U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

(Check One)

¨ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

þ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2007

Commission file number 1-15226

BROOKFIELD ASSET MANAGEMENT INC.

(Exact name of registrant as specified in its charter)

Ontario, Canada	**1121, 1031, 1061, 1311, 1321, 2421, 4939, 6311**	**Not applicable**
(Province or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number (if applicable))**	**(I.R.S. Employer Identification Number (if Applicable))**

Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3
(416) 363-9491
(Address and Telephone Number of Registrant's Principal Executive Offices)

Torys LLP, 237 Park Avenue, New York, NY 10017-3142
(212) 880-6000
(Name, Address (Including Zip Code) and Telephone Number (Including Area Code) of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Class A Limited Voting Shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **Debt Securities**

For annual reports, indicate by check mark the information filed with this Form:

þ Annual Information Form þ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Class A Limited Voting Shares	**583,527,581**
Class B Limited Voting Shares	**85,120**

Indicate by check mark whether the registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the registrant in connection with such rule.

Yes ¨ No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Exhibits 99.1, 99.2 and 99.3 to this Annual Report on Form 40-F are hereby incorporated by reference as exhibits to the registrant's Registration Statement on Form F-9 (File No. 333-112049) under the Securities Act of 1933.

Principal Documents

The following documents, filed as Exhibits 99.1 through 99.4 hereto, are hereby incorporated by reference into this Annual Report on Form 40-F:

(a) Annual Information Form for the fiscal year ended December 31, 2007;

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for the fiscal year ended December 31, 2007;

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2007; and

(d) Differences between Canadian and United States of America generally accepted accounting principles.

ADDITIONAL DISCLOSURE

Certifications and Disclosure Regarding Controls and Procedures

(a) Certifications. See Exhibits 99.5 and 99.6 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of the registrant's fiscal year ended December 31, 2007, an evaluation of the effectiveness of the registrant's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the registrant's principal executive officer and principal financial officer. Based upon that evaluation, the registrant's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that while the registrant's principal executive officer and principal financial officer believe that the registrant's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the registrant's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) Management's Annual Report on Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over the registrant's financial reporting. The registrant's internal control system was designed to provide reasonable assurance that all transactions are accurately recorded, that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the registrant's assets are safeguarded.

Management has assessed the effectiveness of the registrant's internal control over financial reporting as at December 31, 2007. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission framework in Internal Control – Integrated Framework to evaluate the effectiveness of the registrant's internal control over financial reporting. Based on the assessment, management has concluded that the registrant's internal control over financial reporting was effective as of December 31, 2007.

Management excluded from its assessment the internal control over financial reporting at Longview Fibre Inc., Multiplex Group Limited and Malzoni Properties Inc., which were acquired during 2007, whose total assets, net assets, total revenues and net income on a combined basis constitute approximately 22%, 39%, 11% and nil%, respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2007.

(d) Attestation Report of the Registered Public Accounting Firm. The required disclosure is included in Exhibit 99.10 hereto, which is incorporated by reference into this Annual Report on Form 40-F.

(e) Changes in Internal Control Over Financial Reporting. During the fiscal year ended December 31, 2007, there were no changes in the registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Notices Pursuant to Regulation BTR

None.

Audit Committee Financial Experts

The registrant's board of directors has determined that Mr. Marcel R. Coutu and Mr. George S. Taylor, both members of the registrant's audit committee, qualify as an "audit committee financial expert" (as such term is defined in Form 40-F).

Code of Ethics

The registrant has adopted a "code of ethics" (as that term is defined in Form 40-F), which it refers to as its Code of Business Conduct, that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions (together, the "Financial Supervisors").

The Code of Business Conduct, which complies with the requirements of the New York Stock Exchange, is available for viewing on the registrant's website at *www.brookfield.com* at *About Brookfield/Corporate Governance* and is available in print to any shareholder who requests it. Requests for copies of the Code of Business Conduct should be made by contacting: Alan V. Dean, Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: 416-363-9491. Alternatively, requests may be sent by email to *inquiries@brookfield.com*.

Since the adoption of the Code of Business Conduct, there have not been any amendments to the Code of Business Conduct or waivers, including implicit waivers, from any provision of the Code of Business Conduct.

Principal Accountant Fees and Services

The information required is included under the heading "Principal Accountant Fees and Services" in the Audit Committee Information section of the registrant's Annual Information Form for the fiscal year ended December 31, 2007, incorporated by reference as Exhibit 99.1 to this Annual Report on Form 40-F.

Pre-Approval Policies and Procedures

The information required is included under the heading "Pre-Approval Policies and Procedures" in the Audit Committee Information section of the registrant's Annual Information Form for the fiscal year ended December 31, 2007, incorporated by reference as Exhibit 99.1 to this Annual Report on Form 40-F.

Off-Balance Sheet Arrangements

The registrant enters into derivative contracts in the normal course of its business, primarily to manage interest rate, currency and commodity price risks. The registrant also enters into financing commitments as part of its funds management business. These arrangements are disclosed in Note 18 to the registrant's Consolidated Financial Statements for the fiscal year ended December 31, 2007, incorporated by reference as Exhibit 99.3 to this Annual Report on Form 40-F. The registrant does not have any other off-balance sheet arrangements.

Tabular Disclosure of Contractual Obligations

The information required is included under the heading “Contractual Obligations” in Part 8, “Supplemental Information,” in the registrant’s MD&A for the fiscal year ended December 31, 2007, incorporated by reference as Exhibit 99.2 to this Annual Report on Form 40-F.

Identification of the Audit Committee

The registrant has a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the audit committee are: Marcel R. Coutu, who is the committee’s Chairman, William A. Dimma, Jack M. Mintz and George S. Taylor.

Disclosure Pursuant to the Requirements of the New York Stock Exchange

Independence of Directors

The registrant’s board of directors has determined that 12 of the registrant’s 16 directors, comprising a majority of the board, are independent directors in accordance with the director independence standards of the New York Stock Exchange, and that none of these 12 directors has a material relationship with the registrant which would impair his independence from management or otherwise compromise his ability to act as an independent director. The directors who have been determined to be independent on this basis are: Marcel R. Coutu, William A. Dimma, J. Trevor Eyton, James K. Gray, Lance Liebman, Philip B. Lind, Roy MacLaren, G. Wallace F. McCain, Frank J. McKenna, Jack M. Mintz, James A. Pattison and George S. Taylor.

Presiding Director at Meetings of Independent Directors

The registrant schedules regular meetings in which the registrant’s “independent” directors (as that term is defined in the rules of the New York Stock Exchange) meet without the participation of management and non-independent directors. Mr. Frank McKenna serves as the lead director at such sessions (the “Lead Director”).

Communication with Independent Directors

Shareholders may send communications to the registrant’s independent directors by writing to the Lead Director, c/o Alan V. Dean, Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: (416) 363-9491. Alternatively, communications may be sent by e-mail to *inquiries@brookfield.com*. Communications will be referred to the Lead Director for appropriate action. The status of all outstanding concerns addressed to the Lead Director will be reported to the board of directors as appropriate.

Corporate Governance Guidelines

The rules of the NYSE require listed companies to adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines are required to be posted on the listed company's website. The registrant operates under corporate governance principles that are consistent with the requirements of the NYSE rules, and which are summarized under the heading "Statement of Corporate Governance Practices" in the registrant's Management Information Circular dated March 14, 2008 in connection with its 2008 Annual Meeting and are available for viewing on the registrant's web site at *www.brookfield.com* under *About Brookfield/Corporate Governance*.

Board and Committee Charters

The charter of the registrant's board of directors is set out in Schedule A to the registrant's Management Information Circular for its 2008 Annual Meeting. The charter of the registrant's audit committee is set out in Appendix C of the Registrant's Annual Information Form for the fiscal year ended December 31, 2007. These documents are available for viewing on the registrant's web site at *www.brookfield.com* under *About Brookfield/Corporate Governance*.

The charters of the registrant's board of directors, audit committee, management resources and compensation committee and governance and nominating committee are each available for viewing on the registrant's web site at *www.brookfield.com* under *About Brookfield/Corporate Governance* and are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Alan V. Dean, Secretary, Brookfield Asset Management Inc., Suite 300, Brookfield Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: (416) 363-9491. Alternatively, requests may be sent by email to *inquiries@brookfield.com*.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking.

The registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Securities and Exchange Commission (the "Commission") staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process.

The Company has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of the registrant shall be communicated promptly to the Securities and Exchange Commission by an amendment to the Form F-X referencing the file number of the registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 27, 2008.

Brookfield Asset Management Inc.

By : /s/ Alan V. Dean

Name: Alan V. Dean

Title: Senior Vice-President and Secretary

EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form for the fiscal year ended December 31, 2007, including Appendices A, B and C
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2007
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2007
99.4	Differences between Canadian and United States of America generally accepted accounting principles
99.5	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.6	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.7	Section 1350 Certification of Chief Executive Officer
99.8	Section 1350 Certification of Chief Financial Officer
99.9	Consent of Deloitte & Touche LLP
99.10	Report of Independent Registered Chartered Accountants
99.11	Independent Auditor's Report on Internal Controls Under Standards of the Public Company Accounting Oversight Board (U.S.A.)

Brookfield Asset Management

2008 Annual Information Form
Brookfield Asset Management Inc.
March 28, 2008

ANNUAL INFORMATION FORM

TABLE OF CONTENTS

The Corporation	1
Cautionary Statement Regarding Forward-Looking Statements	1
Subsidiaries	2
Development of the Business	3
Business of the Corporation	
Overview	9
Commercial Properties	10
Power Generating Operations	12
Infrastructure	13
Development and Other Properties	15
Specialty Funds	17
Private Equity Investments	19
Business Environment and Risks	20
Directors and Officers	27
Market for Securities	28
Ratings	28
Dividends and Dividend Policy	29
Description of Capital Structure	31
Transfer Agent and Registrar	32
Material Contracts	32
Interests of Experts	32
Audit Committee Information	32
Additional Information	34
Appendices:	
A. Trading Information for the Corporation's Publicly-Listed Securities	A-1
B. Summary of Terms and Conditions of the Corporation's Authorized Securities	B-1
C. Charter of the Audit Committee of the Board of Directors of the Corporation	C-1



THE CORPORATION

Brookfield Asset Management Inc. (the "Corporation") is a global asset management company. Focussed on property, power and infrastructure assets, the Corporation has approximately $95 billion of assets under management and is listed on the New York, Toronto and Euronext Amsterdam stock exchanges under the symbols BAM, BAM.A and BAMA, respectively.

Brookfield Asset Management Inc. was formed by articles of amalgamation dated August 1, 1997 and is organized pursuant to articles of amalgamation under the *Business Corporations Act* (Ontario) dated January 1, 2005.

References in this Annual Information Form to the "Corporation" refer to Brookfield Asset Management Inc., including its predecessor companies. References to "Brookfield", "we", "us" and "our" refer to the Corporation and its consolidated subsidiaries unless the context requires otherwise. The Corporation's registered office and head office are located at Suite 300, Brookfield Place, 181 Bay Street, Toronto, Ontario, Canada M5J 2T3.

As an asset manager, we raise, invest and manage capital on behalf of ourselves and our co-investors, and develop and maintain leading operating platforms that enable us to effectively manage these assets and enhance their values over time. We operate and manage assets in the following areas:

i) **Property**—Our property operations are active in North America, Europe, Brazil, Australia and the Middle East, and include core office, residential retail and other property classes, as well as associated construction, development and property services.

ii) **Renewable Power**—Our power generation business is concentrated almost exclusively on hydroelectric power generation in North America and Brazil, with a small number of co-generation and wind energy facilities.

iii) **Infrastructure**—Our infrastructure business includes over 2.5 million acres of private timberlands in North America and Brazil and electricity transmission systems in Canada, Brazil and Chile.

iv) **Specialty investment funds**—Our specialty funds business develops, invests and manages funds and investments on behalf of institutional and related investors that co-invest in the same types of assets which we own, and includes bridge lending, restructuring and real estate finance.

v) **Fixed income and real estate securities**—We manage portfolios of fixed income and real estate securities on an advisory basis for a wide variety of institutional and retail investors.

In addition, we also own direct interests in a number of investments, collectively referred to as Private Equity Investments, which will be sold once value has been maximized, integrated into our core operations or used to seed new funds.

At December 31, 2007, our operations and core investments employed approximately 16,000 people.

All financial information in this Annual Information Form is expressed in United States dollars, unless otherwise noted. All references to C$ are to Canadian dollars. All information is as at December 31, 2007, unless otherwise noted.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements", within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in this Annual Information Form, in other filings with Canadian regulators or the SEC or in other communications. These forward-looking statements include among others, statements with respect to our financial and operating objectives and strategies to achieve those objectives, capital committed to our funds, the potential growth of our asset management business and the related revenue streams therefrom, as well as the outlook for our businesses and for the Canadian, United States and global economies and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions.

The words "believe", "typically", "expect", "potentially", "principally", "tend", "primarily", "generally", "represent", "anticipate", "position", "intend", "estimate", "endeavour", "seeking", "often" and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may", "will", "should", "would" or

"could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking statements. Although Brookfield believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: economic and financial conditions in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing; strategic actions including dispositions; the ability to effectively integrate acquisitions into existing operations and the ability to attain expected benefits; our continued ability to attract institutional partners to our Specialty Investment Funds; adverse hydrology conditions; regulatory and political factors within the countries in which we operate; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and factors detailed in this Annual Information Form under the heading "Business Environment and Risks", in the Corporation's Form 40-F filed with the Securities and Exchange Commission as well as in other documents filed from time to time by the Corporation with the securities regulators in Canada and the United States.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Brookfield, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

SUBSIDIARIES

The following is a list of the Corporation's main active subsidiaries, indicating the jurisdiction of incorporation and the percentage of voting securities owned, or over which control or direction is exercised directly or indirectly, by the Corporation:

Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned, Controlled or Directed
Property Operations		
Brookfield Homes Corporation	Delaware	58
Brookfield Properties Corporation	Canada	51
BPO Properties Limited	Canada	89
Multiplex [(a)]	Australia	100
Power Generating Operations		
Brookfield Power Inc.	Ontario	100
Great Lakes Hydro Income Fund	Quebec	50
Other		
Brascan Brasil, S.A.	Brazil	100
Brascan Residential Properties, S.A.	Brazil	60
Brookfield Investments Corporation [(b)]	Ontario	100

(a) Comprising Multiplex Limited and Multiplex Property Trust.

(b) Formerly Brascade Corporation.

DEVELOPMENT OF THE BUSINESS

The following is a summary of recent developments since January 2005 in each of the Corporation's areas of business and in the Corporation's corporate and other activities.

Commercial Property Operations – Office

Property acquisitions and divestitures in our commercial office properties since January 2005 include the following:

In June 2006, Brookfield Properties Corporation ("Brookfield Properties") announced that it signed a definitive agreement to acquire through a joint-venture with The Blackstone Group, all of the shares of Trizec Properties, Inc. ("Trizec Properties"), a publicly-traded U.S. core office REIT, and Trizec Canada Inc. ("Trizec Canada"), a Canadian company that holds, among other assets, an approximate 38% stake in Trizec Properties, which have a combined equity value of approximately $4.8 billion. The Trizec portfolio consists of 58 high-quality office properties totalling 29 million square feet in nine U.S. markets including New York City, Washington D.C. and Los Angeles. The transaction closed on October 5, 2006.

In January 2006, we acquired One Bethesda Center, a 168,000 square foot office building located in Bethesda, Maryland, for $69 million. This acquisition increased our core office portfolio in the Washington D.C. market area to two million square feet.

In January 2006, we sold the World Trade Center Denver for $116 million, which followed the sale of our 50% interest in the Colorado State Bank building in December 2005 for $22 million.

In October and November 2005, a consortium of investors including Brookfield Properties and its Canadian subsidiary, BPO Properties Ltd., acquired the 12 million square foot Canadian office portfolio of O&Y Properties Corporation and O&Y Real Estate Investment Trust for C$2 billion. The portfolio consists of 24 office properties, including the landmark First Canadian Place in downtown Toronto. Brookfield Properties provided 25% of the equity for this acquisition and serves as property and asset manager for the consortium.

In the third quarter of 2005, we acquired our partner's 50% interest in the Bay-Adelaide development site in downtown Toronto for approximately $90 million, to increase our flexibility to realize the long-term value of this 2.5 million square foot development site.

In March 2005, we announced the acquisition of an 80% interest in 20 Canada Square, a 555,000 square foot office property in London, U.K. for $624 million from Canary Wharf Group plc ("Canary Wharf"). 20 Canada Square is one of 28 office properties in the Canary Wharf Estate.

During 2005, our ownership of Canary Wharf was reduced to 15%, following the issuance of additional Class A Limited Voting shares by Canary Wharf.

Financial and corporate initiatives completed within our property operations since January 2005 include the following:

In September 2007, we announced completion of the £285 million ($573 million) refinancing of 20 Canada Square, an office property in Canary Wharf, London, United Kingdom, which we own jointly with Barclays.

In December 2006, Brookfield Properties issued $1.25 billion of common shares at $38 per share. Of the 33 million shares issued, a syndicate of underwriters purchased 20,625,000 shares and a subsidiary of the Corporation, Brookfield Investments Corporation (formerly Brascade Corporation ("Brascade")), purchased the remaining 12,375,000 shares for approximately $470 million.

During 2005, Brookfield Properties completed a three-for-two stock split of its common shares in the form of a stock dividend paid on March 31, 2005, and repurchased 2.7 million of its common shares under its normal course issuer bid.

Commercial Property Operations – Retail

In December 2007, our retail property fund in Brazil, Brascan Brazil Real Estate Partners, entered into an agreement to acquire five high-quality shopping centres in São Paulo and Rio de Janeiro for R$1.7 billion Brazilian *reais* (approximately $965 million). This acquisition expands the fund's portfolio to approximately 2.5 million square feet of retail centres in south-central Brazil.

In September 2006, we announced that we had formed a specialty real estate income fund focussed on the acquisition of commercial retail shopping centres in Brazil. The fund has more than $700 million of commitments, $200 million of which has been committed by the Corporation with the balance of the capital committed by four institutional investors.

Development and Other Properties

During the period from August to December 2007, we acquired approximately 1.4 million common shares of our housing subsidiary, Brookfield Homes Corporation ("Brookfield Homes"), increasing our ownership interest in Brookfield Homes to 58%.

In November 2007, we completed the acquisition of the stapled securities of Multiplex Limited and Multiplex Property Trust (together "Multiplex"). Multiplex is a diversified owner and property manager based in Australia, with established operations in Australia, New Zealand, the United Kingdom and the Middle East. Multiplex' assets include approximately $3.6 billion of core office and retail properties within nine funds and a $3 billion high-quality office portfolio held within the Multiplex Property Trust. Multiplex employees approximately 2,300 people.

In September 2007, we announced that our Real Estate Investments Group had acquired from affiliates of JPMorgan Chase & Co. a 3.6 million square foot portfolio of commercial properties in the United States for $300 million, consisting of 52 properties located in 14 states, including recognized properties in Chicago, Phoenix and New York.

In November 2006, we completed an initial public offering of common shares of our Brazilian subsidiary, Brascan Residential Properties S.A. ("BRP"), which is among the largest developers of upper-end luxury residential properties in Rio de Janeiro and São Paulo. A total of 74.25 million shares were sold at R$16.00 per share for a total gross proceeds of R$1.2 billion, equivalent to approximately $557.6 million. The shares are listed for trading on the Novo Mercado segment of the São Paulo Stock Exchange in Brazil. Following the offering, we indirectly own a 60% interest in BRP.

In November 2005, Brookfield Homes repurchased 3.0 million of its common shares under a tender offer which expired on November 15, 2005. We tendered shares to this bid and increased our ownership in Brookfield Homes from 50% to 52%.

In October 2006, Brookfield Real Estate Opportunity Fund ("BREOF") acquired from affiliates of J.P. Morgan and Chase Co. a 5.3 million square foot portfolio of 33 commercial properties for $460 million. This portfolio includes properties located in Chicago, Phoenix and Milwaukee.

In September 2006, we announced the formation of a $240 million real estate opportunity fund. The fund invests in under performing real estate in North America and has completed 12 investments in the United States and Canada, totalling 7.6 million square feet of property.

In October 2005, BREOF completed the acquisition of a portfolio of 25 commercial properties, mainly industrial and showroom buildings, in seven markets in the United States for $177 million. This acquisition increased BREOF's assets under management to approximately $500 million.

In April 2005, BREOF acquired a 900,000 square foot office property portfolio in Washington D.C., consisting of three downtown and three suburban buildings.

Renewable Power Operations

Power acquisitions and developments since January 2005 include the following:

In December 2007, our power company, Brookfield Power Inc. ("Brookfield Power") announced an agreement to acquire a 156 megawatt ("MW") hydroelectric generating facility on the Itiquira River in Mato Grosso State in central Brazil for $288 million. All the power produced by this facility is sold under a long-term contract expiring in 2014.

In November 2006, we completed both phases of the Prince Wind Energy Project located northwest of Sault Ste. Marie, Ontario. The Prince Wind Energy Project is comprised of 126 wind turbines extending over nearly 20,000 acres. With a total installed capacity of 189 MW, this is now the largest wind farm in Canada.

In August 2006, we entered into agreements to acquire two hydroelectric generating plants in West Virginia, which have a combined capacity of 107 MW and generate on average 526 gigawatt hours of electricity annually. These stations are being acquired from Alloy Power LLC and West Virginia Alloy LLC ("WVA") and will sell power to WVA under a 15-year contract.

In January 2006, Brookfield Power announced the acquisition of four hydroelectric generating stations in northern Ontario with a total generating capacity of 50 MW and two hydroelectric generating stations in Maine with a generating capacity of 40 MW. These acquisitions were conditional on regulatory agency approvals and closed in the second quarter of 2006.

In October 2005, we commenced construction of the 99 MW Prince Phase I Wind Energy Project, approved under the Ontario Government's first request for proposals for new renewable electric capacity. In November 2005, we announced that Brookfield Power had been selected to develop the 90 MW Prince Phase II Wind Energy Project near Sault Ste. Marie, Ontario, in response to the Ontario Government's second request for such proposals.

In May 2005, Brookfield Power and Emera Inc., in a 50-50 joint venture, acquired the Bear Swamp generating facility in Massachusetts for $98 million. This facility consists of a 600 MW hydroelectric pumped storage hydroelectric generating station and a conventional 10 MW hydroelectric generating station. It is interconnected with the New England power grid and sells energy, capacity and ancillary products to New England's Independent System Operator.

In April 2005, we acquired six hydroelectric stations with 76 MW of capacity located in central Brazil in the State of Minas Gerais for a cost of C$129 million including working capital.

Also in April 2005, we acquired four hydroelectric generating stations with 80 MW of capacity in the northeastern United States, including two stations in Pennsylvania and Maryland for $42 million, and two stations in Maine and New York for $31 million.

Financial and corporate initiatives within our power operations since January 2005 include the following:

In February 2005, Brookfield Power and Canadian Hydro Developers Inc. issued C$70 million of non-recourse senior 10 year 5.28% bonds, secured by the jointly owned 45 MW Pingston Generating Station in southern British Columbia.

In December 2004 and January 2005, Brookfield Power issued $550 million of corporate debentures comprised of $450 million of 4.65% unsecured debentures maturing December 16, 2009 and $100 million of floating rate unsecured debentures maturing December 18, 2006.

Infrastructure Operations

In January 2008, the Corporation completed the spin-off of a 60% interest in Brookfield Infrastructure Partners L.P. ("Brookfield Infrastructure") to the Corporation's Class A and Class B Limited Voting shareholders. Initially, Brookfield Infrastructure will hold interests in five electricity transmission and timber operations in Canada, the United States, Chile and Brazil. Shareholders received on January 31, 2008 one partnership unit for every 25 Class A or Class B Limited Voting shares held at the close of business on January 14, 2008. The partnership units commenced trading on the New York Stock Exchange on January 31, 2008 under the stock symbol BIP.

In April 2007, we announced the completion of our acquisition of Longview Fibre Company, a U.S. forest products company, for approximately $2.15 billion including assumed debt. With this transaction, we acquired 588,000 acres of freehold timberlands in Washington and Oregon, as well as specialty paper and container manufacturing facilities. On acquisition, Longview Fibre Company employed approximately 2,400 people.

In June 2006, we acquired HQI Transelec Chile S.A. ("Transelec") for approximately $2.5 billion, including working capital, as part of a consortium including Canada Pension Plan Investment Board and British Columbia Investment Management Corporation. Our interest in this consortium is 28%. The consortium acquired 92% of the shares of Transelec from Hydro Québec International Inc. and the remaining 8% of the shares of Transelec from International Finance Corporation, the investment arm of the World Bank. Transelec is the largest electricity transmission system in Chile.

In February 2006, the Acadian Timber Income Fund ("Acadian"), which was sponsored by Brookfield, completed an initial public offering of approximately 8.45 million fund units raising proceeds of approximately C$84 million. The proceeds have been used by Acadian to acquire approximately 311,000 acres of freehold timberland in Maine from Brookfield and 765,000 of freehold timberlands and related assets in New Brunswick from Fraser Papers Inc. ("Fraser Papers"). We have retained approximately 27% of the fund units and manage Acadian through a wholly-owned subsidiary. In December 2006, we increased our indirect ownership in Acadian to approximately 30%.

In November 2005, we announced an agreement to sell wholly-owned Cascadia Forest Products Inc. ("Cascadia"), a portfolio investment within our restructuring fund, to Western Forest Products Inc. ("Western") for approximately C$120 million. We formed Cascadia in 2005 to operate the sawmills, manufacturing facilities and related crown harvest rights in British Columbia that we acquired from Weyerhaeuser Company in May 2005.

In February 2005, we announced a definitive agreement with Weyerhaeuser Company to acquire its coastal business in British Columbia for approximately C$1.2 billion plus working capital. This acquisition, which closed in May 2005, includes 635,000 acres of freehold timberlands as well as five saw mills, two remanufacturing facilities and 3.6 million cubic metres of associated annual Crown harvest rights.

Specialty Investment Funds

In May 2006, Tricap Management Limited ("Tricap"), an indirect wholly-owned subsidiary of the Corporation, announced that it acquired 53.6 million additional common shares of Western on the exchange of a portion of the subscription receipts previously acquired by Tricap. Following this exchange, Tricap holds an aggregate of 58.7 million common shares of Western, representing approximately 49% of the outstanding Western common shares. The exchange followed the completion of Western's acquisition of Cascadia from Brookfield in 2005.

In March 2006, Tricap completed the financial restructuring of Stelco Inc. ("Stelco"), a major Canadian integrated steel company, which resulted in Tricap owning a 37% equity interest in Stelco. In October 2007, Tricap sold its 37% interest in Stelco to U.S. Steel in conjunction with an offer from U.S. Steel to acquire 100% of Stelco. The Corporation's share of the gain on this sale was approximately $250 million.

In January 2006, we sold our interest in CRIIMI MAE, held through Brookfield Real Estate Finance Fund.

In September 2005, Brascan SoundVest Focused Business Trust filed a final prospectus for its initial public offering of trust units in Canada. This fund is an actively managed investment trust whose purpose is to invest in a diversified portfolio of securities of business income trusts. The fund is managed by a wholly-owned subsidiary of the Corporation and SoundVest Capital Management Ltd. ("SoundVest"), which is 50% owned by the Corporation and is the fund's investment advisor and portfolio manager.

In August 2005, Brascan Adjustable Rate Trust I completed an initial public offering of 3 million units for gross proceeds of C$73 million. This fund is intended to provide exposure to an actively managed portfolio of adjustable rate and hybrid mortgage backed securities. All investment decisions related to the fund's portfolio are made by a wholly-owned subsidiary of the Corporation, Hyperion Brookfield Asset Management, Inc.

In February 2005, Brascan SoundVest Rising Distribution Split Trust filed a final prospectus for its initial public offering of trust units and preferred securities in Canada. The purpose of the fund is to invest in income trusts with a high potential for increasing annual distributions. The fund is managed by a wholly-owned subsidiary of the Corporation, and SoundVest is the fund's investment advisor and portfolio manager.

Advisory Services

In November 2007, we acquired KG Redding, an investment manager of North American and global real estate securities with over $6 billion in assets under management, for consideration including $80 million cash and the issue of Class A Limited Voting shares.

In February 2005, we announced the acquisition of Hyperion Capital Management, Inc. ("Hyperion"), a New-York based asset management company, for $50 million. Hyperion specializes in real estate-related securities and has approximately $13 billion of assets under management. This acquisition closed in April 2005. In March 2006, Hyperion changed its name to Hyperion Brookfield Asset Management, Inc.

Private Equity Investments

In January 2008, we announced the acquisition of 18,813,245 common shares of our paper products subsidiary, Fraser Papers, through an equity rights offering, increasing our direct and indirect interest in Fraser Papers to approximately 70%.

In July 2007, we announced the acquisition of 2,000,000 common shares of Fraser Papers, increasing our direct and indirect interest in Fraser Papers to 56%.

In December 2006, we announced that we entered into an agreement to sell our 40% interest in Ticket Serviços in Brazil, a business services provider and hotel operator, to Accor Group pf France, the current owner of 50% of the company, for approximately $200 million. This transaction closed in March 2007.

In August 2005, our wholly-owned investment subsidiary, Brascade, sold 73.1 million shares of Falconbridge Limited ("Falconbridge"), representing substantially all of our interest in Falconbridge, to Xstrata plc ("Xstrata"). for total proceeds of approximately $1.7 billion, consisting of $1.3 billion of cash and $375 million of convertible debentures of Xstrata. This sale substantially completed our withdrawal from the mining and metal business. Following this sale, our ownership of Falconbridge consisted of 1.3 million common shares, representing approximately 1% of its outstanding common shares, $570 million of junior preferred shares and $59 million of convertible debentures, all of which were disposed during 2006.

