—	5	821	(5)	821
Non-current liabilities	—	350	11,461	(2,459)	9,352
Non-controlling interests— Redeemable Partnership Units held by Brookfield	—	—	1,321	—	1,321
Non-controlling interests—in operating subsidiaries	<u>—</u>	<u>—</u>	<u>1,444</u>	<u>—</u>	<u>1,444</u>
As at December 31, 2013					
Current assets	\$ —	\$ 3	\$ 1,268	\$ (3)	\$ 1,268
Non-current assets	3,711	377	14,414	(4,088)	14,414
Current liabilities	—	3	598	(3)	598
Non-current liabilities	—	377	10,392	(2,290)	8,479
Non-controlling interest—Redeemable Partnership Units held by Brookfield	—	—	1,408	—	1,408
Non-controlling interests—in operating subsidiaries	<u>—</u>	<u>—</u>	<u>1,419</u>	<u>—</u>	<u>1,419</u>

- (1) Includes net income (loss) attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.
- (2) Includes investments in all subsidiaries of the partnership under the equity method.
- (3) Includes investments in all subsidiaries of the partnership other than the Issuers on a consolidated basis.
- (4) Includes elimination of intercompany transactions and balances necessary to present Brookfield Infrastructure on a consolidated basis.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 21. PREFERRED SHARES

As at December 31, 2014, Brookfield Infrastructure Holdings (Canada) Inc., Brookfield Infrastructure US Holdings I Corporation and BIP Bermuda Holdings I Limited (wholly owned subsidiaries of Brookfield Infrastructure) have issued 196,000, 1 and 400,000 preferred shares, respectively to wholly owned subsidiaries of Brookfield, for proceeds of \$5 million, \$5 million and \$10 million, respectively (2013: \$5 million, \$5 million and \$10 million, respectively). Each preferred share is non-voting preferred and is redeemable at \$25 per share except in the case of the preferred share issued by Brookfield Infrastructure US Holdings I Corporation, which is redeemable for \$5 million. Each of these preferred shares is redeemable, together with any accrued and unpaid dividends, at the option of the issuer on or after the tenth anniversary of the date of issue, subject to certain restrictions. Further, these preferred shares entitle the holders thereof to a fixed cumulative 6% preferential cash dividend payable quarterly as and when declared by the issuer's board of directors. At December 31, 2014, there are no dividends in arrears.

NOTE 22. REVENUES

Brookfield Infrastructure's revenue arises from the rendering of services by the following operating segments:

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Utilities			
Regulated Terminal Operation	\$ 384	\$ 454	\$ 441
Electricity Transmission	62	62	59
Regulated Distribution	505	402	356
Transport			
Rail	370	371	287
Ports	226	205	204
Toll Roads	105	108	27
Energy			
Transmission, Distribution & Storage	100	110	103
District Energy	172	114	47
	<u>\$1,924</u>	<u>\$1,826</u>	<u>\$1,524</u>

NOTE 23. INTEREST EXPENSE

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Interest on corporate facility	\$ 3	\$ 2	\$ 5
Interest on corporate debt	11	11	2
Interest on non-recourse borrowings	343	344	310
Other financing fees	5	5	5
	<u>\$362</u>	<u>\$362</u>	<u>\$322</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 24. PAYROLL EXPENSE

The partnership has no key employees or directors; therefore Brookfield Infrastructure does not remunerate key management personnel, details of the management fees paid during the year are disclosed in Note 33. Key decision makers of Brookfield Infrastructure are all employees of the ultimate parent company who provide management services under Brookfield Infrastructure's Master Services Agreement.

Throughout the year, the General Partner in its capacity as the partnership's general partner, incurs director fees, a portion of which are charged to the partnership in accordance with the limited partnership agreement. Less than \$1 million in director fees were incurred during the year ended December 31, 2014 (2013: less than \$1 million, 2012: less than \$1 million).

For the year ended December 31, 2014, payroll expense, including benefits at Brookfield Infrastructure's subsidiaries was \$203 million (2013: \$208 million; 2012: \$175 million).

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 25. NON-WHOLLY OWNED SUBSIDIARIES

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Financial Position:

US\$ MILLIONS	As of December 31, 2014					
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Non-Controlling Interest in Operating Subsidiaries	Partnership Capital ⁽¹⁾
<i>Utilities</i>						
UK regulated distribution operation	\$ 61	\$2,914	\$200	\$1,873	\$ 177	\$ 725
Australian regulated terminal operation	64	2,336	23	2,004	106	267
New England electricity transmission operation (note 6)	256	—	199	—	43	14
Colombian regulated distribution operation	55	724	16	414	286	63
<i>Transport</i>						
UK port operation	54	792	62	462	132	190
Chilean toll roads	107	1,107	38	947	111	118
Brazilian toll road	9	266	3	88	184	—
<i>Energy</i>						
North American gas storage operation	1	120	3	52	55	11
North American west coast gas storage operation	9	129	9	26	63	40
Canadian district energy operation	43	555	16	314	200	68
U.S. district energy operation	23	647	17	535	70	48
<i>Corporate & Other</i>						
Holding LP	483	132	247	381	17	(30)
Total	\$1,165	\$9,722	\$833	\$7,096	\$1,444	\$1,514

(1) Attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

US\$ MILLIONS	As of December 31, 2013					
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Non-Controlling Interest in Operating Subsidiaries	Partnership Capital ⁽¹⁾
<i>Utilities</i>						
UK regulated distribution operation	\$ 62	\$2,732	\$209	\$1,720	\$ 170	\$ 695
Australian regulated terminal operation	42	2,408	25	2,043	112	270
New England electricity transmission operation	5	221	7	176	34	9
Colombian regulated distribution operation	125	744	30	475	301	63
<i>Transport</i>						
UK port operation	62	816	59	464	147	208
Chilean toll roads	117	1,283	60	733	294	313
<i>Energy</i>						
North American gas storage operation	8	119	2	49	64	12
Canadian district energy operation	87	560	20	336	218	73
U.S. district energy operation	6	142	2	40	64	42
<i>Corporate & Other</i>						
Holding LP	649	63	154	123	15	420
Total	\$1,163	\$9,088	\$568	\$6,159	\$1,419	\$2,105

(1) Attributable to non-controlling interest—Redeemable Partnership Units held by Brookfield, general partner and limited partners.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Operating Results:

US\$ MILLIONS	Year Ended December 31, 2014					
	Revenue	Attributable to non-controlling interest			Attributable to unitholders	
		Net Income (loss)	Other Comprehensive Income (loss)	Distributions	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>						
UK regulated distribution operation	\$ 310	\$ 15	\$ 29	\$ 36	\$ 74	\$114
Australian regulated terminal operation	385	23	3	31	80	6
New England electricity transmission operation	25	(1)	15	3	(1)	4
Colombian regulated distribution operation	194	36	17	68	44	3
<i>Transport</i>						
UK port operation	226	8	(21)	2	20	(32)
Chilean toll roads	105	(17)	(39)	128	(35)	(41)
<i>Energy</i>						
North American gas storage operation	7	(9)	5	4	(11)	1
North American west coast gas storage operation	—	—	—	—	—	—
Canadian district energy operation	82	—	10	27	(1)	3
U.S. district energy operation	48	(9)	9	68	(11)	6
<i>Corporate & Other</i>						
Holding LP	8	(1)	(43)	—	(58)	22
Total	\$1,390	\$ 45	\$(15)	\$367	\$101	\$ 86

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

US\$ MILLIONS	Year Ended December 31, 2013					
	Revenue	Attributable to non-controlling interest			Attributable to unitholders	
		Net Income	Other Comprehensive Income (loss)	Distributions	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>						
UK regulated distribution operation	\$ 266	\$ 21	\$ 43	\$ 11	\$ 61	\$128
Australian regulated terminal operation	402	20	(26)	29	50	(64)
New England electricity transmission operation	23	3	10	3	1	4
Colombian regulated distribution operation	189	3	16	50	1	3
<i>Transport</i>						
UK port operation	205	12	14	3	17	20
Chilean toll roads	108	5	(30)	—	6	(30)
<i>Energy</i>						
North American gas storage operation	16	13	(3)	15	3	(1)
Canadian district energy operation	76	3	7	10	—	(2)
U.S. district energy operation	2	—	(1)	—	—	—
<i>Timber</i>						
U.S. freehold timberlands	278	40	10	29	51	4
Canadian freehold timberlands	27	3	(2)	6	5	(3)
<i>Corporate & Other</i>						
Holding LP	—	—	—	—	(139)	(38)
Total	<u>\$1,592</u>	<u>\$123</u>	<u>\$ 38</u>	<u>\$156</u>	<u>\$ 56</u>	<u>\$ 21</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

