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Audited Consolidated Financial Statements of Brookfield Business Partners L.P.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Unitholders of
Brookfield Business Partners L.P.

We have audited the accompanying consolidated statements of financial position of Brookfield Business Partners L.P. and subsidiaries (the "Partnership") as of December 31, 2016 and 2015, and the related consolidated statements of operating results, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Brookfield Business Partners L.P. as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ DELOITTE LLP

Chartered Professional Accountants
Licensed Public Accountants
March 10, 2017
Toronto, Canada

CONSOLIDATED FINANCIAL STATEMENTS OF BROOKFIELD BUSINESS PARTNERS L.P.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(US$ MILLIONS)	Notes	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	4	**$1,050**	$ 354
Financial assets	5	**433**	388
Accounts receivable, net	6	**1,703**	1,568
Inventory, net	9	**229**	442
Assets held for sale	7	**264**	12
Other assets	8	**397**	271
Current assets		**4,076**	3,035
Financial assets	5	**106**	21
Accounts receivable, net	6	**94**	67
Other assets	8	**21**	23
Property, plant and equipment	12	**2,096**	2,364
Deferred income tax assets	18	**111**	64
Intangible assets	13	**371**	445
Equity accounted investments	11	**166**	492
Goodwill	14	**1,152**	1,124
Total assets	27	**$8,193**	$7,635
Liabilities and equity			
Liabilities			
Accounts payable and other	15	**$2,079**	$1,984
Liabilities associated with assets held for sale	7	**66**	—
Borrowings	17	**411**	511
Current liabilities		**2,556**	2,495
Accounts payable and other	15	**378**	391
Borrowings	17	**1,140**	1,563
Deferred income tax liabilities	18	**81**	102
Total liabilities		**4,155**	4,551
Equity			
Limited partners	19	**$1,206**	$ —
General partner	19	**—**	—
Brookfield Asset Management Inc.		**—**	1,787
Non-controlling interests attributable to:			
Redemption-Exchange Units, Preferred Shares and Special Limited Partnership Units held by Brookfield Asset Management Inc.	19	**1,295**	—
Interest of others in operating subsidiaries	10	**1,537**	1,297
Total equity		**4,038**	3,084
Total liabilities and equity		**$8,193**	$7,635

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR BROOKFIELD BUSINESS PARTNERS L.P.

CONSOLIDATED STATEMENTS OF OPERATING RESULTS

(US$ MILLIONS, except per unit amounts)	Notes	2016	2015	2014
Revenues	27	**$ 7,960**	$ 6,753	$ 4,622
Direct operating costs	9, 21	**(7,386)**	(6,132)	(4,099)
General and administrative expenses	27	**(269)**	(224)	(179)
Depreciation and amortization expense	27	**(286)**	(257)	(147)
Interest expense	27	**(90)**	(65)	(28)
Equity accounted income, net	11	**68**	4	26
Impairment expense, net	5, 7, 12, 14	**(261)**	(95)	(45)
Gain on acquisitions/dispositions, net	3, 5	**57**	269	—
Other income (expenses), net		**(11)**	70	13
Income (loss) before income tax		**(218)**	323	163
Income tax (expense) recovery	18			
Current		**(25)**	(49)	(27)
Deferred		**41**	(5)	9
Net income (loss)		**$ (202)**	$ 269	$ 145
Attributable to:				
Limited partners[1]		**$ 3**	$ —	$ —
General partner[1]		**—**	—	—
Brookfield Asset Management Inc.[2]		**(35)**	208	93
Non-controlling interests attributable to:				
Redemption-Exchange Units held by Brookfield Asset Management Inc.[1]		**3**	—	—
Interest of others in operating subsidiaries		**(173)**	61	52
		$ (202)	$ 269	$ 145
Basic and diluted earnings per limited partner unit	19	**$ 0.06**		

(1) *For the period from June 20, 2016 to December 31, 2016. See Note 2(b).*

(2) *For the periods prior to June 20, 2016. See Note 2(b).*

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

CONSOLIDATED FINANCIAL STATEMENTS FOR BROOKFIELD BUSINESS PARTNERS L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(US$ MILLIONS)	Notes	2016	2015	2014
Net income (loss)		**$(202)**	$ 269	$ 145
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation		**$ 37**	$(309)	$(124)
Available-for-sale securities	5	**166**	(98)	(48)
Net investment and cash flow hedges	4	**(3)**	23	(1)
Equity accounted investment	11	**(79)**	85	—
Taxes on the above items	18	**6**	(9)	2
		127	(308)	(171)
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of pension obligations	29	**6**	(1)	—
Total other comprehensive income (loss)		**133**	(309)	(171)
Comprehensive income (loss)		**$ (69)**	$ (40)	$ (26)
Attributable to:				
Limited partners[1]		**$ (5)**	$ —	$ —
General partner[1]		**—**	—	—
Brookfield Asset Management Inc.[2]		**15**	45	(15)
Non-controlling interests attributable to:				
Redemption-Exchange Units held by Brookfield Asset Management Inc.[1]		**(5)**	—	—
Interest of others in operating subsidiaries		**(74)**	(85)	(11)
		$ (69)	$ (40)	$ (26)

(1) For the period from June 20, 2016 to December 31, 2016. See Note 2(b).

(2) For the periods prior to June 20, 2016. See Note 2(b).

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

CONSOLIDATED FINANCIAL STATEMENTS FOR BROOKFIELD BUSINESS PARTNERS L.P.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Brookfield Asset Management Inc.			Limited Partners					General Partner and Special Limited Partners(3)	Non-controlling interests: Redemption-Exchange Units held by Brookfield Asset Management Inc.					Non-controlling interests		
(US$ MILLIONS)	Equity	Accumulated other comprehensive income (loss)(2)	Brookfield Asset Management Inc.	Capital	Ownership Change(4)	Retained earnings	Accumulated other comprehensive income (loss)(2)	Limited Partners	General Partner and Special Limited Partners(3)	Capital	Ownership Change(4)	Retained earnings	Accumulated other comprehensive income (loss)(2)	Redemption-Exchange Units	Preferred shareholder's capital	Interest of others in operating subsidiaries	Total Equity
Balance as at Jan. 1, 2014	**$ 1,747**	**$ (96)**	**$ 1,651**	**$ —**	**$ —**	**$—**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$—**	**$ —**	**$ —**	**$—**	**$ 580**	**$2,231**
Net income (loss)	93	—	93	—	—	—	—	—	—	—	—	—	—	—	—	52	145
Other comprehensive income (loss)	—	(109)	(109)	—	—	—	—	—	—	—	—	—	—	—	—	(62)	(171)
Total comprehensive income (loss)	93	(109)	(16)	—	—	—	—	—	—	—	—	—	—	—	—	(10)	(26)
Contributions	77	—	77	—	—	—	—	—	—	—	—	—	—	—	—	158	235
Distributions	(117)	—	(117)	—	—	—	—	—	—	—	—	—	—	—	—	(103)	(220)
Net increase (decrease) in Brookfield Asset Management Inc. investment	(95)	—	(95)	—	—	—	—	—	—	—	—	—	—	—	—	10	(85)
Balance as at December. 31, 2014	**$ 1,705**	**$(205)**	**$ 1,500**	**$ —**	**$ —**	**$—**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$—**	**$ —**	**$ —**	**$—**	**$ 635**	**$2,135**
Net income (loss)	208	—	208	—	—	—	—	—	—	—	—	—	—	—	—	61	269
Other comprehensive income (loss)	—	(163)	(163)	—	—	—	—	—	—	—	—	—	—	—	—	(146)	(309)
Total comprehensive income (loss)	208	(163)	45	—	—	—	—	—	—	—	—	—	—	—	—	(85)	(40)
Contributions	566	—	566	—	—	—	—	—	—	—	—	—	—	—	—	858	1,424
Distributions	(404)	—	(404)	—	—	—	—	—	—	—	—	—	—	—	—	(253)	(657)
Net increase (decrease) in Brookfield Asset Management Inc. investment	72	8	80	—	—	—	—	—	—	—	—	—	—	—	—	142	222
Balance as at December 31, 2015	**$ 2,147**	**$(360)**	**$ 1,787**	**$ —**	**$ —**	**$—**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$—**	**$ —**	**$ —**	**$—**	**$1,297**	**$3,084**
Net income (loss)	(35)	—	**(35)**	—	—	3	—	**3**	**—**	—	—	3	—	**3**	**—**	**(173)**	**(202)**
Other comprehensive income (loss)	—	50	**50**	—	—	—	(8)	**(8)**	**—**	—	—	—	(8)	**(8)**	**—**	**99**	**133**
Total comprehensive income (loss)	(35)	50	**15**	—	—	3	(8)	**(5)**	**—**	—	—	3	(8)	**(5)**	**—**	**(74)**	**(69)**
Contributions	78	—	**78**	—	—	—	—	**—**	**—**	—	—	—	—	**—**	**—**	**456**	**534**
Distributions	(18)	—	**(18)**	—	—	(6)	—	**(6)**	**—**	—	—	(6)	—	**(6)**	**—**	**(40)**	**(70)**
Net increase (decrease) in Brookfield Asset Management Inc. investment	13	(8)	**5**	—	—	—	—	**—**	**—**	—	—	—	—	**—**	**—**	**53**	**58**
Ownership Changes(5)	—	—	**—**	—	—	5	(2)	**3**	**—**	—	—	6	(2)	**4**	**—**	**(155)**	**(148)**
Unit issuance(6)	—	—	—	192	—	—	—	**192**	**—**	192	—	—	—	**192**	**—**	**—**	**384**
Reorganization(1)	(2,185)	318	**(1,867)**	1,153	—	—	(131)	**1,022**	**—**	1,282	—	—	(187)	**1,095**	15	**—**	**265**
Balance as at December 31, 2016	**$ —**	**$ —**	**$ —**	**$1,345**	**$ —**	**$ 2**	**$(141)**	**$1,206**	**$ —**	**$1,474**	**$ —**	**$ 3**	**$(197)**	**$1,280**	**$15**	**$1,537**	**$4,038**

(1) *See Note 1(b) and 2(b) for details regarding the spin-off and reorganization.*

(2) *See Note 20 for additional information.*

(3) *Represents capital, retained earnings and accumulated other comprehensive income (loss) attributable to the general partner and the special limited partners (recorded as part of NCI).*

(4) *Includes gains or losses on changes in ownership interests of consolidated subsidiaries.*

(5) *See Note 11 for additional information on ownership changes as it relates to interest of others in operating subsidiaries.*

(6) *See Note 19 for additional information.*

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

CONSOLIDATED STATEMENTS OF CASH FLOW

(US$ MILLIONS)	Notes	2016	2015	2014
Operating Activities				
Net income (loss)		**$ (202)**	$ 269	$ 145
Adjusted for the following items:				
Equity accounted income, net		**(68)**	(4)	(26)
Impairment expense, net	5, 7, 12, 14	**261**	95	45
Depreciation and amortization expense		**286**	257	147
Gain on acquisitions/dispositions, net	3, 5	**(57)**	(269)	—
Provisions and other items		**41**	(81)	(7)
Deferred income tax expense (recovery)	18	**(41)**	5	(9)
Changes in non-cash working capital, net	28	**9**	60	32
Cash from operating activities		**229**	**332**	**327**
Financing Activities				
Proceeds from borrowings		**474**	1,618	298
Repayment of borrowings		**(1,008)**	(549)	(155)
Capital provided by limited partners and Redemption-Exchange Unitholders	19	**634**	—	—
Capital provided by preferred shareholders		**15**	—	—
Capital provided by others who have interests in operating subsidiaries		**456**	977	110
Capital provided by Brookfield Asset Management Inc.		**78**	638	49
Distributions to limited partners and Redemption-Exchange Unitholders		**(12)**	—	—
Distributions to others who have interests in operating subsidiaries		**(40)**	(253)	(103)
Distributions to Brookfield Asset Management Inc.		**(11)**	(460)	(197)
Cash from financing activities		**586**	**1,971**	**2**
Investing Activities				
Acquisitions				
Subsidiaries, net of cash acquired		**(63)**	(1,476)	(21)
Property, plant and equipment and intangible assets		**(144)**	(139)	(198)
Equity accounted investments		**—**	(365)	(3)
Financial assets		**(447)**	(202)	(210)
Dispositions and distributions				
Property, plant and equipment		**22**	58	23
Equity accounted investments		**149**	47	33
Financial assets		**327**	—	16
Proceeds from sale of assets held for sale		**15**	—	—
Net settlement of foreign exchange hedges		**19**	2	—
Restricted cash and deposits		**26**	(19)	6
Cash used by investing activities		**(96)**	**(2,094)**	**(354)**
Cash				
Change during the year		**719**	209	(25)
Impact of foreign exchange on cash		**(15)**	(18)	(7)
Cash reclassified as assets held for sale	7	**(8)**	—	—
Balance, beginning of year		**354**	163	195
Balance, end of year		**$ 1,050**	**$ 354**	**$ 163**

Supplemental cash flow information is presented in Note 28

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

CONSOLIDATED FINANCIAL STATEMENTS FOR BROOKFIELD BUSINESS PARTNERS L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016, 2015 and 2014 and as at December 31, 2016 and 2015

NOTE 1. NATURE AND DESCRIPTION OF THE PARTNERSHIP

(a) Brookfield Business Partners L.P.

Brookfield Business Partners L.P. and its subsidiaries, (collectively, "the partnership") own and operate business services and industrial operations on a global basis. Brookfield Business Partners L.P. was registered as a limited partnership established under the laws of Bermuda, and organized pursuant to a limited partnership agreement as amended on May 31, 2016, and as further amended on June 17, 2016. Brookfield Business Partners L.P. is a subsidiary of Brookfield Asset Management Inc. ("Brookfield Asset Management") and its subsidiaries (other than the partnership, and together with Brookfield Asset Management, "Brookfield" or the "parent company"). Brookfield Business Partners L.P.'s limited partnership units are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbols "BBU" and "BBU.UN", respectively. The registered head office of Brookfield Business Partners L.P. is 73 Front Street, 5th Floor, Hamilton HM 12, Bermuda.

Brookfield Business Partners L.P.'s sole direct investment is a managing general partnership interest (the "Managing GP Units") in Brookfield Business L.P. (the "Holding LP"), which holds the partnership's interests in the business services and industrial operations.

The partnership's principal business services include construction services, residential real estate services and facilities management. The partnership's principal industrial operations are comprised of oil and gas exploration and production, palladium and aggregates mining, bath and shower products manufacturing, the production of graphite electrodes and the manufacturing and supply of engineered precast systems and pipe products. The partnership's operations are primarily located in Australia, Canada, the United Kingdom, the United States and the Middle East.

(b) Spin-off of business services and industrial operations

On June 20, 2016, Brookfield completed the spin-off of the partnership (the "spin-off"), which was effected by way of a special dividend of units of Brookfield Business Partners L.P. to holders of Brookfield's Class A and B limited voting shares as of June 2, 2016. Each holder of Brookfield shares received one limited partnership unit for approximately every 50 Brookfield shares. Brookfield shareholders received approximately 45% of the limited partnership units of Brookfield Business Partners L.P., with Brookfield retaining the remaining limited partnership units of Brookfield Business Partners L.P.

Prior to the spin-off, Brookfield effected a reorganization so that the partnership's business services and industrial operations that were historically owned and operated by Brookfield, (the "Business"), both directly and through its operating entities, were acquired by subsidiaries of the Holding LP, (the "holding entities"). In addition, Brookfield transferred $250 million in cash to the holding entities. The holding entities were established to hold the partnership's interest in the Business. In consideration, Brookfield received (i) approximately 55% of the limited partnership ("LP") units and 100% of the general partner units of Brookfield Business Partners L.P., (ii) special limited partnership units ("Special LP Units") and redemption-exchange units of Holding LP ("redemption-exchange units"), representing an approximate 52% limited partnership interest in the Holding LP, and (iii) $15 million of preferred shares of the holding entities, ("preferred shares"). On spin-off, Brookfield held approximately 79% of the partnership interest on a fully exchanged basis.

Throughout these consolidated financial statements, reference to "attributable to the partnership" means attributable to limited partner, general partner and redemption-exchange unitholders post spin-off and to parent company pre spin-off.

The following describes the agreements resulting from the spin-off:

(i) Redemption-exchange units

As part of the spin-off, Holding LP issued redemption-exchange units for the transfer of the Business. Beginning on June 20, 2018, the redemption-exchange units may, at the request of the holder, be redeemed in whole or in part, for cash in an amount equal to the market value of one of Brookfield Business Partners L.P.'s limited partnership units multiplied by the number of units to be redeemed (subject to certain customary adjustments). This right is subject to Brookfield Business Partners L.P.'s right, at its sole discretion, to elect to acquire any unit presented for redemption in exchange for one of Brookfield Business Partners L.P.'s limited partnership units (subject to certain customary adjustments). If Brookfield Business Partners L.P. elects not to exchange the redemption-exchange units for limited partnership units of Brookfield Business Partners L.P., the redemption-exchange units are required to be redeemed for cash. The redemption-exchange units provide the holder the direct economic benefits and exposures to the underlying performance of Holding LP and accordingly to the variability of the distributions of Holding LP, whereas Brookfield Business Partners L.P.'s unitholders have indirect access to the economic benefits and exposures of Holding LP through direct ownership interest in Brookfield Business Partners L.P. which owns a direct interest in Holding LP through its Managing GP Units.

(ii) Preferred shares

As part of the spin-off, Brookfield subscribed for an aggregate of $15 million of preferred shares of three of the partnership's subsidiaries. The preferred shares are entitled to receive a cumulative preferential cash dividend equal to 5% of their redemption value per annum as and when declared by the board of the directors of the applicable entity and are redeemable at the option of the applicable entity at any time after the twentieth anniversary of their issuance.

(iii) Credit facilities

As part of the spin-off, the partnership entered into a credit agreement with Brookfield (the "Brookfield Credit Agreements") providing for two, three-year revolving credit facilities. One constitutes an operating credit facility that permits borrowings of up to $200 million for working capital purposes and the other constitutes an acquisition facility that permits borrowings of up to $300 million for purposes of funding our acquisitions and investments. Further details of the Brookfield Credit Agreements are described in Note 17.

(iv) Other arrangements with Brookfield

The partnership entered into a Master Services Agreement (the "Master Services Agreement") with affiliates of Brookfield, (the "Service Providers"), to provide management services to the partnership. Key decision makers of our partnership are employees of the ultimate parent company and provide management services to our partnership under this Master Services Agreement. Pursuant to the Master Services Agreement, the partnership pays a base management fee to the Service Providers equal to 1.25% of the total capitalization of Brookfield Business Partners L.P. per annum (0.3125% per quarter). Through its holding of Special LP Units in the Holding LP, Brookfield also receives incentive distributions based on a 20% increase in the unit price of Brookfield Business Partners L.P. over an initial threshold based on the volume weighted average price of $25/unit, subject to a high watermark.