Also in August 2005, we announced the acquisition, through Brascade, of 200,000 additional common shares of Fraser Papers, increasing our ownership of this company to 13.4 million common shares or 46% of the outstanding common shares.

On June 30, 2005, the shareholders of Noranda Inc. (“Noranda”) and the former Falconbridge approved the merger of their two companies, to continue under the Falconbridge name. Following this merger, we owned 74.4 million common shares of Falconbridge, representing approximately 20% of the total common shares of Falconbridge.

In March 2005, we announced our support for a plan by our 41%-owned mining and metals affiliate, Noranda, to combine with its 59%-owned subsidiary Falconbridge. We also announced our support for a bid by Noranda to purchase approximately 63.4 million of its common shares in exchange for $1.25 billion of preferred shares. We tendered all of our common shares in Noranda to this bid and, following its completion, our interest in Noranda declined to 32%.

Corporate and Other

In March 2008, the Corporation’s Class A Limited Voting shares commenced trading on Euronext Amsterdam under the stock symbol BAMA.

In July 2007, the Corporation redeemed its 5,000,000 outstanding 8.30% Preferred Securities due June 30, 2051 for C$25.00 plus accrued interest of C$0.017055 per security, for a total redemption price per security of C$25.017055.

In June 2007, the Corporation completed a three-for-two stock split of its Class A Limited Voting shares by way of a stock dividend of one-half a Class A Limited Voting share for every Class A or Class B Limited Voting share held. All share and per share information in this Prospectus for the period prior to June 1, 2007 has been adjusted to reflect this stock split, except as noted.

In May 2007, the Corporation issued 8,000,000 Class A Preferences Shares, Series 18, in Canada at a price of C$25.00 per share paying quarterly dividends based on a fixed annual rate of 4.75%. The aggregate gross proceeds of this issue were C$200 million. These shares trade on the TSX under the symbol BAM.PR.N.

In April 2007, the Corporation completed an offering in the United States of $250 million of 5.80% notes due April 2017 and an offering in Canada of C$250 million of 5.29% notes also due April 2017.

Also in April 2007, the Corporation received approval for a normal course issuer bid to purchase up to 49,500,000 Class A Limited Voting shares (on a post-split basis) representing approximately 10% of the public float of the Corporation’s issued and outstanding shares in this series through the open market purchases on the New York and Toronto Stock Exchanges. Under this bid, which commenced on April 21, 2007 and will expire on or before April 20, 2008, the Corporation has purchased, as of the date of this Annual Information Form, 6,776,000 Class A Limited Voting shares for approximately C$224 million at an average price of C$33.02 per share. All shares purchased under this bid have been cancelled.

In January 2007, the Corporation redeemed its 5,000,000 outstanding 8.35% Preferred Securities for C$25.00 principal value per security plus accrued interest of C$0.01144, for a total redemption price per security of C$25.01144.

Also in January 2007, Brascade amalgamated with Diversified Canadian Financial II Corp. and Diversified Canadian Holdings Inc., the new company continuing business under the name Brascade Corporation. The name of this company was changed to Brookfield Investments Corporation in December 2007.

In November 2006, the Corporation issued 8,000,000 Class A Preference Shares, Series 17, having a par value of C$25.00 and paying quarterly dividends based on a fixed annual rate of 4.75%. The aggregate gross proceeds of this issue were C$200 million. These shares trade on the TSX under the symbol BAM.PR.M.

In November 2006, the holders of the Corporation’s Series 8 and 9 Preferred Shares exercised their conversion privilege, resulting in the conversion of 272,614 Series 8 Preferred Shares into an equivalent number of Series 9 Preferred Shares, and the conversion of 1,028,770 Series 9 Preferred Shares into an equivalent number of Series 8 Preferred Shares. In conjunction with this conversion, the annual interest rate payable on the Corporation’s Series 9 Preferred Shares was reset to 4.35%.

In April 2006, the Corporation completed a three-for-two stock split of its Class A Limited Voting shares by way of a stock dividend whereby shareholders received one-half a Class A Limited Voting share for every Class A or Class B Limited Voting share held. The Corporation also announced a 50% increase in the quarterly dividend on its Class A Limited Voting shares to $0.16 (on a pre-split basis) commencing with the dividend paid on May 31, 2006.

Also in April 2006, the Corporation received approval for a normal course issuer bid to purchase up to 31,200,000 Class A Limited Voting shares (on a pre-split basis) representing approximately 10% of the public float of its issued and outstanding shares in this series, through open market purchases on the Toronto and New York Stock exchanges. Under this bid, which commenced on April 21, 2006 and expired on April 20, 2007, the Corporation purchased 291,600 Class A Limited Voting shares for approximately C$16.7 million at an average price of C$57.09 per share. All shares acquired under this bid were cancelled.

In February 2006, the Corporation increased the quarterly dividend on its Class A Limited Voting shares from $0.15 to $0.16, (on a pre-split basis) commencing with the dividend paid on May 31, 2006 to shareholders of record at the close of business on May 1,2006.

In November 2005, the Corporation's shareholders approved an amendment to the articles of the Corporation to change its name from Brascan Corporation to Brookfield Asset Management Inc. This change was made to enable Brookfield to build an asset management franchise under a common banner with one unified name across all our operations and to mount a focussed branding effort to benefit all our operations.

Also in November 2005, the Corporation redeemed its 2,000 issued and outstanding Class A Cumulative Redeemable Preference Shares, Series 3 for C$100,000 per share plus accrued dividends.

In October 2005, the Corporation changed its stock trading symbol on the Toronto and New York stock exchanges from BNN to BAM to reflect our increasing business focus on asset management. The use of this new symbol was continued following the change in the Corporation's corporate name in November 2005.

In September 2005, the Corporation announced an issuer bid by way of a tender offer to acquire up to approximately C$500 million of its Class A Limited Voting shares at a price of US$41.00 per share (on a pre-split basis). This issuer bid ran from October 2, 2005 to November 9, 2005. A total of 3,646,912 Class A Limited Voting shares (on a pre-split basis) were acquired under this bid, all of which have been cancelled.

Also in September 2005, we sold our wholly-owned commercial real estate brokerage company, Royal LePage Commercial, to Cushman & Wakefield.

In August 2005, the Corporation completed the redemption of its C$14.6 million of issued and outstanding Subordinated Convertible Auction Notes due 2085 (the "SCAN I Notes") and its C$2.9 million of issued and outstanding Subordinated Convertible Adjustable Rates Notes due 2088 (the "SCAN II Notes") for C$1,000, for each C$1,000 principal amount of SCAN I Notes and SCAN II Notes outstanding.

In June 2005, the Corporation issued C$300 million of 5.95% 30 year notes to Canadian investors. The net proceeds of the issue were used for general corporate purposes, including the repayment of corporate debt.

In April 2005, the Corporation received approval for a normal course issuer bid to purchase up to 21,000,000 Class A Limited Voting shares (on a pre-split basis), representing approximately 10% of the public float of the Corporation's issued and outstanding shares in this series, through open market purchases on the New York and Toronto stock exchanges. Under this bid, which commenced on April 21, 2005 and expired on April 20, 2006, the Corporation purchased 900 Class A Limited Voting shares, all of which have been cancelled, for approximately C$54,000 at an average price of C$59.61 per share.

In February 2005, the Corporation increased the quarterly dividend on its Class A Limited Voting shares from $0.14 to $0.15 (on a pre-split basis), commencing with the dividend paid on May 31, 2005 to shareholders of record at the close of business on May 1, 2005.

In January 2005, the Corporation completed an amalgamation with its wholly-owned financial services subsidiary, Brascan Financial Corporation ("Brascan Financial"), and issued two new series of publicly-traded Class A Preference Shares, Series 13 and 14, in exchange for the publicly-traded preferred shares of Brascan Financial. These shares trade on the TSX under the symbol BAM.PR.K and BAM.PR.L, respectively.

BUSINESS OF THE CORPORATION

OVERVIEW

Brookfield is a global asset management company, with a primary focus on property, power and infrastructure assets. We have established leading operating platforms in these sectors and, through them, own and manage a broad portfolio of high quality assets that generate long-term cash flows and opportunities for value creation for us and our clients. We seek to create value for our shareholders by increasing, over time, the cash flows generated by managing these assets for our clients as well as from the capital that we have invested alongside our clients.

Our Strategy

Our goal is to establish Brookfield as a global asset manager of choice for investment clients who wish to benefit from the ownership of these types of assets. We have spent many years building high quality operating platforms that enable us to acquire, finance and optimize the value of assets for our own benefit, and for our clients whose capital we manage.

We believe that the best way to create long-term shareholder value is to generate increasing operating cash flows, measured on a per share basis, over a very long period of time. Accordingly, we concentrate on high quality long-life assets that generate sustainable cash flows, require minimal sustaining capital expenditures and tend to appreciate in value over time. Often these assets will benefit from some form of barrier to entry due to regulatory, physical or cost structure factors. Consistent with this focus, we own and operate large portfolios of core office properties, hydroelectric power generating stations, private timberlands and regulated transmission systems that, in our opinion, share these common characteristics. These assets represent important components of the infrastructure that supports the global economy.

We believe the demand from institutional investors to own assets of this nature is increasing as they seek to earn increasing yields to meet their investment objectives. These assets, in our view, represent attractive alternatives to traditional fixed income investments, providing in many cases a “real return” that increases over time, relatively low volatility and strong capital protection. There is a substantial supply of investment opportunities in the form of existing assets as well as the need for continued development in an ever expanding global economy. At the same time, there are relatively few global organizations focused on managing assets of this nature as a primary focus on their strategy.

Our strategy for growth is centered around expanding our assets under management, which should lead to increased fee revenues and opportunities to earn performance returns. We plan to achieve this within our existing operating platforms, through geographic expansion beyond our current focus in North America, South America, Europe and Australia, and by developing and acquiring platforms to operate new asset classes that demonstrate characteristics that are similar to our existing assets. We also plan to achieve growth by expanding our distribution capabilities to access a broader range of investment partners, thereby increasing our access to capital. This increased capital, when coupled with new investment opportunities, should increase our assets under management and the associated income as well as direct investment returns, thereby increasing shareholder value.

Our Capabilities

We believe that we have the necessary capabilities to execute our business strategy and achieve our performance targets. We focus on disciplined and active hands-on management of assets and capital. We strive for excellence and quality in each of our core operating platforms in the belief that this approach will produce superior returns over the long term.

We endeavour to operate as a value investor and follow a disciplined investment approach. Our management team has considerable capabilities in investment analysis, mergers and acquisitions, divestitures and corporate finance that enable us to acquire assets for value, finance them effectively, and to ultimately realize value created during our ownership.

Our operating platforms and depth of experience in managing these assets differentiate us from some competitors that have shorter investment horizons and more of a financial focus. Over time we have established a number of high quality operating platforms that are fully integrated into our organization. This has required considerable investment in building the management teams and the necessary resources; however, we believe these platforms enable us to optimize the cash returns and values of the assets that we manage.

We have established strong relationships with a number of leading institutions and believe we are well positioned to expand our sources of co-investment capital and clients. In order to expand our assets under management, we are investing in our distribution capabilities to encourage existing and potential clients to commit capital to our investment strategies. We are devoting expanded resources to these activities, and our efforts continue to be assisted by strong investment performance.

The diversification within our operations allows us to offer a broad range of products and investment strategies to our clients. We believe this is of considerable value to investors with large amounts of capital to deploy. In addition, our commitment to transparency and governance as a well capitalized public company listed on major North American and European stock exchanges better positions as a strong long-term partner for our clients.

Finally, our commitment to invest considerable capital alongside our investors creates a strong alignment of interest between us and our investment partners and also differentiates us from many of our competitors. Accordingly, our strategy calls for us to maintain considerable surplus financial resources relative to other managers. This capital also supports our ability to commit to investment opportunities in anticipation of future syndications.

Operating platforms

Our business is conducted primarily through five principal operating platforms: commercial properties, power generating operations, infrastructure, development and other properties, and specialty funds. The following sections provide information on each of these operating platforms, as well as a description of our private equity investments.

COMMERCIAL PROPERTIES

We own and operate commercial office and retail properties on behalf of ourselves and our co-investors in North America, South America, Europe, Australia and the Middle East.

Office Properties

We own and manage one of the highest quality commercial office portfolios in the world and focus on major financial, energy and government centre cities in North America, Australasia and Europe. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets so as to build on the strength of our tenant relationships.

Our North American operations are conducted through a 51%-owned subsidiary, Brookfield Properties, and our primary markets are New York, Boston, Houston, Los Angeles, Washington D.C., Toronto, Calgary and Ottawa. These operations include directly owned properties as well as those contained within our U.S. and Canadian core office funds.

Our European operations are principally located in London, U.K. where we own an interest in 17 high quality commercial properties comprising 8.5 million square feet of rentable area and a further 5.4 million square feet of development density. The properties are located in the Canary Wharf Estate, one of the leading core office developments in Europe. We hold a direct 100% ownership interest in the 550,000 square foot 20 Canada Square property and an indirect interest in the balance of the portfolio through our 15% ownership interest in privately-owned Canary Wharf Group.

We acquired a high quality portfolio in Australia and New Zealand in late 2007 through our acquisition of Multiplex, consisting of 24 commercial properties containing 6.2 million square feet of net leasable area.

Office property assets under management totalled $29 billion at the end of 2007, of which $17 billion are held directly and $12 billion are held through seven funds with aggregate capital commitments of $3.7 billion.

Portfolio Activity

The following table sets out the assets and capital in our commercial property operations at the end of 2007 and 2006. Our property assets are recorded at depreciated book value, which in most cases are significantly below recent market values. In particular, the consolidated carrying value of our North American properties is approximately $272 per square foot, significantly less than the estimated replacement cost of these assets.

AS AT DECEMBER 31 (MILLIONS)	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested Capital	
	2007	2006	2007	2006	2007	2006	2007	2006
North America								
United States	**$14,348**	$14,304	**$1,025**	$1,069	**$13,593**	$13,189	**$ 13,593**	$ 13,189
Canada	**4,541**	4,392	**650**	648	**2,391**	2,209	**2,391**	2,209
	18,889	18,696	**1,675**	1,717	**15,984**	15,398	**15,984**	15,398
United Kingdom	**796**	765	**—**	—	**796**	765	**787**	747
Australasia	**5,728**	—	**623**	—	**3,198**	—	**3,198**	—
Total properties	**25,413**	19,461	**2,298**	1,717	**19,978**	16,163	**19,969**	16,145
Other assets	**3,639**	853	**—**	—	**3,639**	853	**3,639**	853
Other liabilities							**(2,275)**	(919)
Property-specific mortgages							**(16,183)**	(11,811)
Co-investors' capital							**(450)**	(523)
	$29,052	$20,314	**$2,298**	$1,717	**$23,617**	$17,016	**$ 4,700**	$ 3,745

Our total portfolio occupancy rate at the end of 2007 was 96% across our portfolios worldwide compared to 95% at December 31,2006 as set forth in the following table:

AS AT D ECEMBER 31 (THOUSANDS)	2007			2006		
	Total Area	Owned Interest	Percentage Leased	Total Area	Owned Interest	Percentage Leased
Core North American markets						
United States	**46,703**	**42,477**	**94%**	46,080	40,794	94%
Canada	**19,827**	**10,131**	**99%**	23,067	11,252	98%
Other North American	**6,648**	**5,958**	**95%**	6,648	5,958	93%
United Kingdom	**8,500**	**2,173**	**97%**	8,500	2,173	94%
Australasia	**8,463**	**6,185**	**99%**	—	—	—
Total [1]	**90,141**	**66,924**	**96%**	84,295	60,177	95%

1 Excludes development sites

As at December 31, 2007, the average term of our in-place leases in North America was seven years and annual expiries average 7.1% over the next five years. The U.S. portfolio acquired in late 2006 had a shorter lease maturity than the balance of our portfolio, which we will seek to extend as we re-lease the properties.

Leasing fundamentals in London also continued to improve, bringing total occupancy across the portfolio to more than 97%, with an average unexpired lease term of approximately 20 years. Nearly 80% of the tenant rating profile is A+ or better.

Property-specific mortgages and other debt secured by our commercial property interests includes $1.6 billion of debt associated with the Multiplex acquisition in 2007 and $2.7 billion of assumed debt. The loan to value for the Multiplex acquisition debt and assumed debt represents a relatively conservative loan to value of less than 65%.

During the year we refinanced a number of properties in Europe and North America. This included the refinancing of One Liberty Plaza through the issuance of $850 million, 6.1% mortgage debt, replacing $400 million of existing debt. This enabled us to monetize a portion of the value created in this property in recent years and enhance our return on capital. Core office property debt at December 31, 2007 had an average interest rate of 7% and an average term to maturity of seven years. The co-investors' capital represents the 38% interest of our partners in the U.S. Core Office fund.

Other assets include rents receivable and working capital balances as well as a portion of the purchase price of property that has been attributed to items such as above-market leases and tenant relationships. Similarly, other liabilities include $1 billion in respect of items such as below-market tenant and land leases.

Retail Properties

We operate the Brascan Brasil Real Estate Partners fund which was formed in late 2006 and has $800 million of committed capital (Brookfield's share – 25%). We completed a number of acquisitions which enabled us to fully invest the fund with $1.7 billion of total assets within 18 months from inception and establishes us as one of the largest owners of retail centres in Brazil. The fund's portfolio now consists of interests in 15 shopping centres and associated office space totalling 4.7 million square feet of net leasable area, located primarily in Rio de Janeiro and São Paulo.

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested Capital*	
AS AT DECEMBER 31 (MILLIONS)	***2007***	***2006***	***2007***	***2006***	***2007***	***2006***	***2007***	***2006***
Retail properties	**$1,698**	$800	**$600**	$600	**$1,698**	$215	**$ 827**	$ 207
Borrowings							**(462)**	(105)
Co-investors' capital							**(262)**	(74)
Net investment	**$1,698**	$800	**$600**	$600	**$1,698**	$215	**$ 103**	$ 28

The book value of retail properties includes total and net working capital balances of $209 million (2006 – $46 million) and $54 million (2006 – $38 million), respectively as well as $716 million representing a portion of the portfolio purchase price. Borrowings also include $265 million of debt incurred by the fund to finance the purchase of the initial portfolio assets, which is guaranteed by the obligations of ourselves and our partners to subscribe for capital in the fund up to the level of the committed amounts.

POWER GENERATING OPERATIONS

We own one of the largest privately owned hydroelectric power generating portfolios in the world. We are currently exploring alternatives to establish an externally managed entity through which we can share the ownership of these assets with others on a fee-bearing basis.

Our power generating operations are predominantly hydroelectric facilities located on river systems in the U.S., Canada and Brazil. As at December 31, 2007, we owned and managed 160 power generating stations with a combined generating capacity of approximately 3,900 megawatts. Our facilities produced approximately 13,000 gigawatt hours of electricity in 2007. All but four of our existing stations are hydroelectric facilities located on river systems in seven geographic regions, specifically Ontario, Quebec, British Columbia, New York, New England, Louisiana and southern Brazil. This geographic distribution provides diversification of water flows to minimize the overall impact of fluctuating hydrology. Our storage reservoirs contain sufficient water to produce approximately 20% of our total annual generation and provide partial protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods. We also own and operate two natural gas-fired plants, a pumped storage facility and a 189-megawatt wind energy project that we operate under a 20-year fixed price power sales agreement.

Financial Position

Total assets in the segment increased to $6.8 billion from $5.4 billion at the end of last year due to the acquisition and development of power facilities as well as the impact of increases in the carrying value of non-U.S. assets as a result of currency fluctuation. Financings completed during the year enabled us to maintain the net capital invested in this segment at approximately $1.4 billion.

AS AT DECEMBER 31 (MILLIONS)	Capacity		Assets Under Management		Brookfield Invested Capital Consolidated		Brookfield Invested Capital Net	
	2007	2006	2007	2006	2007	2006	2007	2006
Hydroelectric generation	(MW)							
Ontario	**897**	897	**$1,269**	$1,094	**$1,269**	$1,094	**$ 1,269**	$ 1,094
Quebec	**277**	277	**434**	371	**434**	371	**434**	371
British Columbia	**134**	127	**172**	133	**172**	133	**172**	133
New England	**240**	240	**397**	400	**397**	400	**397**	400
New York and other northeast markets	**852**	832	**1,046**	1,016	**1,046**	1,016	**1,046**	1,016
Louisiana	**192**	192	**459**	478	**459**	478	**459**	478
Brazil	**295**	205	**522**	264	**522**	264	**522**	264
Total hydroelectric generation	**2,887**	2,770	**4,299**	3,756	**4,299**	3,756	**4,299**	3,756
Wind energy	**189**	189	**369**	327	**369**	327	**369**	327
Co-generation and pumped storage	**815**	815	**233**	166	**233**	166	**233**	166
Development projects	**—**	—	**236**	60	**236**	60	**236**	60
Total power generation	**3,891**	3,774	**5,137**	4,309	**5,137**	4,309	**5,137**	4,309
Cash, financial assets, accounts receivable and other			**1,665**	1,081	**1,665**	1,081	**1,665**	1,081
Accounts payable and other liabilities			**—**	—	**—**	—	**(879)**	(419)
Property-specific and subsidiary debt			**—**	—	**—**	—	**(4,285)**	(3,388)
Non-controlling interests in net assets			**—**	—	**—**	—	**(213)**	(215)
	3,891	3,774	**$6,802**	$5,390	**$6,802**	$5,390	**$ 1,425**	$ 1,368

Property-specific debt totalled $3.5 billion at December 31, 2007 and corporate unsecured notes issued by our power generating operations totalled $0.8 billion. Property-specific debt has an average interest rate of 7% and an average term of 13 years and is all investment grade quality. The corporate unsecured notes bear interest at an average rate of 5%, have an average term of 9 years and are rated BBB by S&P and BBB (high) by DBRS and BBB by Fitch.

INFRASTRUCTURE

Our infrastructure activities are currently concentrated in the timber and electricity transmission sectors. However we are actively reviewing a number of opportunities to expand into new sectors that provide similar investment characteristics. These operations are owned directly and through entities that we manage.

Timberlands

We manage 2.5 million acres of high quality private timberlands with an aggregate book value of $3 billion. We manage a listed specialty issuer that operates in eastern North America and a private fund named Island Timberlands that operates on the west coast of Canada. These funds have aggregate equity capital of $594 million, of which our share is $278 million. We also own direct interests in $2 billion of timberlands in the Pacific Northwest and Brazil. We recently announced the formation of a $250 million Brazil timber fund.

In January 2008, we transferred 30% of our Pacific Northwest operations and a 37.5% interest in Island Timberlands to Brookfield Infrastructure.

Operating Results

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Cash Flow Total 2007	Operating Cash Flow Total 2006	Operating Cash Flow Net 2007	Operating Cash Flow Net 2006
Timber				
Western North America				
Timberlands	**$123**	$59		
Higher and better use lands	**7**	6		
Eastern North America	**20**	18		
Brazil	**8**	4		
Timberlands	**158**	87	**$158**	$ 87
Interest expense			**(85)**	(29)
Non-controlling interests in net assets			**(33)**	(26)
	$158	$87	**$ 40**	$ 32

Portfolio Activity and Financial Position

AS AT DECEMBER 31 ($MILLIONS)	Acres	Total Assets Under Management 2007	Total Assets Under Management 2006	Co-investor Commitments 2007	Co-investor Commitments 2006	Brookfield Invested Capital Consolidated Assets 2007	Brookfield Invested Capital Consolidated Assets 2006	Brookfield Invested Capital Net Invested 2007	Brookfield Invested Capital Net Invested 2006
Timber									
Western North America									
Timberlands	1,186,650	**$2,603**	$ 777	**$243**	$240	**$2,603**	$ 777	**$2,603**	$ 777
Higher and better use lands	32,865	**105**	111	**—**	—	**105**	111	**105**	111
Eastern North America	1,076,000	**185**	189	**72**	100	**185**	189	**185**	189
Brazil	180,000	**66**	45	**—**	—	**66**	45	**66**	45
	2,475,515	**2,959**	1,122	**315**	340	**2,959**	1,122	**2,959**	1,122
Other assets, net		**716**	68	**—**	—	**716**	68	**74**	18
		3,675	1,190	**315**	340	**3,675**	1,190	**3,033**	1,140
Property-specific and other borrowings							(1,691)	**(485)**	
Co-investors' capital								**(317)**	(340)
		$3,675	$ 1,190	**$315**	$340	**$3,675**	$ 1,190	**$1,025**	$ 315

We acquired Longview Fibre Company, which owns 588,000 acres of high quality timberlands located in the U.S. Pacific Northwest during the second quarter of 2007. Total invested capital includes the purchase cost of the timberlands of $1.9 billion, together with goodwill and working capital totalling $2.6 billion. We recorded a future tax obligation of $593 million relating to the difference between the amount paid by us for the company and the tax basis of the underlying assets. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of $593 million. We expect that we will be able to reorganize the ownership structure of the business over time such that we can extinguish the tax liability without any material cash outlay. Net invested capital includes the net capital invested by us in Longview's timber operations after taking into consideration debt raised to finance the acquisition and the future tax liabilities and subsequent asset sales.

As at December 31, 2007, borrowings included approximately $1.2 billion associated with the Longview acquisition that is secured by the underlying timber assets in North America. The Longview debt consists of an 18-month bridge facility that is in the process of being refinanced with a long-term fixed rate financing secured by the associated timberlands. Our western Canadian timberlands secure investment grade borrowings of approximately $410 million, which have an average interest rate of 6%, and an average term to maturity of 16 years. The balance of the borrowings consists of debt secured by the eastern Canadian timber assets and working capital facilities.

Non-controlling interests represent the interests of co-investors in our two North American funds. We currently own 50% of our western Canadian fund and 45% of Acadian.

Transmission

Our electricity transmission operations consist of the largest transmission system in Chile, a smaller system in northern Ontario and interests in transmission lines in Brazil. We own 28% of the Chilean operations and provide management advisory services to our investment partners on a fee-for-service basis, 100% of the northern Ontario operations and an effective 20% interest in the Brazil operations.

In 2008, we transferred our northern Ontario and Brazil transmission interests to Brookfield Infrastructure, as well as a 17% interest in the Chilean operations. We believe the regulated rate base nature of these assets provides for attractive reliable long-term returns and we will endeavour to expand our operations in this asset class.

Portfolio Activity and Financial Position

					Brookfield Invested Capital			
	Total Assets Under Management		Co-investor Commitments		Consolidated Assets		Net Invested	
AS AT DECEMBER 31 (MILLI ONS)	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*
Transmission facilities and investments								
Chile	**$2,650**	$2,525	**$877**	$831	**$330**	$2,525	**$ 330**	$ 2,525
North America	**193**	146			**193**	146	**193**	146
Brazil	**205**	157			**205**	157	**205**	157
	3,048	2,828			**728**	2,828	**728**	2,828
Other assets	**32**	315			**32**	315	**32**	315
	3,080	3,143			**760**	3,143	**760**	3,143
Other liabilities							**(26)**	(267)
Project-specific financing and other borrowings							**(114)**	(1,496)
							620	1,380
Co-investors' capital							**—**	(831)
	$3,080	$3,143	**$877**	$831	**$760**	$3,143	**$ 620**	$ 549

Net invested capital was relatively unchanged during the year, although consolidated assets declined as we no longer consolidate the assets and liabilities of our Chilean operations. These operations are financed with property-specific financing borrowings totalling $1.5 billion that have an average interest rate of 6%, an average term to maturity of 11 years and are predominantly investment grade.

DEVELOPMENT AND OTHER PROPERTIES

Opportunity Investments

We operate niche real estate opportunity funds with $417 million of committed capital, of which Brookfield's share is $258 million.

					Brookfield Invested Capital			
	Total Assets Under Management		Co-investor Commitments		Consolidated Assets		Net Invested Capital	
AS AT DECEMBER 31 (MILLI ONS)	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*
Commercial properties	**$1,571**	$1,086	**$159**	$116	**$ 1,571**	$ 1,086	**$ 1,280**	$ 1,055
Property-specific mortgages							**(934)**	(820)
Co-investors' capital							**(121)**	(103)
	$1,571	$1,086	**$159**	$116	**$ 1,571**	$ 1,086	**$ 225**	$ 132

Total property assets within the funds were approximately $1.6 billion at year end, an increase of $0.5 billion from the end of 2006, due to the completion of a major portfolio acquisition. The portfolio consists of approximately 124 properties, predominantly office properties in a number of cities across North America as well as smaller investments in industrial, student housing, multi-family, and other property asset classes. The book value of commercial properties increased due to acquisitions during the year, offset in part by property sales. Our net invested capital at December 31, 2007 included a $42 million bridge loan to the fund (2006 – $23 million), and $52 million of direct capital in addition to our base commitment that was provided to fund acquisitions.