US\$ MILLIONS	Year Ended December 31, 2012					
	Revenue	Attributable to non-controlling interest			Attributable to unitholders	
		Net Income (loss)	Other Comprehensive Income (loss)	Distributions	Net Income (loss)	Other Comprehensive Income (loss)
<i>Utilities</i>						
Australian regulated terminal operation	\$ 441	\$ 18	\$ (1)	\$48	\$ 45	\$ (2)
New England electricity transmission operation	23	(6)	19	2	(2)	6
Colombian regulated distribution operation	188	21	50	—	5	10
<i>Transport</i>						
UK port operation	204	8	3	3	11	5
Chilean toll roads	27	4	(4)	—	9	(3)
<i>Energy</i>						
North American gas storage operation	11	(5)	(1)	4	(1)	—
Canadian district energy operation	13	(1)	2	—	—	1
U.S. district energy operation	—	—	—	—	—	—
<i>Timber</i>						
U.S. freehold timberlands	242	123	2	37	52	1
Canadian freehold timberlands	236	10	(3)	—	6	(3)
<i>Corporate & Other</i>						
Holding LP	—	13	—	—	(64)	(52)
Total	<u>\$1,385</u>	<u>\$185</u>	<u>\$67</u>	<u>\$94</u>	<u>\$ 61</u>	<u>\$(37)</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following tables present summarized accounts for non-wholly owned subsidiaries on the Consolidated Statement of Cash Flows:

US\$ MILLIONS	Cash Flow Activities					
	Year ended December 31, 2014			Year ended December 31, 2013		
	Operating	Investing	Financing	Operating	Investing	Financing
<i>Utilities</i>						
UK regulated distribution operation	\$ 194	\$(202)	\$ (7)	\$159	\$(155)	\$ (8)
Australian regulated terminal operation .	114	(27)	(99)	110	(36)	(103)
New England electricity transmission operation	10	—	(10)	8	—	(8)
Colombian regulated distribution operation	39	(1)	(75)	33	(10)	(18)
<i>Transport</i>						
UK port operation	50	(47)	(12)	30	(15)	(17)
Chilean toll roads	63	(8)	(16)	29	5	(26)
<i>Energy</i>						
North American gas storage operation . .	(1)	1	(1)	6	18	(19)
North American west coast gas storage operation	6	—	—	—	—	—
Canadian district energy operation	32	(23)	(40)	31	(25)	70
U.S. district energy operation	47	(30)	(16)	3	—	—
<i>Timber</i>						
U.S. freehold timberlands	—	—	—	41	(25)	(41)
Canadian freehold timberlands	—	—	—	17	(15)	(8)
<i>Corporate & Other</i>						
Holding LP	(137)	(569)	458	(1)	242	28
Total	<u>\$ 417</u>	<u>\$(906)</u>	<u>\$182</u>	<u>\$466</u>	<u>\$(16)</u>	<u>\$(150)</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

<u>US\$ MILLIONS</u>	<u>Cash Flow Activities</u>		
	<u>Year ended December 31, 2012</u>		
	<u>Operating</u>	<u>Investing</u>	<u>Financing</u>
<i>Utilities</i>			
UK regulated distribution operation	\$ 70	\$ 160	\$ (231)
Australian regulated terminal operation	153	(9)	(120)
New England electricity transmission operation	6	—	(7)
Colombian regulated distribution operation	56	35	(10)
<i>Transport</i>			
UK port operation	23	(4)	(11)
Chilean toll roads	4	69	(4)
<i>Energy</i>			
North American gas storage operation	6	(4)	(2)
Canadian district energy operation	4	(2)	—
U.S. district energy operation	—	—	—
<i>Timber</i>			
U.S. freehold timberlands	60	(7)	(52)
Canadian freehold timberlands	(3)	1	—
<i>Corporate & Other</i>			
Holding LP	(29)	(1,497)	1,451
Total	<u>\$350</u>	<u>\$(1,258)</u>	<u>\$1,014</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 26. INCOME TAXES

The partnership is a flow-through entity for tax purposes and as such is not subject to Bermudian taxation. However, income taxes are recognized for the amount of taxes payable by the partnership's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

(a) Deferred Income Tax Balances

The sources of deferred income tax balances are as follows:

<u>US\$ MILLIONS</u>	<u>As of December 31</u>	
	<u>2014</u>	<u>2013</u>
Deferred income tax assets		
Tax losses carried forward	\$ 232	\$ 213
Financial instruments and other	<u>200</u>	<u>286</u>
	<u>\$ 432</u>	<u>\$ 499</u>
 Deferred income tax liabilities		
Property, plant and equipment and investment properties	\$(1,200)	\$(1,037)
Intangible assets	<u>(574)</u>	<u>(633)</u>
	<u>\$(1,774)</u>	<u>\$(1,670)</u>
Net deferred income tax liabilities	<u>\$(1,342)</u>	<u>\$(1,171)</u>
Reflected in the balance sheet as follows:		
Deferred income tax assets	\$ 99	\$ 124
Deferred income tax liabilities	<u>(1,441)</u>	<u>(1,295)</u>
Net deferred income tax liabilities	<u>\$(1,342)</u>	<u>\$(1,171)</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The sources of deferred income tax balances and movements are as follows:

US\$ MILLIONS	January 1, 2014	Recognized in				December 31, 2014
		Net Income	Other Comprehensive Income	Other ⁽¹⁾	Acquisitions/ Dispositions	
Deferred income tax assets related to non-capital losses and capital losses	\$ 213	\$ 50	\$ —	\$(22)	\$ (9)	\$ 232
Deferred income tax liabilities related to differences in tax and book basis, net	<u>(1,384)</u>	<u>(99)</u>	<u>(140)</u>	<u>133</u>	<u>(84)</u>	<u>(1,574)</u>
Net deferred income tax liabilities	<u><u>\$(1,171)</u></u>	<u><u>\$(49)</u></u>	<u><u>\$(140)</u></u>	<u><u>\$111</u></u>	<u><u>\$(93)</u></u>	<u><u>\$(1,342)</u></u>

US\$ MILLIONS	January 1, 2013	Recognized in				December 31, 2013
		Net Income	Other Comprehensive Income	Other ⁽¹⁾	Acquisitions/ Dispositions	
Deferred income tax assets related to non-capital losses and capital losses	\$ 293	\$ (9)	\$ —	\$(16)	\$(55)	\$ 213
Deferred income tax liabilities related to differences in tax and book basis, net	<u>(2,115)</u>	<u>(14)</u>	<u>(178)</u>	<u>88</u>	<u>835</u>	<u>(1,384)</u>
Net deferred income tax liabilities	<u><u>\$(1,822)</u></u>	<u><u>\$(23)</u></u>	<u><u>\$(178)</u></u>	<u><u>\$ 72</u></u>	<u><u>\$780</u></u>	<u><u>\$(1,171)</u></u>

(1) Other items relates to foreign exchange as deferred income taxes are calculated based on the functional currency of each operating entity.

Net deferred taxes of \$43 million with respect to the New England electricity transmission operations, a business that is classified as held for sale in the financial statements has been included in the \$93 million net deferred income tax liability under acquisitions / dispositions in the source of deferred income tax balances and movements noted above.

Of the \$49 million (2013: \$23 million) of deferred income tax expense recognized in the Consolidated Statements of Operating Results, \$nil (2013: \$24 million) of the deferred income tax expense was presented as a component of discontinued operations in the financial statements, representing a deferred income tax recovery of \$nil (2013: \$1 million).

The amount of non-capital and capital losses and deductible temporary differences for which no deferred income tax assets have been recognized is approximately \$683 million (2013: \$603 million). Of the \$683 million (2013: \$603 million) deductible temporary differences not recognized, \$416 million (2013: \$425 million) relates to capital losses which carry forward indefinitely and have no expiry dates. The remaining \$267 million (2013: \$178 million) relates to non-capital losses, of which \$59 million

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(2013: \$59 million) expires between 2024 to 2030 and \$208 million (2013: \$119 million) that carries forward indefinitely and have no expiry dates.