As part of the spin-off, the partnership entered into a Deposit Agreement with Brookfield, (the "Deposit Agreement"). From time to time, the partnership may place funds on deposit of up to $250 million with Brookfield. The deposit balance is due on demand and earns an agreed upon rate of interest. The terms of any such deposit are on market terms.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements of the partnership and its subsidiaries ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements are prepared on a going concern basis and have been presented in U.S. dollars rounded to the nearest million unless otherwise indicated. The accounting policies and methodologies set out below have been applied consistently, with the exception of certain comparative figures which have been reclassified to conform to the current period's presentation. Policies not effective for the current accounting period are described later in Note 2 (ac), under Future Changes in Accounting Policies.

For the periods prior to June 20, 2016, our partnership's results represented a carve-out of the assets, liabilities, revenues, expenses, and cash flows of the Business that was contributed to our partnership and included allocations of general corporate expenses of the parent company. These expenses, prior to the spin-off, relate to certain operations oversight functions and associated information technology, facilities and other overhead costs and have been allocated based on headcount. These allocated expenses have been included as appropriate in our partnership's consolidated statements of operating results prior to the spin-off. These allocations may not, however, reflect the expense the partnership would have incurred as an independent publicly-traded company for the periods presented.

Subsequent to the spin-off, the partnership is no longer allocated general corporate expenses of the parent company as the functions to which they related are now provided through the Master Services Agreement. The base management fee related to the services received under the Master Services Agreement has been recorded as part of general and administrative expenses in the consolidated financial statements.

These financial statements were approved by the partnership's Board of Directors and authorized for issue on March 10, 2017.

(b) Continuity of interests

Brookfield Business Partners L.P. was established on January 18, 2016 by Brookfield and on June 20, 2016 Brookfield completed the spin-off of the Business to holders of Brookfield's Class A and B limited voting shares. Brookfield directly and indirectly controlled the Business prior to the spin-off and continues to control the partnership subsequent to the spin-off through its interests in the partnership. As a result of this continuing common control, there is insufficient substance to justify a change in the measurement of the Business. In accordance with the partnership's and Brookfield's accounting policy, the partnership has reflected the Business in its financial position and results of operations using Brookfield's carrying values, prior to the spin-off.

To reflect this continuity of interests these financial statements provide comparative information of the Business for the periods prior to the spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the spin-off (see Note 1(b)) have been reflected prospectively from the date of the spin-off and have not been reflected in the results of operations or financial position of the partnership prior to June 20, 2016, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 20, 2016 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the spin-off, the results are based on the actual results of the partnership, including the adjustments associated with the spin-off and the execution of several new and amended agreements including management service and relationship agreements (see Note 24). Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 20, 2016 and allocated to the limited partners, the general partner and redemption-exchange unitholders on and after June 20, 2016.

Prior to June 20, 2016, intercompany transactions between the partnership and Brookfield have been included in these financial statements and are considered to be forgiven at the time the transaction, are recorded and reflected as a "Net increase/(decrease) in Brookfield Asset Management Inc. investment". "Net increase/(decrease) in Brookfield Asset Management Inc. investment" as shown in the consolidated statements of changes in equity represents the parent company's historical investment in our partnership, accumulated net income and the net effect of the transactions and allocations from the parent company. The total net effect of transactions with the parent company is reflected in the consolidated statements of cash flow as a financing activity and in the consolidated statements of financial position as "Equity attributable to Brookfield Asset Management Inc."

(c) Basis of consolidation

The consolidated financial statements include the accounts of the partnership and its consolidated subsidiaries, which are the entities over which the partnership has control. An 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. Non-controlling interests in the equity of the partnership's subsidiaries held by others and the redemption-exchange units, Special LP Units and preferred shares held by Brookfield in the Holding LP and the holding entities respectively are shown separately in equity in the consolidated statements of financial position. Intercompany transactions within the partnership have been eliminated.

As part of the spin-off, Brookfield Business Partners L.P., through its Managing GP Units, became the managing general partner of Holding LP, and thus controls Holding LP. The partnership entered into agreements with various affiliates of Brookfield, whereby the partnership was assigned Brookfield's voting or general partner kick-out rights and effectively controls the subsidiaries of Holding LP with respect to which the agreements were put in place. Accordingly, the partnership consolidates the accounts of Holding LP and its subsidiaries.

(d) Redemption-exchange units

As described in Note 1(b)(i), our partnership's equity interests include limited partnership units held by public unitholders and Brookfield, as well as redemption-exchange units held by Brookfield. The redemption-exchange units have the same economic attributes in all respects as the limited partnership units, except that the redemption-exchange units provide Brookfield the right to request that its units be redeemed for cash consideration. In the event that Brookfield exercises this right, our partnership has the right, at its sole discretion, to satisfy the redemption request with limited partnership units of Brookfield Business Partners L.P., rather than cash, on a one-for-one basis. The redemption-exchange units provide Brookfield with the direct economic benefits and exposures to the underlying performance of the Holding LP and accordingly to the variability of the distributions of the Holding LP, whereas our partnership's unitholders have indirect access to the economic benefits and exposures of the Holding LP through direct ownership interest in our partnership which owns a direct interest in the Holding LP. Accordingly, the redemption-exchange units have been presented within non-controlling interests. The redemption-exchange units are issued capital of the Holding LP and as a result are not adjusted for changes in market value.

(e) Preferred shares

As described in Note 1(b)(ii), our partnership's equity interests include preferred shares held by Brookfield. Our partnership and its subsidiaries are not obligated to redeem the preferred shares and accordingly, they have been determined to be equity of the applicable entities and are reflected as a component of non-controlling interest in the consolidated statements of financial position.

(f) Interests in other entities

(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 obtained control, and continue to be consolidated until the date when control is lost. The partnership 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.

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 (loss) is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

(ii) Associates and joint ventures

Associates are entities over which our partnership exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Our partnership accounts for associates and joint ventures using the equity method of accounting within equity accounted investments in the consolidated statements of financial position.

Interests in associates and joint ventures accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate or joint venture is lower than the proportionate share of the investment's underlying fair value, our partnership records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate or joint venture is greater than our partnership's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of our partnership interest in an associate or joint venture is adjusted for our partnership's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture are recognized in the consolidated financial statements based on the interests of unrelated investors in the investee. The carrying value of associates or joint ventures is assessed for impairment at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on the impairment of long-lived assets is available in Note 2(m).

(g) Foreign currency translation

The U.S. dollar is the functional and presentation currency of our partnership. Each of our partnership's subsidiaries and equity accounted investments determines its own functional currency and items included in the financial statements of each subsidiary and equity accounted investment 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 are measured at historic cost and are translated at the rate of exchange at the transaction date. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income or loss. Gains and losses on transactions which hedge these items are also included in net income or loss.

(h) 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 the partnership in exchange for control of the acquiree. Acquisition related costs are recognized in the consolidated statements of operating results as incurred and included in other income (expenses), net.

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 equity are not subsequently re-measured.

Where a business combination is achieved in stages, our partnership's previously held interests in the acquired entity are remeasured to fair value at the acquisition date, that is, the date our partnership 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 acquisition occurs, our partnership reports provisional amounts for the 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 our partnership 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, our partnership'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 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*, or IAS 37, and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, *Revenue*, or IAS 18.

(i) Cash and cash equivalents

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

(j) Accounts receivable

Accounts receivable include trade receivables, construction retentions and other unbilled receivables, which are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for uncollectable amounts.

Trade receivables related to our partnership's mining operations are recognized at fair value.

(k) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using specific identification where possible and practicable or using the first-in, first-out or weighted average method. Costs include direct and indirect expenditures incurred in bringing the inventory to its existing condition and location. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Related party transactions

In the normal course of operations, our partnership enters into various transactions on market terms with related parties, which have been measured at their exchange value and are recognized in the consolidated financial statements. Related party transactions are further described in Note 24.

(m) Property, plant and equipment, or PP&E

Items of PP&E are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Depreciation of an asset commences when it is available for use. PP&E 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
Leasehold improvements	Up to 40 years but not exceeding the term of the lease
Machinery and equipment	Up to 20 years
Oil and gas related equipment	Up to 10 years

Depreciation on PP&E 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.

With respect to our oil and natural gas assets, pre-license costs are costs incurred before the legal rights to explore a specific area have been obtained and are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, costs directly associated with an exploration well are initially capitalized as exploration and evaluation, or E&E, costs. Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability has been determined. All such carried costs are subject to technical, commercial and management review at each reporting period and where indicators of impairment exist, such costs are charged to E&E expense.

Upon determination that proved and/or probable reserves exist and the technology exists to extract the resource economically, E&E assets attributable to those reserves are first tested for impairment and then reclassified to oil and gas properties within PP&E. The net carrying value of oil and gas properties is depleted using the unit-of-production method based on estimated proved plus probable oil and natural gas reserves. Future development costs, which are the estimated costs necessary to bring those reserves into production, are included in the depletable base. For purposes of this calculation, oil and natural gas reserves are converted to a common unit of measurement on the basis of their relative energy content where six thousand cubic feet of natural gas equates to one barrel of oil.

With respect to our mining assets, exploration costs relating to properties are charged to earnings in the year in which they are incurred. When it is determined that a mining property can be economically developed as a result of reserve potential and subsequent exploration, expenditures are capitalized. Determination as to reserve potential is based on the results of studies, which indicate whether production from a property is economically feasible. Upon commencement of commercial production of a development project these costs are amortized using the unit-of-production method over the proven and probable reserves.

As part of its mining operations, the partnership incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred as part of development stage mining activities incurred by the partnership are deferred and capitalized as part of mining properties. Stripping costs incurred during the production stage are incurred in order to produce inventory or to improve access to ore which will be mined in the future. Where the costs are incurred to produce inventory, the production stripping costs are accounted for as a cost of producing those inventories. Where the costs are incurred to improve access to ore which will be mined in the future, the costs are deferred and capitalized as a stripping activity asset (included in mining interest) if the following criteria are met: improved access to the ore body is probable; the component of the ore body can be accurately identified; and the costs relating to the stripping activity associated with the component can be reliably measured. If these criteria are not met the costs are expensed in the period in which they are incurred. The stripping activity asset is subsequently depleted using the units-of-production depletion method over the life of the identified component of the ore body to which access has been improved as a result of the stripping activity.

(n) Asset impairment

At each reporting date the partnership 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 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.

(o) 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. The partnership's intangible assets are comprised primarily of computer software, trademarks, distribution networks, patents, product development, customer relationships and technology and know-how costs.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. Intangible assets are amortized on a straight line basis over the following periods:

Computer software	Up to 10 years
Customer relationships	Up to 30 years
Patents, trademarks and proprietary technology	Up to 40 years
Product development costs	Up to 5 years
Distribution networks	Up to 25 years

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.

(p) 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. The partnership 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 on an annual basis. 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.

(q) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to our partnership 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.

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

(i) Construction Services

Revenues from construction contracts are recognized using the percentage-of-completion method once the outcome of the construction contract can be estimated reliably, in proportion to the stage of completion of the contract, and to the extent to which collectability is reasonably assured. The stage of completion is measured by reference to actual costs incurred as a percentage of estimated total costs of each contract. When the outcome cannot be reliably determined, contract costs are expensed as incurred and revenue is only recorded to the extent that the costs are determined to be recoverable. Where it is probable that a loss will arise from a construction contract, the excess of total expected costs over total expected revenue is recognized as an expense immediately. Other service revenues are recognized when the services are provided.

(ii) Other Business Services

The fees and related costs for providing real estate, facilities management, logistics or other services are recognized over the period in which the services are provided.

Our partnership also has revenues from home sales, home referral fees and other service fees:

- Cost-plus home sale contracts: Cost-plus fee contracts primarily relate to contractual agreements where our partnership bears no risk of loss with respect to costs incurred. Under the terms of these contracts, our partnership is also generally protected against losses from changes in real estate market conditions. Revenues and related costs associated with the purchase and resale of residences are recognized on a net basis over the period in which services are provided.
- Fixed fee home sale contracts: Our partnership earns a fixed fee based upon a percentage of the acquisition cost of the residential property. This fee revenue is recognized when the home is acquired as substantially all services have been performed at this time. At the same time, all closing costs and any expected loss on sale of the applicable property are accrued. The revenues and expenses related to these contracts are recorded on a gross basis.
- Home referral fees: These are earned primarily from real estate brokers associated with home sale transactions. The referral fee is recognized upon the binding agreement date of a real estate transaction or when the property is sold.
- The fees and related costs related to providing real estate, facilities management, logistics or other services are recognized over the period in which the services are provided.

(iii) Other Industrial Operations

Revenue from our industrial operations primarily consists of revenues from the sale of goods and rendering of services. Sales are recognized when the product is shipped, title passes and collectability is reasonably assured. Services revenues are recognized when the services are provided.

Revenue from our mining business are made under provisional pricing arrangements. Revenue from the sale of palladium and by-product metals is provisionally recognized based on quoted market prices upon the delivery of concentrate to the smelter or designated shipping point, which is when title transfers and significant rights and obligations of ownership pass. The business' smelter contract provides for final prices to be determined by quoted market prices in a period subsequent to the date of concentrate delivery. The period between provisional invoicing and final pricing, or settlement period, is typically between 30 and 150 days. These provisional sales contain an embedded derivative instrument which represents the forward contract for which the provisional sale is subsequently adjusted and is required to be separated from the host contract. Accordingly, the fair value of the final sales price adjustment is re-estimated by reference to forward market prices at each period end and changes in fair value are recognized as an adjustment to revenue. As a result, the accounts receivable amounts related to this business are recorded at fair value.

(iv) Energy

Revenue from the sale of oil and gas is recognized when title of the product passes to an external party, based on volumes delivered and contractual delivery points and prices. Revenue for the production in which our partnership has an interest with other producers is recognized based on our partnership's working interest. Revenue is measured net of royalties to reflect the deduction for other parties' proportionate share of the revenue.

(v) Investments in Financial Assets

Dividend and interest income on investments in other financial assets are recorded within revenues when declared or on an accrual basis using the effective interest method.

Revenue from loans and notes receivable, less a provision for uncollectible amounts, is recorded on the accrual basis using the effective interest method.

(r) Contract work in progress

The gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings, is generally presented as an asset. Progress billings not yet paid by customers and retentions are included within the trade and other receivables balance. The gross amounts due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses) is generally presented as a liability.

Construction work in progress on construction contracts is stated at cost plus profit recognized to date calculated in accordance with the percentage of completion method, including retentions payable and receivable, less a provision for foreseeable losses and progress payments received to date.

(s) Financial instruments and hedge accounting

The following summarizes our partnership's classification and measurement of financial assets and liabilities:

	Classification	Measurement	Statement of Financial Position Account
Financial assets			
Cash and cash equivalents	Loans and receivables	Amortized cost	Cash and cash equivalents
Accounts receivable	Loans and receivables FVTPL(1)	Amortized cost Fair value	Accounts receivable, net
Restricted cash and deposits	Loans and receivables	Amortized cost	Financial assets
Equity securities designated as available-for-sale ("AFS")	AFS	Fair value	Financial assets
Derivative assets	FVTPL(1)	Fair value	Financial assets
Other financial assets	Loans and receivables/ Available-for-sale	Amortized cost/ Fair value	Financial assets
Financial liabilities			
Borrowings	Other liabilities	Amortized cost	Borrowings
Accounts payable and other	Other liabilities	Amortized cost	Accounts payable and other
Derivative liabilities	FVTPL(1)	Fair value	Accounts payable and other

(1) Fair value through profit or loss, or FVTPL. Derivatives are FVTPL except derivatives in a hedging relationship.

Our partnership maintains a portfolio of marketable securities comprised of liquid equity and debt securities. The marketable securities are recognized on their trade date and are classified as available-for-sale. They 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.

Our partnership selectively utilizes derivative financial instruments primarily to manage financial risks, including commodity price risk 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 and foreign currency debt that are 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 recorded 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 income (expenses), net.

Other financial assets are classified as loans and receivables or available-for-sale securities based on their nature and use within our 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 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.

(t) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, our partnership takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable. The levels 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 asset's or liability's anticipated life.

Level 3 — Inputs are unobservable and 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 in determining the estimate.

Further information on fair value measurements is available in Note 4.

(u) Income taxes

Brookfield Business Partners L.P. 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 holding entities, and any direct or indirect corporate subsidiaries of such holding entities. Income tax expense represents the sum of the tax accrued in the period and deferred income tax.

The separate returns method was used to determine taxes for periods prior to June 20, 2016.

(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.

(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 equity accounted investments, and interests in joint ventures, except where our partnership 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 our partnership 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 our partnership intends to settle its current tax assets and liabilities on a net basis in the case where there exist different taxable entities in the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

(v) Provisions

Provisions are recognized when our partnership has a present obligation either legal or constructive as a result of a past event, it is probable that our partnership 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.

(i) Provisions for defects

Provisions made for defects are based on a standard percentage charge of the aggregate contract value of completed construction projects and represents a provision for potential latent defects that generally manifest over a period of time following practical completion.

Claims against our partnership are also recorded as part of provisions for defects when it is probable that our partnership will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(ii) Decommissioning liability

Certain of our partnership's subsidiaries are engaged in oil and gas and mining activities. For these businesses, there are typically decommissioning liabilities related to the requirement to remediate the property where operations are conducted.

Our partnership recognizes a decommissioning liability in the period in which it has a present legal or constructive liability and a reasonable estimate of the amount can be made. Liabilities are measured based on current requirements, technology and price levels and the present value is calculated using amounts discounted over the useful economic lives of the assets. Amounts are discounted using a rate that reflects the risks specific to the liability. On a periodic basis, management reviews these estimates and changes, if any, will be applied prospectively. The fair value of the estimated decommissioning liability is recorded as a long term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved plus probable reserves. The liability amount is increased in each reporting period due to the passage of time, and the amount of accretion is charged to finance expense in the period. Periodic revisions to the estimated timing of cash flows, to the original estimated undiscounted cost and to changes in the discount rate can also result in an increase or decrease to the decommissioning liability. Actual costs incurred upon settlement of the obligation are recorded against the decommissioning liability to the extent of the liability recorded.

(w) Pensions and other post-employment benefits

Certain of our partnership's subsidiaries offer post-employment benefits to its employees by way of a defined contribution plan. Payments to defined contribution pension plans are expensed as they fall due.

Certain of our partnership's subsidiaries offer defined benefit plans. Defined benefit pension expense, which includes the current year's service cost, is included in Direct operating costs within the consolidated statements of operating results. For each defined benefit plan, we recognize the present value of our defined benefit obligations less the fair value of the plan assets, as a defined benefit asset or liability reported as other assets or accounts payable and other in our consolidated statements of financial position. The partnership's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations.