Residential Properties

We conduct residential property operations in Canada, the United States and Brazil through public subsidiaries in which we hold the following interests: Canada – 51%; United States – 58%; Brazil – 60%. We recently formed a land joint venture with $400 million of committed capital from a U.S. institution and ourselves that we will manage.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Assets Under Management	Invested Capital				Operating Cash Flow			
		Total		Net		Total		Net	
	2007	2007	2006	2007	2006	2007	2006	2007	2006
United States	**$ 1,384**	**$1,384**	$1,355	**$ 1,224**	$ 1,142	**$ 46**	$236		
Canada	**516**	**516**	305	**516**	305	**237**	144		
Brazil	**1,009**	**1,009**	743	**612**	567	**92**	36		
	2,909	**2,909**	2,403	**2,352**	2,014	**375**	416	**$ 375**	$416
Impairment charge – U.S.						**(103)**	—	**(103)**	—
Borrowings / interest 1				**(1,363)**	(1,126)			**(18)**	(23)
Cash taxes								**18**	(93)
Non-controlling interest in net assets				**(539)**	(404)			**(12)**	(69)
				450	484	**272**	416	**260**	231
Realization gain				**—**	—		269	**—**	269
Net investment / operating cash flow	**$ 2,909**	**$2,909**	$2,403	**$ 450**	$ 484	**$ 272**	$685	**$ 260**	$500

1 Portion of interest expressed through cost of sales

Total assets, which include property assets as well as inventory, cash and cash equivalents and other working capital balances, have increased since 2006 due to the impact of currency appreciation on our capital in Canada and Brazil, and as new capital was invested to match sales growth in Canada. Subsidiary borrowings consist primarily of construction financings which are repaid with the proceeds from sales of building lots, single-family houses and condominiums and is generally renewed on a rolling basis as new construction commences.

Under Development

Properties under development include both active development projects as well as properties that we are redeveloping to enhance their value.

AS AT DECEMBER 31 (MILLI ONS)	Total Assets Under Management		Brookfield Invested Capital			
			Consolidated Assets		Net Invested Capital	
	2007	2006	2007	2006	2007	2006
Commercial properties						
North America	**$ 965**	$551	**$ 965**	$551	**$ 965**	$ 551
Australia and United Kingdom	**2,072**	—	**2,072**	—	**2,072**	—
Brazil	**162**	107	**162**	107	**162**	107
Residential lots						
Australia	**201**	—	**201**	—	**201**	—
Property-specific financing	**—**	—	**—**	—	**(1,704)**	(240)
	$3,400	$658	**$3,400**	$658	**$ 1,696**	$ 418

In addition to the properties listed above, we have been actively developing a number of hydroelectric power facilities in Brazil and North America, as well as wind generation facilities in Canada, which are described further under Power Generation Operations.

Current development initiatives in North America are focused on the construction of a 1.1 million square foot premier office property on the Bay Adelaide Centre site located in Toronto's downtown financial district, representing a book value of $416 million (2006 – $251 million), the redevelopment of the 1.3 million square foot Four Allen Center in Houston carried at $198 million (2006 – $139 million) and properties in Washington, D.C.

We significantly expanded our development activities with the acquisition of Multiplex which has 70 commercial projects underway that will contain over 20 million square feet and approximately 18,000 residential lots, homes and units. We also own our proportionate share of the approximate 5.4 million square feet of commercial space development density at Canary Wharf in London of which 1.3 million is currently under active development.

Property-specific financing includes debt secured by Bay Adelaide Centre and Four Allen Cedar in North America as well as debt associated with developments in Australia and the United Kingdom that was assumed on the acquisition of Multiplex.

Held for Development

We acquire land or long-term rights on land, seek entitlements to construct, and then either sell the project once it has been improved or build the project ourselves. We typically hold these projects directly, given that they do not generate current cash flow, until the project is completed, at which time it can be transferred to an existing fund portfolio or sold outright. Accordingly, we do not typically record ongoing cash flow in respect of properties held for development and the associated development costs are capitalized until this event occurs, at which time any disposition gain or loss is realized.

	Brookfield Invested Capital			
	Consolidated Assets		Net Invested Capital	
AS AT DECEMBER 31 (MILLI ONS)	2007	2006	2007	2006
Commercial office properties				
Ninth Avenue, New York	**$ 207**	$ 184	**$ 207**	$ 184
Residential lots				
Canada and Brazil	**804**	516	**804**	516
Rural development				
Brazil	**190**	66	**159**	49
	$ 1,201	$ 766	**$ 1,170**	$ 749

Commercial Office Properties

We own well-positioned land at Ninth Avenue between 31st Street and 33rd Street in New York city. We intend to commence construction of the necessary infrastructure to enable the subsequent construction of 5.4 million square feet of commercial office space once the necessary pre-leasing has occurred.

Residential Development Properties

Residential development properties include land, both owned and optioned, which is in the process of being converted to residential lots, but not expected to enter the homebuilding process for more than three years. We utilize options to control lots for future years in our higher land cost markets in order to reduce risk. To that end, we hold options on approximately 12,300 lots which are located predominantly in California and Virginia. We invested additional capital into development land in Alberta as a result of the significant increase in activity in this market.

Rural Development Properties

We own approximately 372,000 acres of prime rural development land in the States of São Paulo, Minas Gerais and Mato Grosso, having acquired a number of new properties in 2007. These properties are being used for agricultural purposes, including the harvest of sugar cane for its use in the production of ethanol as a gasoline substitute. We also hold 33,300 acres of potentially higher and better use land adjacent to our western North American timberlands, which we intend to convert into residential and other purpose land over time, and are included within our timberlands segment.

SPECIALTY FUNDS

We conduct bridge lending, restructuring and real estate finance activities. Although our primary industry focus is on property, power and long-life infrastructure assets, our mandates within our bridge finance and restructuring funds include other industries which have tangible assets and cash flows, and particularly where we have expertise as a result of previous investment experience. As at December 31, 2007 we managed nine funds with total committed capital of $5 billion and total assets under management of $7 billion.

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
AS AT DECEMBER 31 (MILLI ONS)	2007	2006	2007	2006	2007	2006	2007	2006
Bridge lending	**$1,187**	$1,452	**$1,510**	$ 470	**$ 488**	$ 637	**$ 488**	$ 622
Restructuring	**1,538**	977	**753**	652	**1,538**	977	**361**	377
Real estate finance	**4,637**	5,438	**1,225**	937	**685**	183	**263**	183
Real estate services	**125**	—	**59**	59	**25**	—	**25**	—
	$7,487	$7,867	**$3,547**	$2,118	**$ 2,736**	$ 1,797	**$1,137**	$1,182

Bridge lending

We operate three bridge lending funds. Our first fund has commitments of $1.2 billion at the end of the year, of which $0.9 billion is funded and will mature through 2011. We have $0.6 billion committed to these funds. We have raised C$935 million in commitments and pledges for our two follow-on funds, consisting of a senior and junior fund, and includes a C$240 million commitment from Brookfield. We have advanced $105 million of loans within the new funds thus far.

We had total assets under management of $1.2 billion at year end, down from $1.5 billion at the end of 2006. The level of committed capital to our funds from clients increased to $1.5 billion at year end due to the formation of new funds during the year. Our net invested capital was $488 million, down from $622 million at the end of 2006. The decline in invested capital occurred primarily during the fourth quarter of 2007 as a result of a number of maturities.

Our portfolio at year end was comprised of 16 loans, and our largest single exposure at that date was $105 million. Our share of the portfolio has an average term of 20 months excluding extension privileges and generates an average yield of 14% based on interest rate levels at year end.

Restructuring

We operate two restructuring funds. Our first fund, Tricap Restructuring Fund ("Tricap I") completed its investment period last year and we continue to manage and harvest the remaining invested capital of $432 million. We also completed an additional capital raise for Tricap Partners II ("Tricap II"), which now has $842 million of committed capital. The capital committed by us to both funds totals $521 million, including co-investment capital invested by us in Tricap I.

Our two principal investments in Tricap I are Western Forest Products and Concert Industries. Western Forest Products experienced a difficult year due in part to a major industry strike which has since been resolved. Concert Industries, a leading producer of air-laid woven fabric, continues to perform well and we continue to make progress expanding its revenue and operating base.

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested*	
AS AT DECEMBER 31 (MILLIONS)	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*
Property, plant and equipment	**$ 615**	$453			**$ 615**	$453	**$ 615**	$ 453
Securities	**115**	29			**115**	29	**115**	29
Loans receivable	**51**	23			**51**	23	**51**	23
Other assets	**757**	472			**757**	472	**757**	472
	1,538	977			**1,538**	977	**1,538**	977
Other liabilities							**(433)**	(235)
Subsidiary debt							**(293)**	(175)
Non-controlling interests							**(451)**	(190)
	$1,538	$977	$753	$652	**$1,538**	$977	**$ 361**	$ 377

Our net invested capital in restructuring opportunities at year end was $361 million, relatively unchanged from the end of 2006.

Real Estate Finance

We operate three real estate finance funds with total committed capital of approximately $1.6 billion, of which our share is approximately $400 million. Our first private fund, the $600 million Brookfield Real Estate Finance Partners (BREF I) recently completed its investment period and we completed a $450 million capital raise for our second fund (BREF II). We also manage a public mortgage REIT that is listed on the NYSE and has raised $565 million of equity capital.

During 2007, BREF I acquired investments with an aggregate principal balance of approximately $1.1 billion and concluded its investment period. During 2007, BREF II commenced its investment period and completed investments with an aggregate principal balance of approximately $460 million. The portfolio continues to perform in line with expectations notwithstanding difficult credit markets.

ADVISORY SERVICES

We manage fixed income and real estate securities and provide investment banking services, all with a particular focus on property and infrastructure.

We manage $26.2 billion of fixed income and equity securities on an advisory basis for a large number of institutional and individual investors. The largest proportion of these assets is managed by our New York-based Brookfield Hyperion Group, which specializes in real estate fixed income securities. We acquired Chicago-based K.G. Redding Inc., (now known as Brookfield Redding), in late 2007. Brookfield Redding has a well established record as a leading real estate equity securities manager with a wide variety of clients throughout North America and Australasia. Brookfield Soundvest, based in Ottawa, Canada, manages fixed income and equity securities on behalf of a number of Canadian institutional investors.

	Assets Under Management	
AS AT DECEMBER 31 (MILLIONS)	*2007*	*2006*
Brookfield Hyperion	**$ 20,210**	$ 19,711
Brookfield Redding	**5,325**	—
Brookfield Soundvest	**702**	749
	$ 26,237	$ 20,460

Our investment banking services are provided by teams located in Canada and Brazil.

PRIVATE EQUITY INVESTMENTS

We own a number of investments which will be sold once value has been maximized, integrated into our core operations or used to seed new funds. Although not core to our broader strategy, we expect to continue to make new investments of this nature and dispose of more mature assets.

			Assets Under Management	Brookfield Invested Capital			
				Consolidated		Net	
AS AT DECEMBER 31 (MILLIONS)	*Location*	*Interest*	*2007*	*2007*	*2006*	*2007*	*2006*
Forest products							
Norbord Inc.	North America / UK	27%	**$ 180**	**$ 180**	$ 178	**$ 19**	$ 26
Fraser Papers Inc.	North America	56%	**477**	**477**	141	**109**	141
Privately held	North America	100%	**162**	**162**	140	**113**	95
Infrastructure							
Coal lands	Alberta	100%	**85**	**85**	73	**85**	73
Business services							
Insurance	Various	80-100%	**2,513**	**2,513**	2,357	**661**	593
Banco Brascan, S.A.	Rio de Janeiro	—	**—**	**—**	75	**—**	75
Privately held	Various	100%	**229**	**229**	369	**223**	278
Publicly listed	Canada	60%	**52**	**52**	51	**26**	23
Property							
Privately held	Brazil	Various	**153**	**153**	66	**100**	100
Net investment			**$ 3,851**	**$3,851**	$3,450	**$1,336**	$1,404

We account for our non-controlled public investments where we exercise significant influence, such as Norbord, using the equity method, and include dividends received from these investments in operating cash flow and our proportional share of their earnings in net income. We consolidate the results of our majority owned private companies and accordingly include our proportional share of their results in the operating cash flow shown above.

Forest Products

We control 41% and own a net beneficial interest in approximately 27% or 40 million shares of Norbord Inc. (“Norbord”). Net invested capital reflects debentures issued by us that are exchangeable into 20 million Norbord shares and which are recorded at the market value of the Norbord shares. Our net investment had a market value of approximately $319 million at year end.

Privately held forest products operations include paper and pulp operations that we acquired out of bankruptcy in April 2003 in connection with the purchase of power generation operations.

Infrastructure

We own the coal rights under approximately 475,000 acres of freehold lands in central Alberta. These lands supply approximately 11% of Alberta’s coal-fired power generation through the production of approximately 13 million tonnes of coal annually. Royalties from this production generate $6 million of operating cash flow and provide a stable source of income as they are free of crown royalties.

In addition, we own a 3.5% net profit interest in 75 million tonnes of proven reserves, and 35 million tonnes of potential reserves of high quality metallurgical coal in British Columbia.

Business Services

Our insurance operations are conducted through 80%-owned Imagine Insurance, a specialty reinsurance business which operates internationally; Hermitage Insurance, a property and casualty insurer which operates principally in the northeast United States; and Trisura, a surety company based in Toronto. We manage the securities portfolios of these companies, which total $1.6 billion and consist primarily of highly rated government and corporate bonds, through our public securities operations. Imagine is rated A- and A- (excellent) by Fitch and AM Best, respectively and Hermitage is rated B++ (good) by AM Best. We continue to explore a variety of options to surface the value of our insurance business, which could result in a reduced ownership interest in the future.

We acquired control of Banco Brascan during the year and have integrated the book values associated with their investment banking, lending and capital markets activities with our corresponding activities.

BUSINESS ENVIRONMENT AND RISKS

The following is a review of certain risks that could adversely impact our financial condition, results of operation and the value of our Class A Limited Voting shares. Additional risks and uncertainties not previously known to the Corporation, or that the Corporation currently deems immaterial may also impact our operations and financial results.

GENERAL RISKS

We are exposed to the local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own assets and operate businesses. In general, a decline in economic conditions will result in downward pressure on our operating margins and asset values. We believe that the long life nature of our assets and, in many cases, the long-term nature of revenue contracts mitigates this risk to some degree.

Each segment of our business is subject to competition in varying degrees. This can result in downward pressure on revenues which can, in turn, reduce operating margins and thereby reduce operating cash flows and investment returns. In addition, competition could result in scarcity of inputs which can impact certain of our businesses through higher costs. We believe that the high quality and low operating costs of many of our assets and businesses provides some measure of protection in this regard.

A number of our long-life assets are interest rate sensitive: an increase in long-term interest rates will, absent all else, tend to decrease the value of the assets. We mitigate this risk in part by financing assets with long-term fixed rate debt, which will typically decrease in value as rates increase. In addition, we believe that many conditions that lead to higher interest rates, such as inflation, can also give rise to higher revenues which will, absent all else, tend to increase values.

The trading price of our Class A Limited Voting shares in the open market cannot be predicted. The trading price could fluctuate significantly in response to factors such as: variations in our quarterly or annual operating results and financial condition; changes in government regulations affecting our business; the announcement of significant events by our competitors; market conditions and events specific to the industries in which we operate; changes in general economic conditions; differences between our actual financial and operating results and those expected by investors and analysts; changes in analysts' recommendations or projections; the depth and liquidity of the market for our Class A Limited Voting shares; investor perception of our business and industry; investment restrictions; and our dividend policy. In addition, securities markets have experienced significant price and volume fluctuations in recent years that have often been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the trading price of our Class A Limited Voting shares.

EXECUTION OF STRATEGY

Our strategy for building shareholder value is to acquire or develop high quality assets and businesses that generate sustainable and increasing cash flows on behalf of ourselves and co-investors, with the objective of achieving higher returns on invested capital and increasing asset management fees over the long term.

We consider effective capital allocation to be one of the most important components to achieving long-term investment success. As a result, we apply a rigorous approach towards the allocation of capital among our operations. The successful execution of a value investment strategy requires careful timing and business judgment, as well as the resources to complete asset purchases and restructure them as required, notwithstanding difficulties experienced in a particular industry.

We endeavour to maintain an appropriate level of liquidity in order to invest on a value basis when attractive opportunities arise. Our approach to business entails adding assets to our existing businesses when the competition for assets is lowest, either due to depressed economic conditions or when concerns exist relating to a particular industry. However, there is no certainty that we will be able to acquire or develop additional high quality assets at attractive prices to supplement our growth. Conversely, overly favourable economic conditions can limit the number of attractive investment opportunities and thereby restrict our ability to increase assets under management and the related income streams. Competition from other well-capitalized investors may significantly increase the purchase price or prevent us from completing an acquisition. We may be unable to finance acquisitions on favourable terms, or newly acquired assets and businesses may fail to perform as expected. We may underestimate the costs necessary to bring an acquisition up to standards established for its intended market position or may be unable to quickly and efficiently integrate new acquisitions into our existing operations.

We develop property and power generation assets. In doing so, we must comply with extensive and complex regulations affecting the development process. These regulations impose on us additional costs and delays, which may adversely affect our business and results of operations. In particular, we are required to obtain the approval of numerous governmental authorities regulating matters such as permitted land uses, levels of density, the installation of utility services, zoning and building standards. We must comply with local, state and federal laws and regulations concerning the protection of health and the environment, including laws and regulations with respect to hazardous or toxic substances. These environmental laws and regulations sometimes result in delays, which cause us to incur additional costs, or severely restrict development activity in environmentally sensitive regions or areas.

Our ability to successfully expand our asset management business is dependent on our reputation with our current and potential investment partners. We believe that our track record and recent investments, as well as adherence to operating principles that emphasize a constructive management culture, will enable us to continue to develop productive relationships with institutional investors. However, competition for institutional capital, particularly in the asset classes on which we focus, is intense. Although we seek to differentiate ourselves there is no assurance that we will be successful in doing so and this competition may reduce the margins of our asset management business and may decrease the extent of institutional investor involvement in our activities.

Our executive and other senior officers have a significant role in our success. Our ability to retain our management group or attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets. The conduct of our business and the execution of our growth strategy rely heavily on teamwork. Co-operation amongst our operations and our team-oriented management structure are essential to responding promptly to opportunities and challenges as they arise. We participate in joint ventures, partnerships, co-tenancies and funds affecting many of our assets and businesses. Investments in partnerships, joint ventures, co-tenancies or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners, co-venturers or co-tenants might at any time have economic or other business interests or goals. In addition, we do not have sole control of certain major decisions relating to these assets and businesses, including: decisions relating to the sale of the assets and businesses; refinancing; timing and amount of distributions of cash from such entities to the Corporation; and capital expenditures.

Some of our management arrangements permit our partners to terminate the management agreement in limited circumstances relating to enforcement of the managers' obligations. In addition, the sale or transfer of interests in some of our entities is subject to rights of first refusal or first offer and some agreements provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not want to sell but may be forced to do so because we may not have the financial resources at that time to purchase the other party's interest. Such rights may also inhibit our ability to sell our interest in an entity within our desired time frame or on any other desired basis.

FINANCIAL AND LIQUIDITY RISKS

We employ debt and other forms of leverage in the ordinary course of our business in order to enhance returns to shareholders and our co-investors. We attempt to match the profile of the leverage to the associated assets and accordingly fund shorter duration

floating rate assets with shorter term floating rate debt and fund long-term fixed rate and equity like assets with long-term fixed rate and equity capital. Most of the debt within our business has recourse only to the assets or subsidiary being financed and has no recourse to the Corporation.

Accordingly, we are subject to the risks associated with debt financing. These risks, including the following, may adversely affect our financial condition and results of operations: our cash flow may be insufficient to meet required payments of principal and interest; payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses; we may not be able to refinance indebtedness on our assets at maturity due to company and market factors including: the estimated cash flow of our assets; the value of our assets; liquidity in the debt markets; financial, competitive, business and other factors, including factors beyond our control; and if refinanced, the terms of a refinancing may not be as favourable as the original terms of the related indebtedness.

The terms of our various credit agreements and other indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations.

If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to dispose of one or more of our assets upon disadvantageous terms, prevailing interest rates or other factors at the time of refinancing could increase our interest expense, and if we pledge assets to secure payment of indebtedness and are unable to make required payments, the creditor could foreclose upon such asset or appoint a receiver to receive an assignment of the associated cash flows.

A large proportion of our capital is invested in physical assets such as office properties, hydroelectric power generating facilities and transmission systems which can be hard to sell, especially if local market conditions are poor. Such liquidity could limit our ability to vary our portfolio or assets promptly in response to changing economic or investment conditions. Additionally, financial or operating difficulties of other owners resulting in distress sales could depress asset values in the markets in which we operate in times of illiquidity. These restrictions could reduce our ability to respond to changes in the performance of our investments and market conditions and could adversely affect our financial condition and results of operations.

We periodically enter into agreements that commit us to acquire assets or securities. In some cases we may enter into such agreements with the expectation that we will syndicate or assign all or a portion of our commitment to other investors prior to, at the same time as, or subsequent to the anticipated closing. We may be unable to complete this syndication or assignment which may increase the amount of capital that we are required to invest. These activities can have an adverse impact on our liquidity which may reduce our ability to pursue further acquisitions or meet other financial commitments.

We enter into financing commitments in the normal course of business and, as a result, may be required to fund these. Although we do not typically do so, we from time to time guarantee the obligations of funds or other entities that we manage and/or invest in. If we are unable to fulfill any of these commitments this could result in damages being pursued against us or a loss of opportunity through default of contracts that are otherwise to our benefit.

Our business is impacted by changes in currency rates, interest rates, commodity prices and other financial exposures. As a general policy, we endeavour to maintain balanced positions, although unmatched positions may be taken from time to time within predetermined limits. The Corporation's risk management and derivative financial instruments are more fully described in the notes to our Consolidated Financial Statements in our 2007 Annual Report. We selectively utilize financial instruments to manage these exposures.

We have pursued and intend to continue to pursue growth opportunities in international markets and often invest in countries where the U.S. dollar is not the notional currency. As a result, we are subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant depreciation in the value of the foreign currency of one or more countries where we have a significant investment may have a material adverse effect on our results of operations and financial position. Although we attempt to maintain a hedged position with respect to the carrying value of net assets denominated in currencies other than the U.S. dollar, this is not always possible or economical to do. Even if we do so, the carrying value may not equal the economic value, meaning that any difference may not be hedged. In addition, the company receives certain cash flows that are denominated in foreign currencies that are not hedged. We mitigate adverse effects by borrowing under debt agreements denominated in foreign currencies and through the use of financial contracts, however, there can be no assurance that those attempts to mitigate foreign currency risk will be successful.

We typically finance assets that generate predictable long-term cash flows with long-term fixed rate debt in order to provide stability in cash flows and protect returns in the event of changes in interest rates. We also make use of fixed rate preferred equity financing as well as financial contracts to provide additional protection in this regard. Similarly, we typically finance shorter term floating rate assets with floating rate debt. Historically, the company and our subsidiaries have tended to maintain a net floating rate liability position because we believe that this results in lower financing costs over the long term although in recent years we have maintained a net floating rate asset position given our view on interest rates.

As at December 31, 2007, our net floating rate liability position was $0.2 billion (2006 – asset of $0.9 billion). As a result, a 10 basis point increase in interest rates would increase operating cash flow by $16 million, or $0.03 per share. Our fixed-rate obligations at year end include a notional amount of $1.6 billion (2006 – $1.1 billion) which we are required to record at market value and any changes in value recorded as current income, with the result that a 10 basis point increase in long-term interest rates will result in a corresponding increase in income of $13 million before tax or $0.02 per share and vice versa, based on our year end positions. It is important for shareholders to keep in mind that these interest rate related revaluation gains or losses are offset by corresponding changes in values of the assets and cash flow streams that they relate to, which are not reflected in current income.

We selectively utilize credit default swaps and equity derivatives to hedge financial positions and may establish unhedged positions from time to time. These instruments are typically utilized as an alternative to purchasing or selling the underlying security when they are more effective from a capital employment perspective.

COMMERCIAL OFFICE PROPERTIES

Our strategy is to invest in high quality commercial office properties as defined by the physical characteristics of the assets and, more importantly, the certainty of receiving rental payments from large corporate tenants which these properties attract. Nonetheless, we remain exposed to certain risks inherent in the core office property business.

Core office property investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as

the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords and our ability to provide adequate maintenance at an economical cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Our core office properties are subject to mortgages which require substantial debt service payments. If we become unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

Our core office properties generate a relatively stable source of income from contractual tenant rent payments. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. While we believe the outlook for commercial office rents is positive for both 2008 and in the longer term, it is possible that rental rates could decline or that renewals may not be achieved. The company is, however, substantially protected against short-term market conditions, since most of our leases are long-term in nature. A protracted disruption in the economy, such as the onset of a severe recession, could place downward pressure over time on overall occupancy levels and net effective rents.

RESIDENTIAL PROPERTIES

In our residential land development and homebuilding operations, markets have been favourable over most of the past seven years. Our operations are concentrated in high growth areas which we believe have positive long-term demographic and economic conditions. Despite this, over the past 18 months the U.S. market has seen extremely negative market sentiment towards housing and has similarly affected our operations in the U.S.

The residential homebuilding and land development industry is cyclical and is significantly affected by changes in general and local economic conditions, such as consumer confidence, employment levels, availability of financing for homebuyers and interest rates. Competition from rental properties and used homes may depress prices and reduce margins for the sale of new homes. Homebuilders are also subject to risks related to the availability and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by us can fluctuate significantly as a result of changing economic and real estate market conditions. If there are significant adverse changes in economic or real estate market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market. Our residential property operations may be particularly affected by changes in local market conditions in California, Virginia, Alberta and Brazil where we derive a large proportion of our residential property revenue. During 2007, we recorded approximately $100 million of charges against our U.S. revenues to reflect changing conditions.

Many of our customers finance their home acquisitions through lenders providing mortgage financing. Mortgage rates have recently been at or near their lowest levels in many years. Despite this, and given that dramatic issues being experienced in the sub-prime markets in the U.S. and by many lenders, it has become more difficult for borrowers to procure mortgages.

Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing, which in the U.S. has resulted in reduced demand for new homes. As a result, rising mortgage rates could adversely affect our ability to sell new homes and the price at which we can sell them.

POWER GENERATING OPERATIONS

Our strategy is to own primarily hydroelectric generating facilities, which have operating costs significantly below that of most competing forms of generation. As a result, there is a high level of assurance that we will be able to deliver power on a profitable basis. In addition, we sell most of our generation pursuant to contracts that protect us from variations in future prices. Nonetheless, we are subject to certain risks, the most significant of which are hydrology and price, but also include changes in regulation, risk of increased maintenance costs, dam failure and other disruptions.

The revenues generated by our power facilities are proportional to the amount of electricity generated, which is dependent upon available water flows. Although annual deviations from long-term average water flows can be significant, we strive to mitigate this risk by increasing the geographic diversification of our facilities which assists in balancing the impact of generation fluctuations in any one geographic region.

Demand for electricity varies with economic activity. An economic slowdown could have an adverse impact on prices. In addition, oversupply in our markets may result from excess generating capacity. Future pricing levels are dependent on economic and supply conditions and the terms on which contracts are renewed. A portion of our power generation revenue is tied, either directly or indirectly, to the spot market price for electricity. Electricity price volatility could have a significant effect on our business, operating results, financial condition or prospects.

There is a risk of equipment failure due to, among other things, wear and tear, latent defect, design error or operator error which could adversely affect revenues and cash flows. Although the power systems have operated in accordance with expectations, there can be no assurance that they will continue to do so. In the future, our generation assets may require significant capital expenditures and operations could be exposed to unexpected increases in costs such as labour, water rents and taxes. Nevertheless, this risk is substantially mitigated by the proven nature of hydroelectric technology, the design of the plants, capital programs, adherence to prudent maintenance programs, comprehensive insurance and significant operational flexibility as a result of having generating units which can operate independently.

The operation of hydroelectric generating facilities and associated sales of electricity are regulated to varying degrees in most regions. Changes in regulation can affect the quantity of generation and the manner in which we produce it.

The occurrence of dam failures at any of our hydroelectric generating stations could result in a loss of generating capacity and repairing such failures could require us to incur significant expenditures of capital and other resources. Such failures could result in us being exposed to liability for damages. There can be no assurance that our dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Upgrading all dams to enable them to withstand all events could require us to incur significant expenditures of capital and other resources.

The occurrence of a significant event which disrupts the ability of our generation assets to produce or sell power for an extended period, including events which preclude existing customers from purchasing electricity, could have a material negative impact on the business. Our generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident at our generation facilities. In addition, many of our generation assets are located in remote areas which makes access for repair of damage difficult.

TIMBERLANDS

The financial performance of our timberland operations depends on the state of the lumber and pulp and paper industries. Decreases in the level of residential construction activity generally reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for lumber mills who are important customers to us. Depressed commodity prices of lumber, pulp or paper or

market irregularities may cause mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomic. Any of these circumstances could significantly reduce the prices that we realize for our timber and the amount of timber that such operators purchase from us.

Weather conditions, timber growth cycles, access limitations, aboriginal claims and regulatory requirements associated with forestry practices, sale of logs and environmental matters, may restrict our harvesting, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural and man-made disasters. Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that our forest management planning, including silviculture, will have the intended result of ensuring that our asset base appreciates in value over time. If management's estimates of merchantable inventory are incorrect, harvesting levels on our timberlands may result in depletion of our timber assets.

TRANSMISSION INFRASTRUCTURE

Our transmission operations are subject to regulation. The regulated rates are designed to recover allowed costs, including debt financing costs, and permit earning a specified rate of return on assets or equity. Any changes in the rate structure for the transmission assets or any reallocation or redetermination of allowed costs relating to the transmission assets, could have a material adverse effect on our transmission revenues and operating margins.

SPECIALTY INVESTMENT FUNDS

Our specialty funds operations are focused on the ownership and management of securities and businesses that are supported by underlying tangible assets and cash flows. The principal risks in this business are potential loss of invested capital as well as insufficient investment or fee income to cover operating expenses and cost of capital.