(b) Income Tax Recognized in Profit or Loss

The major components of income tax expense include the following:

<u>US\$ MILLIONS</u>	<u>For the year ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax expense (benefit) comprises:			
Current income tax expense	\$ 30	\$ 3	\$ 12
Deferred income tax expense (benefit)			
Origination and reversal of temporary differences	17	49	2
Changes in tax rates or the imposition of new taxes	22	(39)	(13)
Previously unrecognized deferred taxes	10	(11)	(31)
Total income tax expense (benefit)	\$ 79	\$ 2	\$(30)
Net income before income tax expense reconciles income to tax expense (recovery) as follows:			
Net income before income tax	\$316	\$295	\$ 82
Income tax expense calculated at the domestic rates applicable to profits in the country concerned	78	85	28
Change in substantively enacted tax rates	23	(39)	(13)
Earnings from investments in associates	(11)	(36)	1
Non-taxable portion of loss	(1)	—	9
Income not assessable	(5)	(5)	(19)
International operations subject to different tax rates	(8)	(8)	(8)
Permanent differences and other	3	5	(28)
Income tax expense recognized in profit or loss	\$ 79	\$ 2	\$(30)

As the partnership is not subject to tax, the above reconciliation has been prepared using a composite statutory rate for jurisdictions where Brookfield Infrastructure's subsidiaries operate. The composite rate has increased due to changes in the related operating income in the various subsidiaries and changes in local statutory rates.

The partnership recognized \$nil (2013: \$nil) of pre-acquisition deferred income tax assets as a result of business combinations that occurred during the year ended December 31, 2014.

The partnership has approximately \$1,908 million (2013: \$1,738 million) of temporary differences associated with investments in subsidiaries and associates for which no deferred income taxes have been provided.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(c) Income Tax Recognized Directly in Other Comprehensive Income

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Deferred income tax arising on income and expenses recognized in other comprehensive income:			
Revaluation of property, plant and equipment	\$(143)	\$(185)	\$(161)
Cash flow hedges	—	7	6
Other	<u>3</u>	<u>—</u>	<u>(6)</u>
Total income tax expense recognized directly in other comprehensive income . .	<u>\$(140)</u>	<u>\$(178)</u>	<u>\$(161)</u>

NOTE 27. PARTNERSHIP CAPITAL

As at December 31, 2014, our partnership's capital structure was comprised of two classes of partnership units: limited partnership units and general partnership units. Limited partnership units entitle the holder to their proportionate share of distributions. General partnership units entitle the holder the right to govern the financial and operating policies of Brookfield Infrastructure. The Holding LP's capital structure is composed of three classes of partnership units: special limited partner units, managing general partner units and Redeemable Partnership Units held by Brookfield.

In its capacity as the holder of the special limited partner units of the Holding LP, the special limited partner is entitled to incentive distribution rights which are based on the amount by which quarterly distributions on partnership units exceed specified target levels. To the extent distributions on partnership units exceed \$0.305 per quarter, the incentive distribution rights are entitled to 15% of incremental distributions above this threshold. To the extent that distributions on partnership units exceed \$0.33 per unit, the incentive distribution rights are entitled to 25% of incremental distributions above this threshold. During the year, the partnership paid incentive distributions of \$44 million (2013: \$31 million, 2012: \$16 million).

The Holding LP has issued 58.7 million Redeemable Partnership Units to Brookfield, which may, at the request of the holder, require the Holding LP to redeem the units at the market price of the partnership. This right is subject to the partnership's right of first refusal which entitles it, at its sole discretion, to elect to acquire any unit so presented to the Holding LP in exchange for one of the partnership's units subject to certain customary adjustments. Both the limited partnership units issued by the partnership and the Redeemable Partnership Units issued by the Holding LP have the same economic attributes in all respects, except for the redemption right described above. The Redeemable Partnership Units participate in earnings and distributions on a per unit basis equivalent to the per unit participation of the limited partnership of the partnership. The partnership reflects the Redeemable Partnership Units issued to Brookfield by the Holding LP as non-controlling interest—Redeemable Partnership Units held by Brookfield.

In March 2014, the Holding LP underwent a restructuring whereby the Holding LP's limited partnership agreement was amended to make the partnership the managing general partner of the Holding LP by redesignating the limited partner units as managing general partner units and to make the general partner a special limited partner of the Holding LP by redesignating the general partner units to special limited partner units. This change was made in order to simplify the partnership's governance structure and to more clearly delineate our partnership's governance rights in respect of the Holding LP.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(a) Special and Limited Partnership Capital

<u>UNITS MILLIONS</u>	Special limited partner units		Limited partnership units		Total	
	2014	2013	2014	2013	2014	2013
Authorized to issue						
On issue at January 1	1.1	1.1	150.2	143.6	151.3	144.7
Issued for cash	—	—	0.1	6.6	0.1	6.6
On issue at December 31	<u>1.1</u>	<u>1.1</u>	<u>150.3</u>	<u>150.2</u>	<u>151.4</u>	<u>151.3</u>

<u>US\$ MILLIONS</u>	General partner		Limited partners'		Total	
	2014	2013	2014	2013	2014	2013
Opening balance	\$19	\$19	\$3,199	\$2,955	\$3,218	\$2,974
Share issuance	—	—	2	244	2	244
Ending balance	<u>\$19</u>	<u>\$19</u>	<u>\$3,201</u>	<u>\$3,199</u>	<u>\$3,220</u>	<u>\$3,218</u>

In May 2013, Brookfield Infrastructure issued 6.6 million limited partnership units at \$37.75 under our shelf registrations in the U.S. and Canada. In total, \$247 million of gross proceeds were raised through the issuance and \$10 million in equity issuance costs were incurred.

In August 2012, Brookfield Infrastructure issued 11.1 million limited partnership units at \$33.25 under our shelf registrations in the U.S. and Canada. In total, \$370 million of gross proceeds were raised through the issuance and \$15 million in equity issuance costs were incurred.

In June 2010, we implemented a distribution reinvestment plan (the "Plan") that allows eligible holders of the partnership to purchase additional units by reinvesting their cash distributions. Under the Plan, units are acquired at a price per unit calculated by reference to the volume weighted average of the trading price for our units on the New York Stock Exchange for the five trading days immediately preceding the relevant distribution date. During the year, our partnership issued less than 1 million units for proceeds of \$2 million (2013: less than 1 million units for proceeds of \$7 million, 2012: less than 1 million units for proceeds of \$3 million) under the Plan.

The weighted average number of special limited partner units outstanding for the year ended December 31, 2014 was 1.1 million (2013: 1.1 million; 2012: 1.1 million). The weighted average number of limited partnership units outstanding for the year ended December 31, 2014 was 150.3 million (2013: 147.8 million; 2012: 136.9 million).

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(b) Non-controlling interest—Redeemable Partnership Units held by Brookfield

<u>UNITS MILLIONS</u>	Non-controlling interest— Redeemable Partnership Units held by Brookfield	
	<u>2014</u>	<u>2013</u>
Authorized to issue		
On issue at January 1	58.7	56.1
Issued for cash	—	2.6
On issue at December 31	<u>58.7</u>	<u>58.7</u>
<u>US\$ MILLIONS</u>	Non-controlling interest— Redeemable Partnership Units held by Brookfield	
	<u>2014</u>	<u>2013</u>
Opening balance	\$1,178	\$1,084
Share issuance	—	94
Ending balance	<u>\$1,178</u>	<u>\$1,178</u>

In May 2013, Brookfield Infrastructure issued 2.6 million Redeemable Partnership Units to Brookfield for proceeds of \$94 million.

In August 2012, Brookfield Infrastructure issued 4.4 million Redeemable Partnership Units to Brookfield for proceeds of \$142 million.

The weighted average number of Redeemable Partnership Units outstanding for the year ended December 31, 2014 was 58.7 million (2013: 57.8 million; 2012: 53.5 million).