The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method (also known as the projected benefit method pro-rated on service) and management's best estimate of plan investment performance, salary escalation, retirement ages of employees and their expected future longevity.

For the purposes of calculating the expected return on plan assets, those assets are valued at fair value.

Our partnership recognizes actuarial gains and losses in other comprehensive income (loss) in the period in which those gains and losses occur.

(x) 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.

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

(y) 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.

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 our partnership's consolidated financial statements are outlined below.

(i) Business Combinations

Our partnership accounts for business combinations using the acquisition method of accounting. The allocation of fair values to assets acquired and liabilities assumed through an acquisition requires numerous estimates that affect the valuation of certain assets and liabilities acquired including discount rates, operating costs, revenue estimates, commodity prices, future capital costs and other factors. 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 of the reporting date, this is disclosed in the financial statements, including observations on the estimates and judgments made as of the reporting date.

(ii) Determination of Control

We consolidate an investee when we control the investee, with control existing if and only if we have power over the investee; exposure, or rights, to variable returns from our involvement with the investee; and the ability to use our power over the investee to affect the amount of our partnership's returns.

In determining if we have power over an investee, we make judgments when identifying which activities of the investee are relevant in significantly affecting returns of the investee and the extent of our existing rights that give us the current ability to direct the relevant activities of the investee. We also make judgments as to the amount of potential voting rights which provides us voting powers, the existence of contractual relationships that provide us voting power and the ability to appoint directors. We enter into voting agreements to provide our partnership with the ability to contractually direct the relevant activities of the investee (formally referred to as "power" within IFRS 10, *Consolidated Financial Statements*). In assessing if we have exposure, or rights, to variable returns from our involvement with the investee we make judgments concerning whether returns from an investee are variable and how variable those returns are on the basis of the substance of the arrangement, the size of those returns and the size of those returns relative to others, particularly in circumstances where our voting interest differs from our ownership interest in an investee. In determining if we have the ability to use our power over the investee to affect the amount of our returns we make judgments when we are an investor as to whether we are a principal or agent and whether another entity with decision-making rights is acting as an agent for us. If we determine that we are acting as an agent, as opposed to a principal, we do not control the investee.

(iii) Common Control Transactions

IFRS 3, *Business Combinations* ("IFRS 3") does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, our partnership has developed an accounting policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. Our partnership's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying values in the transferor's financial statements.

(iv) Indicators of Impairment

Judgment is applied when determining whether indicators of impairment exist when assessing the carrying values of our partnership's assets, including: the determination of our partnership's ability to hold financial assets; the estimation of a cash generating unit's future revenues and direct costs; and the determination of discount rates, and when an asset's carrying value is above the value derived using publicly traded prices which are quoted in a liquid market.

For some of our assets forecasting the recoverability and economic viability of property and equipment requires an estimate of reserves. The process for estimating reserves is complex and requires significant interpretation and judgment. It is affected by economic conditions, production, operating and development activities, and is performed using available geological, geophysical, engineering and economic data.

(v) Revenue Recognition

Certain of our partnership's subsidiaries use the percentage-of-completion method to account for their contract revenue. The stage of completion is measured by reference to actual costs incurred to date as a percentage of estimated total costs for each contract. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience or where necessary, the work of experts.

(vi) Financial Instruments

Judgments inherent in accounting policies relating to derivative financial instruments 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 our partnership relative to its counterparties; the credit risk of our partnership's counterparties; estimated future cash flows; discount rates and volatility utilized in option valuations.

(vii) Decommissioning Liabilities

Decommissioning costs will be incurred at the end of the operating life of some of our oil and gas facilities and mining properties. These obligations are typically many years in the future and require judgment to estimate. The estimate of decommissioning costs can vary in response to many factors including changes in relevant legal regulatory, and environmental requirements, the emergence of new restoration techniques or experience at other production sites. Inherent in the calculations of these costs are assumptions and estimates including the ultimate settlement amounts, inflation factors, discount rates, and timing of settlements.

(viii) Oil and Gas Properties

The process of estimating our partnership's proved and probable oil and gas reserves requires significant judgment and estimates. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity, drilling of new wells, development costs and commodity prices all impact the determination of our partnership's estimates of its oil and gas reserves. Future development costs are based on estimated proved and probable reserves and include estimates for the cost of drilling, completing and tie in of the proved undeveloped and probable additional reserves and may vary based on geography, geology, depth, and complexity. Any changes in these estimates are accounted for on a prospective basis. Oil and natural gas reserves also have a direct impact on the assessment of the recoverability of asset carrying values reported in the financial statements.

(ix) Other

Other estimates and assumptions utilized in the preparation of our partnership's financial statements are: the assessment or determination of recoverable amounts; depreciation and amortization rates and useful lives; estimation of recoverable amounts of cash-generating units for impairment assessments of goodwill and intangible assets; and ability to utilize tax losses and other tax measurements.

Other critical judgments include the determination of functional currency.

(z) Earnings (loss) per Limited Partnership Unit

The partnership calculates basic earnings (loss) per unit by dividing net income attributable to limited partners by the weighted average number of limited partnership units outstanding during the period. For the purpose of calculating diluted earnings (loss) per unit, the partnership adjusts net income (loss) attributable to limited partners, and the weighted average number of limited partnership units outstanding, for the effects of all dilutive potential limited partnership units.

(aa) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the lease to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation within accounts payable and other.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance lease assets are amortized on a straight line basis over the estimated useful life of the asset.

(ab) Segments

Our operating segments are components of the business for which discrete financial information is reviewed regularly by our Chief Operating Decision Maker, or CODM to assess performance and make decisions regarding resource allocation. We have assessed our CODM to be our Chief Executive Officer and Chief Financial Officer. Our operating segments are Construction Services, Other Business Services, Energy, Other Industrial Operations and Corporate and Other.

(ac) Future Changes in Accounting Policies

(i) Revenue from Contracts with Customers

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 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. 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, 2018 with early application permitted. An entity may adopt the Standard on a fully retrospective basis or on a modified retrospective basis. Our partnership is currently evaluating the impact of IFRS 15 on its consolidated financial statements, including the method of initial adoption.

(ii) Financial Instruments

In July 2014, the IASB issued the final publication of IFRS 9, *Financial Instruments* ("IFRS 9") superseding the current IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 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 greater judgment to assess the effectiveness of a hedging relationship. The standard has a mandatory effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. Our partnership is currently evaluating the impact of IFRS 9 on its financial statements.

(iii) Leases

IFRS 16, *Leases*, ("IFRS 16") provides a single lessee accounting model, requiring recognition of assets and liabilities for all leases, unless the lease term is shorter than 12 months or the underlying asset has a low value. IFRS 16 supersedes IAS 17, *Leases,* and its related interpretative guidance. IFRS 16 must be applied for periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been adopted. Our partnership is currently evaluating the impact of IFRS 16 on its financial statements.

(iv) Income taxes

In January 2016, the IASB issued certain amendments to IAS 12, *Income Taxes*, to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. A deductible temporary difference arises when the carrying amount of the debt instrument measured at fair value is less than the cost for tax purposes, irrespective of whether the debt instrument is held for sale or held to maturity. The recognition of the deferred tax asset that arises from this deductible temporary difference is considered in combination with other deferred taxes applying local tax law restrictions where applicable. In addition, when estimating future taxable profits, consideration can be given to recovering more than the asset's carrying amount where probable. These amendments are effective for periods beginning on or after January 1, 2017 with early application permitted. These amendments will not have a significant impact on the financial statements.

(v) Disclosures—Statement of cash flows

In January 2016, the IASB issued the amendments to IAS 7, *Statement of Cash Flows*, effective for annual periods beginning January 1, 2017. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. These amendments will require additional disclosures and the partnership is not required to provide comparative information when it first applies the amendments.

NOTE 3. ACQUISITION OF BUSINESSES

Our partnership accounts for business combinations using the acquisition method of accounting, pursuant to which the cost of acquiring a business is allocated to its identifiable tangible and intangible assets and liabilities on the basis of the estimated fair values at the date of acquisition.

(a) Acquisitions completed in 2016

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

US$ MILLIONS	Other Business Services
Total consideration	**$19**

US$ MILLIONS	Other Business Services[1]
Net working capital[1]	$ 1
Intangible assets[1]	36
Goodwill[1]	39
Net assets acquired before non-controlling interest	76
Non-controlling interest[2]	(57)
Net assets acquired	**$ 19**

(1) The fair value of all acquired assets, liabilities and goodwill for this acquisition has been determined on a preliminary basis.

(2) Non-controlling interests recognized on business combinations were measured at fair value.

Other Business Services

On August 1, 2016, we acquired, in partnership with institutional investors, a 85% interest in a data center facility management services provider in the United States for consideration of $9 million attributable to the partnership. On acquisition, we had a 24% economic interest and a 85% voting interest in this business, which provides us with control over the business. Accordingly, we consolidate this business for financial reporting purposes. Acquisition costs of less than $1 million were expensed at the acquisition date and recorded as other expenses on the consolidated statements of operating results. Goodwill of $22 million was recognized, which represents the synergies we expect to receive from the integration of the operations. Goodwill recognized is not deductible for income tax purposes.

Our partnership's results from operations for the year ended December 31, 2016, includes $27 million of revenue and $2 million of net income attributable to the partnership from the acquisition. If the acquisition had been effective January 1, 2016 our pro forma revenue would have increased by approximately $37 million for the year ended December 31, 2016 and pro forma net income would have increased by less than $1 million attributable to the partnership for the year ended December 31, 2016.

On December 31, 2016, we acquired, in partnership with institutional investors, a 100% interest in a Canadian real estate facility management business for consideration of $10 million attributable to the partnership. On acquisition, we had a 26% economic interest and a 100% voting interest in this business, which provides us with control over the business. Accordingly, we consolidate this business for financial reporting purposes. Acquisition costs of less than $1 million were expensed at the acquisition date and recorded as other expenses in the consolidated statements of operating results. Goodwill of $17 million was recognized, which represents the synergies we expect to receive from the integration of the operations. Goodwill recognized is not deductible for income tax purposes.

Our partnership's results from operations for the year ended December 31, 2016, does not include any revenue or net income attributable to the partnership from the acquisition as the acquisition closed on December 30, 2016. If the acquisition had been effective January 1, 2016, the pro forma revenue of our partnership would have increased by $233 million for the year ended December 31, 2016 and pro forma net income would have increased by $8 million attributable to the partnership for the year ended December 31, 2016.

(b) Acquisitions completed in 2015

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

US$ MILLIONS	Other Businesses Services	Energy	Other Industrial Operations
Total consideration	$164	$194	$430

US$ MILLIONS	Other Businesses Services	Energy	Other Industrial
Net working capital	$ 22	$ —	$ 527
Property, plant and equipment (PP&E)	4	806	1,009
Intangible assets	203	—	162
Goodwill	193	—	172
Other long term assets	1	—	8
Acquisition gain	—	(171)	(7)
Net deferred income tax liabilities	(19)	(57)	(39)
Decommissioning liability	—	(97)	(12)
Other long term liabilities	—	—	(110)
Borrowings	—	—	(483)
Net assets acquired before non-controlling interest	404	481	1,227
Non-controlling interest[1]	(240)	(287)	(797)
Net assets acquired	**$ 164**	**$ 194**	**$ 430**

(1) Non-controlling interest recognized on business combinations were measured at fair value.

Other Business Services—Facilities Management

Prior to February 2015, we owned 49.9% of a facilities management business which we accounted for using the equity method. In February 2015, we acquired, in partnership with institutional investors, the remaining 50.1% interest and began consolidating the business. On acquisition, we had a 40% economic interest and a 100% voting interest in this business, which provides us with control over the business. Accordingly, we consolidate this business for financial statement purposes. Total consideration for the acquisition was $159 million attributable to Brookfield and acquisition costs of less than $0.1 million were expensed and recorded as other expenses in the consolidated statements of operating results.

Goodwill of $189 million was acquired, which represents benefits we expect to receive from the integration of the operations. Goodwill recognized is not deductible for income tax purposes.

Our results from operations for the year ended December 31, 2015 includes revenues of $873 million and approximately $9 million of net income attributable to Brookfield from the acquisition. If the acquisition had been effective January 1, 2015, our pro forma revenues would have increased by $100 million and pro forma net income attributable to Brookfield would have been higher by $3 million.

The following table provides details of the business combinations achieved in stages:

US$ MILLIONS	December 31, 2015
Fair value of investment immediately before acquiring control	$200
Less: Carrying value of investment immediately before acquisition	97
Less: Amounts recognized in OCI(1)	7
Remeasurement gain recorded in net income	**$ 96**

(1) Included in carrying value of the investment immediately before acquisition.

In November 2015, we acquired 75% of a technology services business for total consideration of $5 million attributable to parent. Goodwill of $4 million was acquired, which represents benefits we expects to receive from the integration of the operations.

Our results from operations for the year ended December 31, 2015 does not include a material amount of revenue or net income attributable to the parent from this acquisition. If the acquisition had been effective January 1, 2015, our pro forma revenues would have increased by $3 million and there would be no impact on net income attributable to the partnership.

Energy

In January 2015, one of our subsidiaries acquired certain oil and gas assets in the Clearwater region of Central Alberta, Canada for total consideration of approximately $194 million attributable to Brookfield. The consideration was financed by issuances of common shares and bank indebtedness of the subsidiary. Acquisition costs of less than $0.3 million were expensed at the acquisition date and recorded as other expenses in the consolidated statements of operating results.

Related to this acquisition, we reported a gain of $171 million, net of deferred income tax of $57 million for the year ended December 31, 2015. The gain was calculated as the difference between the total acquisition-date fair value of the identifiable net assets acquired and the fair value of the consideration transferred including non-controlling interest. The fair value of the identifiable net assets acquired primarily consisted of reserve value net of decommissioning liability. The reserve value was calculated based on a discounted cash flow methodology taking into account proved and probable reserves based on a third party reserve report. The decommissioning liability includes cost to reclaim abandoned wells and facilities and is based on a credit adjusted rate of 6.5% and an inflation rate of 2%. Prior to recognizing the gain, we assessed whether all assets acquired and liabilities assumed had been correctly identified, the key valuation assumptions and business combination accounting procedures for this acquisition. The sale was part of a series of transactions undertaken by the seller to divest of its coal bed methane assets and other non-core assets in order to focus on its core operations in the production and sale of natural gas, oil and natural gas liquids. The seller approached us directly, based on our demonstrated ability to operate similar businesses, and found it advantageous to accept our purchase price given certainty of closing the transaction. We believe the non-strategic nature of the divestiture to the seller, coupled with economic trends in the industry and the geographic region in which the assets acquired are located contributed to the seller's decision to negotiate a transaction with us. Therefore, we concluded that the recognition of a bargain purchase gain was appropriate for this acquisition.

Our results from operations for the year ended December 31, 2015 include $156 million of revenue and $30 million of net income attributable to Brookfield from the acquisition. If the acquisition had been effective January 1, 2015, our partnership's pro forma revenues would have increased by $7 million and net income would have increased by $1 million attributable to Brookfield.

Other Industrial Operations

On June 1, 2015, we acquired, in partnership with institutional investors, a 100% interest in a manufacturing business for consideration of $20 million attributable to Brookfield. On acquisition, we had a 25% economic interest and a 100% voting interest in this business, which provides us with control over the business. Accordingly, we consolidate this business for financial reporting purposes. Acquisition costs of less than $0.1 million were expensed at the acquisition dates and recorded as other expenses in the consolidated statements of operating results.

We reported a gain of $7 million for the year ended December 31, 2015 for this acquisition. The gain was calculated as the difference between the total acquisition-date fair value of the identifiable net assets acquired and the fair value of the consideration transferred including non-controlling interest. The gain was primarily attributable to the increase in the fair value of the PP&E acquired as compared to its historical carrying value.

Our partnership's results from operations for the year ended December 31, 2015, includes $210 million of revenue and $4 million of net income attributable to Brookfield from the acquisition. If the acquisition had been effective January 1, 2015, the pro forma revenue of our partnership would have been increased by $168 million for the year ended December 31, 2015 and pro forma net income would have been increased by $11 million attributable to Brookfield for the year ended December 31, 2015.

In August 2015, our partnership acquired with institutional investors, a 100% interest in a manufacturing business for consideration of $342 million attributable to parent. On acquisition, our partnership had a 40% economic interest and a 100% voting interest in this business, which provides our partnership with control over the business. Accordingly, we consolidate this business for financial reporting purposes. Acquisition costs of $23 million were expensed at the acquisition dates and recorded as other expenses in the consolidated statements of operating results.

Goodwill of $172 million was acquired, which represents benefits our partnership expects to receive from the integration of the operations. None of the goodwill recognized is deductible for income tax purposes.

Our partnership's results from operations for the year ended December 31, 2015 includes $249 million of revenue and $14 million of net loss attributable to Brookfield from the acquisition. If the acquisition had been effective January 1, 2015, the pro forma revenue of our partnership would have been increased by $438 million for the year ended December 31, 2015 and pro forma net income would have been decreased by $48 million attributable to Brookfield for the year ended December 31, 2015.

In August 2015, our partnership acquired with institutional investors, a 92% interest in a mining business for total consideration of $68 million attributable to parent. On acquisition, our partnership had a 25% economic interest and a 100% voting interest in this business, which provides our partnership with control over the business. Accordingly, we consolidate this business for financial reporting purposes. Prior to the acquisition, our partnership had a loan investment in this mining business. Upon the settlement of the pre-existing loan investment relationship, our partnership recorded income of $62 million within other income (expense), net in the consolidated statements of operating results. Acquisition costs of less than $0.1 million were expensed at the acquisition date and recorded as other expenses in the consolidated statements of operating results.

Our partnership's results from operations for the year ended December 31, 2015 includes $60 million of revenue and $3 million of net loss attributable to Brookfield from the acquisition. If the acquisition had been effective January 1, 2015, the pro forma revenue of our partnership would have been increased by $92 million for the year ended December 31, 2015 and pro forma net income would have been decreased by $10 million attributable to Brookfield for the year ended December 31, 2015.

NOTE 4. 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, our partnership looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. Financial instruments classified as fair value through profit or loss are carried at fair value on the consolidated statements of financial position and changes in fair values are recognized in profit or loss.