Unfavourable economic conditions could have a significant impact on the value and liquidity of our investments and the level of investment income. Since most of our investments are in our areas of expertise and given that we strive to maintain adequate supplemental liquidity at all times, we are well positioned to assume ownership of and operate most of the assets and businesses that we finance. Furthermore, if this situation does arise, we typically acquire the assets at a discount to the underwritten value, which protects us from loss.

OTHER RISKS

As an owner and manager of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. These laws could hold us liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect our ability to sell our real estate or to borrow using real estate as collateral, and could potentially result in claims or other proceedings against us. We have made and will continue to make the necessary capital expenditure for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on our business, financial condition or results of operation.

The ownership and operation of our assets carry varying degrees of inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future laws or amendments enacted) and the requirements of licenses, permits and other approvals will remain material to our business. We have incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, from time to time it is possible that we may be unsuccessful in obtaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurance can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Our core office portfolio is concentrated in large metropolitan areas, some of which have been or may be perceived to be subject to terrorist attacks. Furthermore, many of our properties consist of high-rise buildings, which may also be subject to this actual or perceived threat, which could be heightened in the event that the United States continues to engage in armed conflict. This could have an adverse effect on our ability to lease office space in our portfolio. Each of these factors could have an adverse impact on our operating results and cash flows. Our core office property operations have insurance covering certain acts of terrorism for up to $500 million of damage and business interruption costs. We continue to seek additional coverage equal to the full replacement cost of our assets; however, until this type of coverage becomes commercially available on a reasonably economic basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to the company.

We carry various insurance coverages that provide comprehensive protection for first party and third party losses to our properties. These coverages contain policy specifications, limits and deductibles customarily carried for similar properties. We also self-insure a portion of certain of these risks. We believe all of our properties are adequately insured.

There are certain types of risks (generally of a catastrophic nature such as war or environmental contamination such as toxic mold) which are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our assets or operations, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

In the normal course of our operations, we become involved in various legal actions, typically involving claims relating to personal injuries, property damage, property taxes, land rights and contract disputes. We endeavour to maintain adequate provisions for outstanding or pending claims. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on our financial position or results of our operations in a particular quarter or fiscal year.

Ongoing changes to the physical climate in which we operate may have an impact on our business. In particular, changes in weather patterns may impact hydrology levels thereby influencing generation levels and power generation levels. Climate change may also give rise to changes in regulations and consumer sentiment that could impact other areas of our business.

The U.S. Investment Company Act of 1940 (the “Act”) requires the registration of any company which holds itself out to the public as being engaged primarily in the business of investing, reinvesting or trading in securities. In addition, the Act may also require the registration of a company that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and which owns or proposes to acquire investment securities with a value of more than 40% of the company’s assets on an unconsolidated basis. We are not currently an investment company in accordance with the Act and we believe we can continue to arrange our business operations in ways so as to avoid becoming an investment company within the meaning of the Act. If we were required to register as an investment company under the Act, we would, among other things, be restricted from engaging in certain businesses and issuing certain securities. In addition, certain of our contracts may become void.

There are many other laws and governmental regulations that apply to us, our assets and businesses. Changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur. Further, economic and political factors, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders in the United States, but primarily in the foreign countries in which we have invested, can have a major impact on us as a global company.

A portion of the workforce in our operations is unionized and if we are unable to negotiate acceptable contracts with any of our unions as existing agreements expire, we could experience a significant disruption of the affected operations, higher ongoing labour costs and restriction of its ability to maximize the efficiency of its operations, which could have an adverse effect on our operations and financial results.

DIRECTORS AND OFFICERS

The Corporation's directors are elected annually and hold office until the next annual meeting of shareholders of the Corporation or until a successor is elected or appointed. As of the date of this Annual Information Form, the board has 16 directors. Particulars relating to each of the 16 directors nominated for election at the Annual Meeting of Shareholders to be held on April 30, 2008 are contained in the Corporation's Management Information Circular dated March 14, 2008 on pages 7 to 10, which are incorporated herein by reference. A copy of this Circular can be obtained from the Corporation and is available on our web site *www.brookfield. com* at *Investor Centre/Other disclosure reports* and on SEDAR at *www.sedar.com.*

Officers of the Corporation

The names of the senior corporate officers of the Corporation, their location of residence, their current offices and their dates of appointment are shown in the following table:

Name	*Residence*	*Current Office*	*Date of Appointment*
J. Bruce Flatt	Ontario, Canada	Managing Partner and Chief Executive Officer	2002
Brian D. Lawson	Ontario, Canada	Managing Partner and Chief Financial Officer	2002
Jeffrey M. Blidner	Ontario, Canada	Managing Partner	2003
George E. Myhal	Ontario, Canada	Managing Partner	2003
Samuel J.B. Pollock	Ontario, Canada	Managing Partner	2003
Denis Couture	Ontario, Canada	Senior Vice President, Investor Relations	2007
Alan V. Dean	Ontario, Canada	Senior Vice President and Corporate Secretary	1998

For those corporate officers of the Corporation appointed to their current positions within the past five years, their prior positions during this period were as follows. Prior to their appointment as Managing Partners of the Corporation in 2003, Mr. Myhal was Chief Executive Officer of Brascan Financial and Messrs. Blidner, Myhal and Pollock held various other executive positions with Brascan Financial, positions which they continued to hold until the amalgamation of Brascan Financial with the Corporation in January 2005. Prior to 2007, Mr. Couture was Director of Investor Relations for Falconbridge Limited and Noranda Inc.

Mr. Lawson served as a director of American Resource Corporation Limited ("ARCL") until April 2005. During that time, ARCL failed to file financial statements on a timely basis, and accordingly ARCL and its directors and officers became subject to management cease trade orders imposed by the Ontario Securities Commission and other provincial securities regulatory authorities. The Corporation controls all of the voting and 99% of the non-voting shares of ARCL. ARCL has corrected the filing deficiencies that led to the management cease trade orders and has made application to the relevant provincial securities regulatory authorities to have the management cease trade orders, which are still in effect, lifted.

As at February 29, 2008, the directors and executive officers of the Corporation together owned, or controlled or directed, directly or indirectly, approximately 24.1 million Class A Limited Voting shares, representing approximately 3.6% of the Corporation's issued and outstanding shares in this series. These ownership interests do not include the *pro rata* interests of related directors and other executive officers held beneficially through Partners Limited and BAM Investments Corp. None of the Corporation's directors or executive officers own directly any of the Corporation's Class B Limited Voting shares.

MARKET FOR SECURITIES

The Corporation's publicly traded securities that are currently issued and outstanding as of the date of this Annual Information Form are listed on the following exchanges under the symbols shown below:

Security	Symbol	Stock Exchange
Class A Limited Voting shares	**BAM**	New York
	BAM.A	Toronto
	BAMA	Euronext Amsterdam [(a)]
Class A Preference Shares		
Series 2	**BAM.PR.B**	Toronto
Series 4	**BAM.PR.C**	Toronto
Series 8	**BAM.PR.E**	Toronto
Series 9	**BAM.PR.G**	Toronto
Series 10	**BAM.PR.H**	Toronto
Series 11	**BAM.PR.I**	Toronto
Series 12	**BAM.PR.J**	Toronto
Series 13	**BAM.PR.K**	Toronto
Series 14	**BAM.PR.L**	Toronto
Series 17	**BAM.PR.M**	Toronto
Series 18	**BAM.PR.N**	Toronto

(a) The Corporation's Class A Limited Voting shares were listed for trading on Euronext Amsterdam on March 18, 2008.

Security Information on the trading prices and volumes for each of the above securities for each month of the calendar year ended December 31, 2007 is contained in Appendix A to this Annual Information Form.

RATINGS

The credit ratings for the Corporation's securities as at the date of this Annual Information Form were as follows:

	DBRS		*Standard & Poor's*		*Moody's*	
Securities of the Corporation	***Rating***	***Outlook***	***Rating***	***Outlook***	***Rating***	***Outlook***
Commercial paper	R-1 (low)	Stable	A-1 (low)	Stable	Not rated	Not rated
Senior notes and debentures [(a)]	A (low)	Stable	A-	Stable	Baa2	Stable
Subordinated notes and debentures	BBB (high)	Stable	BBB	Stable	Not rated	Not rated
Preferred shares	Pfd-2 (low)	Stable	P-2	Stable	Not rated	Not rated

(a) The Corporation's senior debt is also rated by Fitch Ratings Ltd.

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the Corporation's debt and preferred securities are rated by DBRS Limited ("DBRS") and by Standard & Poor's ("S&P"), and its senior notes and debentures are also rated by Moody's Investor Service ("Moody's"). The following is a brief description of each rating agency's rating schedule.

DBRS rates commercial paper, long-term debt and preferred shares with ratings of "R-1", "AAA" and "Pfd-1", respectively, which represent the highest ratings, to "R-3", "CCC" and "Pfd -5", which represent the lowest, with "D" for issues in payment default. To show relative rankings with these rating categories, DBRS may modify them by the addition of "(high)" or "(low)".

S&P rates commercial paper, long-term credit and preferred shares with ratings of "A-1", "AAA" and "P-1", respectively, which represent the highest ratings, to "C", "CCC" and "P-5", which represent the lowest, with "D" for issues in payment default. To show relative rankings with these rating categories, S&P may modify them by the addition of a plus "(+)" or minus "(-)". DBRS and S&P further modify their ratings by indicating the stability of an assigned rating with terms such as "stable," "positive" and "negative".

Moody's rates long-term obligations with ratings of "Aaa", which represents the highest rating, to "C", which represents the lowest. To show relative rankings with these rating categories, Moody's may modify them by the addition of a "1", "2" or "3" to indicate relatively higher, middle or lower ranking.

Fitch Ratings Ltd. ("Fitch") has assigned a "BBB+" rating with a "Stable Outlook" to the Corporation's senior unsecured debt.

The ratings discussed above for the Corporation's debt and securities are not a recommendation to purchase, hold or sell the Corporation's debt and securities and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings shown above will remain in effect for any given period of time or that the ratings will not be revised or withdrawn in their entirety by any or all of DBRS, S&P, Moody's or Fitch in the future if, in their judgment, circumstances so warrant.

The investment ratings of our publicly traded subsidiaries are presented in their Annual Information Forms, which are available on SEDAR at *www.sedar.com*.

DIVIDENDS AND DIVIDEND POLICY

Class A and Class B Limited Voting Shares

The declaration and payment of dividends on the Corporation's Class A and Class B Limited Voting shares are at the discretion of the Corporation's board of directors. Dividends on the Class A and Class B Limited Voting shares are paid quarterly, normally at the end of February, May, August and November of each year. The board of directors supports a stable and consistent dividend policy for these shares, and will consider increasing dividends from time to time at a rate based on a portion of the growth rate in cash flow from operations per share. Special dividends may also be declared from time to time to implement corporate strategic initiatives.

On February 7, 2008, the Corporation's board of directors approved an increase to the quarterly dividend paid on its Class A and Class B Limited Voting shares from $0.12 to $0.13, commencing with the dividend payable on May 31, 2008.

On January 3, 2008, the Corporation's board of directors announced a special dividend of 25 units of Brookfield Infrastructure Partners L.P. for each Class A Limited Voting share or Class B Limited Voting share held at the close of business on January 14, 2008. This special dividend was distributed to the Corporation's Class A and Class B shareholders on January 31, 2008, and the partnership units commenced trading on the NYSE on that date. Fractional units were paid in February 2008 in cash at the rate of $20.5565 per unit, which was the weighted average trading price of the partnership units on NYSE for the five trading days following the commencement of trading.

On June 1, 2007, the Corporation completed a three-for-two stock split of its Class A Limited Voting shares by way of a special dividend of one Class A Limited Voting share for each two Class A or Class B Limited Voting shares held at the close of business on May 24, 2007. Fractional shares were paid in cash at the rate of C$22.72 or US$20.95 per share, being the closing price of a Class A Limited Voting share on TSX on May 24, 2007.

On February 8, 2007, the Corporation's board of directors approved an increase to the quarterly dividend paid on its Class A and Class B Limited Voting shares from $0.16 to $0.18, expressed on a pre-split basis, commencing with the dividend paid on May 31, 2007. On a post-split basis, reflecting the three-two-stock split on June 1, 2007, this increased dividend was $0.12.

Increases to the quarterly dividends paid on the Corporation's Class A Limited Voting shares were approved in each of the three prior years, namely an increase from $0.15 to $0.24 in February 2006, an increase from $0.14 to $0.15 in February 2005, and an increase of C$0.25 to C$0.26 in February 2004. The quarterly dividends shown for these prior years are shown as declared, that is, prior to the impact of the three-for-two stock splits in June 2004, April 2006 and June 2007.

In April 2004, the Corporation's board of directors decided to change the declaration currency for the dividend payable on its Class A and Class B Limited Voting shares from Canadian to US funds, commencing with the dividend paid on August 31, 2004 of $0.14 per share. Registered Canadian shareholders receive their dividends in Canadian funds, unless they elect otherwise. This declared dividend was also pro-rated to reflect the three-for-two stock split implemented in June 2004.

The Corporation has a Dividend Reinvestment Plan which enables registered holders of Class A Limited Voting shares who are resident in Canada to receive their dividends in the form of newly issued Class A Limited Voting shares. The price of the new shares is equal to the weighted average price at which board lots of Class A Limited Voting shares have traded on the Toronto Stock Exchange during the five trading days immediately preceding the relevant dividend payment date. Our Dividend Reinvestment Plan allows current shareholders of the Corporation who are resident in Canada to increase their investment in the Corporation free of commissions.

Preferred Shares

The declaration and payment of dividends on the Corporation's preferred shares are at the discretion of the Corporation's board of directors. Dividends on the Corporation's Class A Preference Shares, Series 2, 4, 5, 7, 10, 11, 12, 13, 15 17, 18, 19 and 20 are paid quarterly, normally at the end of March, June, September and December of each year. Dividends on the Corporation's Class A Preference Shares, Series 9 are paid quarterly, normally at the beginning of February, May, August and November. Dividends on the Corporation's Class A Preference Shares, Series 8, 14 and 16 are paid monthly. Dividends on the Corporation's preferred shares are currently declared in Canadian dollars. Additional information on the dividends payable on the Corporation's currently issued and outstanding preferred shares can be found in the summary share conditions contained in Appendix B to this Annual Information Form.

The following table summarizes the dividends paid per share for each of the three years ended December 31, 2005, 2006 and 2007, on each class and series of securities of the Corporation that was outstanding at December 31, 2007, all expressed in United States dollars.

	Distribution per Security		
	2007	***2006***	***2005***
Per Class A and Class B Limited Voting Share [(a)]	$0.47	$0.39	$0.26
Per Class A Preferred Share [(b)]			
Series 2	0.99	0.88	0.63
Series 4 + Series 7	0.99	0.88	0.63
Series 5	0.92	0.82	0.58
Series 8	1.10	1.10	0.74
Series 9	1.01	1.25	1.16
Series 10	1.34	1.27	1.19
Series 11	1.28	1.22	1.14
Series 12	1.26	1.19	1.12
Series 13	0.99	0.88	0.63
Series 14	3.57	3.10	2.25
Series 15	1.15	1.00	0.65
Series 16	1.08	1.01	0.58
Series 17 [(c)]	1.11	0.12	—
Series 18 [(d)]	0.71	—	—

(a) Dividend amounts per Class A and Class B Limited Voting shares have been adjusted retroactively to show the impact of the three-for-two share splits on April 27, 2006 and June 1, 2007.

(b) The dividends on these preferred shares are declared in Canadian funds. All Canadian dollar amounts have been converted to United States dollars at the exchange rate of US$1.00 to C$1.0736, which was the average exchange rate during 2007.

(c) These shares were issued on November 20, 2006. The dividend paid in 2006 was for the initial period from the date of issue. (d) These shares were issued on May 9, 2007. The dividends paid in 2007 were for the period from the date of issue.

The Corporation's Class A Preference Shares, Series 18 were issued on May 9, 2007. The Corporation commenced paying dividends on this series of shares on June 30, 2007.

The Corporation's Class A Preference Shares, Series 17 were issued on November 20, 2006. The Corporation commenced paying dividends on this series of shares on December 31, 2006.

The Corporation's Class A Preference Shares, Series 13, 14, 15 and 16 were issued on December 31, 2004 in conjunction with the amalgamation of the Corporation with Brascan Financial. The Corporation commenced paying dividends on these series of shares in the first quarter of 2005.

The Corporation redeemed its 8.30% preferred securities due December 31, 2051 on January 2, 2007; its 8.35% preferred securities due December 31, 2050 on January 2, 2007; and its Class A Preference Shares, Series 3 on November 8, 2005.

Information relating to the dividends and dividend policies of the Corporation's publicly traded subsidiaries can be found in their individual Annual Information Forms, which are available on SEDAR at *www.sedar.com*.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the components of the Corporation's share capital. Additional summary information on the terms and conditions attached to or affecting each class of the Corporation's authorized securities is contained in Appendix B to this Annual Information Form. Reference should also be made to the articles of the Corporation for a complete description of all terms and conditions of our share capital. These articles can be found on our web site *www.brookfield.com* at *About Brookfield/Articles and Bylaws* are filed on SEDAR at *www.sedar.com*.

The Corporation's authorized share capital consists of:

i) an unlimited number of preference shares designated as Class A Preference Shares, issuable in series:
   - the first series, which consists of 23,391 Class A Preference Shares, Series 1;
   - the second series, which consists of 10,465,100 Class A Preference Shares, Series 2;
   - the third series, which consists of 2,000 Class A Preference Shares, Series 3;
   - the fourth series, which consists of 4,000,000 Class A Preference Shares, Series 4;
   - the fifth series, which consists of 2,600,000 Class A Preference Shares, Series 5;
   - the sixth series, which consists of 111,633 Class A Preference Shares, Series 6;
   - the seventh series, which consists of 4,000,000 Class A Preference Shares, Series 7;
   - the eighth series, which consists of 8,000,000 Class A Preference Shares, Series 8;
   - the ninth series, which consists of 8,000,000 Class A Preference Shares, Series 9;
   - the tenth series, which consists of 10,000,000 Class A Preference Shares, Series 10;
   - the eleventh series, which consists of 31,500,000 Class A Preference Shares, Series 11;
   - the twelfth series, which consists of 8,000,000 Class A Preference Shares, Series 12;
   - the thirteenth series, which consists of 9,999,000 Class A Preference Shares, Series 13;
   - the fourteenth series, which consists of 665,000 Class A Preference Shares, Series 14;
   - the fifteenth series, which consists of 4,000,000 Class A Preference Shares, Series 15;
   - the sixteenth series, which consists of 7,835,200 Class A Preference Shares, Series 16;
   - the seventeenth series, which consists of 8,000,000 Class A Preference Shares, Series 17;
   - the eighteenth series, which consists of 8,000,000 Class A Preference Shares, Series 18;
   - the nineteenth series, which consists of 13,700,000 Class A Preference Shares, Series 19; and
   - the twentieth series, which consists of 13,513,510 Class A Preference Shares, Series 20;

ii) an unlimited number of preference shares designated as Class AA Preference Shares, issuable in series, of which no series have been created or issued;

iii) an unlimited number of Class A Limited Voting Shares; and

iv) 85,120 Class B Limited Voting Shares.

As at February 29, 2008, the following shares of the Corporation were issued and outstanding: nil Class A Preference Shares, Series 1; 10,465,100 Class A Preference Shares, Series 2; nil Class A Preference Shares, Series 3; 4,000,000 Class A Preference Shares, Series 4; 2,600,000 Class A Preference Shares, Series 5; nil Class A Preference Shares, Series 6; 4,000,000 Class A Preference Shares, Series 7; 1,805,948 Class A Preference Shares, Series 8; 6,194,052 Class A Preference Shares, Series 9; 10,000,000 Class A Preference Shares, Series 10; 4,032,401 Class A Preference Shares, Series 11; 7,000,000 Class A Preference Shares, Series 12; 9,999,000 Class A Preference Shares, Series 13; 665,000 Class A Preference Shares, Series 14; 4,000,000 Class A Preference Shares, Series 15; 7,810,200 Class A Preference Shares, Series 16; 8,000,000 Class A Preference Shares, Series 17; 8,000,000 Class A Preference Shares, Series 18; 13,700,000 Class A Preference Shares, Series 19; 13,513,510 Class A Preference Shares, Series 20; nil Class AA Preference Shares; 583,126,600 Class A Limited Voting Shares; and 85,120 Class B Limited Voting Shares.

On December 31, 2007, the Corporation cancelled 377,481,798 Class A Limited Voting shares held internally by subsidiaries of the Corporation arising from a prior amalgamation. Prior to this cancellation, these shares had not been included in the number of shares issued and outstanding in this class for financial reporting purposes.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is CIBC Mellon Trust Company at its principal office in Toronto, Ontario, Canada. CIBC Mellon Trust Company maintains registers for the transfer of the Corporation's public securities at its offices in Toronto, Ontario, in Montreal, Quebec and in Vancouver, British Columbia in Canada and through BNY Mellon Shareowner Services LLC in Jersey City, New Jersey in the U.S.A.

MATERIAL CONTRACTS

The following is the only material contract, other than contracts entered into in the ordinary course of business, which has been entered into by the Corporation or any of its subsidiaries or their predecessors within the most recently completed financial year, or was entered into before the most recently completed financial year and is still in effect, or which is proposed to be entered into:

- The Trust Agreement referred to under "Principal Holders of Voting Shares" in the Corporation's Management Information Circular, dated March 14, 2008.

A copy of this document has been filed on SEDAR as a material contract and is available at *www.sedar.com*.

INTERESTS OF EXPERTS

Deloitte & Touche LLP, the Corporation's external auditor, is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE INFORMATION

Responsibilities of the Audit Committee

The Corporation's board of directors has established an Audit Committee with the responsibility for monitoring the Corporation's systems and procedures for financial reporting, risk management and internal controls, for reviewing all public disclosure documents containing financial information, and for monitoring the performance of the Corporation's external and internal auditors. The responsibilities of the Audit Committee are set out in a written charter, which is reviewed and approved annually by the board of directors. The current Charter of the Audit Committee was reviewed and confirmed by the board on February 7, 2008 and is set out in full in Appendix C to this Annual information Form.

Composition of the Audit Committee

As at the date of this Annual Information Form, the Audit Committee is comprised of the following four directors: Marcel R. Coutu, who is the Committee's chairman, William A. Dimma, Jack M. Mintz and George S. Taylor. The Corporation's board of directors has determined that all of these directors are independent and financially literate, and that Messrs. Coutu and Mr. Taylor each qualify as an "audit committee financial expert". Mr. Coutu has a Masters Degree in Business Administration and over 15 years experience in investment banking and corporate finance. He is currently President and Chief Executive Officer of Canadian Oil Sands Limited. Mr. Taylor is a Certified Management Accountant and has extensive financial and senior management experience with a public company as an executive of John Labatt Limited from 1977 to 1995. He has served as an audit committee member and audit committee chairman for a number of public companies and non-profit organizations during his business career. Mr. Dimma has had extensive exposure to financial matters as an executive officer, director and audit committee member of public corporations. Mr. Mintz has had an extensive academic career in business economics and taxation and has served on the boards of audit committees of several public companies and non-profit organizations. Additional information on the members of the Audit Committee is contained in the Corporation's Management Information Circular dated March 14, 2008.

Principal Accountant Fees and Services

Deloitte and Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively "Deloitte & Touche") are the principal external auditors of the Corporation and its consolidated reporting issuer subsidiaries. The following table provides information about the aggregate fees billed to the Corporation and its consolidated subsidiaries for professional services rendered by Deloitte & Touche during 2007 and 2006:

	2007			*2006*		
YEARS ENDED DECEMBER 31 (MILLIONS)	*Brookfield*	*Subsidiaries of Brookfield*	*Total*	*Brookfield*	*Subsidiaries of Brookfield*	*Total*
Audit fees	6.3	11.5	17.8	3.0	8.4	11.4
Audit-related fees	0.2	10.3	10.5	0.8	5.2	6.0
Tax fees	—	1.0	1.0	—	0.6	0.6
All other fees	0.2	0.3	0.5	0.2	0.2	0.4
Total	6.7	23.1	29.8	4.0	14.4	18.4

All Canadian dollar amounts included in the above totals have been converted to United States dollars at the exchange rate of US$1.00 to C$1.0736, which was the average exchange rate during 2007.

Audit Fees. Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services necessary to perform an audit or review in accordance with generally accepted auditing standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with and review of certain documents filed with securities regulatory authorities.

Audit-Related Fees. Audit-related fees are for assurance and related services, such as due diligence services, that traditionally are performed by the external auditor. More specifically, these services include, among others: assistance in preparing for the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

Tax Fees. Tax fees are principally for assistance in tax return preparation and tax advisory services.

All Other Fees. All other fees include fees for translation, litigation and advisory support services.

Pre-Approval Policies and Procedures

The Audit Committee of the Corporation's board of directors has adopted a policy regarding the provision of services by its external auditors, currently Deloitte & Touche. This policy requires audit committee pre-approval of all permitted audit, audit-related and non-audit services. It also specifies a number of services that may not be provided by the Corporation's external auditors, including all services prohibited by law from being provided by the external auditors.

Under the policy, all permitted services to be provided by the external auditors must be pre-approved by the Audit Committee or a designated member of the Audit Committee. Any pre-approval granted by a designated member must be reported to the Audit Committee at its next scheduled meeting. The pre-approval of services may be given at any time up to a year before commencement of the specified service.

The Audit Committee may delegate its pre-approval authority and responsibility to the audit committee of any consolidated subsidiary of the Corporation in respect of services to be provided to such subsidiary, provided that such subsidiary's audit committee members are independent from the Corporation and its management, such subsidiary adopts pre-approval policies and procedures that are substantially similar to those of the Corporation, and such subsidiary's audit committee makes certain reports to the Corporation's audit committee.

Subject to the above mentioned policy, the Audit Committee may establish fee thresholds for a group of pre-approved services, provided that such fees will, when combined with all such fees that have not been specifically approved by the audit committee, aggregate less than 25% of the anticipated audit fees for the Corporation and its subsidiaries for the same year. In such cases, the description of services must be sufficiently detailed as to the particular services to be provided to ensure that (i) the Audit Committee knows precisely what services it is being asked to pre-approve and (ii) the Audit Committee's responsibilities are not delegated to management. All such services will be ratified at the next scheduled meeting of the Audit Committee, and upon such ratification will no longer be included in determining the aggregate fees covered by this limited approval.

Of the fees reported in this Annual Information Form under the heading "Principal Accountant Fees and Services", none of the fees billed by Deloitte & Touche were approved by the Audit Committee of the board of directors of the Corporation pursuant to the *de minimis* exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including information as to directors' and executive officers' remuneration and indebtedness, the principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, is set out in the Corporation's Management Information Circular dated March 14, 2008.

Additional financial information on the Corporation is provided in our Financial Statements and in Management's Discussion and Analysis for the most recently completed financial year, which are contained in our 2007 Annual Report.

The Corporation's most recent Management Information Circular and Annual Report, as well as other information on the Corporation, may be found on our web site *www.brookfield.com* and on SEDAR at *www.sedar.com*

APPENDIX A

TRADING INFORMATION FOR THE CORPORATION'S PUBLICLY-LISTED SECURITIES

The following sets out trading information for 2007 for the Corporation's publicly traded securities outstanding as at December 31, 2007, all of which are listed on the Toronto Stock Exchange ("TSX"), based on information provided by the TSX and, in the case of the Corporation's Class A Limited Voting Shares, information provided by the New York Stock Exchange ("NYSE").

Class A Limited Voting Shares (TSX: BAM.A)

	Price Per Share			
Period 2007	***High C$***	***Low C$***	***Average C$***	***Volume Traded [(a)] #***
December	37.53	34.02	35.26	17,110,590
November	36.99	31.98	33.18	23,003,049
October	39.13	35.15	37.40	19,933,207
September	37.72	33.20	35.08	19,648,421
August	37.30	33.07	35.00	32,204,874
July	43.25	37.39	41.02	21,511,956
June [(b)]	44.53	40.45	42.03	26,099,569
May	47.57	42.41	46.20	21,308,711
April	43.13	41.29	42.42	12,551,462
March	42.36	40.23	41.14	17,556,203
February	44.07	38.12	40.88	20,030,681
January	39.09	36.35	37.60	15,170,308

(a) Volume traded refers to volume traded on TSX only.

(b) All trading information prior to June, 2007 has been adjusted to reflect the Corporation's three-for-two stock split effective June 4, 2007.

Class A Limited Voting Shares (NYSE:BAM)

	Price Per Share			
Period 2007	***High US$***	***Low US$***	***Average US$***	***Volume Traded [(a)] #***
December	38.30	34.64	36.13	15,514,993
November	39.75	33.39	35.39	29,060,194
October	40.89	37.44	39.49	27,103,500
September	38.75	33.00	35.25	29,026,592
August	36.04	31.74	34.01	54,460,063
July	41.06	35.14	39.04	31,165,100
June	41.98	37.94	39.45	28,832,020
May [(b)]	43.42	38.33	42.28	29,080,969
April	38.77	35.70	37.42	19,219,200
March	36.17	34.29	35.22	20,805,395
February	38.04	32.35	34.92	23,308,669
January	33.13	31.01	32.03	17,188,200

(a) Volume traded refers to volume traded on NYSE only.

(b) All trading information prior to June, 2007 has been adjusted to reflect the Corporation's three-for-two stock split effective June 4, 2007.