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 28. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(a) Attributable to Limited Partners'

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Available for sale	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at								
December 31, 2012 . .	\$398	\$ 142	\$(57)	\$(53)	—	\$ (1)	\$200	\$629
Other comprehensive income (loss)	254	(236)	(8)	(10)	10	(5)	111	116
Dispositions	—	—	—	—	—	—	(57)	(57)
Balance at December 31, 2013	<u>\$652</u>	<u>\$ (94)</u>	<u>\$(65)</u>	<u>\$(63)</u>	<u>\$10</u>	<u>\$(6)</u>	<u>\$254</u>	<u>\$688</u>
Other comprehensive income (loss)	<u>160</u>	<u>(334)</u>	<u>101</u>	<u>(33)</u>	<u>4</u>	<u>(19)</u>	<u>88</u>	<u>(33)</u>
Balance at December 31, 2014	<u>\$812</u>	<u>\$(428)</u>	<u>\$ 36</u>	<u>\$(96)</u>	<u>\$14</u>	<u>\$(25)</u>	<u>\$342</u>	<u>\$655</u>

(b) Attributable to General Partner

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Available for sale	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at								
December 31, 2012 . .	\$3	\$ 1	\$ —	\$(1)	\$ —	\$ —	\$ 2	\$ 5
Other comprehensive income (loss)	2	(1)	—	—	—	—	—	1
Balance at December 31, 2013	<u>\$5</u>	<u>\$—</u>	<u>\$ —</u>	<u>\$(1)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 6</u>
Other comprehensive income (loss)	<u>1</u>	<u>(2)</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(1)</u>
Balance at December 31, 2014	<u>\$6</u>	<u>\$(2)</u>	<u>\$ 1</u>	<u>\$(1)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ 5</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(c) Attributable to Non-controlling interest—Redeemable Partnership Units held by Brookfield

US\$ MILLIONS	Revaluation Surplus	Foreign Currency Translation	Net Investment Hedges	Cash Flow Hedges	Available for sale	Unrealized Actuarial Losses	Equity accounted investments	Accumulated Other Comprehensive Income
Balance at								
December 31, 2012	\$171	\$ 62	\$(24)	\$(24)	\$ —	\$—	\$ 87	\$272
Other comprehensive income (loss)	101	(92)	(3)	(4)	4	(2)	42	46
Dispositions	—	—	—	—	—	—	(23)	(23)
Balance at December 31, 2013	<u>\$272</u>	<u>\$ (30)</u>	<u>\$(27)</u>	<u>\$(28)</u>	<u>\$ 4</u>	<u>\$(2)</u>	<u>\$106</u>	<u>\$295</u>
Other comprehensive income (loss)	<u>63</u>	<u>(130)</u>	<u>39</u>	<u>(13)</u>	<u>2</u>	<u>(6)</u>	<u>33</u>	<u>(12)</u>
Balance at December 31, 2014	<u>\$335</u>	<u>\$(160)</u>	<u>\$ 12</u>	<u>\$(41)</u>	<u>\$ 6</u>	<u>\$(8)</u>	<u>\$139</u>	<u>\$283</u>

NOTE 29. DISTRIBUTIONS

For the year ended December 31, 2014, distributions to partnership unitholders were \$404 million or \$1.92 per unit (2013: \$357 million or \$1.72 per unit, 2012: \$288 million or \$1.50 per unit). Additionally, incentive distributions were made to the general partner of \$44 million (2013: \$31 million, 2012: \$16 million).

On February 3, 2015 the Board of Directors has declared a quarterly distribution in the amount of \$0.53 per unit, payable on March 31, 2015 to unitholders of record as of the close of business on February 27, 2015.

NOTE 30. CONTINGENT ASSETS & LIABILITIES

Brookfield Infrastructure, including its associates, had bank and customs guarantees and letters of credit outstanding to third parties totaling \$137 million (2013: \$116 million). These guarantees are generally supported by cash on deposit with banks.

The partnership and its subsidiaries are contingently liable with respect to litigation and claims that arise in the normal course of operations.

NOTE 31. CONTRACTUAL COMMITMENTS

In the normal course of business, the partnership will enter into contractual obligations which include commitments relating primarily to contracted project costs for various growth initiatives and network upgrades at our Australian rail operation and committed expenditures associated with gas and electricity sales contracts at our UK regulated distribution operation. As at December 31, 2014, the partnership had \$387 million (2013: \$361 million) of such commitments outstanding.

In addition, pursuant to the Master Service Agreement, on a quarterly basis, Brookfield Infrastructure pays a base management fee to wholly owned subsidiaries of Brookfield (the “Service Provider”) equal to 0.3125% per quarter (1.25% annually) of the market value of the partnership. This fee is recorded on the Consolidated Statements of Operating Results in general and administrative expenses.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 32. RETIREMENT BENEFIT PLANS

Brookfield Infrastructure offers pension plans to employees of its subsidiaries. Brookfield Infrastructure's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The benefit plans' expense for 2014 was less than \$1 million (2013: less than \$1 million, 2012: less than \$1 million). The discount rate used was 3.5% (2013: 4.8%, 2012: 4.7%) with a rate of compensation of 3.1% (2013: 3.3%, 2012: 3.3%).

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Plan assets	\$ 288	\$ 259
Less accrued benefit obligation	(387)	(332)
Accrued benefit liability	\$ (99)	\$ (73)

NOTE 33. RELATED PARTY TRANSACTIONS

In the normal course of operations, Brookfield Infrastructure entered into the transactions below with related parties on market terms. These transactions have been measured at fair value and are recognized in the financial statements.

The immediate parent of Brookfield Infrastructure is the General Partner of the partnership. The ultimate parent of Brookfield Infrastructure is Brookfield. Other related parties of Brookfield Infrastructure represent its subsidiary and operating entities.

(a) Transactions with the immediate parent

Throughout the year, the General Partner, in its capacity as the partnership's general partner, incurs director fees, a portion of which are charged at cost to the partnership in accordance with the limited partnership agreement. Less than \$1 million in director fees were incurred during the year ended December 31, 2014 (2013: less than \$1 million, 2012: less than \$1 million).

(b) Transactions with other related parties

Since inception, Brookfield Infrastructure had a management agreement with its external service providers, wholly owned subsidiaries of Brookfield.

Pursuant to the Master Services Agreement, on a quarterly basis, Brookfield Infrastructure pays a base management fee, referred to as the Base Management Fee, to the Service Provider equal to 0.3125% per quarter (1.25% annually) of the market value of the partnership. The Base Management Fee was \$107 million for the year ended December 31, 2014 (2013: \$102 million, 2012: \$86 million).

For purposes of calculating the Base Management Fee, the market value of the partnership is equal to the aggregate value of all the outstanding limited partnership units of the partnership (assuming full conversion of Brookfield's limited partnership interests in Brookfield Infrastructure into limited partnership units of our partnership), preferred units and securities of the other Service Recipients (as defined in Brookfield Infrastructure's Master Services Agreement) that are not held by Brookfield Infrastructure, plus all outstanding third part debt with recourse to a Service Recipient, less all cash held by such entities.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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During the year, \$8 million was reimbursed at cost to the Service Provider (2013: \$8 million, 2012: \$9 million). These amounts represent third party costs that were paid for by Brookfield on behalf of Brookfield Infrastructure relating to general and administrative expenses, and acquisition related expenses of Brookfield Infrastructure. These expenses were charged to Brookfield Infrastructure at cost.

Brookfield Infrastructure has placed funds on deposit with Brookfield. Interest earned on the deposits is at market terms. At December 31, 2014, Brookfield Infrastructure's deposit balance with Brookfield was less than \$1 million (2013: \$262 million, 2012: less than \$1 million) and earned interest of less than \$1 million for the year (2013: less than \$1 million, 2012: less than \$1 million).

Brookfield Infrastructure's North American district energy operation has various right-of-way easements and leases office space on market terms with subsidiaries of Brookfield Office Properties Inc. The North American district energy operation also utilizes consulting and engineering services provided by a wholly owned subsidiary of Brookfield on market terms.

NOTE 34. DERIVATIVE FINANCIAL INSTRUMENTS

Brookfield Infrastructure's activities expose it to a variety of financial risks, including market risk (i.e. currency risk, interest rate risk, commodity risk and other price risk), credit risk and liquidity risk. Brookfield Infrastructure and its subsidiaries selectively use derivative financial instruments principally to manage these risks.

The aggregate notional amount of Brookfield Infrastructure's derivative positions at December 31, 2014 and 2013 were as follows:

<u>US\$ MILLIONS</u>	<u>Note</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
Foreign exchange contracts	(a)	\$2,689	\$2,174
Interest rates swaps and other	(b)	4,755	5,503
		<u>\$7,444</u>	<u>\$7,677</u>

The following table presents the change in fair values of Brookfield Infrastructure's derivative positions during the years ended December 31, 2014 and 2013:

<u>US\$ MILLIONS</u>	<u>Unrealized Gains on Derivative Financial Assets</u>	<u>Unrealized Gains/(losses) on Derivative Financial Liabilities</u>	<u>Net Change During 2014</u>	<u>Net Change During 2013</u>
Foreign exchange derivatives	\$123	\$ 29	\$152	\$ 36
Interest rate derivative	179	(59)	120	(20)
	<u>\$302</u>	<u>\$(30)</u>	<u>\$272</u>	<u>\$ 16</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(a) Foreign Exchange

Brookfield Infrastructure held the following foreign exchange contracts with notional amounts at December 31, 2014 and 2013.