The following table provides the details of financial instruments and their associated financial instrument classifications as at December 31, 2016:

(US$ MILLIONS)	FVTPL	Available for sale securities	Loans and Receivables/ Other Liabilities	Total
	(Fair Value)	(Fair Value through OCI)	(Amortized Cost)	
Financial assets				
Cash and cash equivalents	$—	$ —	$1,050	$1,050
Accounts receivable, net (current and non-current)(1)	42	—	1,755	1,797
Other assets (current and non-current)(2)	—	—	309	309
Financial assets (current and non-current)(4)	34	432	73	539
Total	**$76**	**$432**	**$3,187**	**$3,695**
Financial liabilities				
Accounts payable and other(3)	$32	—	$2,222	$2,254
Borrowings (current and non-current)	—	—	1,551	1,551
Total	**$32**	**$ —**	**$3,773**	**$3,805**

(1) *Accounts receivable recognized as fair value relates to receivables in our mining business.*

(2) *Excludes prepayments and other assets of $109 million.*

(3) *Excludes provisions and decommissioning liabilities of $203 million.*

(4) *Refer to Hedging Activities in note (a).*

Included in cash and cash equivalents as at December 31, 2016 is $519 million of cash (2015: $353 million) and $531 million of cash equivalents (2015: $1 million) which includes $519 million on deposit with Brookfield (2015: $nil), as described in Note 24.

The fair value of all financial assets and liabilities as at December 31, 2016 were consistent with carrying value, with the exception of borrowings at one of our businesses within the Other Industrial Operations segment, where fair value determined using Level 1 inputs, was $204 million (2015: $173 million) versus book value of $221 million (2015: $269 million).

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2015:

(US$ MILLIONS)	FVTPL	Available for sale securities	Loans and Receivables/ Other Liabilities	Total
	(Fair Value)	(Fair Value through OCI)	(Amortized Cost)	
Financial assets				
Cash and cash equivalents	$—	$ —	$ 354	$ 354
Accounts receivable, net (current and non-current)(1)	37	—	1,598	1,635
Other assets (current and non-current)(2)	—	—	204	204
Financial assets (current and non-current)(4)	35	259	115	409
Total	**$72**	**$259**	**$2,271**	**$2,602**
Financial liabilities				
Accounts payable and other(3)	$ 2	—	$2,109	$2,111
Borrowings (current and non-current)	—	—	2,074	2,074
Total	**$ 2**	**$ —**	**$4,183**	**$4,185**

(1) Accounts receivable recognized as fair value relates to receivables in the mining business acquired by our partnership during the period. Refer to Note 3 for further details.

(2) Excludes prepayments and other assets of $90 million.

(3) Excludes provisions, decommissioning liabilities and other liabilities of $264 million.

(4) Refer to Hedging Activities in note (a).

(a) Hedging Activities

Our partnership uses foreign exchange contracts and foreign currency denominated debt instruments to manage foreign currency exposures arising from net investments in foreign operations. For the year ended December 31, 2016, unrealized pre-tax net gains of $9 million (2015: net gain of $23 million, 2014: net loss of $1 million) were recorded in other comprehensive income for the effective portion of hedges of net investments in foreign operations. As at December 31, 2016, there was an unrealized derivative asset balance of $21 million (2015: $19 million) and derivative liability balance of $1 million (2015: $nil) relating to derivative contracts designated as net investment hedges.

Our partnership uses commodity swap contracts to hedge the sale price of its gas contracts. For the year ended December 31, 2016, unrealized pre-tax net losses of $12 million (2015: $nil, $2014: $nil) were recorded in other comprehensive income for the effective portion of cash flow hedges. As at December 31, 2016, there was a derivative liability balance of $12 million (2015: $nil) relating to derivative contracts designated as cash flow hedges.

Other derivative instruments are measured at fair value, with changes in fair value recognized in the consolidated statements of operating results.

Fair Value Hierarchical Levels—Financial Instruments

Assets and liabilities measured at fair value on a recurring basis include $108 million (2015: $8 million) of financial assets and $nil (2015: $nil) of financial liabilities, which are measured at fair value using valuation inputs based on management's best estimates.

Our partnership had invested in corporate bonds of a distressed company which emerged from bankruptcy in October 2016. The bonds were classified as level 2 investments as at December 31, 2015. On emergence from bankruptcy, the partnership received common shares as well as other financial assets of the company, which were classified as level 1 and level 3 instruments, respectively.

There were no transfers between levels during the year ended December 31, 2016. The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the level of input as at December 31, 2016 and 2015:

	2016			2015		
(US$ MILLIONS)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Common shares	$192	$—	$ —	$ 58	$ —	$—
Corporate bonds	143	—	—	44	157	—
Accounts receivable	—	42	—	—	37	—
Loans and notes receivable	—	—	8	—	—	3
Derivative assets	—	23	9	—	27	5
Other financial assets	—	—	91	—	—	—
	$335	**$65**	**$108**	$102	$221	$ 8
Financial liabilities						
Derivative liabilities	$ —	$32	$ —	$ —	$ 2	$—
	$ —	**$32**	**$ —**	$ —	$ 2	$—

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

(US$ MILLIONS) Type of asset/liability	Carrying value December 31, 2016	Valuation technique(s) and key input(s)
Derivative assets	$23	Fair value of derivative contracts incorporates quoted market prices, or in their absence internal valuation models corroborated with observable market data; and for foreign exchange and commodity derivatives, observable forward exchange rates and commodity prices, respectively, at the end of the reporting period.
Derivative liabilities	$32	
Accounts receivable	$42	Accounts receivable represents amounts due from customers for sales of metals concentrate subject to provisional pricing, which was fair valued using forward metal prices and foreign exchange rates applicable for the month of final settlement.

Fair values determined using valuation models (Level 3 financial assets and liabilities) require the use of unobservable inputs, including assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those unobservable inputs, the partnership uses observable external market inputs such as interest rate yield curves, currency rates, and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement Level 3 financial instruments:

(US$ MILLIONS) Type of asset/liability	Carrying value December 31, 2016	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Loans and notes receivables	$ 8	Expected present value	Forecasted revenue growth	Increases (decreases) in revenue growth increase (decrease) fair value
Derivative assets	$ 9	Black-Scholes model	Volatility	Increases (decreases) in volatility increase (decrease) fair value
Other financial assets	$91	Discounted Cash Flows	Cash Flows	Increases (decreases) in future cash flows increase (decrease) fair value

The following table presents the change in the balance of financial assets classified as Level 3 as at December 31, 2016 and December 31, 2015:

(US$ MILLIONS)	2016	2015
Balance at beginning of year	$ 8	$2
Fair value changes recorded in net income	10	6
Additions[1]	97	—
Disposals	(7)	—
Balance at end of year	**$108**	$8

(1) $25 million of the additions relate to other financial assets that were received as a result of one of the partnership's investments emerging from bankruptcy, $66 million relates to a secured debenture investment in a homebuilding company and the remaining $6 million relates to a note receivable from the sale of certain assets.

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 our 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 at December 31, 2016, $20 million gross, of financial assets (2015: $29 million) and $11 million gross, of financial liabilities (2015: $17 million) were offset in the consolidated statements of financial position related to derivative financial instruments.

NOTE 5. FINANCIAL ASSETS

(US$ MILLIONS)	2016	2015
Current		
Marketable securities[(1)(2)(3)]	$335	$259
Restricted cash	71	97
Derivative contracts	23	27
Loans and notes receivable	4	5
Total current	**$433**	$388
Non-current		
Derivative contracts	$ 9	$ 5
Loans and notes receivable	6	16
Other financial assets[(1)(4)]	91	—
Total non-current	**$106**	$ 21

(1) Our partnership invested in distressed bonds of an energy company, which were recorded as available for sale assets with gains and losses recorded in other comprehensive income. The company emerged from bankruptcy in October 2016 and the partnership received common shares and other financial assets of the company in exchange for the bonds. This resulted in a derecognition of the bonds and a reclassification of the losses previously recorded in other comprehensive income to impairment expense in the consolidated statements of operating results. The total impairment expense related to the derecognition for the year ended December 31, 2016 was $137 million. The fair value of the financial instruments received in exchange for the debt is $180 million as at December 31, 2016.

(2) During the year ended December 31, 2016, the partnership recognized $57 million of net gains on disposition of marketable securities.

(3) Our partnership acquired shares in a bank during the years ended December 31, 2015 and 2014, which were recorded as an available for sale asset with gains and loss recorded in other comprehensive income. The value of this asset declined significantly in 2015. The partnership determined that the decline in the value of the investment was other-than-temporary and reclassified the losses recorded in other comprehensive income to impairment expense in the consolidated statements of operating results. The total impairment expense related to this asset recognized during the year ended December 31, 2015 was $52 million.

(4) Other financial assets as at December 31, 2016 includes a secured debenture to a homebuilding company in our other business services segment.

NOTE 6. ACCOUNTS RECEIVABLE, NET

(US$ MILLIONS)	2016	2015
Current, net	$1,703	$1,568
Non-current, net	94	67
Total	**$1,797**	$1,635

The increase in accounts receivable, net from December 31, 2015 is primarily attributable to higher project volumes in both our construction services operations and our facilities management business during the year ended December 31, 2016, which accounts for a $172 million movement in accounts receivable, net as at December 31, 2016 compared to December 31, 2015.

Our construction services operations has a retention balance, which is comprised of amounts that have been earned but held back until the satisfaction of certain conditions specified in the contract are met. The retention balance included in the current accounts receivable balance as at December 31, 2016 was $97 million (2015: $70 million), and the retention balance included in the non-current accounts receivable balance as at December 31, 2016 was $92 million (2015: $66 million).

The amount of accounts receivable and other written down for bad debts was as follows:

(US$ MILLIONS)	**2016**	2015	2014
Allowance for doubtful accounts—beginning	$10	$ 9	$10
Add: increase in allowance	2	6	1
Deduct: bad debt write offs	(5)	(5)	(2)
Allowance for doubtful accounts—ending	**$ 7**	$10	$ 9

NOTE 7. ASSETS HELD FOR SALE

Other Industrial Operations—Graphite Electrode business

In April 2016, our graphite electrodes business within our other industrial operations segment entered into a plan to sell certain of its-non core business and as such, the related assets and liabilities have all been classified as asset held for sale. The fair value of the business was determined utilizing the market approach and as a result, the partnership recorded $121 million of impairment charge for the year ended December 31, 2016 to align the carrying value with estimated fair value. In November 2016, a portion of the asset that was classified as held for sale was sold for approximately $20 million. Management is actively seeking and negotiating with potential buyers and expects to complete the sale of the remaining assets in the year ending December 31, 2017.

As at December 31, 2015, $12 million of property, plant and equipment were held for sale.

Other Industrial Operations—Infrastructure support manufacturing

In August 2016, a manufacturing business within our other industrial operations segment entered into a plan to sell certain of its non-core business and as such, the related assets and liabilities have all been classified as asset held for sale. Management is actively seeking a buyer and expects to complete the sale during the year ending December 31, 2017. The fair value of the business was determined utilizing the market approach and was determined to be higher than carrying value.

Other Industrial Operations—Bath and shower manufacturing

In November 2016, the partnership entered into a plan to dispose of its bath and shower manufacturer. An agreement was signed in December 2016 and the sale was closed in January 2017. The assets and liabilities have all been classified as assets held for sale as at December 31, 2016. The fair value of the business was determined utilizing the market approach and was determined to be higher than carrying value.

The following table presents the assets and liabilities that are classified as held for sale as at December 31, 2016 and 2015:

(US$ MILLIONS)	2016	2015
Cash and cash equivalents	$ 8	$—
Account receivable, net	56	—
Inventory	75	—
Property, plant and equipment	58	12
Intangible assets and goodwill	67	—
Asset held for sale	**$264**	$12
Accounts payable and other	$ 66	$—
Liabilities classified as held for sale	**$ 66**	$—

NOTE 8. OTHER ASSETS

(US$ MILLIONS)	2016	2015
Current		
Work in progress (Note 16)	$309	$204
Prepayments and other assets	88	67
Total current	**$397**	$271
Non-current		
Prepayments and other assets	$ 21	$ 23
Total non-current	**$ 21**	$ 23

The increase in other assets from December 31, 2015 is primarily attributable to an increase in work in progress in both our construction services operations and facilities management business which accounts for $115 million of the increase in other assets compared to December 31, 2015.

NOTE 9. INVENTORY, NET

(US$ MILLIONS)	2016	2015
Current		
Raw materials and consumables	$ 75	$110
Work in process	59	180
Finished goods(1)	95	152
Carrying amount of inventories	**$229**	$442

(1) Finished goods inventory is composed of properties acquired in our real estate services business and finished goods inventory from our industrials businesses.

The decrease in inventory from December 31, 2015 is primarily attributable to lower inventory in our other business service and other industrial operations segments, which accounts for $178 million of the decrease in inventory as at December 31, 2016 compared to December 31, 2015.

The inventories recognized as cost of sales during the year ended December 31, 2016 amounted to $1,017 million (2015: $845 million, 2014: $539 million). The amount of inventory written down was as follows:

(US$ MILLIONS)	2016	2015	2014
Inventory obsolescence provision—balance at beginning of year	$14	$14	$11
Increase (decrease) in provision due to inventory obsolescence	(5)	—	3
Inventory obsolescence provision—balance at end of year	**$ 9**	$14	$14

NOTE 10. SUBSIDIARIES

The following tables present the gross assets and liabilities as well as gross amounts of revenue, net income, other comprehensive income and distributions from our partnership's investments in material non-wholly owned subsidiaries for the year ended December 31, 2016, 2015 and 2014:

	Year Ended December 31, 2016									
	Total									
(US$ MILLIONS)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	OCI	Profit/ (loss) allocated to others ownership interest	Distributions to others ownership interest	Equity to others ownership interest
Other business services	$ 437	$ 494	$402	$ 253	$1,347	$ 25	$ 5	$ 15	$ 8	$ 198
Energy	47	1,087	67	459	212	(97)	14	(58)	10	357
Other industrial operations	728	1,262	282	563	1,279	(226)	28	(148)	—	774
Total	**$1,212**	**$2,843**	**$751**	**$1,275**	**$2,838**	**$(298)**	**$47**	**$(191)**	**$18**	**$1,329**

	Year Ended December 31, 2015									
	Total									
(US$ MILLIONS)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	OCI	Profit/ (loss) allocated to others ownership interest	Distributions to others ownership interest	Equity to others ownership interest
Other business services	$ 274	$ 420	$232	$ 213	$ 917	$126	$ (24)	$ 15	$13	$ 152
Energy	54	1,190	33	524	314	70	(120)	40	2	407
Other industrial operations	692	1,499	287	817	855	(31)	(58)	(18)	3	673
Total	$1,020	$3,109	$552	$1,554	$2,086	$165	$(202)	$ 37	$18	$1,232

	Year Ended December 31, 2014									
	Total							Profit/(loss) allocated to others ownership interest	Distributions to others ownership interest	Equity to others ownership interest
(US$ MILLIONS)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	OCI			
Other business services	$ 6	$ 64	$ 3	$ 39	$ 44	$ 1	$ —	$ (2)	$ —	$ 20
Energy	74	902	72	390	350	16	(17)	23	10	316
Other industrial operations	73	183	67	29	339	(2)	—	(3)	—	98
Total	$153	$1,149	$142	$458	$733	$15	$(17)	$18	$ 10	$434

The following table outlines the composition of accumulated non-controlling interest ("NCI") related to the interests of others presented in our partnership's Consolidated Statement of Financial Position:

(US$ MILLIONS)	2016	2015
NCI related to material non-wholly owned subsidiaries		
Other business services	$ 198	$ 152
Energy	357	407
Other industrial operations	774	673
Total NCI in material non-wholly owned subsidiaries	1,329	1,232
Total individually immaterial NCI balances	208	65
Total NCI	**$1,537**	$1,297

NOTE 11. EQUITY ACCOUNTED INVESTMENTS

The following table presents the ownership interest, voting interest and carrying values of our partnership's equity accounted investments as at December 31, 2016 and 2015:

	Ownership Interest		Voting Interest		Carrying Value	
(US$ MILLIONS)	2016	2015	2016	2015	2016	2015
Other business services	**28%-60%**	28%-50%	**28%-50%**	28%-50%	**$ 80**	$ 81
Energy[(1)]	**14%**	48%	**29%**	48%	**85**	410
Construction services	**50%-90%**	50%	**50%**	50%	**1**	1
Total					**$166**	$492

The following table represents the change in the balance of equity accounted investments:

(US$ MILLIONS)	2016	2015
Balance at beginning of year	$ 492	$ 192
Share of earnings for the year	68	4
Share of other comprehensive income for the year	(79)	85
Acquisitions	—	365
Dispositions(1)	(289)	(104)
Foreign currency translation and other	(1)	(4)
Distributions received	(25)	(46)
Balance at end of year	**$ 166**	$ 492

(1) Dispositions of equity accounted investments relates to the sell down and reorganization of our Western Australian energy operations during the year. As a result of the reorganization, the partnership now consolidates a smaller portion of the interest of the institutional investors resulting in a decrease in the balance of equity accounted investments and a corresponding decrease in the interest of others.

The following tables present the gross assets and liabilities of our partnership's equity accounted investments:

	As at December 31, 2016								
	Total							Attributable to	
(US$ MILLIONS)	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Total Net Assets	Other Ownership Interests	Partnership's Share(2)
Other business services	$ 69	$ 96	$ 165	$ 47	$ 87	$ 134	$ 31	$ 17	$14
Energy(1)	355	3,784	4,139	511	3,292	3,803	336	304	32
Construction services	193	22	215	136	77	213	2	1	1
Total	**$617**	**$3,902**	**$4,519**	**$694**	**3,456**	**$4,150**	**$369**	**$322**	**$47**

(1) In April 2016, the partnership sold a 12% interest in an Energy business for $79 million. The partnership also picked up a lower proportionate share in this business in 2016 resulting from a reorganization and sell down to our institutional partners. Following the sale and reorganization, the partnership continued to hold a 9% economic interest and a 29% voting interest, giving our partnership significant influence over the investee. Accordingly, our partnership accounts for this investment using the equity method.

(2) Attributable to limited partner and redemption-exchange unitholders.

	As at December 31, 2015								
	Total							Attributable to	
(US$ MILLIONS)	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non-Current Liabilities	Total Liabilities	Total Net Assets	Other Ownership Interests	Partnership's Share[(2)]
Other business services	$ 71	$ 100	$ 171	$ 51	$ 85	$ 136	$ 35	$ 20	$ 15
Energy[(1)]	584	3,599	4,183	599	2,749	3,348	835	438	397
Construction services	222	18	240	193	45	238	2	1	1
Total	$877	$3,717	$4,594	$843	$2,879	$3,722	$872	$459	$413

(1) *In June 2015, the partnership acquired, in participation with institutional investors, a 48% interest in an Energy business. On acquisition, we had a 17% economic interest and a 48% voting interest, giving our partnership significant influence over this investee. Accordingly, our partnership accounts for this investment using the equity method.*

(2) *Attributable to parent company.*

Certain of our partnership's equity accounted investments are subject to restrictions over the extent to which they can remit funds to our partnership in the form of cash dividends, or repayment of loans and advances as a result of borrowing arrangements, regulatory restrictions and other contractual requirements.