Class A Preference Shares, Series 2 (TSX: BAM.PR.B)

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	21.30	17.00	18.37	397,709
November	24.19	21.35	23.30	92,743
October	24.44	23.95	24.15	63,778
September	24.60	24.05	24.37	208,833
August	24.71	23.81	24.30	160,026
July	24.99	24.66	24.86	106,051
June	25.09	24.77	24.98	109,856
May	25.04	24.62	24.88	163,096
April	24.99	24.81	24.91	89,661
March	25.12	24.80	24.97	240,892
February	25.09	24.76	24.89	254,514
January	24.99	24.63	24.82	110,716

Class A Preference Shares, Series 4 (TSX: BAM.PR.C)

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	19.95	16.55	18.11	153,885
November	24.25	20.00	22.49	56,531
October	24.79	24.08	24.45	75,687
September	24.75	24.00	24.48	58,188
August	24.87	23.95	24.44	39,241
July	25.25	24.76	24.99	59,180
June	25.48	24.78	25.07	30,455
May	25.18	24.55	24.87	120,883
April	24.99	24.72	24.93	49,957
March	25.47	24.86	25.10	62,551
February	25.50	24.84	25.05	102,373
January	24.95	24.82	24.91	47,157

Class A Preference Shares, Series 8 (TSX: BAM.PR.E)

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	24.20	21.67	23.40	25,550
November	24.49	24.00	24.20	8,000
October	24.74	24.41	24.54	52,060
September	24.94	24.25	24.64	29,580
August	24.80	23.80	24.30	20,310
July	24.90	24.52	24.78	20,300
June	24.95	24.25	24.68	9,690
May	25.25	24.95	25.05	179,100
April	25.10	25.06	25.08	3,600
March	25.15	25.05	25.09	61,650
February	25.05	24.86	24.98	8,850
January	25.27	24.81	25.05	16,980

Class A Preference Shares, Series 9 (TSX: BAM.PR.G)

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	21.95	18.00	19.89	99,664
November	24.48	22.95	23.77	15,968
October	24.66	23.64	24.27	35,937
September	24.88	23.89	24.39	51,323
August	24.54	23.60	23.98	38,726
July	24.14	23.70	23.97	33,902
June	24.05	23.50	23.81	50,475
May	25.05	23.50	24.78	166,991
April	25.60	25.26	25.40	18,639
March	25.78	25.49	25.59	17,210
February	25.79	25.53	25.63	18,552
January	26.00	25.22	25.46	26,190

Class A Preference Shares, Series 10 (TSX: BAM.PR.H)

Period	Price Per Share			Volume Traded
2007	High C$	Low C$	Average C$	#
December	26.99	25.70	26.10	76,970
November	26.22	25.81	25.97	84,817
October	26.40	25.50	26.00	59,016
September	26.68	25.70	26.32	207,272
August	26.81	26.60	26.68	178,757
July	26.99	26.55	26.68	95,713
June	27.25	26.60	26.93	113,832
May	27.23	26.97	27.07	253,090
April	27.24	26.88	27.00	51,903
March	27.42	26.85	27.06	350,376
February	27.31	27.11	27.18	99,373
January	27.26	26.90	27.15	62,277

Class A Preference Shares, Series 11 (TSX: BAM.PR.I)

Period	Price Per Share			Volume Traded
2007	High C$	Low C$	Average C$	#
December	25.98	25.00	25.60	75,007
November	26.39	25.65	25.91	83,123
October	26.49	25.75	26.22	35,320
September	26.65	26.20	26.32	20,610
August	26.74	26.36	26.50	33,092
July	27.00	26.50	26.68	28,155
June	27.25	26.50	26.89	35,360
May	27.24	27.12	27.17	31,001
April	27.40	26.72	27.09	213,470
March	27.60	26.32	26.97	24,285
February	27.50	26.75	27.17	45,558
January	27.50	27.05	27.21	28,803

Class A Preference Shares, Series 12 (TSX: BAM.PR.J)

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	26.58	23.87	25.53	180,235
November	26.46	25.65	26.23	99,543
October	26.30	25.50	25.83	72,767
September	26.40	25.56	25.98	73,185
August	26.95	25.71	26.19	87,318
July	26.50	25.75	26.09	97,118
June	27.25	26.01	26.71	73,695
May	27.87	27.16	27.68	101,480
April	28.08	27.72	27.91	80,612
March	28.09	27.82	27.99	80,666
February	27.98	27.75	27.85	44,642
January	28.39	27.83	28.06	70,703

Class A Preference Shares, Series 13 (TSX: BAM.PR.K)

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	21.33	16.31	18.37	333,907
November	24.51	21.50	23.15	66,134
October	24.04	23.55	23.92	106,923
September	24.40	23.82	24.07	45,061
August	24.88	23.81	24.30	97,519
July	24.90	24.65	24.77	181,743
June	24.95	24.56	24.78	213,517
May	24.95	24.80	24.88	397,846
April	24.95	24.85	24.87	196,349
March	25.05	24.70	24.89	215,967
February	25.09	24.70	24.89	81,536
January	24.85	24.55	24.74	167,951

Class A Preference Shares, Series 14 (TSX: BAM.PR.L)

There were no trades of the Corporation's Class A Preference Shares, Series 14 during 2007.

Class A Preference Shares, Series 17 (TSX: BAM.PR.M)

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	18.98	17.15	18.13	981,508
November	19.50	17.50	18.58	425,873
October	20.50	19.16	19.91	305,472
September	21.19	19.81	20.56	155,151
August	21.25	20.10	20.69	225,208
July	22.20	21.15	21.72	156,941
June	23.00	21.76	22.19	207,196
May	24.78	23.05	24.37	132,854
April	25.17	24.55	24.95	191,318
March	25.38	25.01	25.15	506,713
February	25.14	24.92	25.03	341,031
January	25.49	25.00	25.11	400,959

Class A Preference Shares, Series 18 (TSX: BAM.PR.N)

The Corporation's Class A Preference Shares, Series 18 commenced trading on the Toronto Stock Exchange on May 9, 2007.

Period 2007	Price Per Share High C$	Low C$	Average C$	Volume Traded #
December	18.95	17.30	18.15	787,333
November	18.70	17.50	18.13	730,775
October	19.90	18.20	19.37	495,729
September	20.60	19.80	20.21	253,997
August	21.00	19.70	20.31	584,753
July	22.62	21.05	21.82	112,981
June	23.20	21.85	22.28	142,562
May [(a)]	24.60	23.00	24.07	159,989

a) Trading information for portion of month from issue on May 9, 2007.

APPENDIX B

SUMMARY OF TERMS AND CONDITIONS OF THE CORPORATION'S AUTHORIZED SECURITIES

TABLE OF CONTENTS

Certain Provisions of the Class A Preference Shares as a Class	B-2
Certain Provisions of the Class A Preference Shares, Series 1 as a Series	B-2
Certain Provisions of the Class A Preference Shares, Series 2 as a Series	B-3
Certain Provisions of the Class A Preference Shares, Series 3 as a Series	B-5
Certain Provisions of the Class A Preference Shares, Series 4 as a Series	B-6
Certain Provisions of the Class A Preference Shares, Series 5 as a Series	B-7
Certain Provisions of the Class A Preference Shares, Series 6 as a Series	B-8
Certain Provisions of the Class A Preference Shares, Series 7 as a Series	B-9
Certain Provisions of the Class A Preference Shares, Series 8 as a Series	B-10
Certain Provisions of the Class A Preference Shares, Series 9 as a Series	B-12
Certain Provisions of the Class A Preference Shares, Series 10 as a Series	B-13
Certain Provisions of the Class A Preference Shares, Series 11 as a Series	B-15
Certain Provisions of the Class A Preference Shares, Series 12 as a Series	B-17
Certain Provisions of the Class A Preference Shares, Series 13 as a Series	B-18
Certain Provisions of the Class A Preference Shares, Series 14 as a Series	B-20
Certain Provisions of the Class A Preference Shares, Series 15 as a Series	B-21
Certain Provisions of the Class A Preference Shares, Series 16 as a Series	B-22
Certain Provisions of the Class A Preference Shares, Series 17 as a Series	B-23
Certain Provisions of the Class A Preference Shares, Series 18 as a Series	B-25
Certain Provisions of the Class A Preference Shares, Series 19 as a Series	B-27
Certain Provisions of the Class A Preference Shares, Series 20 as a Series	B-28
Certain Provisions of the Class A Limited Voting Shares and the Class B Limited Voting Shares	B-29
Other Provisions Regarding the Share Capital of the Corporation	B-29

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES AS A C LASS

The following is a summary of certain provisions attaching to or affecting the Class A Preference Shares as a class.

Series

The Class A Preference Shares may be issued from time to time in one or more series. The board of directors of the Corporation will fix the number of shares in each series and the provisions attached to each series before issue.

Priority

The Class A Preference Shares rank senior to the Class AA Preference Shares, the Class A Limited Voting Shares, the Class B Limited Voting Shares and other shares ranking junior to the Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs. Each series of Class A Preference Shares ranks on a parity with every other series of Class A Preference Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Shareholder Approvals

The Corporation shall not delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A Preference Shares as a class or create preference shares ranking in priority to or on parity with the Class A Preference Shares except by special resolution passed by at least 66 2/3% of the votes cast at a meeting of the holders of the Class A Preference Shares duly called for that purpose, in accordance with the provisions of the articles of the Corporation.

Each holder of Class A Preference Shares entitled to vote at a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, has one vote in respect of each C$25.00 of the issue price of each Class A Preference Share held by such holder.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 1 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 1 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year, in an amount per share equal to C$25.00 multiplied by one-quarter of 65% of the average “Prime Rate” (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 1 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction

Subject to the restrictions imposed by applicable law, each of the Class A Preference Shares, Series 1 is retractable by the holder on any January 1, April 1, July 1 and October 1 at a price of C$25.00 per share together with all accrued and unpaid dividends to the applicable retraction date. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed for retraction.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 1 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Conversion

The holders of the Class A Preference Shares, Series 1 have the right at any time and from time to time, but effective on the next following January 1, April 1, July 1 or October 1 to convert any or all of the Class A Preference Shares, Series 1 held by them into Class A Preference Shares, Series 2 of the Corporation, on a one-for-one basis. Notice of conversion must be given by the holder to the transfer agent at least 15 days prior to the next following conversion date.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of Brascan if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 1 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 1:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 1) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 1;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 1, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 1;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 1; or

(d) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 1;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 1 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 1 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 1 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 1. Upon such payment, the holders of Class A Preference Shares, Series 1 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 2 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 2 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 70% of the average “Prime Rate” (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 2 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 2 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of the Corporation if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 2 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 2:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 2) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 2;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 2, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 2;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 2; or

(d) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 2;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 2 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 2 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 2 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 2. Upon such payment, the holders of Class A Preference Shares, Series 2 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 3 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 3 are entitled to receive cumulative preferential cash dividends, accruing from the date of issue, as and when declared by the board of directors, on the Thursday following the second Wednesday of each month in each year in an amount equal to the product of (a) C$100,000, (b) a dividend rate determined by an auction of Class A Preference Shares, Series 3 conducted on the business day next preceding the commencement of each dividend period, and (c) the number of days in the dividend period, all divided by 365. The dividend rate is subject to a maximum dividend rate equal to the Bankers' Acceptance Rate (as defined in the share conditions) in effect on the business day next preceding the commencement of the dividend period plus 0.40% and provided that if the Corporation fails to pay a dividend on the Class A Preference Shares, Series 3 (whether or not declared) or fails to redeem any Class A Preference Shares, Series 3 after giving notice to do so, dividends become payable at the said maximum dividend rate.

Redemption

Each of the Class A Preference Shares, Series 3 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$100,000 per share, provided that the Corporation may not redeem such shares unless the board of directors shall have declared a dividend on the Class A Preference Shares, Series 3 equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 10 days prior to the date fixed for redemption.

Voting

At any time dividends have not been paid for two years on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 or Class A Preference Shares, Series 3 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 are paid, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 shall be entitled to receive notice of and to attend all meetings of shareholders and to one vote in respect of each Class A Preference Share, Series 1, Class A Preference Share, Series 2 and Class A Preference Share, Series 3 held and in addition shall be entitled to elect two members of the board of directors of the Corporation if the board consists of seven or fewer directors or three members of the board of directors if the board consists of more than seven directors; subject to the foregoing, when entitled to vote in the election of directors, the holders of Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 will vote with the holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 3 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 3:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 3) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 3;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 3, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 3;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 3; or

(d) redeem or call for redemption, purchase or otherwise retire for value less than all of the Class A Preference Shares, Series 3;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 3 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 3 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall be payable, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 3 will be entitled to payment of an amount equal to C$100,000 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 3. Upon such payment, the holders of Class A Preference Shares, Series 3 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 4 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 4 are entitled to receive cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 70% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 4 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 4 in the open market or by invitation for tenders at a price not exceeding C$25.00 plus accrued and unpaid dividends and costs of purchase.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 4 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 4 are paid, the holders of Class A Preference Shares, Series 4 shall be entitled to receive notice of and to attend all meetings of shareholders at which directors are to be elected and to one vote in respect of each Class A Preference Share, Series 4 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid and as provided by law, the holders of Class A Preference Shares, Series 4 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 4:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 4) on shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 4;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 4, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 4;

(c) call for redemption, redeem, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 4; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 4;

unless, in each such case, all dividends then payable for the Class A Preference Shares, Series 4 then outstanding and on all other shares of the Corporation ranking as to dividends on parity with the Class A Preference Shares, Series 4 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 4 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 4. Upon such payment, the holders of Class A Preference Shares, Series 4 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 5 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 5 are entitled to receive cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one-quarter of 65% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 5 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

the Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 5 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Retraction

Subject to the restrictions imposed by applicable law, each of the Class A Preference Shares, Series 5 is retractable by the holder on any March 1, June 1, September 1 and December 1 at a price of C$25.00 together with all accrued and unpaid dividends thereon to but excluding the date of retraction. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed for retraction.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 5 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 5 are paid, the holders of Class A Preference Shares, Series 5 shall be entitled to receive notice of and to attend all meetings of shareholders at which directors are to be elected and to one vote in respect of each Class A Preference Share, Series 5 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid and as permitted by law, the holders of Class A Preference Shares, Series 5 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 5:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 5) on shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 5;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 5, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital or dividends junior to the Class A Preference Shares, Series 5;

(c) call for redemption, redeem, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 5; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares from time to time issued, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 5;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 5 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 5 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Creation or Issue of Additional Shares

The Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 5, create or issue any shares ranking as to capital or dividends prior to or on a parity with the Class A Preference Shares, Series 5, provided that the Corporation may without such approval issue additional series of Class A Preference Shares if all dividends then payable on the Class A Preference Shares, Series 5 then outstanding and on all other shares of the Corporation ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 5 shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 5 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 5. Upon such payment, the holders of Class A Preference Shares, Series 5 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 6 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 6 are entitled to receive fixed cumulative preferential cash dividends, accruing daily from the date of issue, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an aggregate annual amount equal to C$1.875 per share, being a rate of 7 1/2% per annum on the price of C$25.00 per share.

Redemption

Each of the Class A Preference Shares, Series 6 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to the date of redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to but excluding the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 6 through the facilities of a stock exchange on which the Class A Preferred Shares, Series 6 are listed, or in any other manner, at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 6 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 6 are paid, the holders of Class A Preference Shares, Series 6 shall be entitled to receive notice of and to attend all annual and other general meetings of shareholders, but shall not be entitled to vote thereat except in the election of directors in which case the holders of Class A Preference Shares, Series 6 shall be entitled to one vote in respect of each Class A Preference Share, Series 6 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 6 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 6:

(a) declare, pay or set apart for payment any dividends on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 6 (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 6);

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 6, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 6;

(c) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Class A Preference Shares, Series 6;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 6; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 6;

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction, return of capital or issuance, as the case may be, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Class A Preference Shares, Series 6 and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment on all other shares ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 6. The Corporation will not, without the prior approval of the holders of Class A Preference Shares, Series 6 issue any shares ranking as to dividends or capital prior to the Class A Preference Shares, Series 6.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 6 will be entitled to payment of an aggregate amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares of the Corporation ranking junior as to capital to the Class A Preference Shares, Series 6. Upon such payment, the holders of Class A Preference Shares, Series 6 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 7 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 7 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 8 1/2% per annum applied to the price of C$25.00 per share.

Redemption

Each of the Class A Preference Shares, Series 7 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 7 through the facilities of a stock exchange on which the Class A Preferred Shares, Series 7 are listed, or in any other manner, at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and costs of purchase.

Right to Exchange

The holders of the Class A Preference Shares, Series 7 shall have the right ("Exchange Right"), on each date on which a closing (a "Closing") occurs of:

(a) a distribution (a "Public Offering") by the Corporation of its Class A Limited Voting Shares pursuant to a prospectus or other similar document ("prospectus") filed with any appropriate securities regulatory agency or stock exchange;

(b) a rights offering (a "Rights Offering") by the Corporation; or

(c) a private placement (a "Private Placement") by the Corporation;

to exchange Class A Preference Shares, Series 7 held by them for up to a certain maximum aggregate number of Class A Limited Voting Shares at an exchange rate per Class A Preference Share, Series 7 which is A divided by B, where A is the price per Class A Limited Voting Share which would have been payable by the holder exercising the exchange right to acquire Class A Limited Voting Shares in connection with the Public Offering, Rights Offering or Private Placement and B is C$25.00.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 7 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 7 are paid, the holders of Class A Preference Shares, Series 7 shall be entitled to receive notice of and to attend all annual and other general meetings of shareholders, but shall not be entitled to vote thereat except in the election of directors in which case the holders of Class A Preference Shares, Series 7 shall be entitled and to one vote in respect of each Class A Preference Share, Series 7 held, voting with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid, the holders of Class A Preference Shares, Series 7 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 7:

(a) declare, pay or set apart for payment any dividends on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 7 (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 7);

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 7, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 7;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provision attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 7; or

(d) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 7;

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction, return of capital or issuance, as the case may be, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Class A Preference Shares, Series 7 and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment on all other shares ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 7.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 7 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of any other shares ranking junior as to capital to the Class A Preference Shares, Series 7. Upon such payment, the holders of Class A Preference Shares, Series 7 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 8 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 8 are initially entitled to receive fixed cumulative preferential cash dividends, accruing daily from the date of issue, to and including October 31, 2001, as and when declared by the board of directors, payable

quarterly on the first day of February, May, August and November in each year in an amount per share equal to 6.25% per annum applied to the price of C$25.00 per share, and thereafter are entitled to receive monthly floating cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors on the 12th day of each month in an amount per share equal to the product of C$25.00 per share and one-twelve of an annual floating dividend rate equal to between 50% and 100% of the Prime Rate, as provided in the share conditions.

Redemption

The Corporation may not redeem the Class A Preference Shares, Series 8 prior to November 1, 2001. Subject to applicable law and certain restrictions and to the rights, privileges, restrictions and conditions attaching to other shares of the Corporation, all, but not less than all, of the Class A Preference Shares, Series 8 are redeemable at the option of the Corporation on November 1, 2001 at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date of redemption and after November 1, 2001 at a redemption price of C$25.50 together with all accrued and unpaid dividends thereon up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 8 in the open market or by private agreement or otherwise, at the lowest price obtainable, in the opinion of the board of directors, plus accrued and unpaid dividends and costs of purchase.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 8 have the right, on November 1, 2001, and on November 1 in every fifth year thereafter, to convert any or all of the Class A Preference Shares, Series 8 held by them into Class A Preference Shares, Series 9 of Brascan, on a one-for one basis. A conversion of Class A Preference Shares, Series 8 into Class A Preference Shares Series 9 must be initiated not less than 14 days and not more than 45 days prior to a conversion date. Under certain circumstances, the Class A Preference Shares, Series 8 automatically convert into Class A Preference Shares, Series 9, on a one-for-one basis.

Voting

At any time that during the fixed rate period eight quarterly dividends, or during the floating rate period twenty-four monthly dividends, as applicable, whether or not consecutive, on the Class A Preference Shares, Series 8 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 8 are paid, the holders of Class A Preference Shares, Series 8 shall be entitled to receive notice of and to attend each meeting of shareholders which takes place more than 60 days after the date such failure first occurs and to one vote in respect of each Class A Preference Share, Series 8 held, voting, with respect to directors, with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 8 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 8:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 8) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 8;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 8, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 8;

(c) purchase or otherwise retire less than all of the Class A Preference Shares, Series 8 then outstanding;

(d) except pursuant to any retraction privilege, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 8; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 8;

unless, in each such case, all dividends on outstanding Class A Preference Shares, Series 8 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 8 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 8. Upon such payment, the holders of Class A Preference Shares, Series 8 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 9 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 9 are entitled to receive fixed cumulative preferred cash dividends, as and when declared by the board of directors, payable quarterly on the first day of February, May, August and November in each year, in an amount per share per annum equal to the product of C$25.00 and a percentage (which shall not be less than 80%) of the yield on certain Government of Canada bonds, as provided in the share conditions.

Redemption

The Corporation may not redeem the Class A Preference Shares, Series 9 on or prior to November 1, 2006. Subject to applicable law and certain restrictions and to the rights, privileges, restrictions and conditions attaching to any other shares of the Corporation, on November 1, 2006 and on November 1 in every fifth year thereafter, all, but not less than all, of the Class A Preference Shares, Series 9 are redeemable at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 9 in the open market or by private agreement, or otherwise, at the lowest price obtainable, in the opinion of the board of directors, plus accrued and unpaid dividends and costs of purchase.

Conversion

Subject to certain restrictions, the holders of the Class A Preference Shares, Series 9 have the right on November 1, 2006, and on November 1 in every fifth year thereafter, to convert any or all of the Class A Preference Shares, Series 9 held by them into Class A Preference Shares, Series 8 of the Corporation, on a one-for-one basis. A conversion of Class A Preference Shares, Series 9 into Class A Preference Shares, Series 8 must be initiated not less than 14 days and not more than 45 days prior to a conversion date. Under certain circumstances, the Class A Preference Shares, Series 9 automatically convert into Class A Preference Shares, Series 8, on a one-for-one basis.

Voting

At any time that eight quarterly dividends, whether or not consecutive, on the Class A Preference Shares, Series 9 are not paid and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 9 are paid, the holders of Class A Preference Shares, Series 9 shall be entitled to receive notice of and to attend each meeting of shareholders which takes place more than 60 days after the date of such failure first occurs and to one vote in respect of each Class A Preference Share, Series 9 held, voting, with respect to directors, with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 9 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 9:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking junior to the Class A Preference Shares, Series 9) on shares of the Corporation ranking junior to the Class A Preference Shares, Series 9;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Class A Preference Shares, Series 9, redeem, purchase or otherwise retire or make any capital distribution on or in respect of shares of the Corporation ranking junior to the Class A Preference Shares, Series 9;

(c) purchase or otherwise retire less than all of the Class A Preference Shares, Series 9 then outstanding;

(d) except pursuant to any retraction privilege, mandatory redemption or purchase obligation attaching thereto, redeem, purchase or otherwise retire any shares of any class or series ranking on a parity with the Class A Preference Shares, Series 9; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 9;

unless in each such case, all dividends on outstanding Class A Preference Shares, Series 9 accrued up to and including the dividend payable for the last completed period for which dividends were payable shall have been declared and paid.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 9 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 9. Upon such payment, the holders of Class A Preference Shares, Series 9 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 10 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 10 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount equal to C$1.4375 per share per annum, accruing daily from the date of issue, payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 10 are not redeemable on or prior to September 30, 2008. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares” the Corporation may, at its option, at any time redeem all, or from time to time any part, of the outstanding Class A Preference Shares, Series 10, by the payment of an amount in cash for each such share so redeemed of C$25.75 if redeemed before September 30, 2009, of C$25.50 if redeemed on or after September 30, 2009 but before September 30, 2010, of $25.25 if redeemed on or after September 30, 2010 but before September 30, 2011, and of C$25.00 thereafter plus, in each case, all accrued and unpaid dividends up to but excluding the date fixed for redemption.

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 10 are not convertible at the option of the Corporation prior to September 30, 2008. On or after this date, the Corporation may, subject to applicable law and, if required, to stock exchange approval, convert all, or from time to time any part, of the outstanding Class A Preference Shares, Series 10 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 10) by dividing the then applicable redemption price, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the weighted average trading price of the Class A Limited Voting Shares on the Toronto Stock Exchange for the 20 consecutive trading days ending on: (i) the fourth day prior to the date specified for conversion, or (ii) if such fourth day is not a trading day, the immediately preceding trading day (the “Current Market Price”). Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 10, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and the rights of the Corporation described below, on and after March 31, 2012, each Class A Preference Share, Series 10 is be convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined by dividing C$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 10, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 10 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 10 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 10 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 10 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption or purchase. The Class A Preference Shares, Series 10 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 10 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 10 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 10 are not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of the holders of Class A Preference Shares, Series 10 as a series) entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 10, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In that event, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 10 are entitled to receive notice of and to attend each meeting of the Corporation's shareholders other than any meetings at which only holders of another specified class or series are entitled to vote, and to one vote for each Class A Preference Share, Series 10 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 10 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect).

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 10:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 10) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 10;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 10, redeem or call for redemption, purchase or otherwise pay off or retire any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 10;

(c) redeem or call for redemption, purchase or otherwise retire for value less than all of the Class A Preference Shares, Series 10 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 10; or

(e) issue any additional Class A Preference Shares, Series 10 or any shares ranking as to dividends or return of capital prior to or on a parity with the Class A Preference Shares, Series 10;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 10 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 10 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 10 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date fixed for payment, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 10. The holders of the Class A Preference Shares, Series 10 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 11 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 11 are entitled to receive fixed non-cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount per share per annum equal to C$1.375, accruing daily from the date of issue payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 11 are not redeemable before June 30, 2009. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 11, by the payment of an amount in cash for each such share so redeemed of C$25.75 if redeemed before June 30, 2010, of C$25.50 if redeemed on or after June 30, 2010 but before June 30, 2011, of C$25.25 if redeemed on or after June 30, 2011, but before June 30, 2012, and of C$25.00 thereafter, in each case together with, all declared and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 11 are not convertible at the option of the Corporation prior to June 30, 2009. On or after this date, the Corporation may, subject to applicable law and any requirement to obtain regulatory relief, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 11 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 11) by dividing the then applicable redemption price, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 11, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and to the rights of the Corporation described below, on or after December 31, 2013, each Class A Preference Share, Series 11 is convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 11) by dividing C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 11, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares”, as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 11 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 11 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 11 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 11 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 11 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 11 as a Series – Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 11 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 11 are not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 11 as a series) entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 11, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, until such time as the Corporation pays the whole amount of a quarterly dividend, the holders of the Class A Preference Shares, Series 11 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Shares, Series 11 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 11 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). The voting rights of the holders of the Class A Preference Shares, Series 11 shall forthwith cease upon payment by the Corporation of the whole amount of a quarterly dividend on the Class A Preference Shares, Series 11 subsequent to the time such voting rights first arose.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 11 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 11:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 11) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 11;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 11, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 11;

(c) redeem or call for redemption, purchase or otherwise retire for value or make any return of capital in respect of less than all of the Class A Preference Shares, Series 11 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 11; or

(e) issue any additional Class A Preference Shares, Series 11 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 11;

unless, in each such case, all declared and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 11 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 11 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 11 will be entitled to receive C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 11. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 11 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 12 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 12 are entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, in an amount per share per annum equal to C$1.35, accruing daily from the date of issue payable quarterly on the last day of March, June, September and December in each year.

Redemption

The Class A Preference Shares, Series 12 are not redeemable before March 31, 2014. On or after this date, but subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 12, by the payment of an amount in cash for each such share so redeemed of C$26.00 if redeemed before March 31, 2015 of C$25.75 if redeemed on or after March 31, 2015 but before March 31, 2016, of C$25.50 if redeemed on or after March 31, 2016 but before March 31, 2017, of C$25.25 if redeemed on or after March 31, 2017, but before March 31, 2018, and of C$25.00 thereafter, in each case together with, all declared and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Conversion at the Option of the Corporation

The Class A Preference Shares, Series 12 are not convertible at the option of the Corporation prior to March 31, 2014. On or after this date, the Corporation may, subject to applicable law and any requirement to obtain regulatory relief, and upon notice, convert all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 12 into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 12) by dividing the then applicable redemption price, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 12, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

Subject to applicable law and to the rights of the Corporation described below, on or after March 31, 2018, each Class A Preference Share, Series 12 is convertible at the option of the holder on the last day of each of March, June, September and December in each year on at least 30 days notice (which notice shall be irrevocable) into that number of Class A Limited Voting Shares determined (per Class A Preference Share, Series 12) by dividing C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$2.00 or 95% of the then Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 12, but in lieu thereof the Corporation will make cash payments.