US\$ MILLIONS	Notional Amount (U.S. Dollars)		Average Exchange Rate	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Foreign exchange contracts				
Australian dollars	\$1,422	\$ 866	0.88	0.95
British pounds	984	984	1.62	1.60
European Union euros	131	148	1.28	1.36
Canadian dollars	152	176	0.89	0.97
	<u>\$2,689</u>	<u>\$2,174</u>		

(b) Interest Rates

At December 31, 2014, Brookfield Infrastructure held interest rate swap contracts having an aggregate notional amount of \$4,364 million (2013: \$5,087 million, 2012: \$5,632 million). Brookfield Infrastructure has inflation linked swaps with an aggregate notional amount of \$391 million (2013: \$416 million, 2012: \$408 million).

Other Information Regarding Derivative Financial Instruments

The following table presents the notional amounts underlying Brookfield Infrastructure's derivative instruments by term to maturity as at December 31, 2014 and the comparative notional amounts at December 31, 2013, for both derivatives that are classified as fair value through profit or loss and derivatives that qualify for hedge accounting:

US\$ MILLIONS	Dec. 31, 2014			Total Notional Amount	Dec. 31, 2013
	< 1 year	1 to 5 years	> 5 years		Total Notional Amount
Fair value through profit or loss					
Foreign exchange derivatives	\$ 412	\$ 228	\$ —	\$ 640	\$ 674
Interest rate derivatives					
Interest rate swaps and other	28	483	179	690	375
Inflation linked swap	—	—	391	391	416
	<u>\$ 440</u>	<u>\$ 711</u>	<u>\$ 570</u>	<u>\$1,721</u>	<u>\$1,465</u>
Elected for hedge accounting					
Foreign exchange derivatives	\$2,049	\$ —	\$ —	\$2,049	\$1,501
Interest rate derivatives					
Interest rate swaps	2	1,593	2,079	3,674	4,712
	<u>\$2,051</u>	<u>\$1,593</u>	<u>\$2,079</u>	<u>\$5,723</u>	<u>\$6,213</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following table classifies derivatives elected for hedge accounting during the years ended December 31, 2014 and 2013 as either cash flow hedges or net investment hedges. Changes in the fair value of the effective portion of the hedges are recorded in either other comprehensive income or net income, depending on the hedge classification, whereas changes in the fair value of the ineffective portion of the hedge are recorded in net income:

AS AT AND FOR THE YEARS ENDED (MILLIONS)	2014			2013		
	Notional	Effective Portion	Ineffective Portion	Notional	Effective Portion	Ineffective Portion
Cash flow hedges	\$3,674	\$(41)	\$ —	\$4,587	\$(13)	\$1
Net investment hedges	2,049	141	—	1,501	(12)	—
	\$5,723	\$100	\$ —	\$6,088	\$(25)	\$1

The partnership settles the difference between the contracted fixed and floating rates of its interest rate swaps on a net basis. All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the partnership's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the borrowings occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on borrowings affect profit or loss.

NOTE 35. FINANCIAL RISK MANAGEMENT

Brookfield Infrastructure recognizes that risk management is an integral part of good management practice.

Brookfield Infrastructure is exposed to the following risks as a result of holding financial instruments: capital risk; liquidity risk; market risk (i.e. interest rate risk and foreign currency risk); and credit risk. The following is a description of these risks and how they are managed:

(a) Capital Risk Management

Brookfield Infrastructure manages its capital structure to be able to continue as a going concern while maximizing the return to stakeholders. Brookfield Infrastructure's overall capital strategy remains unchanged from 2013.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The capital structure of Brookfield Infrastructure consists of debt, offset by cash and cash equivalents, and partnership capital comprised of issued capital and accumulated gains.

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Subsidiary and corporate borrowings	\$ 6,809	\$ 6,167
Preferred shares	20	20
Cash and cash equivalents ⁽¹⁾	(494)	(768)
Net Debt	6,335	5,419
Total partnership capital	6,322	6,605
Total capital and net debt	\$12,657	\$12,024
Net debt to capitalization ratio	50%	45%

(1) Includes marketable securities.

The Board, along with senior management of the Service Provider, reviews Brookfield Infrastructure's capital structure and as part of this review, considers the cost of capital and the risk associated with each class of capital.

Brookfield Infrastructure manages its debt exposure by financing its operations on a non-recourse basis with prudent levels of debt, ensuring a diversity of funding sources as well as laddering its maturity profile to minimize refinance risk. Brookfield Infrastructure also borrows in the currency where the asset operates, where possible, in order to hedge its currency risk.

Generally, Brookfield Infrastructure's equity strategy is to issue equity in conjunction with future acquisitions. However, Brookfield Infrastructure may also issue an amount of equity opportunistically to enhance its liquidity to pursue investments. Brookfield Infrastructure maintains active shelf registrations to enable it to issue securities in both the U.S. and Canadian markets.

Brookfield Infrastructure's financing plan is to fund its recurring growth capital expenditures with cash flow generated by its operations after maintenance capital expenditure, as well as debt financing that is sized to maintain its credit profile. To fund large scale development projects and acquisitions, Brookfield Infrastructure will evaluate a variety of capital sources including proceeds from selling non-core assets, equity and debt financing. The partnership will seek to raise additional equity if Brookfield Infrastructure believes it can earn returns on these investments in excess of the cost of the incremental partnership capital.

As disclosed within borrowings (note 19), Brookfield Infrastructure has various loan facilities in place. In certain cases, the facilities have financial covenants which are generally in the form of interest coverage ratios and leverage ratios. Brookfield Infrastructure does not have any market capitalization covenants attached to any of its borrowings, nor does it have any other externally imposed capital requirements.

During the years ended December 31, 2014 and 2013, there were no breaches of any loan covenants within Brookfield Infrastructure.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

(b) Liquidity Risk Management

Brookfield Infrastructure attempts to maintain sufficient financial liquidity at all times so that it is able to participate in attractive opportunities as they arise, better withstand sudden adverse changes in economic circumstances and maintain a relatively high distribution of its Funds from operations (“FFO”) to unitholders. Brookfield Infrastructure’s principal sources of liquidity are cash flows from its operations, undrawn credit facilities and access to public and private capital markets. Brookfield Infrastructure also structures the ownership of its assets to enhance its ability to monetize them to provide additional liquidity, if necessary.

Brookfield Infrastructure’s estimated corporate liquidity as at December 31 was as follows:

<u>US\$ MILLIONS⁽¹⁾</u>	<u>2014</u>	<u>2013</u>
Corporate cash and financial assets	\$ 317	\$ 523
Availability under committed credit facility	1,400	1,400
Draws on credit facility	(246)	—
Commitments under credit facility	(110)	(99)
Estimated corporate liquidity	<u>\$1,361</u>	<u>\$1,824</u>

(1) Corporate level only.

Brookfield Infrastructure’s \$1.4 billion committed revolving credit facility is available for investments and acquisitions, as well as general corporate purposes. Commitments under the facility will be available on a revolving basis until June 30, 2019. All amounts outstanding at that time will be repayable in full. The facility is intended to be a bridge to equity financing rather than a permanent source of capital. At December 31, 2014, there was \$246 million drawn on this facility (2013: \$nil, 2012: \$546 million) and \$110 million was committed to letters of credit (2013: \$99 million, 2012: \$92 million).

The following tables detail the contractual maturities for Brookfield Infrastructure’s financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

date on which Brookfield Infrastructure can be required to pay. The tables include both interest and principal cash flows:

December 31, 2014 US\$ MILLIONS	Less than 1 year	1-2 years	2-5 years	5+ years	Total contractual cash flows
Non-derivative financial liabilities:					
Accounts payable and other liabilities	\$413	\$ 85	\$ 8	\$ 121	\$ 627
Interest-bearing liabilities ⁽¹⁾	347	637	1,840	6,843	9,667
Finance lease liabilities	3	1	2	1	7
Other financial liabilities	—	—	16	43	59
Derivative liabilities:					
Net settled interest rate swaps	48	34	112	(209)	(15)
Net settled foreign currency exchange forward contracts	2	2	4	3	11
Net settled inflation swaps	48	12	92	190	342
Other derivative liabilities	8	8	6	50	72

(1) Comprised of non-recourse borrowings and corporate borrowings and includes interest payments of \$306 million, \$298 million, \$818 million and \$1,354 million for the periods as follows: less than 1 year, 1-2 years, 2-5 years and 5 years and thereafter, respectively. Interest payments are calculated based on interest rates in effect as at the balance sheet date.