The following tables present the gross amounts of revenue, net income, other comprehensive income and distributions from our partnership's equity accounted investments for the year ended December 31, 2016, 2015 and 2014:

	Year Ended December 31, 2016							
	Total				Attributable to Other Ownership Interests		Attributable to partnership	
(US$ MILLIONS)	Revenue	Net Income	OCI	Total	Comprehensive Income	Distributions	Comprehensive Income	Distributions
Other business services	$ 120	$ 49	$ —	$ 49	$ 32	$ 38	$ 17	$ 20
Energy	941	99	(138)	(39)	(35)	17	(4)	5
Construction services	283	—	—	—	—	—	—	—
Total	$ 1,344	$ 148	$ (138)	$ 10	$ (3)	$ 55	$ 13	$ 25

	Year Ended December 31, 2015							
	Total				Attributable to Other Ownership Interests		Attributable to partnership	
(US$ MILLIONS)	Revenue	Net Income	OCI	Total	Comprehensive Income	Distributions	Comprehensive Income	Distributions
Other business services	$ 232	$ 55	$ —	$ 55	$ 36	$ 37	$ 19	$ 18
Energy	548	(37)	178	141	74	31	67	28
Construction services	332	3	—	3	—	—	3	—
Total	$1,112	$ 21	$178	$199	$110	$ 68	$ 89	$ 46

	Year Ended December 31, 2014							
	Total				Attributable to Other Ownership Interests		Attributable to partnership	
(US$ MILLIONS)	Revenue	Net Income	OCI	Total	Comprehensive Income	Distributions	Comprehensive Income	Distributions
Other business services	$ 944	$58	$—	$58	$35	$55	$23	$33
Construction services	378	2	—	2	—	—	2	—
Total	$1,322	$60	$—	$60	$35	$55	$25	$33

One of the partnership's equity accounted investment is a publicly listed entity with active pricing in a liquid market. The fair value based on the publicly listed price in comparison to the partnership's carrying value is as follows:

	December 31, 2016		December 31, 2015	
(US$ MILLIONS)	Public Price	Carrying Value	Public Price	Carrying Value
Other business services	**$39**	**$ —**	$35	$2
Total	**$39**	**$ —**	$35	$2

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

(US$ MILLIONS)	Land	Building	Machinery and Equipment	Oil and Gas Properties	Mineral Property Assets	Others	Total Assets
Gross Carrying Amount							
Balance at January 1, 2015	$ 30	$112	$ 443	$ 878	$ 40	$ 69	$1,572
Additions (cash and non-cash)	1	7	65	40	8	5	126
Disposals	—	(27)	(21)	(108)	—	(15)	(171)
Acquisitions through business combinations(1)	85	143	535	806	219	31	1,819
Transfers	(1)	(2)	(6)	—	1	2	(6)
Net foreign currency exchange differences	(13)	(10)	(75)	(254)	(18)	(11)	(381)
Balance at December 31, 2015	$102	$223	$ 941	$1,362	$250	$ 81	$2,959
Additions (cash and non-cash)	—	2	73	15	34	10	134
Disposals (cash and non-cash)	—	(1)	(19)	(87)	(1)	(5)	(113)
Acquisitions through business combinations	—	—	—	—	—	—	—
Transfers and assets reclassified as held for sale(4)	(20)	(65)	(81)	—	—	(31)	(197)
Net foreign currency exchange differences	7	4	3	43	7	2	66
Balance at December 31, 2016	**$ 89**	**$163**	**$ 917**	**$1,333**	**$290**	**$ 57**	**$2,849**
Accumulated Depreciation and Impairment							
Balance at January 1, 2015	$ —	$ (31)	$(165)	$ (248)	$ (3)	$(50)	$ (497)
Depreciation/depletion/impairment expense	—	(8)	(60)	(146)	(6)	(9)	(229)
Disposals	—	—	14	20	—	9	43
Net foreign currency exchange differences	—	2	27	51	—	8	88
Balance at December 31, 2015(2)(3)	$ —	$ (37)	$(184)	$ (323)	$ (9)	$(42)	$ (595)
Depreciation/depletion/impairment expense	—	(9)	(90)	(94)	(13)	(10)	(216)
Disposals	—	—	10	—	—	4	14
Transfers and assets reclassified as held for sale	—	17	17	—	—	25	59
Net foreign currency exchange differences	—	—	(6)	(8)	—	(1)	(15)
Balance at December 31, 2016(2)(3)	**$ —**	**$ (29)**	**$(253)**	**$ (425)**	**$ (22)**	**$(24)**	**$ (753)**
Net book value							
December 31, 2015	$102	$186	$ 757	$1,039	$241	$ 39	$2,364
December 31, 2016	**$ 89**	**$134**	**$ 664**	**$ 908**	**$268**	**$ 33**	**$2,096**

(1) See Note 3 for additional information.

(2) Includes accumulated impairment losses of $6 million (December 31, 2015: $6 million) for machinery and equipment and $86 million (December 31, 2015: $86 million) for oil and gas properties.

(3) As at December 31, 2016 a total of $925 million (2015: $967 million) of future development costs were included in the depletion calculation.

(4) See Note 7 for additional information.

NOTE 13. INTANGIBLE ASSETS

The following table presents the gross carrying amount and accumulated amortization for our partnership's intangible assets:

(US$ MILLIONS)	Computer software	Customer relationships	Patents, trademarks and proprietary technology	Distribution Networks	Other	Total Assets
Gross Carrying Amount						
Balance at January 1, 2015	$ 30	$ 155	$ 74	$ 26	$ 27	$ 312
Additions, net	3	—	—	—	2	5
Acquisitions through business combinations[1]	24	249	63	—	29	365
Net foreign currency exchange differences	(5)	(33)	(9)	(3)	(4)	(54)
Balance at December 31, 2015	$ 52	$ 371	$128	$ 23	$ 54	$ 628
Additions, net	17	—	—	—	1	18
Acquisitions through business combinations[1]	—	36	—	—	—	36
Assets reclassified as held for sale[3]	(4)	(1)	(73)	(24)	(28)	(130)
Net foreign currency exchange differences	(1)	—	1	1	1	2
Balance at December 31, 2016	**$ 64**	**$ 406**	**$ 56**	**$ —**	**$ 28**	**$ 554**
Accumulated amortization and impairment						
Balance at January 1, 2015	$(17)	$ (99)	$(20)	$ (9)	$(18)	$(163)
Amortization expense	(12)	(20)	(5)	(1)	(3)	(41)
Net foreign currency exchange differences	4	12	2	1	2	21
Balance at December 31, 2015[2]	$(25)	$(107)	$(23)	$ (9)	$(19)	$(183)
Amortization expense	(11)	(26)	(2)	(1)	(12)	(52)
Assets reclassified as held for sale[3]	2	—	21	10	19	52
Net foreign currency exchange differences	—	—	—	—	—	—
Balance at December 31, 2016[2]	**$(34)**	**$(133)**	**$ (4)**	**$ —**	**$(12)**	**$(183)**
Net book value						
December 31, 2015	$ 27	$ 264	$105	$ 14	$ 35	$ 445
December 31, 2016	**$ 30**	**$ 273**	**$ 52**	**$ —**	**$ 16**	**$ 371**

(1) *See Note 3 for additional information.*

(2) *Includes accumulated impairment losses of $nil (2015: $7 million) for patents and trademarks and $nil (December 31, 2015—$3 million) for distribution networks. Accumulated impairment losses of $7 million (2015: $nil) and $3 million (2015: $nil) were reclassified as held for sale during 2016 for patents and trademarks and distribution networks, respectively. No impairment losses were reversed in 2015 or 2016.*

(3) *See Note 7 for additional information.*

NOTE 14. GOODWILL

The following table presents the change in the balance of goodwill:

(US$ MILLIONS)	2016	2015
Balance at beginning of year	$1,124	$ 882
Acquisitions through business combinations[1]	39	365
Impairment losses[2]	(3)	(14)
Assets reclassified as held for sale[3]	(4)	—
Foreign currency translation	(4)	(109)
Balance at end of year	**$1,152**	$1,124

(1) See Note 3 for additional information.

(2) For the year ended December 31, 2016, an impairment of goodwill of $3 million was recorded in one of our real estate services businesses.

For the year ended December 31, 2015, an impairment of goodwill of $14 million (2014: $50 million) was recorded in one of our energy related subsidiaries primarily due to the sustained decrease in oil and gas pricing. The recoverable amount was determined using discounted cash flows assuming a pre-tax discount rate of 16.5% and a terminal value growth rate of 2.5%.

(3) See Note 7 for additional information.

Goodwill is allocated to the following segments as at December 31, 2016 and 2015:

(US$ MILLIONS)	2016	2015
Construction services	$ 743	$ 751
Other business services	238	198
Other industrial operations	171	175
Total	**$1,152**	$1,124

NOTE 15. ACCOUNTS PAYABLE AND OTHER

(US$ MILLIONS)	2016	2015
Current		
Accounts payable	$1,325	$1,268
Accrued and other liabilities(1)(2)	476	432
Work in progress(3)	239	245
Provisions and decommissioning liabilities	39	39
Total current	**$2,079**	$1,984
Non-current		
Accounts payable	$ 91	$ 51
Accrued and other liabilities(2)	123	120
Provisions and decommissioning liabilities	164	220
Total non-current	**$ 378**	$ 391

(1) Includes bank overdrafts.

(2) Includes defined benefit pension obligation of $46 million ($1 million current and $45 million non-current) and post-retirement benefits obligation of $29 million ($2 million current and $27 million non-current).

(3) See Note 16 for additional information.

Our partnership's exposure to currency and liquidity risk related to accounts payables is disclosed in Note 26.

The following table presents the change in the provision balances for our partnership:

(US$ MILLIONS)	Decommissioning liability[(1)]	Provisions for Defects	Other	Total Provisions
Balance at January 1, 2015	$ 195	$ 50	$ 14	$ 259
Additional provisions recognized	107	19	25	151
Reduction arising from payments/derecognition	(6)	(14)	(14)	(34)
Accretion expenses	11	3	1	15
Change in discount rate[(2)]	(113)	—	(1)	(114)
Change in other estimates	31	—	(3)	28
Net foreign currency exchange differences	(33)	(10)	(3)	(46)
Balance at December 31, 2015	$ 192	$ 48	$ 19	$ 259
Additional provisions recognized	3	8	41	52
Reduction arising from payments/derecognition	(3)	(7)	(28)	(38)
Accretion expenses	9	1	—	10
Change in discount rate	(1)	—	—	(1)
Change in other estimates[(3)]	(71)	—	(9)	(80)
Net foreign currency exchange differences	5	(3)	(1)	1
Balance at December 31, 2016	**$ 134**	**$ 47**	**$ 22**	**$ 203**

(1) Decommissioning liability results primarily from ownership interest in oil & natural gas wells and facilities and mining facilities. The liability represents the estimated cost to reclaim and abandon the wells and facilities and takes into account the estimated timing of the cost to be incurred in future periods. The liability was determined using a risk rate between 1.8% and 6.5% (2015: between 1.4% and 6.5%) and an inflation rate of 2% (2015: 2%), determined as appropriate for the underlying subsidiaries.

(2) The reduction in the decommissioning liability is due to a change from using a risk free rate to a risk adjusted rate at one of our oil and gas subsidiaries.

(3) The reduction in the decommissioning liability is due to a change in the timing of future remediation costs at one of our oil and gas subsidiaries.

NOTE 16. CONTRACTS IN PROGRESS

A summary of our partnership's contracts in progress are below:

(US$ MILLIONS)	2016	2015	2014
Contract costs incurred to date	$ 9,761	$ 7,372	$ 3,830
Profit recognized to date (less recognized losses)	498	470	262
	10,259	7,842	4,092
Less: progress billings	(10,189)	(7,883)	(4,211)
Contract work in progress (liability)	**$ 70**	$ (41)	$ (119)
Comprising:			
Amounts due from customers—work in progress (current)	309	204	49
Amounts due to customers—creditors (current)	(239)	(245)	(168)
Net work in progress	**$ 70**	$ (41)	$ (119)

NOTE 17. BORROWINGS

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

(US$ MILLIONS)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Total
2017	$ 2	$241	$ 96	$ 72	$ 411
2018	2	44	449	152	647
2019	2	182	—	82	266
2020	1	—	—	222	223
2021	—	—	—	—	—
Thereafter	—	4	—	—	4
Total—Dec. 31, 2016	**$ 7**	**$471**	**$545**	**$528**	**$1,551**
Total—Dec. 31, 2015	$18	$503	$808	$745	$2,074

The decrease is primarily due to $510 million of repayments of debt that was used for the acquisition of our graphite electrode manufacturing operations and our Western Australia energy operations.

One of our partnership's energy businesses has a credit facility which it borrows and repays on a monthly basis. This movement has been shown on a net basis in our partnership's consolidated statements of cash flow.

As discussed in Note 1(b)(iii), our partnership entered into a credit agreement with Brookfield for two, three-year revolving credit facilities with variable interest rates. One constitutes an operating credit facility that permits borrowings of up to $200 million for working capital purposes and the other constitutes an acquisition facility that permits borrowings of up to $300 million for purposes of funding our acquisitions and investments. Commencing June 20, 2016, both credit facilities were available for an initial term of three years and are extendible at our option by two, one-year renewals, subject to our partnership paying an extension fee and being in compliance with the credit agreement. The credit facilities are guaranteed by the partnership, and each direct wholly-owned (in terms of outstanding common equity) subsidiary of Holding LP that is not otherwise a borrower. As at December 31, 2016, the credit facilities under the Brookfield Credit Agreements remain undrawn.

In August 2016, the partnership entered into revolving credit facilities for an aggregate of $150 million with a group of US and Canadian banks. The facilities have terms of two years and are available to fund acquisitions and for general corporate purposes. The revolver bears interest at the specified LIBOR or bankers' acceptance rate plus 2.75%, or base rate or prime rate plus 1.75%. It requires the partnership to maintain a minimum tangible net worth of $1.5 billion, a debt to capitalization ratio 0.2:1 and a $75 million liquidity covenant. As at December 31, 2016, the facilities remain undrawn.

Our partnership has credit facilities within its operating businesses with major financial institutions. The credit facilities are primarily composed of revolving term credit facilities and revolving operating facilities with variable interest rates. In certain cases, the facilities may have financial covenants which are generally in the form of interest coverage ratios and leverage ratios. One of our partnership's real estate services businesses within our other business services segment has a securitization program under which it transfers an undivided co-ownership interest in eligible receivables on a fully serviced basis, for cash proceeds, at their fair value under the terms of the agreement. While the sale of the co-ownership interest is considered a legal sale, our partnership has determined that the asset derecognition criteria has not been met as substantially all risk and rewards of ownership are not transferred.

The weighted average interest rates of borrowings are as follows:

Weighted Average %	Construction Services	Other Business Services	Energy	Other Industrial Operations	Weighted Average
Dec. 31, 2016	**2.14%**	**2.63%**	**4.30%**	**5.16%**	**4.07%**
Dec. 31, 2015	8.93%	2.39%	3.01%	4.36%	3.40%

Borrowings by currency are as follows:

(US$ MILLIONS, except as noted)	Dec. 31, 2016	Local Currency	Dec. 31, 2015	Local Currency
Australian dollars	$ 1	1	$ 16	22
British pounds	29	23	32	22
U.S. dollars	848	848	1,329	1,329
Canadian dollars	652	876	672	930
Other	21	35	25	67
Total	**$1,551**		$2,074	

NOTE 18. INCOME TAXES

Income taxes are recognized for the amount of taxes payable by our partnership's corporate subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The major components of income tax expense include the following for the years ended December 31:

(US$ MILLIONS)	2016	2015	2014
Current income taxes expense/(recovery)	**$ 25**	$ 49	$27
Deferred income tax expense/(recovery):			
Origination and reversal of temporary differences	(32)	15	(7)
Recovery arising from previously unrecognized tax assets	(8)	(13)	(2)
Change of tax rates and imposition of new legislation	(1)	3	—
Total deferred income taxes	**(41)**	5	(9)
Income taxes	**$(16)**	$ 54	$18

The below reconciliation has been prepared using a composite statutory-rate for jurisdictions where our partnership's subsidiaries operate.

Our partnership's effective tax rate is different from our partnership's composite income tax rate due to the following differences set out below:

(US$ MILLIONS)	2016	2015	2014
Statutory income tax rate	**27%**	27%	28%
Increase (reduction) in rate resulting from:			
Portion of gains subject to different tax rates	(1)	(14)	1
International operations subject to different tax rates	3	(4)	(9)
Taxable income attribute to non-controlling interest	6	(4)	(6)
Recognition of deferred tax assets	2	1	(11)
Non-recognition of the benefit of current year's tax losses	(29)	11	2
Other	(1)	—	6
Effective income tax rate	**7%**	17%	11%

Deferred income tax assets and liabilities as at December 31, 2016 and 2015 relate to the following:

(US$ MILLIONS)	Dec. 31, 2016	Dec. 31, 2015
Non-capital losses (Canada)	$ 76	$ 43
Capital losses (Canada)	—	—
Losses (U.S.)	5	2
Losses (International)	—	7
Difference in basis	(51)	(90)
Total net deferred tax (liability)/asset	**$ 30**	$ (38)
Reflected in the statement of financial position as follows:		
Deferred income tax assets	**$111**	$ 64
Deferred income tax liabilities	**(81)**	(102)
Total net deferred tax (liability)/asset	**$ 30**	$ (38)

The deferred income tax movements are as follows:

(US$ MILLIONS)	Dec. 31, 2016	Dec. 31, 2015
Opening net deferred tax assets	$(38)	$ 78
Recognized in income	41	(5)
Recognized in other comprehensive income	6	(9)
Recognized in other[(1)]	21	(102)
Net deferred tax (liability)/assets	**$ 30**	$ (38)

(1) The Other category primarily relates to adjustments made to our partnership's equity related to acquisitions and dispositions and the foreign exchange impact of the deferred tax asset calculated in the functional currency of the operating entities.

The following table details the expiry date, if applicable, of the unrecognized deferred tax assets:

(US$ MILLIONS)	Dec. 31, 2016	Dec. 31, 2015
2017	$ 20	$ —
2018	1	—
2019 and after	264	176
Do not expire	37	26
Total	**$322**	$202

The components of the income taxes in other comprehensive income for the years ended December 31, 2016, 2015 and 2014 are set out below:

(US$ MILLIONS)	2016	2015	2014
Available-for-sale securities	$ 1	$(2)	$(2)
Net investment hedges	3	3	—
Cash flow hedges	(3)	8	—
Equity accounted investments	(7)	—	—
Total deferred tax (expense) recovery in other comprehensive income	**$(6)**	$ 9	$(2)

NOTE 19. EQUITY

As at December 31, 2016, Brookfield Business Partners L.P.'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 Business Partners L.P.