The Corporation, subject to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares", as applicable, may by notice given not later than 20 days before the date fixed for conversion to all holders who have given a conversion notice, either (i) redeem on the first business day after the date fixed for conversion all or any part of the Class A Preference Shares, Series 12 forming the subject matter of the applicable conversion notice, or (ii) cause the holder of such Class A Preference Shares, Series 12 to sell on the first business day after the date fixed for conversion all or any part of such Class A Preference Shares, Series 12 to another purchaser or purchasers in the event that a purchaser or purchasers willing to purchase all or any part of such Class A Preference Shares, Series 12 is or are found. Any such redemption or purchase shall be made by the payment of an amount in cash of C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date fixed for redemption or purchase (less any tax required to be deducted and withheld by the Corporation). The Class A Preference Shares, Series 12 to be so redeemed or purchased shall not be converted on the date set forth in the conversion notice.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "Certain Provisions of the Class A Preference Shares, Series 12 as a Series – Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 12 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Voting

The holders of the Class A Preference Shares, Series 12 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 12 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation

shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 12, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, until such time as the Corporation pays the whole amount of a quarterly dividend, the holders of the Class A Preference Shares, Series 12 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Shares, Series 12 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 12 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Upon payment of the entire amount of all Class A Preference Shares, Series 12 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 12 shall forthwith cease.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 12 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 12:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 12) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 12;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 12, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 12;

(c) redeem or call for redemption, purchase or otherwise retire for value or make any return of capital in respect of less than all of the Class A Preference Shares, Series 12 then outstanding;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 12; or

(e) issue any additional Class A Preference Shares, Series 12 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 12;

unless, in each such case, all declared and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 12 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 12 with respect to the payment of dividends have been declared paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 12 will be entitled to receive C$25.00 per share, together with all declared and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 12. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 12 will not be entitled to share in any further distribution of the assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 13 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 13 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by one quarter of 70% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 13 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 13 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate eight quarterly dividends on the Class A Preference Shares, Series 13 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 13 are paid, the holders of the Corporation Class A Preference Shares, Series 13 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meeting of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat, except in the election of directors in which case the holders of the Class A Preference Shares, Series 13 shall be entitled to one vote per share (provided that holders of the Series 13 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 13 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 13 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 13:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13; pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 13, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 13;

(c) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 13;

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 13; or

(e) issue any additional Class A Preference Shares, Series 13 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 13;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 13 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 13 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 13 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 13. Upon such payment, the holders of Class A Preference Shares, Series 13 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 14 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 14 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month in an amount per share equal to C$100.00 multiplied by one twelfth of 63% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 14 is redeemable on any March 1, June 1, September 1 and December 1 in whole or in part from time to time at the option of the Corporation at a redemption price of C$100.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction

Subject to the restrictions imposed by applicable law, each of the Class A, Preference Shares, Series 14 is retractable by the holder on any March 1, June 1, September 1 and December 1 at a price of C$100.00 per share together with all accrued and unpaid dividends to the applicable retraction date. Notice of retraction must be given by the holder to the transfer agent at least 15 days prior to the date fixed fro retraction.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 14 in the open market or by invitation for tenders at a price not exceeding C$100.00 per share plus accrued and unpaid dividends thereon.

Voting

At any time the Corporation fails to pay in the aggregate 24 monthly dividends on the Class A Preference Shares, Series 14 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 14 are paid, the holders of Class A Preference Shares, Series 14 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 14 shall be entitled to four votes in respect of each C$100.00 of the issue price of the Class A Preference Shares, Series 14 held. Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 14 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (provided that holders of the Series 14 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors).

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 14 will have four votes.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 14:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 14) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 14;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 14, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 14;

(c) except pursuant to the retraction privilege attaching thereto, redeem or call for redemption or purchase or otherwise reduce or make any return of capital in respect of less than all the Class A Preference Shares, Series 14;

(d) pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 14; or

(e) issue any additional Class A Preference Shares, Series 14 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 14;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 14 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 14 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 14 will be entitled to payment of an amount equal to C$100.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 14. Upon such payment, the holders of Class A Preference Shares, Series 14 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 15 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 15 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by the rate determined by negotiation, bid or auction. If the amount is not determinable by negotiation, bid or auction, it shall be the Bankers' Acceptable Rate (defined in the share conditions) plus 0.40%.

Redemption

Each of the Class A Preference Shares, Series 15 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 15 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 15 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 15 are paid, the holders of Class A Preference Shares, Series 15 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 15 shall be entitled to one vote per share (provided that holders of the Series 15 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 15 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 15 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 15:

(a) pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 15) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 15;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 15, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 15;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 15;

(d) redeem or call for redemption, purchase or otherwise reduce or make any return of capital in respect of less than all of the Class A Preference Shares, Series 15; or

(e) issue any additional Class A Preference Shares, Series 15 or any shares ranking as dividends or capital on a parity with the Class A Preference Shares, Series 15;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 15 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 15 accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 15 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 15. Upon such payment, the holders of Class A Preference Shares, Series 15 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 16 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 16 are entitled to receive annual floating rate cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month, equal to 75% of the "Prime Rate" (as defined in the share conditions). The dividend rate will be adjusted upwards or downwards on a monthly basis whenever the inferred trading price of the Class A Preference Shares, Series 16 (as determined by the Corporation's management based on the trading price of the Class A Preference Shares, Series 8) is C$24.875 or less, or C$25.125 or more, respectively. The maximum monthly adjustment for changes will be 4% of the Prime Rate, subject to a floor of 50% of the Prime Rate and a ceiling of 150% of the Prime Rate.

Redemption

Each of the Class A Preference Shares, Series 16 is redeemable at any time in whole from time to time at the option of the Corporation at a redemption price of C$25.00 per share together with all accrued and unpaid dividends up to but excluding the date of redemption. Notice of any redemption must be given by the Corporation at least 45 days and not more than 60 days prior to the date fixed for redemption.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 16 in the open market or by private agreement or otherwise, at the lowest price obtainable, in the opinion of the board of directors of the Corporation plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time that the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 16 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 16 are paid, the holders of Class A Preference Shares, Series 16 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation which takes place more than 60 days after the date such failure first occurs and to one vote for each Class A Preference Share, Series 16 held (provided that holders of the Series 16 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of 1/2 of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 16 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

At a class meeting of holders of Class A Preference Shares, or at a joint meeting of the holders of two or more series of Class A Preference Shares, each Class A Preference Share, Series 16 will have one vote.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the holders of the Class A Preference Shares, Series 16:

(a) declare, pay or set apart for payment any dividends (other than stock dividends in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 16) on shares of the Corporation ranking junior as to dividends to the Class A Preference Shares, Series 16;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares ranking as to capital and dividends junior to the Class A Preference Shares, Series 16, redeem or call for redemption, purchase or otherwise retire or make any capital distribution on or in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 16;

(c) except pursuant to any purchase obligation, retraction privilege or mandatory redemption provisions attaching thereto, redeem, purchase or otherwise retire any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 16;

(d) purchase or otherwise retire less than all of the Class A Preference Shares, Series 16 then outstanding; or

(e) issue any additional Class A Preference Shares or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 16;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 16 then outstanding accrued up to and including the dividends payable on the immediately preceding respective date or dates for the payment of dividends thereon, shall have been declared and paid.

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class Preference Shares, Series 16 will be entitled to payment of an amount equal to C$25.00 per share plus accrued and unpaid dividends before any amount can be paid to the holders of shares ranking junior as to capital to the Class A Preference Shares, Series 16. Upon such payment, the holders of Class A Preference Shares, Series 16 will not be entitled to share in any future distribution of assets of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 17 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 17 will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of C$0.296875 per share per quarter, to accrue from the date of original issue, payable quarterly on the last day of December, March, June and September of each year.

Redemption

The Class A Preference Shares, Series 17 will not be redeemable by the Corporation prior to December 31, 2011. On and after December 31, 2011, the Corporation may, at its option upon not less than 30 days and not more than 60 days prior notice, redeem for cash the Class A Preference Shares, Series 17, in whole at any time or in part from time to time, at C$26.00 per share if redeemed before December 31, 2012, C$25.75 per share if redeemed on or after December 31, 2012 but before December 31, 2013, at C$25.50 per share if redeemed on or after December 31, 2013, but before December 31, 2014, at C$25.25 per share if redeemed on or after December 31, 2014, but before December 31, 2015 and at C$25.00 per share if redeemed on or after December 31, 2015, in each case, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

If less than all of the outstanding Class A Preference Shares, Series 17 are at any time to be redeemed, the shares will be redeemed on a pro rata basis.

Conversion

The Corporation may at any time give the holders of Class A Preference Shares, Series 17 the right, at their option, to convert such shares into a further series of preferred shares designated by the Corporation.

The Class A Preference Shares, Series 17 will not be convertible by the Corporation prior to December 31, 2011. On and after December 31, 2011 and subject to approval of the TSX, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior notice, convert, in whole at any time or in part from time to time, the outstanding Class A Preference Shares,

Series 17 into Class A Limited Voting Shares of the Corporation. The number of Class A Limited Voting Shares into which each Class A Preference Share, Series 17 may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to but excluding the date of conversion, by the greater of C$2.00 and 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 17 but in lieu thereof the Corporation will make cash payments.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "– Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 17 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 17 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 17. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 17 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 17 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 17:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 17) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 17;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 17, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 17;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 17; or

(d) issue any additional Class A Preference Shares, Series 17 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 17;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 17 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 17 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 17 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 17 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 17 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 17 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 17 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 17 held.

Voting Rights

The holders of the Class A Preference Shares, Series 17 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 17 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation

shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 17, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 17 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 17 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 17 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Share, Series 17 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 17 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 18 AS A SERIES

Dividends

The holders of Class A Preference Shares, Series 18 will be entitled to receive fixed cumulative preferential cash dividends, if, as and when declared by the board of directors of the Corporation, at a rate of C$0.296875 per share per quarter, to accrue from the date of original issue, payable quarterly on the last day of March, June, September and December of each year.

Redemption

The Class A Preference Shares, Series 18 will not be redeemable by the Corporation prior to June 30, 2012. On and after June 30, 2012, the Corporation may, at its option upon not less than 30 days and not more than 60 days prior notice, redeem for cash the Class A Preference Shares, Series 18, in whole at any time or in part from time to time, at C$26.00 per share if redeemed before June 30, 2013, at C$25.75 per share if redeemed on or after June 30, 2013 but before June 30, 2014, at C$25.50 per share if redeemed on or after June 30, 2014 but before June 30, 2015, at C$25.25 per share if redeemed on or after June 30, 2015 but before June 30, 2016 and at C$25.00 per share if redeemed on or after June 30, 2016, in each case, together with all accrued and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

If less than all of the outstanding Class A Preference Shares, Series 18 are at any time to be redeemed, the shares will be redeemed on a pro rata basis.

Conversion

The Corporation may at any time give the holders of Class A Preference Shares, Series 18 the right, at their option, to convert such shares into a further series of preferred shares designated by the Corporation.

The Class A Preference Shares, Series 18 will not be convertible by the Corporation prior to June 30, 2012. On and after June 30, 2012 and subject to approval of the TSX, the Corporation may, at its option, upon not less than 30 days and not more than 60 days prior notice, convert, in whole at any time or in part from time to time, the outstanding Class A Preference Shares, Series 18 into Class A Limited Voting Shares. The number of Class A Limited Voting Shares into which each Class A Preference Share, Series 18 may be so converted will be determined by dividing the then applicable redemption price together with all accrued and unpaid dividends to but excluding the date of conversion, by the greater of C$2.00 and 95% of the Current Market Price. Fractional Class A Limited Voting Shares will not be issued on any conversion of Class A Preference Shares, Series 18 but in lieu thereof the Corporation will make cash payments.

Purchase for Cancellation

Subject to applicable law and to the provisions described under "— Restrictions on Dividends and Retirement and Issue of Shares" below, the Corporation may at any time purchase for cancellation the whole or any part of the Class A Preference Shares, Series 18 at the lowest price or prices at which in the opinion of the board of directors of the Corporation such shares are obtainable.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 18 will be entitled to receive C$25.00 per share, together with all accrued and unpaid dividends up to but excluding the date of payment or distribution (less any tax required to be deducted or withheld by the Corporation), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 18. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 18 will not be entitled to share in any further distribution of the assets of the Corporation.

Restrictions on Dividends and Retirement and Issue of Shares

So long as any of the Class A Preference Shares, Series 18 are outstanding, the Corporation will not, without the approval of the holders of the Class A Preference Shares, Series 18:

(a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Corporation ranking as to capital and dividends junior to the Class A Preference Shares, Series 18) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 18;

(b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Corporation ranking as to return of capital and dividends junior to the Class A Preference Shares, Series 18, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 18;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off, retire or make any return of capital in respect of any Class A Preference Shares, ranking as to the payment of dividends or return of capital on a parity with the Class A Preference Shares, Series 18; or

(d) issue any additional Class A Preference Shares, Series 18 or any shares ranking as to the payment of dividends or the return of capital prior to or on a parity with the Class A Preference Shares, Series 18;

unless, in each such case, all accrued and unpaid dividends up to and including the dividend payable for the last completed period for which dividends were payable on the Class A Preference Shares, Series 18 and on all other shares of the Corporation ranking prior to or on a parity with the Class A Preference Shares, Series 18 with respect to the payment of dividends have been declared and paid or set apart for payment.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 18 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 18 may be given by a resolution carried by an affirmative vote of at least 66 2/3% of the votes cast at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 18 are present or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Class A Preference Shares, Series 18 then present would form the necessary quorum. At any meeting of holders of Class A Preference Shares, Series 18 as a series, each such holder shall be entitled to one vote in respect of each Class A Preference Share, Series 18 held.

Voting Rights

The holders of the Class A Preference Shares, Series 18 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 18 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 18, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, and for only so long as any such dividends remain in arrears, the holders of the Class A Preference Shares, Series 18 will be entitled to receive notice of and to attend each meeting of the Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Share, Series 18 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 18 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 2 may be entitled to elect if dividends on such shares are in arrears). Upon payment of the entire amount of all Class A Preference Share, Series 18 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 18 shall forthwith cease.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 19 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 19 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 9% per annum applied to the price of C$10.00 per share.

Redemption

Each of the Class A Preference Shares, Series 19 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$10.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days prior to the date fixed for redemption.

Purchase for Cancellation

Subject to the *Business Corporation Act* (Ontario) and the articles of the Corporation, the Corporation may at any time purchase for cancellation all or any Class A Preference Shares, Series 19 by invitation for tenders or in any other manner at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable, but not exceeding C$10.00 per share plus accrued and unpaid dividends up to but excluding the date fixed for purchase together with the costs of purchase. If, in response to an invitation for tenders, more Class A Preference Shares, Series 19 are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, then the Class A Preference Shares, Series 19 to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of Class A Preference Shares, Series 19 tendered by each holder who submits a tender to the Corporation, provided that when Class A Preference Shares, Series 19 are tendered at different prices, the pro rating shall be effected with reference to the Class A Preference Shares, Series 19 tendered at the price at which more Class A Preference Shares, Series 19 were tendered than the Corporation is prepared to purchase only after the Corporation has purchased all Class A Preference Shares, Series 19 which were tendered at lower prices.

Rights on Liquidation

In the event of a Distribution of Assets (as defined in the share conditions) of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 19 will be entitled to receive C$10.00 per share held by them, plus any accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 19. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 19 will not be entitled to share in any further distribution of the property or assets of the Corporation upon a Distribution of Assets.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the Class A Preference Shares, Series 19 redeem or call for redemption and/or purchase and/or make any capital distribution in respect of any shares ranking junior to the Class A Preference Shares, Series 19 in respect of a Distribution of Assets except entirely through the issuance of shares ranking junior to the Class A Preference Shares, Series 19 with respect to a Distribution of Assets or through the use of proceeds from the issuance of shares ranking junior to the Class A Preference Shares, Series 19 with respect to a Distribution of Assets.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 19 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 19 may be given by resolution signed by all the holders of outstanding Class A Preference Shares, Series 19 or passed by the affirmative vote of at least 66 2/3% of the votes cast by the holders of Class A Preference Shares, Series 19 who voted in respect of that resolution at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 19 are represented or, if no quorum is present at such meeting, at any adjourned meeting at which the holders of Class A Preference Shares, Series 19 then represented would form the quorum. At any meeting of holders of Class A Preference Shares, Series 19, each holder of Class A Preference Shares, Series 19 is entitled to vote and will have one vote in respect of each Class A Preference Shares, Series 19 held.

Voting Rights

Each holder of Class A Preference Shares, Series 19 is entitled to notice of, and to attend and vote at, all meetings of the Corporation's shareholders, other than meetings at which holders of only a specified class or series may vote, and shall be entitled to cast one vote per Class A Preference Share, Series 19 held.

CERTAIN PROVISIONS OF THE CLASS A PREFERENCE SHARES, SERIES 20 AS A SERIES

Dividends

The holders of the Class A Preference Shares, Series 20 are entitled to receive fixed cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to 9% per annum applied to the price of C$10.00 per share.

Redemption

Each of the Class A Preference Shares, Series 20 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of C$10.00 per share together with all unpaid dividends accrued thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days prior to the date fixed for redemption.

Purchase for Cancellation

Subject to the *Business Corporations Act* (Ontario) and the articles of the Corporation, the Corporation may at any time purchase for cancellation all or any Class A Preference Shares, Series 20 by invitation for tenders or in any other manner at the lowest price or prices at which, in the opinion of the board of directors of the Corporation, such shares are obtainable, but not exceeding C$10.00 per share plus accrued and unpaid dividends up to but excluding the date fixed for purchase together with the costs of purchase. If, in response to an invitation for tenders, more Class A Preference Shares, Series 20 are tendered at a price or prices acceptable to the Corporation than the Corporation is prepared to purchase, then the Class A Preference Shares, Series 20 to be purchased by the Corporation shall be purchased as nearly as may be pro rata according to the number of Class A Preference Shares, Series 20 tendered by each holder who submits a tender to the Corporation, provided that when Class A Preference Shares, Series 20 are tendered at different prices, the pro rating shall be effected with reference to the Class A Preference Shares, Series 20 tendered at the price at which more Class A Preference Shares, Series 20 were tendered than the Corporation is prepared to purchase only after the Corporation has purchased all Class A Preference Shares, Series 20 which were tendered at lower prices.

Rights on Liquidation

In the event of a Distribution of Assets (as defined in the share conditions) of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Class A Preference Shares, Series 20 will be entitled to receive C$10.00 per share held by them, plus any accrued and unpaid dividends up to but excluding the date of payment or distribution, before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Class A Preference Shares, Series 20. Upon payment of such amounts, the holders of the Class A Preference Shares, Series 20 will not be entitled to share in any further distribution of the property or assets of the Corporation upon a Distribution of Assets.

Restrictions on Dividends and Retirement and Issue of Shares

The Corporation will not without the approval of the Class A Preference Shares, Series 20 redeem or call for redemption and/or purchase and/or make any capital distribution in respect of any shares ranking junior to the Class A Preference Shares, Series 20 in respect of a Distribution of Assets except entirely through the issuance of shares ranking junior to the Class A Preference Shares, Series 20 with respect to a Distribution of Assets or through the use of proceeds from the issuance of shares ranking junior to the Class A Preference Shares, Series 20 with respect to a Distribution of Assets.

Shareholder Approvals

In addition to any other approvals required by law, the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Class A Preference Shares, Series 20 as a series and any other approval to be given by the holders of the Class A Preference Shares, Series 20 may be given by resolution signed by all the holders of outstanding Class A Preference Shares, Series 20 or passed by the affirmative vote of at least 66 2/3% of the votes cast by the holders of Class A Preference Shares, Series 20 who voted in respect of that resolution at a meeting at which the holders of a majority of the outstanding Class A Preference Shares, Series 20 are represented or, if no quorum is present at such meeting, at any adjourned meeting at which the holders of Class A Preference Shares, Series 20 then represented would form the quorum. At any meeting of holders of Class A Preference Shares, Series 20, each holder of Class A Preference Shares, Series 20 is entitled to vote and will have one vote in respect of each Class A Preference Shares, Series 20 held.

Voting Rights

Except as required by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 20 as a series, the holders of Class A Preference Shares, Series 20 shall not be entitled of, to attend or to vote at any meeting of the shareholders of the Corporation.

CERTAIN PROVISIONS OF THE CLASS A LIMITED VOTING SHARES AND THE CLASS B LIMITED VOTING SHARES

The following is a summary of certain provisions attaching to or affecting the common equity of the Corporation, consisting of the Class A Limited Voting Shares (into which certain series of the Corporation's Preference Shares may be converted) and the Class B Limited Voting Shares. The attributes of the Class A Limited Voting Shares and the Class B Limited Voting Shares are substantially equivalent, except for the differing voting rights attached to the two classes of shares.

The sole holder of the Class B Limited Voting Shares of the Corporation is a party to a trust agreement with Computershare Trust Corporation of Canada (formerly, Montreal Trust Corporation of Canada) (as trustee for the holders of the Corporation's Class A Limited Voting Shares) dated August 1, 1997. The trust agreement provides, among other things, that that holder agrees not to sell any Class B Limited Voting Shares, directly or indirectly, pursuant to a takeover bid, unless a concurrent bid is made to all holders of Class A Limited Voting Shares. The concurrent offer must be: (i) for the same percentage of Class A Limited Voting Shares as the percentage of Class B Limited Voting Shares offered to be purchased from that holder; and (ii) the same in all material respects as the offer for the Class B Limited Voting Shares. Among other things, the trust agreement permits: (i) a sale by the sole holder of Class B Limited Voting Shares at a price per share less than 115% of the market price of Class A Limited Voting Shares and as part of a transaction involving not more than five persons in the aggregate; and (ii) a direct or indirect sale of shares of the sole holder of the Class B Limited Voting Shares to a purchaser who is or will become a shareholder of that holder and will not hold more than 20% of that holders' outstanding shares as a result of the transaction.

Priority

Subject to the prior rights of the holders of the Class A Preference Shares, the Class AA Preference Shares and any other senior-ranking shares outstanding from time to time, holders of Class A Limited Voting Shares and Class B Limited Voting Shares rank on a parity with each other with respect to the payment of dividends (if, as and when declared by the board of directors of the Corporation) and the return of capital on the liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs.

Voting Rights

Except as set out below under "Election of Directors", each holder of Class A Limited Voting Shares and Class B Limited Voting Shares is entitled to notice of, and to attend and vote at, all meetings of the Corporation's shareholders, other than meetings at which holders of only a specified class or series may vote, and shall be entitled to cast one vote per share. Subject to applicable law and in addition to any other required shareholder approvals, all matters to be approved by shareholders (other than the election of directors), must be approved: by a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class A Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be; and by a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class B Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be.

Election of Directors

In the election of directors, holders of Class A Limited Voting Shares, together, in certain circumstances, with the holders of certain series of Class A Preference Shares, are entitled to elect one-half of the board of directors of the Corporation, provided that if the holders of Class A Preference Shares, Series 1, Series 2 or Series 3 become entitled to elect two or three directors, as the case may be, the numbers of directors to be elected by holders of Class A Limited Voting Shares, together, in certain circumstances with the holders of certain series of Class A Preference Shares, shall be reduced by the number of directors to be elected by holders of Class A Preference Shares, Series 1, Series 2 and Series 3. Holders of Class B Limited Voting Shares are entitled to elect the other one-half of the board of directors of the Corporation.

OTHER PROVISIONS REGARDING THE SHARE CAPITAL OF THE CORPORATION

The Corporation's articles provide that each holder of shares of a class or series of shares of the Corporation entitled to vote in an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by the holder multiplied by the number of directors to be elected by the holder and the holders of shares of the classes or series of shares entitled to vote with the holder in the election of directors. A holder may cast all such votes in favour of one candidate or distribute such votes among its candidates in any manner the holder sees fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

APPENDIX C

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE CORPORATION

A committee of the board of directors of the Corporation to be known as the Audit Committee (the "Committee") shall have the following terms of reference.

MEMBERSHIP AND CHAIRPERSON

Following each annual meeting of shareholders, the board of directors of the Corporation (the "board") shall appoint from its number three or more directors (the "Members" and each a "Member") to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the board on the recommendation of the Governance and Nominating Committee. Any Member may be removed from office or replaced at any time by the board. All of the Members will be Independent Directors. In addition, every Member will be Financially Literate and at least one Member will be an Audit Committee Financial Expert. Members may not serve on more than two other public company audit committees, except with the prior approval of the board.

The board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

RESPONSIBILITIES

The Committee shall:

a) oversee the work of the Corporation's external auditor (the "auditor") engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;

b) review and evaluate the auditor's independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;

c) where appropriate, terminate the auditor;

d) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;

e) review the terms of the auditor's engagement and the appropriateness and reasonableness of the proposed audit fees;

f) at least annually, obtain and review a report by the auditor describing:

   (i) the auditor's internal quality-control procedures; and

   (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability board or the Public Company Accounting Oversight board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;

g) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the federal securities legislation administered by the United States Securities and Exchange Commission and of the Independence Standards of the Canadian Institute of Chartered Accountants, and is in compliance with any independence requirements adopted by the Public Company Accounting Oversight board; and, confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;

h) review and evaluate the lead partner of the auditor;

i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor firm;

j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:

   (i) planning and staffing of the audit;

   (ii) any material written communications between the auditor and management;

   (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;

   (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;

   (v) whether or not the auditor has received the full co-operation of management of the Corporation;

   (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;

   (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;

   (viii) all critical accounting policies and practices to be used by the Corporation;

   (ix) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;

   (x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response; and

   (xi) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to the United States Securities Exchange Act of 1934;

k) pre-approve or approve, if permitted by law, the appointment of the auditor to provide any audit service or non-prohibited non-audit service and, if desired, establish detailed policies and procedures for the pre-approval of audit services and non-prohibited non-audit services by the auditor. The Committee may delegate this responsibility to one or more Members to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation must be detailed as to the particular service to be provided, may not delegate Committee responsibilities to management and must be reported to the full Committee at its next scheduled meeting;

l) resolve any disagreements between management and the auditor regarding financial reporting;

m) review, and, where appropriate, recommend for approval by the board, the following:

   (i) audited annual financial statements, in conjunction with the report of the external auditor;

   (ii) interim financial statements;

   (iii) annual and interim management discussion and analysis of financial condition and results of operation;

   (iv) reconciliations of the annual or interim financial statement; and

   (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;

n) discuss earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statements), as well as financial information and earnings guidance provided to analysts and rating agencies including the use of "pro forma" or "adjusted" non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;

o) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements;

p) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses

in the design or operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and any fraud involving management or other employees;

q) review the effectiveness of management's policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;

r) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;

s) meet privately with the person responsible for the Corporation's internal audit function as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;

t) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor; review the appointment and replacement of the person in charge of the Corporation's internal audit and review the significant reports to management prepared by the internal auditor and management's responses;

u) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer's financial statements and periodically assess the adequacy of these procedures;

v) review periodically, the Corporation's policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;

w) review periodically, the status of taxation matters of the Corporation;

x) set clear policies for hiring partners and employees and former partners and employees of the external auditor;

y) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, material inquiries from regulators and governmental agencies or other contingencies which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation;

z) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud; and

aa) consider other matters of a financial nature as directed by the board.

REPORTING

The Committee will regularly report to the board on:

a) the auditor's independence;

b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;

c) the performance of the internal audit function department;

d) the adequacy of the Corporation's internal controls and disclosure controls;

e) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;

f) its review of any other public disclosure document including the annual information form and the annual and interim management's discussion and analysis of financial condition and results of operations;

g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and

h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

COMPLAINTS PROCEDURE

The Committee will establish a procedure for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

REVIEW AND DISCLOSURE

The Committee will review this Charter at least annually and submit it to the Governance and Nominating Committee together with any proposed amendments. The Governance and Nominating Committee will review the Charter and submit it to the board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Corporation's web site and the annual report or the management information circular of the Corporation will state that this Charter is available on the web site or is available in print to any shareholder who requests a copy.

ASSESSMENT

At least annually, the Governance and Nominating Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the board. The Committee will also conduct its own assessment of the Committee's performance on an annual basis.

ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT

The Committee may retain any outside advisor including legal counsel, at the expense of the Corporation, without the board's approval, at any time. The Committee has the authority to determine any such advisor's fees.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

MEETINGS

Meetings of the Committee may be called by any Member, the Chairman of the board, the Chief Executive Officer or Chief Financial Officer of the Corporation, the internal auditor or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the Business Corporations Act *(Canada)* and the by-laws, and unless otherwise determined by the board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chairman of the board and the Chief Executive Officer of the Corporation. Notice of meeting may be given orally or by letter, facsimile or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors to attend any or all meetings.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"**Independent Director**" means a director who has been affirmatively determined by the board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

a) is an employee, or whose immediate family member is an executive officer, of the Corporation is not independent until three years after the end of such employment relationship;

b) is receiving, or whose immediate family member receives, more than US$50,000 per year in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) is not independent until three years after he or she ceases to receive more than US$50,000 per year in compensation;

c) is affiliated with or employed by, or whose immediate family member is employed in a professional capacity by, a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation or employment relationship with the auditor;

d) is employed as, or whose immediate family member is employed as, an executive officer of another company where any of the present (at the time of review) members of senior management of the Corporation serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship; and

e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company for which the Corporation accounts for at least 2% or US$1 million, whichever is greater, of such other company's consolidated gross revenues, in each case is not independent until three years after falling below such threshold.

Additionally, an Independent Director for the purpose of the Audit Committee specifically may not:

a) accept any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or

b) be an affiliated person of the Corporation or any of its subsidiaries (within the meaning of applicable rules and regulations).

For the purposes of the definition above, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

In addition to the requirements for independence set out in paragraph (c) above, Members of the Audit Committee must disclose any other form of association they have with a current or former external or internal auditor of the Corporation to the Governance and Nominating Committee of the board of directors for a determination as to whether this association affects the Member's status as an independent director.

"**Financially Literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

"**Audit Committee Financial Expert**" means a person who has the following attributes:

a) an understanding of generally accepted accounting principles and financial statements;

b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;

d) an understanding of internal controls and procedures for financial reporting; and

e) an understanding of audit committee functions;

acquired through any one or more of the following:

f) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

g) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

h) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience; or

i) other relevant experience.