December 31, 2013 US\$ MILLIONS	Less than 1 year	1-2 years	2-5 years	5+ years	Total contractual cash flows
Non-derivative financial liabilities:					
Accounts payable and other liabilities	\$411	\$ 26	\$ —	\$ 81	\$ 518
Interest-bearing liabilities ⁽²⁾	313	341	2,261	5,681	8,596
Finance lease liabilities	4	3	8	16	31
Other financial liabilities	79	40	7	6	132
Derivative liabilities:					
Net settled interest rate swaps	44	48	104	(42)	154
Net settled foreign currency exchange forward contracts	37	1	4	6	48
Net settled inflation swaps	12	64	99	244	419
Other derivative liabilities	1	—	—	20	21

(2) Comprised of non-recourse borrowings and corporate borrowings and includes interest payments of \$251 million, \$225 million, \$622 million and \$1,161 million for the periods as follows: less than 1 year, 1-2 years, 2-5 years and 5 years and thereafter, respectively. Interest payments are calculated based on interest rates in effect as at the balance sheet date.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
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(c) Market Risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by Brookfield Infrastructure will fluctuate because of the change in market prices. Market risk includes the risk of changes in interest rates, foreign currency exchange rates and equity prices.

Brookfield Infrastructure seeks to minimize the risks associated with foreign currency exchange rates and interest rates primarily through the use of derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by Brookfield Infrastructure's Treasury Policy. Brookfield Infrastructure does not enter into, or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury Policy provides written principles on the use of financial derivatives. With respect to its treasury policy, senior management of Brookfield Infrastructure's external service provider perform the monitoring, review and approval role and report to the Board on a regular basis.

Financial instruments held by Brookfield Infrastructure that are subject to market risk include other financial assets, borrowings, derivative instruments, such as interest rate and foreign currency contracts, and marketable securities. The partnership is exposed to equity price risks arising from marketable securities. As at December 31, 2014 the balance of the portfolio was \$305 million (2013: \$230 million), a 10% change in the value of the portfolio would impact our equity by \$29 million and result in an impact on the Consolidated Statement of Comprehensive income of \$31 million.

Interest Rate Risk Management

Brookfield Infrastructure's primary objectives with respect to interest rate risk management are to ensure that:

- Brookfield Infrastructure is not exposed to interest rate movements that could adversely impact its ability to meet financial obligations;
- Earnings and distributions are not adversely affected;
- Volatility of debt servicing costs is managed within acceptable parameters; and
- All borrowing covenants under various borrowing facilities, including interest coverage ratios, are complied with.

To achieve these objectives, in general terms, Brookfield Infrastructure's funding mix comprises both fixed and floating rate debt. Fixed rate debt is achieved either through fixed rate debt funding or through the use of financial derivative instruments. In addition, where possible, interest rate risk is minimized by matching the terms of interest rate swap contracts in regulated businesses to the term of the rate period, thus providing natural hedges.

The sensitivity analyses below reflect Brookfield Infrastructure's exposure to interest rates for both derivative and non-derivative instruments at the reporting date, assuming that a 10 basis point increase or decrease in rates takes place at the beginning of the financial year and is held constant throughout the reporting period. The sensitivity analyses assume a 10 basis point change to reflect the current methodology employed by Brookfield Infrastructure in assessing interest rate risk. Such parallel shift in

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

the yield curve by 10 basis points would have had the following impact, assuming all other variables were held constant:

US\$ MILLIONS	2014		2013		2012	
	10 bp decrease	10 bp increase	10 bp decrease	10 bp increase	10 bp decrease	10 bp increase
Net income (loss)	\$ 3	\$(3)	\$ 2	\$(2)	\$ 4	\$(4)
Other comprehensive (loss) income	(5)	5	(4)	4	(14)	14

Foreign Currency Risk Management

Brookfield Infrastructure has exposure to foreign currency risk in respect of currency transactions, the value of Brookfield Infrastructure's net investment, cash flows and capital expenditures that are denominated outside of the U.S. Brookfield Infrastructure's approach to foreign currency risk management is:

- Brookfield Infrastructure leverages any natural hedges that may exist within its operations;
- Brookfield Infrastructure utilizes local currency debt financing to the extent possible; and
- Brookfield Infrastructure may utilize derivative contracts to the extent that natural hedges are insufficient.

The tables below set out Brookfield Infrastructure's currency exposure at December 31, 2014, 2013 and 2012:

2014 US\$ MILLIONS	USD	AUD	GBP	BRL	CLP	CAD	EUR	COP	Total
Assets:									
Current assets	\$1,080	\$ 116	\$ 141	\$ 10	\$ 107	\$ 51	\$ —	\$ 55	\$ 1,560
Non-current assets	1,676	5,147	3,911	1,305	1,107	900	165	724	14,935
	<u>\$2,756</u>	<u>\$5,263</u>	<u>\$4,052</u>	<u>\$1,315</u>	<u>\$1,214</u>	<u>\$951</u>	<u>\$165</u>	<u>\$779</u>	<u>\$16,495</u>
Liabilities:									
Current liabilities	\$ 349	\$ 106	\$ 287	\$ —	\$ 36	\$ 27	\$ —	\$ 16	\$ 821
Non-current liabilities	1,002	3,909	2,470	90	949	518	—	414	9,352
	<u>1,351</u>	<u>4,015</u>	<u>2,757</u>	<u>90</u>	<u>985</u>	<u>545</u>	<u>—</u>	<u>430</u>	<u>10,173</u>
Non-controlling interest—in operating subsidiaries	188	112	310	184	111	254	—	285	1,444
Non-controlling interest—Redeemable Partnership Units held by Brookfield	330	307	267	282	32	41	45	17	1,321
Net investment	<u>\$ 887</u>	<u>\$ 829</u>	<u>\$ 718</u>	<u>\$ 759</u>	<u>\$ 86</u>	<u>\$111</u>	<u>\$120</u>	<u>\$ 47</u>	<u>\$ 3,557</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