Holding LP's capital structure is comprised of three classes of partnership units: special limited partner units, managing general partner units and redemption-exchange 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 a 20% increase in the unit price of our partnership over an initial threshold based on the volume weighted average price of $25/unit, subject to a high water mark. As at December 31, 2016, this threshold has not been met.

Holding LP has issued 56.2 million redemption-exchange units to Brookfield. Both the L.P. and G.P. units issued by Brookfield Business Partners L.P. and the redemption-exchange units issued by the Holding LP have the same economic attributes in all respects, except for the redemption right described in Note 1(b)(i).

As part of the spin-off, Brookfield subscribed for $15 million of preferred shares and $250 million of limited partnership units. The rights of the preferred shareholders are described in Note 1(b)(ii).

Prior to spin-off, equity that is not attributable to interests of others in operating subsidiaries has been allocated to the parent company.

In December 2016, the partnership issued 8 million limited partnership units at $25 per unit, for gross proceeds of $200 million before $8 million in equity issuance costs. Concurrently, Holding LP issued 8 million redemption-exchange units to Brookfield for proceeds of $192 million. The equity offering resulted in a decrease in Brookfield's ownership in the partnership from 79% to 75%.

For the year ended December 31, 2016, the partnership distributed a dividend to holders of our limited partnership units, managing general partner units and redemption-exchange units of $12 million (2015: $nil).

(a) General and Limited Partnership Units

General and limited partnership units outstanding are as follows:

UNITS	General Partner Units 2016	General Partner Units 2015	Limited Partnership Units 2016	Limited Partnership Units 2015	Total 2016	Total 2015
Authorized and issued						
Issued on spin-off	4	—	33,845,298	—	33,845,302	—
Issued for cash	—	—	18,000,000	—	18,000,000	—
On issue at December 31	**4**	—	**51,845,298**	—	**51,845,302**	—

The weighted average number of general partner units outstanding for the period from June 20, 2016 to December 31, 2016 was 4 (2015: nil). The weighted average number of limited partnership units outstanding for the period from June 20, 2016 to December 31, 2016 was 44.3 million (2015: nil).

(b) Redemption-Exchange Units held by Brookfield

UNITS	Redemption-Exchange Units held by Brookfield 2016	Redemption-Exchange Units held by Brookfield 2015
Authorized and issued		
Issued on spin-off	48,150,497	—
Issued for cash	8,000,000	—
On issue at December 31	**56,150,497**	—

The weighted average number of redemption-exchange units outstanding for the period from June 20, 2016 to December 31, 2016 was 48.6 million (2015: nil).

(c) Special Limited Partner Units held by Brookfield

UNITS	Special Limited Partner Units held by Brookfield 2016	Special Limited Partner Units held by Brookfield 2015
Authorized and issued		
Issued on spin-off	4	—
On issue at December 31	**4**	—

The weighted average number of Special LP Units outstanding for the period from June 20, 2016 to December 31, 2016 was 4 (2015: nil).

(d) Preferred Shares held by Brookfield

SHARES	Preferred Shares held by Brookfield 2016	2015
Authorized and issued		
Issued on spin-off	200,002	—
On issue at December 31	**200,002**	—

Earnings per limited partner unit

Net income attributable to limited partnership unitholders was $3 million for the period from June 20, 2016 to December 31, 2016. The weighted average number of limited partnership units was 44.3 million for the period from June 20, 2016 to December 31, 2016.

NOTE 20. ACCUMULATED OTHER COMPREHENSIVE INCOME

(a) Attributable to Limited Partners

(US$ MILLIONS)	Foreign currency translation	Available for sale	Other[(1)]	Accumulated other comprehensive income (loss)
Balance as at January 1, 2016	$ —	$—	$—	$ —
Other comprehensive income (loss)	(21)	13	—	(8)
Ownership Changes	—	—	(2)	(2)
Unit issuance/reorganization	(127)	(9)	5	(131)
Balance as at December 31, 2016	**$(148)**	**$ 4**	**$ 3**	**$(141)**

(1) Represents net investment hedges, cash flow hedges and other reserves.

Comparative figures have not been presented as the limited partner units did not exist in the comparative period.

(b) Attributable to General Partner and Special Limited Partners

Accumulated other comprehensive income attributable to general partner and special limited partners has not been disclosed as collectively these partners hold 8 units, thus the figures are immaterial.

(c) Attributable to Non-controlling interest—Redemption-Exchange Units held by Brookfield

(US$ MILLIONS)	Foreign currency translation	Available for sale	Other(1)	Accumulated other comprehensive income (loss)
Balance as at January 1, 2016	$ —	$ —	$—	$ —
Other comprehensive income (loss)	(24)	15	1	(8)
Ownership Changes	—	—	(2)	(2)
Unit issuance/reorganization	(181)	(13)	7	(187)
Balance as at December 31, 2016	**$(205)**	**$ 2**	**$ 6**	**$(197)**

(1) Represents net investment hedges, cash flow hedges and other reserves.

Comparative figures have not been presented as the redemption-exchange units did not exist in the comparative period.

(d) Attributable to Brookfield Asset Management Inc.

(US$ MILLIONS)	Foreign currency translation	Available for sale	Other(1)	Accumulated other comprehensive income (loss)
Balance as at January 1, 2016	$(358)	$(35)	$ 33	$(360)
Other comprehensive income (loss)	53	13	(16)	50
Net increase/decrease in parent company investment	(3)	—	(5)	(8)
Unit issuance/reorganization	308	22	(12)	318
Balance as at December 31, 2016	**$ —**	**$ —**	**$ —**	**$ —**

(US$ MILLIONS)	Foreign currency translation	Available for sale	Other(1)	Accumulated other comprehensive income (loss)
Balance as at January 1, 2015	$(193)	$(12)	$ —	$(205)
Other comprehensive income (loss)	(176)	(23)	36	(163)
Net increase/decrease in parent company investment	11	—	(3)	8
Unit issuance/reorganization	—	—	—	—
Balance as at December 31, 2015	$(358)	$(35)	$ 33	$(360)

(1) Represents net investment hedges, cash flow hedges and other reserves.

NOTE 21. DIRECT OPERATING COSTS

Our partnership has no key employees or directors and does not remunerate key management personnel. Details of the allocations of costs incurred by Brookfield on behalf of our partnership are disclosed in Note 24. Key decision makers of our partnership are all employees of the ultimate parent company, which provides management services under the Master Services Agreement.

Direct operating costs include all attributable expenses except interest, depreciation and amortization, impairment expense, other expenses, and taxes and primarily relate to cost of sales and compensation. The following table lists direct operating cost for 2016, 2015 and 2014 by nature:

(US$ MILLIONS)	2016	2015	2014
Cost of sales	$6,021	$5,006	$3,403
Compensation	1,346	1,110	686
Property taxes, sales taxes and other	19	16	10
Total	**$7,386**	$6,132	$4,099

NOTE 22. GUARANTEES AND CONTINGENCIES

In the normal course of operations our partnership's operating subsidiaries have bank guarantees, insurance bonds and letters of credit outstanding to third parties. As at December 31, 2016, the total outstanding amount was $1,093 million (2015: $1,031 million). Our partnership does not conduct its operations, other than those of equity accounted investments, through entities that are not consolidated in these financial statements, and has not guaranteed or otherwise contractually committed to support any material financial obligations not reflected in these financial statements.

Our partnership and its subsidiaries are contingently liable with respect to litigation and claims that arise in the normal course of operations. It is not expected that any of the ongoing litigation and claims as at December 31, 2016 could result in a material settlement liability to our partnership.

Escrow and Trust Deposits

As a service to its customers, two of the partnership's operating subsidiaries administer escrow and trust deposits which represent undisbursed amounts received for the settlement of certain transactions. These escrow and trust deposits as at December 31, 2016 totaled $73 million (2015: $60 million). These escrow and trust deposits are not assets of the partnership and, therefore, are excluded from the accompanying consolidated statements of financial position. However, the partnership remains contingently liable for the disposition of these deposits.

NOTE 23. CONTRACTUAL COMMITMENTS

(a) Commitments

In the normal course of business, our partnership will enter into contractual obligations which relate primarily to gathering, processing and transportation delivery agreements for oil and gas products in our energy business. As at December 31, 2016, our partnership had $35 million (2015: $32 million) of such commitments outstanding. Also in the normal course of business, our partnership will enter into supply agreements for raw materials and capital items in our other industrial operations. As at December 31, 2016, our partnership had $11 million (2015: $20 million) of such commitments outstanding.

(b) Obligations under finance leases

As at December 31, 2016, the minimum lease payments for our partnership's assets under finance leases are as follows:

(US$ MILLIONS)	1 year	2-5 Years	Total
Minimum lease payments	$8	$8	$16
Total finance lease obligations	**$8**	**$8**	**$16**

(c) Obligations under operating leases

As at December 31, 2016, the minimum lease payments for our partnership's long term operating leases are as follows:

(US$ MILLIONS)	1 year	2-5 Years	5+ years	Total
Total operating lease obligations	**$37**	**$87**	**$35**	**$159**

Lease expenses recognized during the year ended December 31, 2016 totaled $48 million (2015: $35 million and 2014: $19 million).

NOTE 24. RELATED PARTY TRANSACTIONS

In the normal course of operations, our partnership 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.

Corporate allocations and parent company's investment

As discussed in Note 2(a), prior to the spin-off, general corporate expenses of Brookfield were allocated to our partnership. General corporate expenses allocated to our partnership for the twelve months ended December 31, 2016 were $6 million (December 31, 2015: $6 million).

Transactions with the parent company

As at December 31, 2016, $nil was drawn on the credit facilities under the Brookfield Credit Agreement (December 31, 2015: $nil).

As described in Note 1(b)(iv), at the time of the spin-off, the partnership entered into a Deposit Agreement with Brookfield. From time to time, our partnership may place funds on deposit of up to $250 million with Brookfield. The deposit balance is due on demand and earns a market rate of interest. The terms of any such deposit are expected to be on market terms. As of December 31, 2016, the amount of the deposit was $135 million and was included in cash and cash equivalents. Additionally, in December 2016, our partnership entered into a one-time Deposit Agreement with Brookfield to place the proceeds of the December 2016 equity offering on deposit with Brookfield. The deposit balance is due on demand and earns a market rate of interest. The total funds on deposit in relation to this agreement as at December 31, 2016 was $384 million. For the year ended December 31, 2016 the partnership earned interest income of $1 million.

As described in Note 1(b)(iv), at the time of the spin-off, the partnership entered into a Master Services Agreement with its Service Providers, which are wholly-owned subsidiaries of Brookfield. The base management fee for the year ended December 31, 2016 was $12 million.

For purposes of calculating the base management fee, the total capitalization of Brookfield Business Partners L.P. is equal to the quarterly volume-weighted average trading price of a unit on the principal stock exchange for our partnership units (based on trading volumes) multiplied by the number of units outstanding at the end of the quarter (assuming full conversion of the redemption-exchange units into units of Brookfield Business Partners L.P.), plus the value of securities of the other Service Recipients (as defined in the Master Service Agreement) that are not held by the partnership, plus all outstanding third party debt with recourse to a Service Recipient, less all cash held by such entities.

The partnership entered into a number of hedges of net investments in foreign operations with Brookfield. For the period ended December 31, 2016, unrealized gains of $9 million (2015: $nil; 2014: $nil) associated with these hedges were recorded in the statement of comprehensive income. The total amount recorded as a financial asset as at December 31, 2016 is $12 million (2015: $nil).

Other

The following table summarizes other transactions our partnership has entered into with our parent company and its subsidiaries:

	Year Ended		
(US$ MILLIONS)	**December 31, 2016**	**December 31, 2015**	**December 31, 2014**
Transactions during the period(1)			
Construction revenues	$359	$413	$182
Other business services revenues	8	—	—
	$367	$413	$182

(1) Within our construction services business, the partnership provides construction services to an affiliate of Brookfield. Within other business services, the partnership provides real estate financial advisory services to affiliates of Brookfield.

(US$ MILLIONS)	2016	2015
Balances at end of year		
Accounts receivable, net	**$97**	$59
Accounts payable and other	**$47**	$10

Equity in net assets attributable to parent company

"Net increase (decrease) in parent company investment" as shown in the consolidated statements of changes in equity represents the parent company's historical investment in our partnership, accumulated net income and the net effect of the transactions and allocations from the parent company. The total net effect of transactions with the parent company is reflected in the consolidated statements of cash flow as a financing activity and in the consolidated statements of financial position as "Equity in net assets attributable to parent company". All significant intercompany transactions between our partnership and the parent company have been considered to be forgiven at the time the transaction is recorded and reflected as a "Net increase (decrease) in parent company investment".

NOTE 25. DERIVATIVE FINANCIAL INSTRUMENTS

Our partnership'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. Our partnership and its subsidiaries selectively use derivative financial instruments principally to manage these risks.

The aggregate notional amount of our partnership's derivative positions at December 31, 2016 and 2015 were as follows:

(US$ MILLIONS)	Note	2016	2015
Foreign exchange contracts[(1)]	(a)	**$761**	$163
Energy contracts	(b)	**—**	—
		$761	$163

(1) Notional amounts are presented on a net basis.

Other Information Regarding Derivative Financial Instruments

The following table presents the notional amounts underlying our partnership's derivative instruments by term to maturity as at December 31, 2016 and the comparative notional amounts at December 31, 2015, for both derivatives that are classified as fair value through profit or loss and derivatives that qualify for hedge accounting:

		2016			2015
(US$ MILLIONS)	Note	< 1 year	1 to 5 years	Total Notional Amount	Total Notional Amount
Fair value through profit or loss					
Foreign exchange contracts	(a)	$ 36	$—	$ 36	$ 43
Commodity swap contracts	(b)	—	—	—	—
Option contracts	(c)	—	—	—	—
Elected for hedge accounting					
Foreign exchange contracts	(a)	725	—	725	120
		$761	**$—**	**$761**	$163

(a) Foreign exchange contracts

Our partnership held the following foreign exchange contracts with notional amounts at December 31, 2016 and 2015.

	Notional Amount (U.S. Dollars)		Average Exchange Rate	
(US$ MILLIONS)	2016	2015	2016	2015
Foreign exchange contracts				
Australian dollars				
Buy	$(10)	$(110)	0.74	0.70
Sell[(1)]	485	187	0.74	0.73
European Union euros				
Buy	—	(57)	—	1.13
Sell	43	96	1.06	1.23
Canadian dollars				
Buy	(18)	(121)	0.74	0.76
Sell[(1)]	260	168	0.76	0.82
Japanese Yen				
Sell	3	5	0.01	0.01
Mexican Pesos				
Buy	(2)	(5)	0.05	0.06
	$761	$ 163		

(1) A number of foreign exchange contracts in the year ended December 31, 2016 were with a related party.

(b) Energy contracts

Our company held no swap contracts as at December 31, 2015 and held the following commodity swap contracts as at December 31, 2016:

(US$ MILLIONS)	Total Volume	Weighted average price range	Remaining term	Fair market value liability
Commodity swap	155,000 GJ/d	(USD$/GJ)-$1.39	Jan 17-Mar 17	$15
Commodity swap	75,000 GJ/d	(USD$/GJ)-$1.92	Apr 17-Oct 17	$ 7
Commodity swap	110,000 GJ/d	(USD$/GJ)-$2.21	Nov 17-Mar 18	$ 6
Commodity swap	50,000 GJ/d	(USD$/GJ)-$1.78	Apr 18-Nov 18	$ 2
				$30

(c) Option contracts

At December 31, 2016, our company held call options with a fair value of $20 million (2015: $17 million) and offsetting put options with a fair value of $11 million (2015: $12 million) related to one of our equity accounted investments. The fair value of the options as at December 31, 2016 was determined using level 3 inputs. Refer to note 4 for further information.

NOTE 26. FINANCIAL RISK MANAGEMENT

Our partnership recognizes that risk management is an integral part of good management practice.

Our partnership is exposed to the following risks as a result of holding financial instruments: capital risk; commodity price 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

The capital structure of our partnership consists of debt, offset by cash, and equity comprised of accumulated gains.

(US$ MILLIONS)	2016	2015
Borrowings	$ 1,551	$2,074
Cash	(1,050)	(354)
Net debt	**501**	1,720
Total equity	**4,038**	3,084
Total capital and net debt	**$ 4,539**	$4,804
Net debt to capitalization ratio	**11.0%**	35.8%

Our partnership 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 managing its maturity profile. Our partnership also borrows in the currency where the asset operates, where possible, in order to hedge its currency risk.

Our partnership'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, our partnership will evaluate a variety of capital sources including proceeds from selling non-core and mature assets, equity and debt financing. Our partnership will seek to raise additional equity if our partnership believes it can earn returns on these investments in excess of the cost of the incremental partnership capital.

As disclosed within borrowings (Note 17), our partnership 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. Our partnership does not have any market capitalization covenants attached to any of its borrowings, nor does it have any other externally imposed capital requirements.

(b) Commodity Price Risk

Commodity price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in commodity prices. Certain of our partnership's operating subsidiaries are exposed to commodity risk. A 10 basis point increase or decrease in commodity prices, as it relates to financial instruments, does not have a material impact on our partnership's net income.

(c) Liquidity Risk Management

Our partnership maintains sufficient financial liquidity to be able to meet on-going operating requirements and to be able to participate in acquisitions. Principal liquidity needs for the next year include, funding recurring expenses, meeting debt service payments, funding required capital expenditures and funding acquisition opportunities as they arise. The operating subsidiaries of our partnership also generate liquidity by accessing capital markets on an opportunistic basis.

The following tables detail the contractual maturities for our partnership's financial liabilities. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which our partnership can be required to pay. The tables include both interest and principal cash flows:

	December 31, 2016				
(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[(1)]	$2,007	$132	$ 1	$ 1	**$2,141**
Interest-bearing liabilities	411	647	510	4	**1,572**
Finance lease liabilities	8	6	2	—	**16**

(1) Excludes $279 million of decommissioning liabilities, other provisions, and post-employment benefits, $16 million of capital leases, and $21 million of loans and notes payable.

(US$ MILLIONS)	December 31, 2015 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[(2)]	$1,659	$ 55	$ 12	$197	$1,923
Interest-bearing liabilities	511	122	1,437	4	2,074
Finance lease liabilities	7	12	1	—	20

(2) Excludes $442 million of decommissioning liabilities, other provisions, post-employment benefits, and other liabilities, and $10 million of loans and notes payable.