This charter of the Audit Committee was reviewed and approved by the board of directors of the Corporation on February 8, 2007.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report to Shareholders contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements", within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in this report, in other filings with Canadian regulators or the SEC or in other communications. These forward-looking statements include among others, statements with respect to our financial and operating objectives and strategies to achieve those objectives, capital committed to our funds, the potential growth of our asset management business and the related revenue streams therefrom, statements with respect to the prospects for increasing our cash flow from or continued achievement of targeted returns on our investments, as well as the outlook for the company's businesses and for the Canadian, United States and global economies and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions.

The words "believe", "typically", "expect", "think", "potentially", "encouraging", "principally", "tend", "primarily", "generally", "represent", "anticipate", "position", "intend", "estimate", "encouraging", "expanding", "scheduled", "should", "endeavour", "promising", "seeking", "often" and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "may", "will", "should", "likely", "would" or "could" are predictions of or indicate future events, trends or prospects and which do not relate to historical matters or identify forward-looking statements. Although Brookfield Asset Management believes that the anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: economic and financial conditions in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing; strategic actions including dispositions; the ability to effectively integrate acquisitions into existing operations and the ability to attain expected benefits; the company's continued ability to attract institutional partners to its Specialty Investment Funds; adverse hydrology conditions; regulatory and political factors within the countries in which the company operates; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and factors detailed from time to time in the company's form 40-F filed with the Securities and Exchange Commission as well as other documents filed by the company with the securities regulators in Canada and the United States including in the Annual Information Form under the heading "Business Environment and Risks".

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Brookfield Asset Management, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the company undertakes no obligation to publicly update or revise any forward-looking statements or information, whether written or oral, that may be as a result of new information, future events or otherwise.

CAUTIONARY STATEMENT REGARDING USE OF NON-GAAP ACCOUNTING MEASURES

This Annual Report and accompanying consolidated financial statements make reference to cash flow from operations on a total and per share basis. Management uses cash flow from operations as a key measure to evaluate performance and to determine the underlying value of its businesses. The consolidated statements of cash flow from operations provides a full reconciliation between this measure and net income. Readers are encouraged to consider both measures in assessing Brookfield's results.

CONTENTS

		Page
Part 1	Introduction	10
Part 2	Performance Review	12
Part 3	Business Strategy	37
Part 4	Business Environment and Risks	41
Part 5	Description of Operating Platforms	48
Part 6	Capital Resources and Liquidity	60
Part 7	Analysis of Consolidated Financial Statements	66
Part 8	Supplemental Information	74

PART 1 – INTRODUCTION

The information in this Management Discussion and Analysis of Financial Results ("MD&A") should be read in conjunction with our audited consolidated financial statements, which are included on pages 83 through 115 of this report. Additional information, including the company's Annual Information Form, is available on the Corporation's web site at *www.brookfield.com* and on SEDAR's web site at *www.sedar.com*. For additional information on each of the five most recently completed financial years, please refer to the table on page 116 of this report.

BUSINESS OVERVIEW

Brookfield is a global asset management company, with a primary focus on property, power and infrastructure assets. We have established leading operating platforms in these sectors and, through them, own and manage a broad portfolio of high quality assets that generate long-term cash flows and opportunities for value creation for us and our clients. We create value for our shareholders by increasing, over time, the cash flows generated by managing these assets for our clients as well as from the capital that we have invested alongside our clients.

BASIS OF PRESENTATION

We have organized the MD&A on a basis that is consistent with how we operate the business. We organize our activities into a Corporate Group and individual Operating Platforms which focus on a specific business segment. These platforms include commercial properties, power generation, infrastructure, development and other properties, specialty funds and advisory services.

We make a distinction within our operating platforms between Asset Management and Operations. We characterize Asset Management as including, among other things: strategic oversight, investment analysis, capital allocation and advisory and other specialized services such as investment banking, facilities management and property leasing. Operations represent the balance of activities directly associated with the underlying businesses. Accordingly, we segregate our financial results between Asset Management and Operations. We also segregate our financial results and our assets, liabilities and capital by Operating Platform.

In reporting our asset management activities, we recognize not only the results of the asset management activities that we perform on behalf of our clients, but also in respect of our own capital. We do this in order to present our results and margins on a consistent and more meaningful basis. For capital invested by us in established funds, we report the related

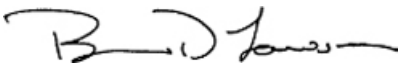
fees on the same terms as our clients. For the balance of our capital that is invested directly in similar assets, we attribute cash flows by applying a percentage fee to the estimated value of the operations. While this attribution is currently an internal allocation, we intend to provide co-investors the opportunity to participate in many of these assets over time, which will replace this attribution with cash flows from third parties and provide us with additional capital to expand our operating platforms in the process.

We use operating cash flow as a key measure of our financial performance. This is a non-GAAP measure and differs from net income, and may differ from definitions of operating cash flow used by other companies. We define operating cash flow as net income prior to such items as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.

We present invested capital and operating cash flows on a "total" basis, which is similar to our consolidated financial statements and a "net" basis. Net invested capital and net operating cash flows represent our pro rata interest in the underlying net assets and cash flows. They are, with the exception of the operations of Brookfield Properties Corporation, presented on a deconsolidated basis meaning that assets are presented net of associated liabilities and non-controlling interests. Similarly, cash flows are represented net of carrying charges associated with related liabilities and cash flow attributable to related non-controlling interests. Net invested capital and net operating cash flows, in our view, represent a more consistently comparable basis of presentation than our consolidated financial statements which include our operations under various methods, including equity accounting, proportional consolidation and full consolidation.

We provide reconciliations between this basis of presentation in the MD&A and our consolidated financial statements. In particular, we reconcile operating cash flow and net income on page 30. The tables on pages 72 and 73 provide a reconciliation between our consolidated financial statements and basis of presentation used herein.

Unless the context indicates otherwise, references in this MD&A to the "Corporation" refer to Brookfield Asset Management Inc., and references to "Brookfield" or "the company" refer to the Corporation and its direct and indirect subsidiaries and consolidated entities. All financial data included in the MD&A has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and specified non-GAAP measures unless otherwise noted. All figures are presented in U.S. dollars, unless otherwise noted.



Brian D. Lawson
Managing Partner and Chief Financial Officer



Sachin G. Shah
Senior Vice President, Finance

February 7, 2008

PART 2 – PERFORMANCE REVIEW

SUMMARY

In this section we review our performance during 2007, our financial position at year end and our outlook for 2008. Further details on our operations and financial position are contained within Part 5 – Description of Operating Platforms beginning on page 48.

Operating cash flow totalled $1.9 billion for the year compared with $1.8 billion in 2006 and $0.9 billion in 2005. This represents an increase of 6% over 2006 and is more than double the cash flows reported in 2005. Excluding the impact of realization gains, operating cash flows increased by 46% over the comparable 2006 results.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2007***	*2006*	*2005*
Operating cash flow			
– total	**$1,907**	$1,801	$ 908
– per share [1]	**3.11**	2.95	1.46
– prior to realization gains	**1,736**	1,191	908

1 Adjust to reflect three-for-two stock split

We continued to make progress in expanding our asset management activities and associated income through the acquisition of additional assets and expansion into new geographic regions. This has resulted in increases in both assets and capital under management, a higher level of annualized base fee revenues and increases in the amount of accumulated performance returns such as performance fees, carried interest participations and incentive distributions. We recorded improved results across most of our operating platforms, particularly in our property and specialty fund groups, which generated strong investment returns for ourselves and our clients. We also experienced strong performance within our private equity and financial asset portfolios, which more than offset the impact of lower water levels on our power generation facilities as well as the impact of weakness in the U.S. housing markets. The increase in 2006 operating cash flow from the 2005 results reflected a higher level of realization gains, expansion of our operating platform through acquisitions and the impact of above average water flows on our power generation business.

Realization gains contributed $171 million during 2007 compared with $610 million in 2006. Realization gains are gains or losses that arise on transactions involving long-term assets and liabilities, such as a disposition or change in ownership. We do not include gains or losses that relate to shorter-term items such as financial assets or assets held in opportunity or restructuring funds, because these are a regular part of ongoing activities. The timing of realization gains is, due to their nature, difficult to predict, however, they do reflect a portion of the increase in the underlying value of our operations and represent an important part of our long-term returns.

The following table presents net income for the past three years determined in accordance with Canadian GAAP. We do not utilize net income as a key metric in assessing the performance of our business because, in our view, it contains measures that may distort the ongoing performance and intrinsic value of the underlying operations. Nevertheless we recognize the importance of net income as a key measure for many users and provide a full discussion of our net income and a reconciliation to operating cash flow.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2007***	*2006*	*2005*
Net income			
– total	**$ 787**	$1,170	$1,662
– per share [1]	**1.24**	1.90	2.72
– prior to realization gains and accounting change	**941**	624	562

1 Adjust to reflect three-for-two stock split

Net income prior to realization gains and a change in accounting policy was $941 million compared with $624 million last year and $562 million in 2005. The increase in each of 2007 and 2006 over prior years reflects increases in operating cash flow noted above, offset by depreciation on recently acquired assets. We reconcile net income to operating cash flow on page 30.

Realization gains included in net income totalled $177 million in 2007, representing the $171 million of net gains included in operating cash flows as noted above and a $6 million recovery of non-cash accounting tax provisions net of minority interests. Realization gains included in net income during 2006 totalled $546 million, and differs from the $610 million of gains included in operating cash flow due to non-cash tax provisions net of minority interest totalling $64 million. Realization gains in 2005 represented an after-tax gain of $1.1 billion on the sale of a large legacy investment.

The change in accounting policy resulted in an accrued gain of $331 million on an investment sold during the year being recorded directly in opening retained earnings as opposed to net income due to prescribed changes in accounting guidelines.

We measure our performance against two specific criteria which are set out in the following table together with our annual performance over the past five years:

	Long-term	*Five-Year*	*Annual Results*				
FOR THE YEARS ENDED DECEMBER 31	*Objective*	*Results*	***2007***	*2006*	*2005*	*2004*	*2003*
Operating cash flow and gains per share [1]			**$3.11**	$ 2.95	$1.46	$1.03	$0.95
Annual growth	12%	35%	**5%**	102%	41%	8%	35%
Cash return on book equity per share	20%	25%	**30%**	34%	21%	19%	18%

1 Adjust to reflect three-for-two stock split

Annual cash flow growth in 2007 was below our long-term objective, however this is largely due to the particularly strong results and higher level of realization gains recorded in 2006. Annualized growth over the last five years was 35%. We achieved a 30% cash return on equity during 2007 and a 25% average return over the past five years.

The results for the five years ending in 2007 and the year ended 2006, respectively, exceed our long-term expectations. Accordingly, shareholders should not expect us to generate this rate of growth on an ongoing basis.

Segmented Operating Results

The following table distinguishes our operating cash flows between the operating returns on our invested capital and the returns from our asset management activities:

	2007			*2006*		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***Asset Management***	***Operations***	***Total Platform***	*Asset Management*	*Operations*	*Total Platform*
Operating platforms	**$ 695**	**$ 1,479**	**$ 2,174**	$ 483	$ 1,165	$ 1,648
Cash and financial assets	**—**	**695**	**695**	—	396	396
Realization gains	**—**	**158**	**158**	—	610	610
	695	**2,332**	**3,027**	483	2,171	2,654
Unallocated costs	**(264)**	**(488)**	**(752)**	(192)	(414)	(606)
	431	**1,844**	**2,275**	291	1,757	2,048
Co-investor interests	**(65)**	**(303)**	**(368)**	(54)	(193)	(247)
	$ 366	**$ 1,541**	**$ 1,907**	$ 237	$ 1,564	$ 1,801

Our asset management activities generated $366 million of operating cash flow during 2007 compared with $237 million during 2006. These results include base management fees and performance returns from existing funds, as well as fees attributed to assets that we manage on our own behalf that are not yet held through funds. The increase is due to a higher level of capital deployed compared to 2006.

Our operating platforms contributed $1.5 billion of operating cash flow prior to realization gains and unallocated costs, representing an increase of 27% over 2006, due to continued growth and strong performance in a number of our operations. These results are net of fees charged in respect of asset management activities. We discuss these results in greater detail in the Operating Platforms Section beginning on page 16.

Investment income generated from our financial assets and other activities increased to $695 million reflecting a higher level of investment gains over the prior year. Realization gains were significantly higher in 2006, more than offsetting the positive variance in investment income, as we realized gains on the monetizations of a number of our long-term assets during that year in the process of establishing new funds and other activities.

The increase in unallocated costs reflects the expansion in our operating platforms as well as an increased level of activity devoted to the development of new operating platforms and the expansion of our asset management capabilities, as well as a modest increase in interest costs.

Co-investor interests are comprised principally of the cash flows attributable to minority shareholders of Brookfield Properties Corporation as all other cash flows are shown net of the associated co-investor interests as explained under Basis of Presentation.

Overview of Asset Management Results

The following table summarizes asset management income and fees generated for the past two years. "Total" represents fee income generated by the assets and capital under management on a 100% basis, including amounts attributed to the capital we have invested in established funds with co-investors as well as assets that are held directly by Brookfield, whereas "Third Party" amounts represent only amounts earned by us from assets and capital managed on behalf of clients (i.e. it excludes operating cash flow generated on our own capital, which is eliminated in preparing our financial statements in accordance with GAAP).

The following table sets out the key components of revenues from core asset management activities:

	Total		*Third Party*	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Base management fees	**$ 349**	$ 290	**$104**	$ 68
Performance returns	**12**	5	**8**	3
Transaction fees	**116**	33	**103**	31
Property services	**184**	139	**166**	139
Investment banking	**34**	16	**34**	16
	695	483	**415**	257
Direct operating costs	**(264)**	(192)	**—**	—
Co-investor interests in consolidated operations	**(65)**	(54)	**—**	—
	$ 366	$ 237	**$415**	$257

Base management fees are a key measure in assessing the growth of our business. They increased during 2007 as a result of new funds and increases in the amount of capital under management. As at December 31, 2007, annualized base management fees on existing funds and assets under management totalled $160 million (2006 – $100 million), of which $120 million (2006 – $75 million) relates to client capital.

Base management fees include the fees of $104 million (2006 – $68 million) earned from third-party clients, $33 million (2006 – $13 million) from the capital that we have invested in existing funds and $212 million (2006 – $209 million) attributed to assets that are not held in existing funds.

Transaction fees include a substantial fee earned in the first quarter of 2007 in connection with our efforts to establish a North American retail property platform and an associated capital commitment. Transaction fees also include investment fees earned in respect of financing activities and include commitment fees, work fees and exit fees.

Property services fees include property and facilities management, leasing and project management and a range of real estate services. The increase reflects a higher level of activity within our facilities management operations. We provide specialized investment banking services in North America and Brazil. These groups increased fees during the year through the expansion of their operating base and by concluding a number of successful mandates.

The level of performance returns recorded in our results continues to be modest because they tend to materialize later in the life cycle of a fund and because we have elected to follow accounting guidelines that defer recognition in our financial statements. The following table includes performance returns on established funds that we believe have accumulated during the year, but are not included in our reported results. As our funds mature, we expect to be able to recognize an increasing portion of these accumulated fees.

	Total		*Third Party*	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Net performance returns accumulated during the year	**$272**	$100	**$ 92**	$ 57
Less: returns reported in financial results	**(12)**	(5)	**(8)**	(3)
Unrecognized performance returns accumulated during the year	**$260**	$ 95	**$ 84**	$ 54

The increase in third-party accumulated performance returns, net of direct expenses, that has not been reflected in operating cash flows represents $0.14 per share and $0.09 per share, respectively, during each of 2007 and 2006.

	Total		Third Party	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Accumulated returns, beginning of year	**$ 95**	$ —	**$ 54**	$ —
Accumulated during the year	**260**	95	**84**	54
Total accumulated performance returns	**$355**	$ 95	**$138**	$ 54

We estimate that approximately $29 million of direct expenses will arise on the realization of the returns that have accumulated to date (2006 – $11 million). The average period of time over which these accumulated returns may be realized is six years, based on the terms of the relevant contracts. We expect that the ultimate receipt of these amounts will not result in any meaningful cash taxes.

Assets Under Management and Invested Capital

The following table presents the book values of total assets under management at the end of December 31, 2007 and December 31, 2006, including our interests and those of our co-investors, capital commitments by our co-investors, and Brookfield's invested capital measured in terms of consolidated assets and net invested capital.

	Total Assets Under Management		Co-investor Commitments[1]		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Operating platforms								
Commercial properties	**$ 30,750**	$ 21,114	**$ 2,898**	$ 2,317	**$ 25,315**	$ 17,231	**$ 4,803**	$ 3,773
Power generation	**6,802**	5,390	**—**	—	**6,802**	5,390	**1,425**	1,368
Infrastructure	**6,755**	4,333	**1,192**	1,171	**4,435**	4,333	**1,645**	864
Development and other properties	**9,081**	4,913	**359**	116	**9,081**	4,913	**3,541**	1,783
Specialty funds	**7,487**	7,867	**3,547**	2,118	**2,736**	1,797	**1,137**	1,182
Advisory services	**26,237**	20,460	**26,237**	20,460	**—**	—	**—**	—
	87,112	64,077	**34,233**	26,182	**48,369**	33,664	**12,551**	8,970
Private equity investments	**3,851**	3,450	**—**	—	**3,851**	3,450	**1,336**	1,404
Cash and financial assets	**1,367**	1,673	**—**	—	**1,367**	1,673	**867**	1,149
Other assets	**2,010**	1,921	**—**	—	**2,010**	1,921	**2,010**	1,921
	$ 94,340	$ 71,121	**$34,233**	$26,182	**$ 55,597**	$ 40,708	**$16,764**	$13,444

1 Includes incremental co-investment capital

Assets under management and invested capital were impacted by three significant transactions during 2007. The acquisition of Multiplex increased total assets under management within our operating platforms by $5.7 billion. This included $2.5 billion of assets in property funds managed by the company and $3.2 billion of directly held property assets. Our net invested capital in Multiplex, net of debt, is approximately $2 billion.

We also acquired $1.9 billion of private timberlands in the U.S. Pacific Northwest for a net investment of approximately $670 million. This resulted in increased assets under management and net invested capital within our infrastructure operations. Consolidated infrastructure assets were relatively unchanged as the addition of the timberlands was offset when we commenced accounting for our Chilean transmission operations on an equity accounted basis.

Within our advisory group, assets under management and co-investor commitments both increased by approximately $6 billion, largely from the acquisition of a Chicago-based real estate securities manager.

Finally, the increase in the value of the Canadian dollar, the British pound and the Brazilian *real* against the U.S. dollar increased the carrying values of most of the assets denominated in these currencies.

Changes in the net invested capital by us in our operations over the past two years are shown in the following table:

PERIODS ENDING DECEMBER 31 (MILLIONS)	Change in Brookfield's Net Invested Capital 2006/2007	2007	2006
Operating platforms			
Commercial properties	$ 1,742	**$ 1,030**	$ 712
Power generation	228	**57**	171
Infrastructure	1,299	**781**	518
Development and other properties	2,421	**1,758**	663
Specialty funds	638	**(45)**	683
Total operating platforms	6,328	**3,581**	2,747
Private equity investments	43	**(68)**	111
Cash and financial assets	(1,263)	**(282)**	(981)
Other assets	219	**89**	130
	5,327	**3,320**	2,007
Net invested capital – beginning of period	11,437	**13,444**	11,437
– end of period	$ 16,764	**$ 16,764**	$ 13,444

Net capital invested in our operating platforms increased by $6.3 billion, mostly in our property and infrastructure operations. Capital invested in cash and financial assets declined as we monetized a number of investments to capture value appreciation and fund the expansion of our operating base.

OPERATING PLATFORMS

In this section, we review the results of our principal operating platforms. Further details on our activities can be found in Part 5 – Description of Operating Platforms beginning on page 48.

The following table presents our operating cash flows for the past two years on a segmented basis. The results are classified by operating platforms and separated between the cash flows attributable to our asset management activities and those generated from the capital invested by us in our operating platforms. The cash flows in this section are presented on a net basis (i.e. after deducting associated interest expense and co-investor interests) unless otherwise noted.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Total Operating Cash Flow 2007	Total Operating Cash Flow 2006	Net Operating Cash Flow 2007 Asset Management	Net Operating Cash Flow 2007 Operations	Net Operating Cash Flow 2007 Total Platform	Net Operating Cash Flow 2006 Asset Management	Net Operating Cash Flow 2006 Operations	Net Operating Cash Flow 2006 Total Platform
Asset management income	**$ 415**	$ 257						
Operating platforms								
Commercial properties	**1,566**	1,023	**$ 351**	**$ 483**	**$ 834**	$ 277	$ 434	$ 711
Power generation	**611**	620	**68**	**193**	**261**	62	275	337
Infrastructure	**318**	206	**36**	**76**	**112**	14	61	75
Development and other properties	**412**	466	**24**	**279**	**303**	22	225	247
Specialty funds	**381**	229	**143**	**323**	**466**	56	150	206
Advisory services	**—**	—	**73**	**—**	**73**	52	—	52
Private equity investments	**225**	82	**—**	**125**	**125**	—	20	20
Cash and financial assets	**702**	413	**—**	**695**	**695**	—	396	396
Realization gains	**231**	633	**—**	**158**	**158**	—	610	610
	4,861	3,929	**695**	**2,332**	**3,027**	483	2,171	2,654
Unallocated expenses								
Financing	**(1,786)**	(1,185)	**—**	**(302)**	**(302)**	—	(286)	(286)
Operating costs	**(464)**	(333)	**(264)**	**(180)**	**(444)**	(192)	(124)	(316)
Current income taxes	**(68)**	(142)	**—**	**(6)**	**(6)**	—	(4)	(4)
Co-investor interests in consolidated operations	**(636)**	(468)	**(65)**	**(303)**	**(368)**	(54)	(193)	(247)
	$ 1,907	$ 1,801	**$ 366**	**$ 1,541**	**$ 1,907**	$ 237	$ 1,564	$ 1,801

Commercial Properties

The following table summarizes the net operating cash flows contributed by our commercial property operations.

	Total Operating Cash Flow		Net Operating Cash Flow					
			2007			2006		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2007	2006	Asset Management	Operations	Total Platform	Asset Management	Operations	Total Platform
Office properties	$1,518	$ 985	$ —	$ 610	$ 610	$ —	$ 536	$ 536
Retail properties	48	38	—	19	19	—	19	19
	1,566	1,023	—	629	629	—	555	555
Asset management and property services [1]	—	—	351	(146)	205	277	(121)	156
	$1,566	$1,023	$ 351	$ 483	$ 834	$ 277	$ 434	$ 711

1 Prior to operating costs

Property operations contributed net operating cash flow of $834 million in 2007 compared to $711 million in 2006. Operations contributed $629 million in 2007, modestly higher than 2006. Asset management activities contributed higher levels of operating cash flow during 2007 due to the establishment of new funds during 2006 and 2007, and increases in invested capital as a result of acquisitions.

The following table summarizes assets under management and invested capital in our commercial property operations:

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated		Net Invested Capital	
AS AT DECEMBER 31 (MILLIONS)	2007	2006	2007	2006	2007	2006	2007	2006
Office properties	$29,052	$20,314	$2,298	$1,717	$23,617	$17,016	$ 4,700	$ 3,745
Retail properties	1,698	800	600	600	1,698	215	103	28
	$30,750	$21,114	$2,898	$2,317	$25,315	$17,231	$ 4,803	$ 3,773

Assets under management, co-investor commitments and invested capital in our commercial office properties all increased with the Multiplex acquisition as discussed earlier. In addition, carrying values increased due to currency appreciation on Canadian properties and the purchase of minority interests in our two flagship Boston properties for approximately $500 million, bringing our interest in these properties to 100%. Net invested capital increased by $955 million, which represents the net capital invested by us in Multiplex's office property operations offset by the proceeds from refinancing existing properties. We completed a number of acquisitions in our retail property fund, including that of a large portfolio at the end of 2007, which positions us as one of the largest retail mall owners in Brazil.

Office Properties

Our commercial office portfolios contributed total operating cash flow of $1.5 billion during 2007 compared to $1.0 billion in 2006. After deducting interest expenses and the interests of co-investors in these operations, the net operating cash flow was $610 million compared to $536 million in 2006. The following table shows the sources of operating cash flow by geographic region:

	Operating Cash Flow			
	Total		Net	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2007	2006	2007	2006
North America	$1,416	$857	$1,416	$ 857
Australasia	62	—	62	—
Europe	40	128	40	128
	1,518	985	1,518	985
Interest expense	—	—	(812)	(442)
Co-investors' interests	—	—	(96)	(7)
	$1,518	$985	$ 610	$ 536

Total operating cash flow increased by $533 million or 54% over 2006 due primarily to the acquisition of a large commercial office portfolio in late 2006. The acquisition was partially funded with property-specific debt and co-investor capital, which contributed towards the $459 million increase in carrying charges and co-investor interests. After taking these items into consideration, net operating cash flows increased by $74 million or 14%.

The following table sets out the variances in operating cash flows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*Variance*
Same properties	**$ 735**	$ 696	$ 39
Acquired properties	**628**	149	479
Dividend from Canary Wharf	**—**	87	(87)
Disposition gains	**145**	44	101
Other	**10**	9	1
Total operating cash flow	**1,518**	985	533
Interest expense and co-investor interests	**(908)**	(449)	(459)
Net operating cash flow	**$ 610**	$ 536	$ 74

We achieved growth in same property operating cash flow of $39 million or 6% in 2007, due to new leasing in favourable market conditions. We leased 8.8 million square feet in our North American portfolio during 2007 at an average net rent of $30 per square foot, replacing leases that averaged $21 per square foot. Average in-place net rents across the portfolio have increased to $24 from $21 at the end of last year. Leasing fundamentals have improved in most of our markets with particular strength in Calgary and New York as well as favourable currency appreciation. We continue to manage our portfolios and tenant relationships on a proactive basis, which can lead to opportunities to re-lease space for increased yields and gains.

Property acquisitions were responsible for most of the increase in operating cash flows, which is to be expected given the stable nature of our long-term lease portfolio and the high credit quality of our tenants. The increase was $79 million after taking incremental borrowing costs into consideration. We acquired a major portfolio in the United States in late 2006 which increased total operating cash flows by $408 million (2006 – $75 million) and net operating cash flows by $57 million (2006 – $18 million) after deducting interest expenses and co-investor interests. The acquisition of Multiplex in October 2007 contributed $62 million of total operating cash flow and $9 million of net operating cash flow.

Borrowing costs and co-investor share of net operating cash flows increased by $459 million over 2006, of which $294 million related to the U.S. portfolio and $53 million to the Multiplex portfolio. Borrowing costs associated with existing properties increased as a result of refinancing underlevered properties at attractive yields which reduced net operating cash flow but improved return on capital.

Retail

The acquisition of properties within our retail fund resulted in increases in assets under management, consolidated assets and net invested capital. Co-investor commitments remained unchanged during the year, and the fund is now virtually fully invested.

Total operating cash flows increased to $48 million in 2007 compared to $38 million in 2006. The increase reflects a disposition gain in 2007 of $8 million and the impact of acquisitions and higher sales within existing properties. Net operating cash flow was unchanged at $19 million as the increase in total operating cash flows was offset by integration costs and the reduction in our interest in these properties from 100% to 25% upon their transfer into our retail fund.

	Operating Cash Flow			
	Total		*Net*	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Retail properties [1]	**$ 48**	$ 38	**$ 48**	$ 25
Interest expense	**—**	—	**(6)**	(4)
Cash taxes and other expenses	**—**	—	**(10)**	—
Co-investors' interests	**—**	—	**(13)**	(2)
	$ 48	$ 38	**$ 19**	$ 19

1 The Brascan Brasil Real Estate Partners fund was established in the third quarter of 2006

We received proceeds of $251 million in 2006 and recorded a gain of $79 million. The fund completed a major acquisition at the end of 2007 of a 1.7 million square foot portfolio of high quality properties. As a result, the fund is now fully invested and is expected to generate increased cash flows.

Net operating cash flows reflect interest costs on property-specific debt as well as the interests of our co-investors, who have owned 75% of the fund since the fourth quarter of 2006 and accordingly reduced our share of net operating income in 2007.

Asset Management – Commercial Properties

	2007			2006		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Total**	**Operations**	**Third Party**	Total	Operations	Third Party
Asset management	**$185**	**$ (146)**	**$ 39**	$138	$ (121)	$ 17
Property services	**166**	**—**	**166**	139	—	139
	$351	**$ (146)**	**$ 205**	$277	$ (121)	$ 156

Asset management fees from third-party clients increased by $22 million to $39 million in 2007. Fees attributed to our investment in these operations increased by $25 million to $146 million, a 21% increase, reflecting the higher level of capital that we have invested in established funds and directly held assets. Property services fees increased with a higher level of activity.

Power Generation

The following table summarizes the net operating cash flow generated by our power generating operations during 2007 and 2006:

	2007			2006		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Operations	**$ —**	**$ 261**	**$ 261**	$ —	$ 337	$ 337
Asset management	**68**	**(68)**	**—**	62	(62)	—
	$ 68	**$ 193**	**$ 261**	$ 62	$ 275	$ 337

The contribution from operations declined by $76 million from $337 million in 2006 to $261 million in 2007. This reflected a decline in net operating income from our hydroelectric facilities due to lower water levels as well as increased carrying charges.