2013 US\$ MILLIONS	<u>USD</u>	<u>AUD</u>	<u>GBP</u>	<u>BRL</u>	<u>CLP</u>	<u>CAD</u>	<u>EUR</u>	<u>COP</u>	<u>Total</u>	
Assets:										
Current assets	\$ 661	\$ 114	\$ 148	\$ —	\$ 117	\$ 103	\$ —	\$125	\$ 1,268	
Non-current assets	<u>1,367</u>	<u>5,375</u>	<u>3,769</u>	<u>773</u>	<u>1,283</u>	<u>935</u>	<u>169</u>	<u>743</u>	<u>14,414</u>	
	<u>\$2,028</u>	<u>\$5,489</u>	<u>\$3,917</u>	<u>\$773</u>	<u>\$1,400</u>	<u>\$1,038</u>	<u>\$169</u>	<u>\$868</u>	<u>\$15,682</u>	
Liabilities:										
Current liabilities	\$ 163	\$ 81	\$ 234	\$ —	\$ 60	\$ 30	\$ —	\$ 30	\$ 598	
Non-current liabilities	<u>622</u>	<u>3,715</u>	<u>2,382</u>	<u>—</u>	<u>733</u>	<u>552</u>	<u>—</u>	<u>475</u>	<u>8,479</u>	
	<u>785</u>	<u>3,796</u>	<u>2,616</u>	<u>—</u>	<u>793</u>	<u>582</u>	<u>—</u>	<u>505</u>	<u>9,077</u>	
Non-controlling interest—in operating subsidiaries	112	118	317	—	292	281	—	299	1,419	
Non-controlling interest—Redeemable Partnership Units held by Brookfield	<u>307</u>	<u>428</u>	<u>267</u>	<u>210</u>	<u>85</u>	<u>48</u>	<u>46</u>	<u>17</u>	<u>1,408</u>	
Net investment	<u>\$ 824</u>	<u>\$1,147</u>	<u>\$ 717</u>	<u>\$563</u>	<u>\$ 230</u>	<u>\$ 127</u>	<u>\$123</u>	<u>\$ 47</u>	<u>\$ 3,778</u>	
2012 US\$ MILLIONS	<u>USD</u>	<u>AUD</u>	<u>GBP</u>	<u>BRL</u>	<u>CLP</u>	<u>CAD</u>	<u>EUR</u>	<u>COP</u>	<u>NZD</u>	<u>Total</u>
Assets:										
Current assets	\$ 112	\$ 174	\$ 174	\$ —	\$ 122	\$ 22	\$ —	\$142	\$ —	\$ 746
Non-current assets	<u>5,698</u>	<u>5,913</u>	<u>3,349</u>	<u>335</u>	<u>1,425</u>	<u>969</u>	<u>147</u>	<u>752</u>	<u>384</u>	<u>18,972</u>
	<u>\$5,810</u>	<u>\$6,087</u>	<u>\$3,523</u>	<u>\$335</u>	<u>\$1,547</u>	<u>\$991</u>	<u>\$147</u>	<u>\$894</u>	<u>\$384</u>	<u>\$19,718</u>
Liabilities:										
Current liabilities	\$ 622	\$ 167	\$ 256	\$ —	\$ 71	\$123	\$ —	\$ 52	\$ —	\$ 1,291
Non-current liabilities	<u>2,754</u>	<u>3,763</u>	<u>2,474</u>	<u>—</u>	<u>817</u>	<u>370</u>	<u>—</u>	<u>441</u>	<u>—</u>	<u>10,619</u>
	<u>3,376</u>	<u>3,930</u>	<u>2,730</u>	<u>—</u>	<u>888</u>	<u>493</u>	<u>—</u>	<u>493</u>	<u>—</u>	<u>11,910</u>
Non-controlling interest—in operating subsidiaries	1,596	147	124	—	319	267	—	331	—	2,784
Non-controlling interest—Redeemable Partnership Units held by Brookfield	<u>228</u>	<u>546</u>	<u>182</u>	<u>91</u>	<u>92</u>	<u>63</u>	<u>40</u>	<u>19</u>	<u>104</u>	<u>1,365</u>
Net investment	<u>\$ 610</u>	<u>\$1,464</u>	<u>\$ 487</u>	<u>\$244</u>	<u>\$ 248</u>	<u>\$168</u>	<u>\$107</u>	<u>\$ 51</u>	<u>\$280</u>	<u>\$ 3,659</u>

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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

The following tables detail Brookfield Infrastructure's sensitivity to a 10% increase and decrease in the U.S. dollar against the relevant foreign currencies, with all other variables held constant as at reporting date. 10% is the sensitivity rate used when reporting foreign currency risk internally. The sensitivity analysis is performed as follows:

- Outstanding foreign currency denominated monetary items (excluding foreign exchange derivative contracts) are adjusted at period end for a 10% change in foreign currency rates from the rate at which they are translated; and
- Foreign currency derivative contracts are measured as the change in fair value of the derivative as a result of a 10% change in the spot currency rate.

US\$ MILLIONS	Impact on Net Income					
	2014		2013		2012	
	-10%	+10%	-10%	+10%	-10%	+10%
USD/NZD	\$—	\$—	\$ (5)	\$ 5	\$ (2)	\$ 2
USD/AUD	9	(9)	15	(15)	(10)	10
USD/EUR	2	(2)	1	(1)	(3)	3
USD/GBP	13	(13)	(3)	3	—	—
USD/BRL	—	—	1	(1)	—	—
USD/CLP	4	(4)	(1)	1	2	(2)
USD/CDN	3	(3)	(1)	1	2	(2)

US\$ MILLIONS	Impact on Partnership Capital					
	2014		2013		2012	
	-10%	+10%	-10%	+10%	-10%	+10%
USD/NZD	\$—	\$—	\$—	\$—	\$ 25	\$ (25)
USD/AUD	11	(11)	71	(71)	111	(111)
USD/EUR	3	(3)	2	(2)	3	(3)
USD/GBP	—	—	—	—	24	(24)
USD/CLP	12	(12)	31	(31)	25	(25)
USD/COP	6	(6)	6	(6)	5	(5)
USD/BRL	104	(104)	77	(77)	24	(24)
USD/CDN	—	—	—	—	17	(17)

(d) Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations.

From a treasury perspective, counterparty credit risk is managed through the establishment of authorized counterparty credit limits which ensure that Brookfield Infrastructure only deals with credit worthy counterparties and that counterparty concentration is addressed and the risk of loss is mitigated. Credit limits are sufficiently low to restrict Brookfield Infrastructure from having credit exposures concentrated with a single counterparty but rather encourages spreading such risks among several parties. The limits are set at levels that reflect Brookfield Infrastructure's scale of activity and allow it to manage its treasury business competitively.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

Brookfield Infrastructure does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Exposure to credit risk is limited to the carrying amount of the assets on the Consolidated Statements of Financial Position.

NOTE 36. SEGMENT INFORMATION

IFRS 8, *Operating Segments*, requires operating segments to be determined based on internal reports that are regularly reviewed by the Executive Management and the Board of Directors for the purpose of allocating resources to the segment and to assessing its performance. Key measures used by the Chief Operating Decision Maker (“CODM”) in assessing performance and in making resource allocation decisions are funds from operations (“FFO”) and earnings before interest, tax, depreciation and amortization (“adjusted EBITDA”), which enable the determination of cash return on the equity deployed. FFO is calculated as net income excluding the impact of depreciation and amortization, deferred income taxes, breakage and transaction costs, non-cash valuation gains or losses and other items. Adjusted EBITDA is calculated as FFO excluding the impact of interest expense, cash taxes and other cash income (expenses).

FOR THE YEAR ENDED DECEMBER 31, 2014 US\$ MILLIONS	Total attributable to Brookfield Infrastructure					Contribution from investments in associates	Attributable to non- controlling interest	Discontinued Operations	As per IFRS financials on F-7 ⁽¹⁾
	Utilities	Transport	Energy	Other	Total				
Revenues	\$ 736	\$1,238	\$ 311	\$ —	\$ 2,285	\$(821)	\$ 597	\$(137)	\$1,924
Direct operating costs	(217)	(639)	(172)	—	(1,028)	437	(304)	49	(846)
General and administrative costs	—	—	—	(115)	(115)	—	—	—	(115)
Adjusted EBITDA	519	599	139	(115)	1,142	(384)	293	(88)	—
Other income (expense)	6	(34)	—	26	(2)	23	(10)	—	11
Interest expense	(158)	(173)	(71)	(14)	(416)	102	(106)	58	(362)
FFO	367	392	68	(103)	724	(259)	177	(30)	—
Depreciation and amortization	(155)	(250)	(76)	—	(481)	167	(111)	45	(380)
Deferred income taxes	(27)	8	5	16	2	(35)	(14)	(2)	(49)
Mark-to-market on hedging items	7	4	(4)	32	39	(3)	2	—	38
Valuation (losses) gains and other	(38)	(51)	11	(22)	(100)	72	(9)	(5)	(42)
Share of earnings from associates	—	—	—	—	—	58	—	—	58
Income from discontinued operations net of tax	—	—	—	—	—	—	—	(8)	(8)
Net income attributable to non-controlling interest	—	—	—	—	—	—	(45)	—	(45)
Net income (loss) attributable to partnership⁽²⁾	\$ 154	\$ 103	\$ 4	\$ (77)	\$ 184	\$ —	\$ —	\$ —	\$ 184