(d) 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 our partnership will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, commodity prices or credit spreads.

Financial instruments held by our partnership that are subject to market risk include other financial assets, borrowings, derivative instruments, such as interest rate and foreign currency contracts, and marketable securities.

Our partnership is exposed to price risks arising from marketable securities and other financial assets. As at December 31, 2016 the balance of the portfolio was $426 million (2015: $259 million), a 10% change in the value of the portfolio would impact our equity by $43 million (2015: $26 million) and result in an impact on the consolidated statements of comprehensive income of $43 million (2015: $26 million).

Interest Rate Risk Management

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature. A 10 basis point increase or decrease in the interest rates does not have a material impact on our partnership's net income.

Foreign Currency Risk Management

Changes in currency rates will impact the carrying value of financial instruments and our partnership's net investment and cash flows denominated in currencies other than the U.S. dollar. The tables below set out our partnership's currency exposure at December 31, 2016 and 2015:

	2016						
(US$ MILLIONS)	**USD**	**AUD**	**GBP**	**CAD**	**EUR**	**Other**	**Total**
Assets							
Current assets	$1,366	$ 361	$384	$1,197	$ 62	$ 706	$4,076
Non-current assets	930	732	51	1,862	162	380	4,117
	$2,296	**$1,093**	**$435**	**$3,059**	**$224**	**$1,086**	**$8,193**
Liabilities							
Current liabilities	$ 345	$ 434	$419	$ 860	$ 25	$ 473	$2,556
Non-current liabilities	620	74	35	794	27	49	1,599
	965	508	454	1,654	52	522	4,155
Non-controlling interest[1]	416	99	3	828	114	77	1,537
Net investment to the partnership	**$ 915**	**$ 486**	**$ (22)**	**$ 577**	**$ 58**	**$ 487**	**$2,501**

	2015						
(US$ MILLIONS)	**USD**	**AUD**	**GBP**	**CAD**	**EUR**	**Other**	**Total**
Assets							
Current assets	$ 657	$ 218	$413	$ 973	$ 87	$687	$3,035
Non-current assets	1,209	1,146	47	1,729	178	291	4,600
	$1,866	$1,364	$460	$2,702	$265	$978	$7,635
Liabilities							
Current liabilities	$ 343	$ 454	$328	$ 747	$ 46	$577	$2,495
Non-current liabilities	1,093	71	25	810	40	17	2,056
	1,436	525	353	1,557	86	594	4,551
Non-controlling interest[1]	569	85	—	633	10	—	1,297
Net investment to the partnership	$ (139)	$ 754	$107	$ 512	$169	$384	$1,787

(1) Relates to the interests of others.

Our partnership is structured such that its foreign operations are primarily conducted by entities with a functional currency which is the same as the economic environment in which the operations take place. As a result, the net income impact of currency risk associated with financial instruments is limited as its financial assets and liabilities are generally denominated in the functional currency of the subsidiary that holds the financial instrument. However, our partnership is exposed to foreign currency risk on the net assets of its foreign currency denominated operations. Our partnership's exposures to foreign currencies and the sensitivity of net income and other comprehensive income, on a pre-tax basis, to a 10% change in the exchange rates relative to the United States dollar is summarized below:

	Dec. 31, 2016		
($ MILLIONS)	**Equity Attributable to partnership—(Originating Currency)**	**OCI Attributable to partnership**	**Net Income Attributable to partnership**
Australian dollar	**$1,271**	**$(55)**	**$—**
Canadian dollar	**773**	**(50)**	**—**
Other	**343**	**(3)**	**1**

	Dec. 31, 2015		
($ MILLIONS)	**Equity Attributable to Parent Company—(Originating Currency)**	**OCI Attributable to Parent Company**	**Net Income Attributable to Parent Company**
Australian dollar	$1,115	$(79)	$—
Canadian dollar	701	(50)	—
Other	77	(1)	1

	Dec. 31, 2014		
($ MILLIONS)	**Equity Attributable to Parent Company—(Originating Currency)**	**OCI Attributable to Parent Company**	**Net Income Attributable to Parent Company**
Australian dollar	$1,054	$(86)	$—
Canadian dollar	514	(44)	—
Other	92	(1)	1

(e) Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. Our partnership's exposure to credit risk in respect of financial instruments relates primarily to counterparty obligations regarding derivative contracts, loans receivable and credit investments such as corporate bonds.

Our partnership assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparties meet minimum credit quality requirements. Our partnership evaluates and monitors counterparty credit risk for derivative financial instruments and endeavours to minimize counterparty credit risk through diversification, collateral arrangements, and other credit risk mitigation techniques. Substantially all of our partnership's derivative financial instruments involve either counterparties that are banks or other financial institutions. Our partnership does not have any significant credit risk exposure to any single counterparty.

NOTE 27. SEGMENT INFORMATION

Our operations are organized into five operating segments which are regularly reviewed by our CODM for the purpose of allocating resources to the segment and to assess its performance. The key measures used by the CODM in assessing performance and in making resource allocation decisions are company funds from operations, or Company FFO and Company EBITDA.

Company 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. When determining Company FFO, we include our proportionate share of Company FFO of equity accounted investment.

Company FFO is further adjusted as Company EBITDA to exclude the impact of realized disposition gains (losses), interest expenses, current income taxes, and realized disposition gains, and current income taxes and interest expenses related to equity accounted investments.

	Year Ended December 31, 2016					
	Total attributable to our partnership					
(US$ MILLIONS)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Corporate and Other	Total
Revenues	$ 4,387	$ 2,006	$ 286	$ 1,280	$ 1	**$ 7,960**
Direct operating costs	(4,235)	(1,818)	(173)	(1,160)	—	**(7,386)**
General and administrative expenses	(48)	(98)	(17)	(89)	(17)	**(269)**
Equity accounted Company EBITDA(3)	—	23	144	—	—	**167**
Company EBITDA attributable to others(4)	—	(44)	(168)	(20)	—	**(232)**
Company EBITDA	104	69	72	11	(16)	**240**
Realized disposition gain, net	—	—	25	32	—	**57**
Interest expense	(1)	(14)	(30)	(44)	(1)	**(90)**
Realized disposition gain, current income taxes and interest expenses related to equity accounted investments(3)	—	—	(9)	—	—	**(9)**
Current income taxes	(8)	(12)	(1)	(4)	—	**(25)**
Company FFO attributable to others (net of Company EBITDA attributable to others)(4)	(1)	11	6	11	—	**27**
Company FFO(1)	94	54	63	6	(17)	**200**
Depreciation and amortization expense(2)						**(286)**
Impairment expense, net						**(261)**
Deferred income taxes						**41**
Other income (expense), net						**(11)**
Non-cash items attributable to equity accounted investments(3)						**(90)**
Non-cash items attributable to others(4)						**378**
Net income (loss) attributable to unitholders(1)						**$ (29)**

(1) Company FFO and net income attributable to unitholders include net income and Company FFO attributable to parent company prior to the spin-off on June 20, 2016 and to limited partnership unitholders, general partnership unitholders, and redemption-exchange unitholders post spin-off.

(2) For the year ended December 31, 2016, depreciation and amortization by segment is as follows; Construction Services $19 million, Other Business Services $33 million, Energy $114 million, Other Industrial Operations $120 million.

(3) The sum of these amounts equate to equity accounted income of $68 million.

(4) Total cash and non-cash items attributable to the interest of others equals net loss of $173 million as per the consolidated statements of operating results.

	Year Ended December 31, 2015					
	Total attributable to our partnership					
(US$ MILLIONS)	**Construction Services**	**Other Business Services**	**Energy**	**Other Industrial Operations**	**Corporate and Other**	**Total**
Revenues	$ 3,833	$ 1,691	$ 337	$ 892	—	$ 6,753
Direct operating costs	(3,670)	(1,528)	(190)	(744)	—	(6,132)
General and administrative expenses	(45)	(92)	(20)	(67)	—	(224)
Equity accounted Company EBITDA[2]	3	22	90	—	—	115
Company EBITDA attributable to others[3]	(1)	(21)	(135)	(57)	—	(214)
Company EBITDA	120	72	82	24	—	298
Realized disposition gain	—	40	—	—	—	40
Interest expense	(2)	(13)	(25)	(25)	—	(65)
Realized disposition gain, current income taxes and interest expenses related to equity accounted investments[2]	—	—	(11)	—	—	(11)
Current income taxes	(20)	(20)	(1)	(8)	—	(49)
Company FFO attributable to others (net of Company EBITDA attributable to others)[3]	—	4	24	23	—	51
Company FFO	98	83	69	14	—	264
Depreciation and amortization expense[1]						(257)
Impairment expense, net						(95)
Gain on acquisitions						229
Deferred income taxes						(5)
Other income (expense), net						70
Non-cash items attributable to equity accounted investments[2]						(100)
Non-cash items attributable to others[3]						102
Net income (loss) attributable to parent[4]						$ 208

(1) *For the year ended December 31, 2015, depreciation and amortization by segment is as follows; Construction Services $21 million, Other Business Services $34 million, Energy $148 million, Other Industrial Operations $54 million.*

(2) *The sum of these amounts equate to equity accounted income of $4 million.*

(3) *Total cash and non-cash items attributable to the interest of others equals net loss of $61 million as per the consolidated statements of operating results.*

(4) *Attributable to limited partnership unitholders, general partnership unitholders, redemption-exchange unitholders, and to parent company prior to the spin-off*

	Year Ended December 31, 2014					
	Total attributable to our partnership					
(US$ MILLIONS)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Corporate and Other	Total
Revenues	$ 3,026	$ 858	$ 358	$ 380	—	$ 4,622
Direct operating costs	(2,871)	(753)	(183)	(292)	—	(4,099)
General and administrative expenses	(46)	(77)	(22)	(34)	—	(179)
Equity accounted Company EBITDA(2)	1	25	—	—	—	26
Company EBITDA attributable to others(3)	—	(5)	(95)	(39)	—	(139)
Company EBITDA	110	48	58	15	—	231
Interest expense	(2)	(8)	(10)	(8)	—	(28)
Current income taxes	(14)	(10)	—	(3)	—	(27)
Company FFO attributable to others(3)	—	2	7	8	—	17
Company FFO	94	32	55	12	—	193
Depreciation and amortization expense(1)						(147)
Impairment expense, net						(45)
Deferred income taxes						9
Other income (expense), net						13
Non-cash items attributable to others(3)						70
Net income (loss) attributable to parent(4)						$ 93

(1) *For the year ended December 31, 2014, depreciation and amortization by segment is as follows; Construction Services $26 million, Other Business Services $17 million, Energy $89 million, Other Industrial Operations $15 million.*

(2) *The sum of these amounts equate to equity accounted income of $26 million.*

(3) *Total cash and non-cash items attributable to the interest of others equals net loss of $52 million as per consolidated statements of operating results.*

(4) *Attributable to limited partnership unitholders, general partnership unitholders, redemption-exchange unitholders, and to parent company prior to the spin-off*

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 our partnership's assets by reportable operating segment for the years under review:

	As at December 31, 2016					
	Total attributable to our partnership					
(US$ MILLIONS)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Corporate and Other	Total
Total assets	**$2,275**	**$1,690**	**$1,596**	**$2,047**	**$585**	**$8,193**

	As at December 31, 2015					
	Total attributable to our partnership					
(US$ MILLIONS)	Construction Services	Other Business Services	Energy	Other Industrial Operations	Corporate and Other	Total
Total assets	$2,125	$1,429	$1,867	$2,214	$—	$7,635

Geographic Information

Revenues from external customers

(US$ MILLIONS)	Year Ended December 31 2016	2015	2014
Australia	$2,502	$2,289	$1,911
United Kingdom	1,451	1,027	529
Canada	1,954	1,713	931
United States of America	927	863	789
Middle East	732	688	443
Other	394	173	19
Total revenues	**$7,960**	$6,753	$4,622

Our partnership has no revenues from any one major customer which are higher than 10% of our partnership's total revenues.

Non-current Assets(1)

(US$ MILLIONS)	2016	2015
Australia	$ 817	$1,147
United Kingdom	51	48
Canada	1,863	1,977
United States of America	522	628
Middle East	293	272
Other	571	528
Total non-current assets	**$4,117**	$4,600

(1) Non-current assets is comprised of property, plant and equipment, intangible assets, equity accounted investments, goodwill and other non-current assets.

NOTE 28. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31		
(US$ MILLIONS)	2016	2015	2014
Interest paid	**$74**	$46	$11
Income taxes paid	**$ 9**	$ 4	$14

Amounts paid and received for interest were reflected as operating cash flows in the consolidated statements of cash flow.

Details of "Changes in non-cash working capital, net" on the consolidated statements of cash flow are as follows:

(US$ MILLIONS)	2016	2015	2014
Accounts receivable	$ (55)	$(516)	$(101)
Inventory	60	52	(16)
Prepayments and other	(123)	(122)	(10)
Accounts payable and other	127	646	159
Changes in non-cash working capital, net	**$ 9**	$ 60	$ 32

NOTE 29. POST-EMPLOYMENT BENEFITS

Our partnership maintains several defined benefit pension plans within our industrial operations segment during the year. These plans are administered in various countries, the most significant of which is in the U.S. The U.S. plan was curtailed in a prior fiscal year with benefits frozen as of the date of curtailment. We continue to make quarterly contributions of 1% of each employee's total eligible pay. We also provide life insurance for eligible retired employees. These benefits are provided through various insurance companies and the estimated net post-retirement benefit costs are accrued during the employees' credited service periods.

The following table shows the changes in the present value of the defined benefit obligation and the fair value of plan assets as at December 31, 2016:

US$ MILLIONS	Defined benefit pension plan 2016	Defined benefit pension plan 2015	Post-retirement plan 2016	Post-retirement plan 2015
Changes in defined benefit obligation				
Defined benefit obligation at acquisition	$ 165	$ 170	$30	$32
Service cost	1	—	(1)	—
Interest cost	6	2	2	1
Foreign currency exchange changes	(1)	—	1	(1)
Actuarial gain due to financial assumption changes	4	(3)	—	—
Actuarial gain due to demographic assumption changes	(2)	(1)	—	—
Actuarial experience adjustments	(1)	—	(1)	(1)
Benefits paid	(10)	(3)	(2)	(1)
Defined benefit obligation at end of year	**$ 162**	$ 165	**$29**	$30
Changes in fair value of plan assets				
Fair value of plan assets at acquisition	$(108)	$(112)	$—	$—
Interest income	(4)	(2)	—	—
Return on plan assets (excluding interest income)	(5)	6	—	—
Employer contributions	(9)	(3)	—	—
Employer direct settlements	(1)	—	(1)	1
Benefits paid from employer	1	—	1	(1)
Benefits paid from plan assets	9	3	—	—
Administrative expenses paid from plan assets	1	—	—	—
Fair value of plan assets at end of year	**$(116)**	$(108)	**$—**	$—
Net liability at end of year	**$ 46**	$ 57	**$29**	$30

The net liabilities for the defined benefit and post-retirement plans are recorded within accounts payable and other in the consolidated statements of financial position.

The following table summarizes the defined benefit obligation and the fair value of plan assets by geography as at December 31, 2016:

US$ MILLIONS	United States	Canada	Other	Total
Defined benefit pension plan				
Defined benefit obligation	$ 140	$ 4	$ 18	$ 162
Fair value of plan assets	(101)	(3)	(12)	(116)
Net liability	**$ 39**	**$ 1**	**$ 6**	**$ 46**
Post-retirement plan				
Defined benefit obligation	$ 11	$14	$ 4	$ 29
Net liability	**$ 11**	**$14**	**$ 4**	**$ 29**

The following table summarizes the defined benefit obligation and the fair value of plan assets by geography as at December 31, 2015:

US$ MILLIONS	United States	Canada	Other	Total
Defined benefit pension plan				
Defined benefit obligation	$142	$ 4	$ 19	$ 165
Fair value of plan assets	(94)	(3)	(11)	(108)
Net liability	**$ 48**	**$ 1**	**$ 8**	**$ 57**
Post-retirement plan				
Defined benefit obligation	$ 11	$14	$ 5	$ 30
Net liability	**$ 11**	**$14**	**$ 5**	**$ 30**

Amounts recognized in respect of these defined benefit and post-retirement plans during the year are as follows:

	Defined benefit pension plan		Post-retirement plan	
US$ MILLIONS	2016	2015	2016	2015
Amounts recognized in profit and loss				
Current service cost	$ 1	$—	$—	$—
Net interest expense	2	1	1	—
Administrative expense	1	—	—	—
Total expense recognized in profit and loss	**$ 4**	$ 1	**$ 1**	$—
Amounts recognized in other comprehensive income				
Return on plan assets (excluding amounts included in net interest expense)	$(6)	$ 6	$—	$—
Actuarial gains and losses arising from changes in demographic assumptions	(2)	(3)	—	—
Actuarial gains and losses arising from changes in financial assumptions	4	(1)	—	(1)
Actuarial gains and losses arising from experience adjustments	(1)	—	(1)	—
Total expense (gain) recognized in other comprehensive income	**$(5)**	$ 2	**$(1)**	(1)
Total expense (gain) recognized in comprehensive income	**$(1)**	$ 3	**$—**	$(1)

The expense recorded in profit and loss is recognized within general and administrative expenses in the consolidated statements of operating results.

The defined benefit pension plans expose our partnership to certain actuarial risks such as investment risk, interest rate risk, and compensation risk. The present value of the defined benefit obligation is calculated using a discount rate. If the return on plan assets is below this rate, a plan deficit occurs. We mitigate this investment risk by establishing a sound investment policy to be followed by the investment manager. Our investment policy requires plan assets to be invested in a diversified portfolio and is set based on both asset return and local statutory requirements. A change in interest and compensation rates will also affect the defined benefit obligation. A sensitivity analysis of the discount rate and compensation rate is provided below.

The following table summarizes the fair value of plan assets by category as at December 31, 2016:

US$ MILLIONS	Level 1	Level 2(1)	Level 3(2)	Total
Cash and cash equivalents	$ 2	$ —	$—	$ 2
Equity instruments	1	—	—	1
Debt instruments	2	1	—	3
Investment funds	—	99	—	99
Fixed insurance contracts	—	—	11	11
Total plan assets	**$ 5**	**$100**	**$11**	**$116**

(1) Level 2 assets represent the net asset value of the underlying assets held by the investment fund. The assets are valued by the fund administrator.

(2) Level 3 assets consist of insurance rights and equity and debt instruments pooled in an actively invested collective profit sharing arrangement with other third-party employers. The assets are valued using non-observable inputs by the plan administrator.

Significant Assumptions

Our partnership annually re-evaluates assumptions and estimates used in projecting the defined benefit and post-retirement liabilities. These assumptions and estimates may affect the carrying value of the defined benefit and post-retirement plan liabilities in our consolidated statements of financial position. The significant actuarial assumptions adopted are as follows:

Defined benefit plan	
Discount rate	3.6% to 4%
Rate of compensation increase	1.6%

Post-retirement plan	
Discount rate	4% to 4.8%
Health care cost trend on covered charges:	
Immediate trend rate	6.8% to 8.5%
Ultimate trend rate	5% to 6%

These assumptions have a significant impact on the defined benefit and post-retirement liabilities reported in the consolidated statement of financial position. The following table presents a sensitivity analysis of each assumption with the related impact on these liabilities as at December 31, 2016:

US$ MILLIONS	Percentage Increase	Impact on Liability	Percentage Decrease	Impact on Liability
Defined benefit pension plan				
Discount rate	0.25% to 1%	$ (5)	0.25% to 1%	$ 5
Rate of compensation increase	0.50%	—	0.50%	—
Post-retirement plan				
Discount rate	0.25% to 1%	$ (1)	0.25% to 1%	$ 1
Health care cost trend rates	0.50 to 1%	1	0.50 to 1%	(1)

The sensitivity analyses above have been determined based on reasonably possible changes of the respective assumptions occurring as at December 31, 2016, while holding all other assumptions constant. These analyses may not be representative of the actual change in the defined benefit and post-retirement obligations as it is unlikely that the change in assumptions would occur in isolation of one another.

The following table summarizes future planned benefit payments under our defined benefit and post-retirement plans as at December 31, 2016:

US$ MILLIONS	Defined benefit pension plan	Post-retirement plan
2017	$ 10	$ 2
2018	10	2
2019	10	2
2020	10	2
2021	10	2
Thereafter	55	13
Total	**$105**	**$23**

NOTE 30. SUBSEQUENT EVENTS

In January 2017, together with our institutional partners, the partnership sold its bath and shower manufacturing business for gross proceeds before transaction and other costs of approximately $400 million.

Subsequent to year-end, together with our institutional partners, the partnership entered into a definitive agreement to acquire an approximate 85% controlling stake in a leading provider of road fuels in the U.K. for a commitment to be approximately £210 million ($260 million), or £55 million ($70 million) at the partnership's proportionate share. The transaction is anticipated to close in the second quarter of 2017.

On February 3, 2017, the Board of Directors has declared a quarterly distribution in the amount of $0.0625 per unit, payable on March 31, 2017 to unitholders of record as at the close of business on February 28, 2017.

SUPPLEMENTARY INFORMATION ON OIL AND GAS (UNAUDITED)

Supplementary Oil and Gas Information

In calculating the standardized measure of discounted future net cash flows, constant price and cost assumptions were applied to our company's annual future production from proved reserves to determine cash inflows. Future production and development costs assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying statutory income tax rates to future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10% discount factor to the future net cash flows. The calculation of the standardized measure of discounted future net cash flows is based upon the discounted future net cash flows prepared by our company's independent qualified reserves evaluators in relation to the reserves they respectively evaluated, and adjusted to the extent provided by contractual arrangements, such as price risk management activities, in existence at year end and to account for asset retirement obligations and future income taxes.

Our company cautions that the discounted future net cash flows relating to proved oil and gas reserves are an indication of neither the fair market value of our company's oil and gas properties, nor the future net cash flows expected to be generated from such properties. The discounted future net cash flows do not include the fair market value of exploratory properties and probable or possible oil and gas reserves, nor is consideration given to the effect of anticipated future changes in oil and gas prices, development, asset retirement and production costs, and possible changes to tax and royalty regulations. The prescribed discount rate of 10% may not appropriately reflect future interest rates.

All references in the following tables contain Consolidated Subsidiaries, being Ember and Insignia both of which are geographically located in Canada, and/or Equity Affiliates, being Quadrant which is located in Australia. Consolidated Subsidiaries reserves and values are represented on a total company interest basis while the Equity Affiliates reserves and values are represented as BBP's proportionate interest.

Net Proved Reserves[1,2]
(12-Month Average Trailing Prices; After Royalties)

The table below presents a summary of changes in the internal engineering estimated proved reserves for each of the years in the three years ended December 31, 2016. Our company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries and undeveloped locations are more imprecise than estimates of established producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available.

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[1] *Definitions:*

a. *"Net" reserves are the remaining reserves of our company, after deduction of estimated royalties and including royalty interests.*

b. *"Proved" oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations.*

c. *"Developed" oil and gas reserves are reserves of any category that are expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well.*

d. *"Undeveloped" oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion*

[2] *Our company does not file any estimates of total net proved natural gas, oil and NGLs reserves with any U.S. federal authority or agency other than the Securities and Exchange Commission and the Canadian Securities Administrators in accordance with NI 51-101.*

	Oil (Mbbls)	NGLs (Mbbls)	Natural Gas (MMcf)	Total (MBoe)
Consolidated Subsidiaries (Canadian Operations)				
2014(1)				
Beginning of year	1,117	445	302,746	52,019
Revisions and improved recovery	470	266	67,276	11,949
Extensions and discoveries	—	32	44,583	7,463
Purchases of proved reserves in place	5	—	53,420	8,909
Sales of minerals in place	—	—	—	—
Production	(207)	(117)	(41,664)	(7,268)
End of year	1,385	626	426,361	73,072
Developed	1,362	455	353,283	60,698
Undeveloped	23	171	73,078	12,374
Total	**1,385**	**626**	**426,361**	**73,072**
2015(2)				
Beginning of year	1,385	626	426,361	73,072
Revisions and improved recovery	232	(82)	267,493	44,733
Extensions and discoveries	—	—	8,674	1,446
Purchases of proved reserves in place	302	245	429,325	72,100
Sales of minerals in place	(357)	(78)	(2,819)	(905)
Production	(314)	(148)	(103,775)	(17,758)
End of year	1,248	563	1,025,259	172,688
Developed	1,248	563	1,025,259	172,688
Undeveloped	—	—	—	—
Total	**1,248**	**563**	**1,025,259**	**172,688**
2016(3)				
Beginning of year	**1,248**	**563**	**1,025,259**	**172,688**
Revisions and improved recovery	**(246)**	**(33)**	**(141,458)**	**(23,855)**
Extensions and discoveries	**20**	**—**	**14,098**	**2,370**
Purchases of proved reserves in place	**2**	**13**	**8,120**	**1,368**
Sales of minerals in place	**(98)**	**(1)**	**(52)**	**(107)**
Production	**(269)**	**(78)**	**(100,505)**	**(17,099)**
End of year	**657**	**464**	**805,462**	**135,365**
Developed	**657**	**464**	**805,462**	**135,365**
Undeveloped	**—**	**—**	**—**	**—**
Total	**657**	**464**	**805,462**	**135,365**

	Oil (Mbbls)	NGLs (Mbbls)	Natural Gas (MMcf)	Total (MBoe)
Equity Affiliates (Australian Operations)				
2015[(4)]				
Beginning of year	n/a	n/a	n/a	n/a
Revisions and improved recovery	n/a	n/a	n/a	n/a
Extensions and discoveries	n/a	n/a	n/a	n/a
Purchases of proved reserves in place	3,812	1,176	150,891	30,137
Sales of minerals in place	n/a	n/a	n/a	n/a
Production	(812)	(59)	(7,230)	(2,076)
End of year	3,000	1,117	143,661	28,061
Developed	2,169	537	85,731	16,995
Undeveloped	831	580	57,930	11,066
Total	**3,000**	**1,117**	**143,661**	**28,061**
2016[(5)]				
Beginning of year	**3,000**	**1,117**	**143,661**	**28,061**
Revisions and improved recovery	**(232)**	**81**	**3,166**	**376**
Extensions and discoveries	**—**	**—**	**—**	**—**
Purchases of proved reserves in place	**—**	**—**	**—**	**—**
Sales of minerals in place	**(1,353)**	**(504)**	**(64,786)**	**(12,654)**
Production	**(522)**	**(78)**	**(6,889)**	**(1,748)**
End of year	**893**	**616**	**75,152**	**14,035**
Developed	**807**	**275**	**46,707**	**8,867**
Undeveloped	**86**	**341**	**28,445**	**5,168**
Total	**893**	**616**	**75,152**	**14,035**
Consolidated Subsidiaries (Canadian Operations) and Equity Affiliates (Australian Operations)				
2016				
Consolidated subsidiaries	**657**	**464**	**805,462**	**135,365**
Equity affiliates	**893**	**616**	**75,152**	**14,035**
End of year	**1,550**	**1,080**	**880,614**	**149,400**
Developed	**1,464**	**739**	**852,169**	**144,232**
Undeveloped	**86**	**341**	**28,445**	**5,168**
Total	**1,550**	**1,080**	**880,614**	**149,400**

(1) *For the year ended December 31, 2014, proved reserves increased by 21,053 MBoe, of which (i) 11,949 MBoe was due primarily to improved pricing, recovery and well performance, (ii) 8,909 was due to an acquisition in May 2014 and (iii) 7,463 MBoe was due to drilling and completion activities.*

(2) *For the year ended December 31, 2015, proved reserves increased by 99,616 MBoe, of which (i) 44,733 MBoe was due primarily to improved recovery and well performance, (ii) 72,100 was due to an acquisition in January 2015, (iii) 1,446 MBoe was due to drilling and completion activities, and (iv) offset by a reduction of 905 Mboe of proved reserves from the disposition of non-core minerals in place.*

(3) *For the year ended December 31, 2016, proved reserves decreased by 37,323 MBoe, of which (i) 23,855 MBoe was due primarily lower commodity pricing, (ii) 107 was due to a disposition of non-core minerals in place, (iii) offset by an increase of 2,370 MBoe due to recompletion activities, and (iv) offset by an increase of 1,368 Mboe of proved reserves from a minor acquisition of minerals in place.*

(4) *The change in our Equity Affiliate proved reserves was due to our acquisition of our Australian Operations of 30,137 Mboe on June 5, 2015. This amount represents the proved reserve balance as at December 31, 2015 adjusted for production during the period from June 5, 2015 to December 31, 2015 as no proved reserves were determined upon the date of acquisition.*

(5) *For the year ended December 31, 2016, proved reserves decreased by 14,026 as a result of a 12,654 MBoe decrease due to the disposition of a portion of our equity holdings partially offset by reserves increase of 376 MBoe due to improved recovery and well performance.*

12-Month Average Trailing Prices

The following reference prices were utilized in the determination of reserves and future net revenue:

	Natural Gas		Oil & NGL's			
	Henry Hub ($/MMBtu)	AECO (CAD$/MMBtu)	WTI ($/bbl)	Edmonton Light Sweet (CAD$/bbl)	Brent[3] ($/bbl)	NGL Mix[4] (CAD$/bbl)
Reserves Pricing[1][2]						
2014	4.35	4.58	95.28	94.74	101.30	66.70
2015	2.58	2.69	50.28	59.38	54.13	27.85
2016	**2.49**	**2.17**	**42.75**	**52.26**	**42.90**	**28.48**

(1) *All prices were held constant in all future years when estimating net revenues and reserves.*

(2) *There is no established pricing benchmark posted on any trading exchange for natural gas or condensate sales in Western Australia. Rather, Quadrant enters into various bilateral customer contracts with end users of both products in Western Australia. Forecast prices reflect current forward pricing from bilateral customer contracts and incorporate pricing estimates for volumes not currently under a bilateral customer contract.*

(3) *Brent oil prices are the relevant benchmark price for both oil and condensate sales in our Australian operations.*

(4) *NGL mix based on 45 percent propane, 35 percent butane and 20 percent natural gasolines.*

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

($ MILLIONS)	Total 2016	2015	2014
Consolidated Subsidiaries (Canadian Operations)			
Future cash inflows	**$1,263**	$2,000	$1,829
Less future:			
Production costs	**980**	1,355	775
Development costs	**334**	324	167
Income taxes[1]	**—**	—	—
Future net cash flows	**(51)**	321	887
Less 10% annual discount for estimated timing of cash flows	**(185)**	(48)	330
Discounted future net cash flows	**$ 134**	$ 369	$ 557
Equity Affiliates (Australian Operations)			
Future cash inflows	**$ 378**	$1,022	$ —
Less future:			
Production costs	**82**	195	—
Development costs	**107**	220	—
Income taxes	**89**	308	—
Future net cash flows	**100**	299	—
Less 10% annual discount for estimated timing of cash flows	**27**	96	—
Discounted future net cash flows	**$ 73**	$ 203	$ —

(1) *Based on SEC constant pricing for December 31, 2016, there are sufficient tax pools available to offset net future income taxes.*

Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

($ MILLIONS)	Total 2016	2015	2014
Consolidated Subsidiaries (Canadian Operations)			
Balance, beginning of year	**$ 369**	$ 557	$ 237
Changes resulting from:			
Oil and gas sales during the period net of royalties and production costs	**(42)**	(87)	(113)
Changes due to prices	**(234)**	(340)	264
Actual development costs during the period	**15**	37	92
Changes in future development costs	**(9)**	25	(84)
Changes resulting from extensions, infill drilling and improved recovery	**4**	4	73
Changes resulting from discoveries	**—**	—	—
Changes resulting from acquisitions of reserves	**—**	204	72
Changes resulting from dispositions of reserves	**(9)**	(5)	—
Accretion of discount	**38**	47	22
Other significant factors	**10**	(115)	(16)
Net changes in income taxes	**(13)**	25	(32)
Changes resulting from technical reserves revisions plus effects of timing	**5**	17	42
Balance, end of year	**$ 134**	$ 369	$ 557
Equity Affiliates (Australian Operations)			
Balance, beginning of year	**$ 203**	—	—
Changes resulting from:			
Sales and transfers of oil and gas produced during the period	**—**	—	—
Previously estimated development costs incurred during the period	**—**	—	—
Net change in sale and transfer prices	**(37)**	—	—
Net change in future production (quantity estimates) and related estimated production (lifting) and development costs	**27**	—	—
Net changes due to extensions, discoveries and improved recovery	**—**	—	—
Net changes due to purchases and sales of minerals in-place	**(60)**	$ 203	—
Accretion of discount	**23**	—	—
Other—unspecified	**(5)**	—	—
Net changes in income taxes	**(78)**	—	—
Balance, end of year	**$ 73**	$ 203	—

(1) All of the Equity Affiliates reserves were acquired on June 5, 2015 by virtue of an acquisition of a major United States company's western Australian oil and gas assets. As such, there were no reserve balances as at December 31, 2014. Consequently, there were also no reserve balances as at December 31, 2014 from which to provide a reconciliation.

Results of Operations

($ MILLIONS)	Total 2016	2015	2014
Consolidated Subsidiaries (Canadian Operations)			
Oil and gas revenues, net of royalties, transportation and processing	**146**	224	183
Less:			
Operating costs, production and mineral taxes, and accretion of asset retirement obligations	**117**	132	70
Depreciation, depletion and amortization	**94**	122	65
Impairments[1]	**—**	(136)	—
Operating income (loss)	**(65)**	105	48
Income taxes	**32**	14	(12)
Results of operations	**(33)**	119	36
Equity Affiliates (Australian Operations)[2]			
Oil and gas revenues, net of royalties, transportation and processing	**73**	82	—
Less:			
Operating costs, production and mineral taxes, and accretion of asset retirement obligations	**23**	23	—
Depreciation, depletion and amortization	**31**	32	—
Impairments	**11**	30	—
Other income/expenses	**(10)**	1	—
Finance income/expenses	**3**	5	—
Operating income (loss)	**14**	(9)	—
Income taxes	**(5)**	(2)	—
Results of operations	**9**	(6)	—

(1) *Impairments recognizes a bargain purchase gain on the acquisition of the Clearwater CBM property in January 2015 and is offset by impairment of some minor non-CBM properties during the year.*

(2) *All of the Equity Affiliates reserves were acquired on June 5, 2015 by virtue of an acquisition of a major United States company's western Australian oil and gas assets. As such, results from 2015 are presented as from inception (June 5, 2015) to December 31, 2015.*

Capitalized Costs

($ MILLIONS)	Total 2016	2015	2014
Consolidated Subsidiaries (Canadian Operations)			
Proved oil and gas properties	**1,323**	1,348	852
Unproved oil and gas properties	**8**	13	25
Total capital cost	**1,331**	1,361	877
Accumulated DD&A	**(425)**	(324)	(248)
Net capitalized costs	**906**	1,037	629
Equity Affiliates (Australian Operations)[1]			
Proved oil and gas properties	**279**	556	—
Unproved oil and gas properties	**29**	12	—
Total capital cost	**308**	568	—
Accumulated DD&A	**(66)**	(46)	—
Net capitalized costs	**242**	522	—

(1) All of the Equity Affiliates reserves were acquired on June 5, 2015 by virtue of an acquisition of a major United States company's western Australian oil and gas assets. As such, results from 2015 are presented as from inception (June 5, 2015) to December 31, 2015.

Costs Incurred

($ MILLIONS)	Total 2016	2015	2014
Consolidated Subsidiaries (Canadian Operations)			
Acquisitions			
Unproved	**—**	—	—
Proved	**—**	663	44
Total acquisitions	**—**	663	44
Exploration costs[1]	**—**	(8)	1
Development costs[1]	**(69)**	(28)	91
Total costs incurred	**(69)**	627	136
Equity Affiliates (Australian Operations)[2]			
Acquisitions			
Unproved	**—**	14	—
Proved	**—**	541	—
Total acquisitions	**—**	555	—
Exploration costs	**22**	16	—
Development costs	**5**	13	—
Total costs incurred	**27**	584	—

(1) Net of adjustments for minor dispositions during 2015.

(2) All of the Equity Affiliates reserves were acquired on June 5, 2015 by virtue of an acquisition of a major United States company's western Australian oil and gas assets. As such, results from 2015 are presented as from inception (June 5, 2015) to December 31, 2015.

Costs not Subject to Depletion or Amortization

Upstream costs in respect of significant unproved properties are excluded from the country cost center's depletable base are as follows:

($ MILLIONS)	As at December 31 2016	2015	2014
Total	**7.8**	8.4	12.0

	2016	2015	2014	Prior to 2014	Total
Acquisition costs	0.1	0.2	0.3	7.2	**7.8**
Exploration costs	—	—	—	—	**—**
	0.1	0.2	0.3	7.2	**7.8**

Ultimate recoverability of these costs and the timing of inclusion within the applicable country cost center's depletable base is dependent upon either the finding of proved natural gas and liquids reserves, expiration of leases or recognition of impairments. Acquisition costs primarily include costs incurred to acquire or lease properties. Exploration costs primarily include costs related to geological and geophysical studies and costs of drilling and equipping exploratory wells.