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
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FOR THE YEAR ENDED DECEMBER 31, 2013 US\$ MILLIONS	Total attributable to Brookfield Infrastructure					Contribution from investments in associates	Attributable to non- controlling interest	Discontinued Operations	As per IFRS financials on F-7 ⁽¹⁾
	Utilities	Transport	Energy	Other	Total				
Revenues	\$ 831	\$1,054	\$ 323	\$ 83	\$ 2,291	\$(761)	\$ 551	\$(255)	\$1,826
Costs attributed to revenues	(284)	(557)	(186)	(44)	(1,071)	414	(287)	121	(823)
General and administrative costs	—	—	—	(110)	(110)	—	—	—	(110)
Adjusted EBITDA	547	497	137	(71)	1,110	(347)	264	(134)	
Other income (expense)	5	(18)	2	6	(5)	17	(13)	18	17
Interest expense	(175)	(153)	(69)	(26)	(423)	97	(108)	72	(362)
FFO	377	326	70	(91)	682	(233)	143	(44)	
Depreciation and amortization	(147)	(183)	(70)	—	(400)	115	(92)	48	(329)
Impairment charge	—	—	(275)	—	(275)	—	—	275	—
Deferred income taxes	(8)	7	19	(83)	(65)	(11)	22	55	1
Gain on sale of associates	35	—	—	18	53	—	—	—	53
Mark-to-market on hedging items	7	(9)	3	6	7	3	9	—	19
Valuation (losses) gains and other	(28)	(76)	(1)	45	(60)	70	(2)	(63)	(55)
Share of earnings from associates	—	—	—	—	—	56	—	—	56
Income from discontinued operations net of tax	—	—	—	—	—	—	—	(228)	(228)
Net income attributable to non-controlling interest	—	—	—	—	—	—	(80)	(43)	(123)
Net income (loss) attributable to partnership⁽²⁾	\$ 236	\$ 65	\$(254)	\$(105)	\$ (58)	\$ —	\$ —	\$ —	\$ (58)

FOR THE YEAR ENDED DECEMBER 31, 2012 US\$ MILLIONS	Total attributable to Brookfield Infrastructure					Contribution from investments in associates	Attributable to non- controlling interest	Discontinued Operations	As per IFRS financials on F-7 ⁽¹⁾
	Utilities	Transport	Energy	Other	Total				
Revenues	\$ 774	\$ 738	\$ 316	\$143	\$ 1,971	\$(543)	\$ 422	\$(326)	\$1,524
Costs attributed to revenues	(305)	(463)	(172)	(95)	(1,035)	335	(229)	163	(766)
General and administrative costs	—	—	—	(95)	(95)	—	—	—	(95)
Adjusted EBITDA	469	275	144	(47)	841	(208)	193	(163)	
Other income (expense)	6	(1)	2	7	14	3	(7)	(2)	8
Interest expense	(167)	(106)	(70)	(50)	(393)	75	(95)	91	(322)
FFO	308	168	76	(90)	462	(130)	91	(74)	
Depreciation and amortization	(123)	(118)	(59)	—	(300)	79	(52)	43	(230)
Impairment charge	—	(16)	—	—	(16)	16	—	—	—
Deferred income taxes	11	(2)	31	(3)	37	(7)	14	(2)	42
Mark-to-market on hedging items	(10)	(2)	(17)	(21)	(50)	(1)	(14)	16	(49)
Valuation (losses) gains and other	(75)	3	(31)	76	(27)	31	14	(30)	(12)
Share of earnings from associates	—	—	—	—	—	12	—	—	12
Income from discontinued operations net of tax	—	—	—	—	—	—	—	179	179
Net income attributable to non-controlling interest	—	—	—	—	—	—	(53)	(132)	(185)
Net income (loss) attributable to partnership⁽²⁾	\$ 111	\$ 33	\$ —	\$(38)	\$ 106	\$ —	\$ —	\$ —	\$ 106

- (1) The above table provides each segment's results in the format that management organizes its segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations accounted for using the consolidation and equity methods under IFRS. The above table reconciles Brookfield Infrastructure's proportionate results to the partnership's Consolidated Statements of Operating Results on a line by line basis by aggregating the components comprising the earnings from the partnership's investments in associates and reflecting the portion of each line item attributable to non-controlling interests.
- (2) Net income attributable to partnership includes net income attributable to non-controlling interests—Redeemable Partnership Units held by Brookfield, general partners and limited partners.

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Segment assets

For the purpose of monitoring segment performance and allocating resources between segments, the CODM monitors the assets, including investments accounted for using the equity method, attributable to each segment.

The following is an analysis of Brookfield Infrastructure's assets by reportable operating segment for the years under review:

AS AT DECEMBER 31, 2014 US\$ MILLIONS	Total attributable to Brookfield Infrastructure					Contribution from investments in associates	Attributable to non- controlling interest	Working capital adjustment and other	As per IFRS financials on F-6 ⁽¹⁾
	Utilities	Transport	Energy	Corporate & Other	Brookfield Infrastructure				
Total assets	<u>\$4,805</u>	<u>\$4,970</u>	<u>\$1,816</u>	<u>\$(56)</u>	<u>\$11,535</u>	<u>\$(1,944)</u>	<u>\$4,284</u>	<u>\$2,620</u>	<u>\$16,495</u>

AS AT DECEMBER 31, 2013 US\$ MILLIONS	Total attributable to Brookfield Infrastructure					Contribution from investments in associates	Attributable to non- controlling interest	Working capital adjustment and other	As per IFRS financials on F-6 ⁽¹⁾
	Utilities	Transport	Energy	Corporate & Other	Brookfield Infrastructure				
Total assets	<u>\$4,766</u>	<u>\$4,789</u>	<u>\$1,629</u>	<u>\$(46)</u>	<u>\$11,138</u>	<u>\$(2,156)</u>	<u>\$3,899</u>	<u>\$2,801</u>	<u>\$15,682</u>

(1) The above table provides each segment's assets in the format that management organizes its segments to make operating decisions and assess performance. Each segment is presented on a proportionate basis, taking into account Brookfield Infrastructure's ownership in operations using consolidation and the equity method whereby the partnership either controls or exercises significant influence over the investment respectively. The above table reconciles Brookfield Infrastructure's proportionate assets to total assets presented on the partnership's Consolidated Statements of Financial Position by removing net liabilities contained within investments in associates and reflecting the assets attributable to non-controlling interests, and adjusting for working capital assets which are netted against working capital liabilities.

Geographic Information

Revenues from external customers

US\$ MILLIONS	2014	2013	2012
Australia	\$ 804	\$ 818	\$ 763
United Kingdom	621	556	465
Colombia	194	189	188
Canada	126	131	58
Chile	105	108	27
United States of America	74	24	23
	<u>\$1,924</u>	<u>\$1,826</u>	<u>\$1,524</u>

Brookfield Infrastructure has no revenues from any one major customer which are higher than 10% of Brookfield Infrastructure's total revenues.

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
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For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

Non-current Assets⁽¹⁾

<u>US\$ MILLIONS</u>	<u>2014</u>	<u>2013</u>
Australia	\$ 5,147	5,375
United Kingdom	3,911	3,769
Chile	1,831	1,999
Brazil	1,305	773
United States of America	952	651
Canada	900	935
Colombia	724	743
Europe	165	169
	<u>\$14,935</u>	<u>\$14,414</u>

(1) *Non-current assets is comprised of property, plant and equipment, intangible assets, investments in associates, goodwill, investment properties and other non-current assets.*

NOTE 37. SUPPLEMENTAL CASH FLOW INFORMATION

<u>US\$ MILLIONS</u>	<u>For the Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Interest paid	\$328	\$334	\$360
Income taxes paid	\$ 43	\$ 25	\$ 11

Amounts paid and received for interest were reflected as operating cash flows in the Consolidated Statements of Cash Flows. Interest paid is net of debt related hedges.

Amounts paid for income taxes were reflected as either operating cash flows or investing cash flows in the Consolidated Statements of Cash Flow depending upon the nature of the underlying transaction.

Details of “Changes in non-cash working capital, net” on the Statements of Cash Flows are as follows:

<u>US\$ MILLIONS</u>	<u>For the Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Accounts receivable	\$34	\$ 30	\$(61)
Prepayments and other	18	(4)	(99)
Accounts payable and other	2	(45)	316
Changes in non-cash working capital, net	<u>\$54</u>	<u>\$(19)</u>	<u>\$156</u>

BROOKFIELD INFRASTRUCTURE PARTNERS L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2014, 2013 and 2012 and as of December 31, 2014 and 2013

NOTE 38. SUBSEQUENT EVENTS

a) Preferred Unit Issuance

Subsequent to period end, Brookfield Infrastructure issued C\$125 million of Preferred Units, settling proceeds of USD \$95 million, with a fixed annual dividend yielding 4.5% and will be redeemable by Brookfield Infrastructure after a term of 5 years. The net proceeds were used to repay outstanding corporate borrowings and for general corporate purposes.

b) Medium-Term Note Issuance

Subsequent to period end, Brookfield Infrastructure executed a C\$450 million, seven-year medium term note offering in the Canadian bond market with a coupon of 3.452%, payable semi-annually. The offering was swapped into USD \$360 million on a matched maturity basis at an all-in rate of 3.965%.