We increased installed capacity during the year by 117 megawatts through the addition of 18 facilities with expected annual generation of 500 gigawatt hours. We acquired five facilities in North America with installed capacity of 28 megawatts at a cost of $67 million. We added 13 facilities in Brazil through acquisitions and development at a total cost of $188 million. In addition, we have six hydroelectric facilities under construction at year end that will expand our capacity by a further 145 megawatts at a total projected cost of $352 million.

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
AS AT DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Hydroelectric generation	**$ 4,299**	$ 3,756	**$ —**	$ —	**$ 4,299**	$ 3,756	**$ 4,299**	$ 3,756
Wind, pumped storage and cogeneration	**602**	493	**—**	—	**602**	493	**602**	493
Development	**236**	60	**—**	—	**236**	60	**236**	60
	5,137	4,309	**—**	—	**5,137**	4,309	**5,137**	4,309
Cash and financial assets	**784**	618			**784**	618	**784**	618
Working capital	**881**	463			**881**	463	**2**	44
Property-specific and subsidiary debt							**(4,285)**	(3,388)
Co-investor interests							**(213)**	(215)
	$ 6,802	$ 5,390	**$ —**	$ —	**$ 6,802**	$ 5,390	**$ 1,425**	$ 1,368

The book value of total assets under management and consolidated assets increased by $1.4 billion to $6.8 billion from $5.4 billion at the end of last year due primarily to currency appreciation as well as higher levels of working capital and the acquisition of facilities in North America ($67 million) and Brazil ($188 million). Net invested capital increased by a smaller amount due to the offsetting impact of currency appreciation on non-U.S. debt and because much of the acquisition cost was funded through project financings on the acquired assets and by financings arranged on existing assets. The increase in operating cash flows over the past number of years has increased the value of our existing assets enabling us to arrange additional project financing while continuing to maintain a conservative investment grade capitalization.

We believe the intrinsic value of our power assets is much higher than the book value because the assets have either been acquired at attractive prices or held for many years and therefore depreciated for accounting purposes which, in our view, is inconsistent with the nature of hydroelectric generating assets. We have also been successful in acquiring, developing and upgrading many of our facilities on an attractive basis and higher fossil fuel prices have resulted in significantly expanded operating margins for hydroelectric facilities, which have very low operating costs.

The following table summarizes the total and net operating cash flows contributed by our power generating operations during the past two years:

	Operating Cash Flow				
	Total		Net		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	*Variance*
Hydroelectric generation					
North America					
United States	**$ 292**	$ 318	**$ 292**	$ 318	$ (26)
Canada	**171**	221	**171**	221	(50)
Brazil	**68**	41	**68**	41	27
Total hydroelectric generation	**531**	580	**531**	580	(49)
Wind energy	**33**	5	**33**	5	28
Co-generation and pumped storage	**47**	35	**47**	35	12
Total other generation	**80**	40	**80**	40	40
Total operating cash flows	**611**	620	**611**	620	(9)
Other expenses			**(7)**	(2)	(5)
Interest expenses			**(289)**	(235)	(54)
Non-controlling interests			**(54)**	(46)	(8)
Operating cash flow	**$ 611**	$ 620	**$ 261**	$ 337	$ (76)

Total operating cash flows were $611 million in 2007 compared to $620 million in 2006. These results are impacted principally by realized prices and the level of generation which are discussed in the following sections. Net operating cash flows, which reflect interest expenses and co-investor interests, were $261 million in 2007, a decline from $337 million in 2006. Interest expense increased by $54 million reflecting financings completed since the first quarter of 2006, as well as the impact of currency fluctuations on non-U.S. financings.

Realized Prices and Operating Margins

Realized prices from our hydro portfolio increased by 6% over 2006 levels to $71 per megawatt hour and largely exceeded market prices due to our long-standing strategy to sell much of our power under long-term power sales agreements or financial contracts. Spot electricity prices during the year were generally in line with those of 2006; however, the shorter-term financial contracts under which power was sold were at higher prices. We also generated a higher proportion of our power in higher priced regions than in 2006. Our ability to capture peak pricing and other energy products such as capacity payments also contributes to higher realized prices. The following table illustrates revenues and operating costs for our hydroelectric facilities:

	2007				*2006*			
FOR THE YEARS ENDED DECEMBER 31 (GWH AND $ MILLIONS)	***Actual Production***	***Realized Revenues***	***Operating Costs***	***Operating Cash Flows***	*Actual Production*	*Realized Revenues*	*Operating Costs*	*Operating Cash Flows*
Ontario	**1,852**	**$ 144**	**$ 47**	**$ 97**	2,059	$ 150	$ 39	$ 111
Quebec	**1,407**	**83**	**24**	**59**	2,032	118	24	94
New England	**1,489**	**77**	**30**	**47**	1,438	82	27	55
New York	**3,357**	**210**	**76**	**134**	3,857	229	69	160
Other	**2,786**	**261**	**67**	**194**	2,362	211	51	160
Total	**10,891**	**$ 775**	**$ 244**	**$ 531**	11,748	$ 790	$ 210	$ 580
Per MWh		**$ 71**	**$ 22**	**$ 49**		$ 67	$ 18	$ 49

The increase in operating costs relates to lower power generation at existing facilities where the cost structure is more fixed in nature, such as our New York operations, the addition of generation capacity in higher cost regions, timing of major maintenance expenditures and the impact of a higher Canadian dollar on our Canadian operations.

The contribution from our non-hydro facilities is set forth in the following table. Cash flows increased due to the addition of our wind energy project and the inclusion of our 50%-owned pumped storage facility on a fully consolidated basis.

	2007				2006			
FOR THE YEARS ENDED DECEMBER 31 (GWH AND $ MILLIONS)	**Actual Production**	**Realized Revenues**	**Operating Costs**	**Operating Cash Flows**	Actual Production	Realized Revenues	Operating Costs	Operating Cash Flows
Co-generation and pumped storage	**1,493**	**$ 147**	**$ 100**	**$ 47**	1,168	$ 100	$ 65	$ 35
Wind energy	**478**	**41**	**8**	**33**	100	7	2	5
Total	**1,971**	**$ 188**	**$ 108**	**$ 80**	1,268	$ 107	$ 67	$ 40
Per MWh		**$ 95**	**$ 55**	**$ 40**		$ 84	$ 53	$ 31

Generation

Our facilities produced 12,862 gigawatt hours of electricity during 2007, compared with 13,016 gigawatt hours during 2006 and 10,930 gigawatts hours in 2005. We produced 1,684 fewer gigawatt hours from existing hydroelectric capacity owned throughout 2007 and 2006 (i.e. “same store” basis) due to lower water flows; however, this was partially offset by the contribution of 827 gigawatt hours from hydroelectric facilities acquired or developed during 2006 and 2007. Hydroelectric generation was 10% below expected long-term averages for the portfolio as a whole and 7% below 2006 levels. Our reservoirs have been maintained at normal levels for this time of year and, as a result, we should be able to operate our facilities at long-term average levels during 2008, assuming normal water conditions prevail. Our wind facilities, which started operations in the fourth quarter of last year, generated 478 gigawatt hours, slightly lower than our expected long-term average.

The following table summarizes generation over the past three years:

		Actual Production			Variance to		
FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	**Long-Term Average**	**2007**	2006	2005	**Long Term Average**	2006	2005
Existing capacity	**10,680**	**9,547**	11,231	9,822	**(1,133)**	(1,684)	(275)
Acquisitions – during 2006	**1,185**	**1,118**	517	—	**(67)**	601	1,118
Acquisitions – during 2007	**250**	**226**	—	—	**(24)**	226	226
Total hydroelectric operations	**12,115**	**10,891**	11,748	9,822	**(1,224)**	(857)	1,069
Wind energy	**534**	**478**	100	—	**(56)**	378	478
Co-generation and pump storage	**1,168**	**1,493**	1,168	1,108	**325**	325	385
Total generation	**13,817**	**12,862**	13,016	10,930	**(955)**	(154)	1,932

The contribution from our pumped-storage, co-generation and wind facilities increased by $40 million, reflecting a full year of operation for our northern Ontario wind energy system and a higher contribution from pumped-storage operations.

The $62 million increase in carrying charges and co-investor interests is due principally to interest expense on debt incurred to acquire and develop new facilities as well as currency appreciation on interest paid on non-U.S. debt. We have invested in our operating base over the past two years, increasing our installed capacity over this period by 15% to 3,891 megawatts and our annual generating capacity by 18% to 13,817 gigawatt hours.

Asset Management – Power Generation

Asset management cash flow is determined by applying a fixed percentage fee to our estimated value of the equity capital invested in these operations. This is an internal allocation that is intended to be consistent with comparable asset management fees incurred elsewhere in our operations.

Infrastructure

Our infrastructure operations consist of timber and electrical transmission operations in the United States, Canada, Chile and Brazil that are owned through a number of managed funds and through direct interests. The net operating cash flows contributed by these operations are summarized in the following table:

	2007			2006		
FOR THE YEAR ENDED DECEMBER 31 (MILLIONS)	Asset Management	Operations	Total Platform	Asset Management	Operations	Total Platform
Timberlands	$ —	$ 40	$ 40	$ —	$ 32	$ 32
Transmission	—	62	62	—	37	37
	—	102	102	—	69	69
Asset management	36	(26)	10	14	(8)	6
	$ 36	$ 76	$ 112	$ 14	$ 61	$ 75

The principal change in the financial position of our infrastructure operations was the acquisition of the U.S. Pacific Northwest timberlands as noted in the following table:

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
AS AT DECEMBER 31 (MILLIONS)	2007	2006	2007	2006	2007	2006	2007	2006
Timberlands	$ 3,675	$ 1,190	$ 315	$ 340	$ 3,675	$ 1,190	$1,025	$315
Transmission	3,080	3,143	877	831	760	3,143	620	549
	$ 6,755	$ 4,333	$1,192	$1,171	$ 4,435	$ 4,333	$1,645	$864

Co-investor commitments represent capital committed by clients to our western Canadian and eastern North American timber funds and the Chilean transmission operations. We commenced accounting for the Chilean transmission operations on an equity basis, as opposed to full consolidation, following a change in the capitalization of the ownership structure which reduced our consolidated assets. Our economic interest was not impacted.

In January 2008 we transferred a number of our ownership interests to Brookfield Infrastructure Partners, a specialty issuer listed on the New York Stock Exchange. We will own 40% of and manage Brookfield Infrastructure pursuant to a long-term agreement. The remaining 60% of Brookfield Infrastructure was distributed to existing Brookfield shareholders. Brookfield Infrastructure will be our primary acquisition vehicle for infrastructure businesses. The establishment of Brookfield Infrastructure is intended to provide investors with what is, in our opinion, a relatively unique and attractive opportunity to invest directly in the infrastructure asset class through a publicly listed security. This also expands the amount of committed capital that we manage and should provide an additional source of capital to fund continued growth in this sector.

Timber

Timber operations contributed $40 million during 2007 compared with $32 million in 2006. The increased contribution during 2007 reflects improved performance by our coastal British Columbia operations, which met our operating targets notwithstanding an industry strike that adversely impacted results in the second half of the year.

			Operating Cash Flow Net		
	Total				
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2007	2006	2007	2006	Variance
Timberlands	$158	$ 87	$ 158	$ 87	$ 71
Interest expense			(85)	(29)	(56)
Co-investors' interests			(33)	(26)	(7)
	$158	$ 87	$ 40	$ 32	$ 8

Total operating cash flow from our western North American operations increased substantially due to the acquisition of timberlands in the U.S. Pacific Northwest in April of 2007. The associated debt financing also resulted in higher interest costs, which had an offsetting impact on net operating cash flow. As a result, net contribution from the U.S. Pacific Northwest operations, which were acquired in the second quarter of 2007, was minimal after deducting associated interest costs. The slowdown in the U.S. homebuilding industry resulted in lower demand and prices for premium species

such as high quality Douglas-fir. We responded by exploiting the flexibility inherent in timber management which allows us to defer harvesting until prices recover and instead increased harvest levels of whitewood species where margins, although lower than Douglas-fir, held up better.

We increased our harvesting activities in the first half of the year due to the possibility of the strike, which provided us with surplus inventory to work with. Pricing was also better than expected. The operating results compared favourably with the 2006 results, which had been adversely impacted by a prolonged fire season, and adverse weather conditions in the second half of that year.

The following table summarizes the operating results from our timber operations:

	2007			2006		
FOR THE YEARS ENDED DECEMBER 31 ($ MILLIONS)	*Sales (m^3)*	*Revenue*	*Harvest (m^3)*	*Sales (m^3)*	*Revenue*	*Harvest (m^3)*
Western North America						
Douglas-fir	**2,092,200**	**$ 191**	**2,004,400**	1,235,800	$ 120	1,209,000
Whitewood	**1,317,800**	**87**	**1,232,200**	835,900	47	652,000
Other	**353,200**	**51**	**353,500**	241,600	26	233,000
	3,763,200	**329**	**3,590,100**	2,313,300	193	2,094,000
Other	**1,920,300**	**89**	**1,912,000**	1,758,600	78	1,724,700
	5,683,500	**$ 418**	**5,502,100**	4,071,900	$ 271	3,818,700

We sold 5.7 million cubic metres of timber during 2007 compared to 4.1 millions cubic metres during 2006. The U.S. Pacific Northwest operations contributed 1.4 million cubic metres, which represents most of the increase.

Transmission

Transmission operations contributed $62 million of operating cash flow, net of carrying charges and co-investor interests, compared with $37 million during 2006 as shown in the following table:

			Operating Cash Flow		
	Total		*Net*		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	*Variance*
Transmission facilities and investments					
Chile	**$114**	$ 91			$ 23
North America	**31**	28			3
Brazil	**15**	—			15
	160	119	**$ 160**	$ 119	41
Other expenses			**(4)**	(8)	4
Interest expense			**(65)**	(55)	(10)
	160	119	**91**	56	35
Co-investors' interests			**(29)**	(19)	(10)
	$160	$119	**$ 62**	$ 37	$ 25

The increase is due almost entirely to acquisitions of a transmission system in Chile in June 2006 and interests in five Brazilian transmission systems in August 2006. These operations performed in line with expectations, as did our northern Ontario transmission and distribution operations.

The Chilean and Ontario transmission operations performed in line with expectations during the year. In addition, we reported our share of the results of the Brazilian systems, which were acquired at the end of the third quarter of 2006. Net operating income within the Chilean operations prior to interest expense was $208 million in 2007, compared to $98 million in 2006.

Effective June 30, 2007, we began accounting for our investment in our Chilean operations using the equity method as a result of changes in the ownership structure, notwithstanding that our economic interest is unchanged. The net contribution to operating cash flow from these operations, after deducting interest costs and co-investor interests, was $24 million during 2007, compared to $13 million during our six months of ownership in 2006.

Asset Management – Infrastructure

Asset management activities contributed $10 million of revenues from third parties during 2007, compared to $6 million recorded in 2006. The increase is due to a full year contribution from fees associated with our Chilean transmission operations. Total asset management revenues, which include fees earned on our interests in established funds and attributed to directly held interests, increased to $36 million in 2007 from $14 million in 2006 due to the expansion of our timber and transmission interests during 2007 and 2006.

Development and Other Properties

Development and other properties include our opportunity invested funds, residential operations, properties under development and properties held for development.

	2007			2006		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Opportunity investments	**$ 2**	**$ 38**	**$ 40**	$ 1	$ 14	$ 15
Residential	**—**	**260**	**260**	—	231	231
Under development and held for development	**—**	**3**	**3**	—	1	1
	2	**301**	**303**	1	246	247
Asset management	**22**	**(22)**	**—**	21	(21)	—
	$ 24	**$ 279**	**$ 303**	$ 22	$ 225	$ 247

Assets under management and invested capital approximately doubled during the year, as shown in the following table, largely due to the acquisition of Multiplex:

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated		Net Invested Capital	
AS AT DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Opportunity investments	**$ 1,571**	$ 1,086	**$ 159**	$ 116	**$1,571**	$1,086	**$ 225**	$ 132
Residential	**2,909**	2,403	**200**	—	**2,909**	2,403	**450**	484
Under development	**3,400**	658	**—**	—	**3,400**	658	**1,696**	418
Held for development	**1,201**	766	**—**	—	**1,201**	766	**1,170**	749
	$ 9,081	$ 4,913	**$ 359**	$ 116	**$9,081**	$4,913	**$ 3,541**	$ 1,783

Assets under management and consolidated assets in our opportunity investments and residential operations both increased by approximately $500 million. Our first opportunity fund was fully invested during the year following a number of acquisitions. Balances in our residential operations increased due to currency appreciation, the continued expansion of our western Canadian operations and higher than normal inventory levels within our U.S. operations. We formed a $400 million joint venture between our U.S. homebuilding unit and an institutional investor to invest in residential land in the United States which represents the co-investor commitments in our residential operations. We believe the timing of this fund will enable us to acquire land positions at favourable values due to current weak market conditions.

The amount of capital invested in properties under development increased by $2.7 billion due mainly to the acquisition of Multiplex, which has $2.3 billion of projects under way. These projects consist of over 70 properties that will contain more than 20 million square feet of leaseable commercial property space and approximately 18,000 residential lots, homes and units. Multiplex has been an active developer of properties in Australasia and Europe for many years. We also continue the construction and redevelopment of several properties in North America.

The carrying values of properties held for development increased by $421 million during the year due to continued investment into Alberta residential land to replenish our land bank in the face of strong growth in this market as well as the acquisition of additional agricultural land in Brazil to support our expanding business of contracting sugar cane production to ethanol producers. The increase in carrying values also reflects currency appreciation on our Canadian and Brazilian properties.

Opportunity Investments

	Operating Cash Flow			
	Total		Net	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Net operating income	**$ 67**	$ 42	**$ 67**	$ 42
Disposition gains	**70**	7	**28**	7
Interest expense	**—**	—	**(54)**	(30)
Co-investors' interests	**—**	—	**(3)**	(5)
	$137	$ 49	**$ 38**	$ 14

Total operating cash flow increased to $137 million from $49 million due to disposition gains as well as an increased contribution from portfolio operations, although the increase in the contribution from operations is largely offset by increased interest expenses. Due to the focus on value enhancement and the relative short hold period for properties, we expect that returns will come more from disposition gains as opposed to net rental income, relative to results from our core commercial office portfolios. Our opportunistic investment activities contributed an increase of $24 million over 2006 due primarily to disposition gains. Our first fund is fully invested and is continuing to sell properties that have been successfully repositioned while we continue to invest the capital committed to our second fund.

Residential

We benefitted from the diversification of our residential operations as the impact of the slowdown in the U.S. was offset by continued growth in our Canadian and Brazilian operations. Our Canadian operations, which are concentrated in Alberta, continued to benefit from strong growth in this energy-based economy as well as the stronger currency which increased their contribution to $237 million from $144 million, offsetting the decline in the contribution from our U.S. operations. Our operations in Brazil performed well during 2007.

	Operating Cash Flow			
	Total		Net	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Residential properties	**$ 375**	$416	**$ 375**	$416
Impairment charge – U.S. operations	**(103)**	—	**(103)**	—
Interest expense [1]			**(18)**	(23)
Cash taxes			**18**	(93)
Co-investors' interests			**(12)**	(69)
	$ 272	$416	**$ 260**	$231

1 *Portion of interest expensed through cost of sales*

Net operating cash flow increased between 2007 and 2006 as record results in Canada more than offset a slowdown in our U.S. operations.

Canada

We continue to benefit from strong demand for housing in Canada, particularly in Alberta where we hold a 29% market share in the important Calgary market, with year-to-date results more than 50% higher than 2006. The contribution increased by more than 50%, although 49% of this increase accrues to our co-investors in Brookfield Properties on both a total and net basis. Most of the land holdings were purchased in the mid-1990s or earlier, resulting in particularly strong margins due to continued strong energy investment in Calgary, although the high level of activity is creating some upward pressure on building costs. Operating margins during 2007 were 34% compared to 31% for 2006.

Based on the current market environment, we expect another strong year in 2008 although likely not as strong as the exceptional results in 2007. We own approximately 82,900 lots in these operations of which approximately 6,400 lots were under active development at year end and 76,500 lots are included in development assets because of the length of time that will likely pass before they are actively developed.

United States

Our U.S. operations contributed $46 million of cash flow before interest, taxes and non-controlling interests during 2007 as demand for new homes slowed and margins narrowed, compared to $236 million during 2006. In addition, these operations recorded an impairment charge of $103 million on higher cost land inventory positions. The net operating loss from this unit, after deducting interest, taxes and non-controlling interests was $21 million, compared with a contribution of $76 million during 2006. The gross margin from housing sales was approximately 17% compared with 26% last year. We closed 839 units during the year (2006 – 1,181) at an average selling price of $662,000 (2006 – $679,000).

We do not expect the current supply and demand imbalance in these markets to be worked through in a meaningful way during 2008. Net new orders during 2007, which will be recognized in earnings as the transactions close, were 735 units, compared to 960 units achieved in 2006. Backlog at the end of 2007 was 155 units (2006 – 259 units). We own or control 25,400 lots through direct ownership, options and joint ventures.

Brazil

We own substantial density rights that will provide the basis for continued growth in our key markets of Rio de Janeiro and São Paulo, and continued to add to these rights during the year.

Under Development and Held for Development

Properties that are under development and held for development do not contribute meaningful cash flow during the development process as costs are typically capitalized and revenues are applied against these costs.

Specialty Funds

Specialty investment funds, which include our bridge lending, restructuring and real estate finance generated net operating cash flow of $466 million during 2007, more than double the operating results during 2006.

	2007			*2006*		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***Asset Management***	***Operations***	***Total Platform***	*Asset Management*	*Operations*	*Total Platform*
Operations						
Bridge lending	$ —	$ 70	$ 70	$ —	$ 65	$ 65
Restructuring	—	247	247	—	82	82
Real estate finance	—	24	24	—	17	17
	—	**341**	**341**	—	164	164
Asset management	**143**	**(18)**	**125**	56	(14)	42
	$ 143	**$ 323**	**$ 466**	$ 56	$ 150	$ 206

The following table summarizes the assets and capital in our specialty funds:

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested*	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Bridge lending	**$ 1,187**	$ 1,452	**$1,510**	$ 470	**$ 488**	$ 637	**$ 488**	$ 622
Restructuring	**1,538**	977	**753**	652	**1,538**	977	**361**	377
Real estate finance	**4,637**	5,438	**1,225**	937	**685**	183	**263**	183
Real estate services	**125**	—	**59**	59	**25**	—	**25**	—
	$ 7,487	$ 7,867	**$3,547**	$2,118	**$ 2,736**	$ 1,797	**$1,137**	$1,182

A number of our bridge loans were repaid during the year, resulting in a lower level of assets under management, consolidated assets and net invested capital. During 2007 we increased co-investor capital committed to our second restructuring fund by $140 million and closed C$935 million in commitments to a junior and senior bridge loan fund, including $240 million in commitments from Brookfield, and our second real estate finance fund, with $450 million in total commitments including $202 million from Brookfield. The increase in assets under management and consolidated assets in our restructuring operations reflects new investments that are accounted for on a fully consolidated basis. Net invested capital was relatively unchanged as the capital invested in these new restructuring initiatives was offset by the recovery of capital from realized investments.

Bridge Lending

The contribution from bridge lending operations increased by 8% over 2006 due to higher average outstanding loan balances and commitment fees, together with higher interest rates over much of the year. Operating cash flows, which represent the return on our capital and do not reflect asset management fees, totalled $70 million during 2007 compared to $65 million during 2006. The average level of invested capital over the full year, at $613 million, was relatively consistent with 2006. Associated yields were also relatively consistent year over year.

Restructuring

The following table summarizes the results from our restructuring operations:

	Operating Cash Flow			
	Total		*Net*	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Operating cash flow	**$ 54**	$ 88	**$ 54**	$ 88
Disposition gain – Stelco	**231**	—	**231**	—
Settlement gain – Western Forest	**—**	59	**—**	59
	285	147	**285**	147
Other expenses	**—**	—	**(4)**	(3)
Interest expense	**—**	—	**(20)**	(13)
Non-controlling interests	**—**	—	**(14)**	(49)
	$285	$147	**$247**	$ 82

In our restructuring operations, we successfully concluded our involvement with Stelco, with an offer by U.S. Steel to acquire 100% of the company. Our share of the proceeds was approximately $274 million, giving rise to a disposition gain of $231 million. The favourable outcome should also contribute towards meaningful performance income from our carried interest in the fund. The 2006 results included a $59 million net contribution from a western Canadian based lumber producer following the settlement of a dispute between the U.S. and Canada over the export by Canadian producers of softwood lumber. Net operating cash flows excluding these items were $54 million in 2007 compared to $23 million during 2006. The increase reflects a higher level of investor capital and improved performance by our investments.

Real Estate Finance

The real estate finance group increased the level of invested assets by originating a number of high quality investment opportunities resulting in a greater contribution to operating cash flows. We expect to record increased cash flows, assets under management and investment returns from our second real estate finance fund during 2008. These activities contributed $24 million of net operating cash flow during 2007 as shown in the following table:

	Operating Cash Flows			
	Total		*Net*	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Real estate finance investments, net of debt	**$ 68**	$ 42	**$ 66**	$ 42
Less: co-investor interests	**(47)**	(28)	**(47)**	(28)
Real estate finance fund	**21**	14	**19**	14
Securities – directly held	**2**	2	**2**	2
Financial assets – Mortgage REIT	**3**	1	**3**	1
	$ 26	$ 17	**$ 24**	$ 17

The portfolio continues to perform in line with our expectations and we expect to receive full payment of interest and principal over the remaining term of our investments.

Asset Management – Specialty Funds

Asset management activities within our specialty funds operations contributed $125 million of third-party income during 2007, up substantially over 2006. A large portion of the increase is due to transaction fees arising from our efforts to establish a major U.S. retail fund by way of an acquisition and associated financing fees. The 2007 results also reflect a higher level of base management fees arising from the follow-on funds in each sector of this business.

Advisory Services

We manage equity and fixed income securities and provide investment banking services all with a particular focus on the property and infrastructure sectors. The results of these activities are presented in the following table:

	2007			2006		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Real estate and fixed income securities	**$ 39**	**$ —**	**$ 39**	$ 36	$ —	$ 36
Investment banking	**34**	**—**	**34**	16	—	16
	$ 73	**$ —**	**$ 73**	$ 52	$ —	$ 52

The management of real estate and fixed income securities produced revenues of $39 million, which consist largely of base management fees. Management fees increased over 2006 levels due to growth in assets under management from an average level of $21 billion during 2006 to $23 billion during 2007.

Our real estate investment banking and advisory group contributed $34 million of fees during 2007. The group advised on transactions totalling $9.3 billion in value during the year, and secured a number of prominent mandates.

The following table summarizes assets under management within our advisory activities. We typically do not invest our own capital in these strategies as the assets under management tend to be securities as opposed to physical assets.

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
AS AT DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Real estate and fixed income securities								
Fixed income	**$20,210**	$ 19,711	**$20,210**	$19,711	**$ —**	$ —	**$ —**	$ —
Equity	**6,027**	749	**6,027**	749	**—**	—	**—**	—
	$26,237	$ 20,460	**$26,237**	$20,460	**$ —**	$ —	**$ —**	$ —

Assets and capital commitments increased during the year due primarily to the acquisition of a real estate and infrastructure equities manager with $6 billion of securities under management during the fourth quarter of 2007.

Private Equity Investments

The net operating cash flow generated by our private equity investments increased to $125 million from $20 million in 2006. We also recorded increased returns from our insurance operations, following the impact of storm-related losses in the first half of 2006.

	Operating Cash Flow			
	Total		Net	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006
Forest products	**$ 17**	$ 2	**$ —**	$(25)
Infrastructure	**6**	5	**6**	5
Business operations	**196**	73	**117**	36
Property	**6**	2	**2**	4
	$225	$ 82	**$125**	$ 20

Business operations include our insurance activities, which contributed improved results. These operations had been adversely impacted by storm-related losses in the first half of 2006. We are exploring a variety of options to surface the value of our insurance businesses, which could result in a reduced ownership interest in the future.

We began consolidating the results of Fraser Papers during the third quarter of 2007 following an increase in our ownership interest to 56%. Cash flow in the table above reflects our proportionate interest in Fraser Papers' cash flows. Total operating cash outflow was $15 million, and represented a net outflow of $22 million after taking into consideration debt and minority interests. In connection with Fraser Papers' January 2008 equity rights offering, we increased our equity interest to 71% of the outstanding common shares.

Consolidated assets increased to $3.9 billion at the end of 2007 compared to $3.5 billion at the end of 2006 due to the consolidation of our investments in Fraser Papers and Banco Brascan for accounting purposes following the increase in our interests in the companies to more than 50%. The incremental amount invested in each case was modest and accordingly our net invested capital remained relatively unchanged at $1.3 billion.

Cash and Financial Assets

Income from our cash and financial assets increased to $695 million from $396 million. The 2007 results include a gain of $378 million on the monetization of an exchangeable debenture during 2007. We sold a number of common share investments during 2007, realizing meaningful gains in the process, which enabled us to report favourable returns on our invested capital in addition to the exchangeable debenture gain. These returns exceed our expectations and shareholders should not expect us to repeat this performance with any degree of certainty.

Operating cash flow includes a net gain of $378 million from the sales of our holdings of exchangeable debentures during the year. This consists of two components: an amount of $331 million which represents the accrued gain on the debentures up to December 31, 2006; and $47 million of income representing the change in value between December 31, 2006 and the time of sale. Under the accounting transitional rules for Financial Instruments, the $331 million portion of the gain has been recorded directly into retained earnings. We have included this amount in operating cash flow to ensure that the full gain is recognized in our operating track record. The exchangeable debentures are the only financial instruments we hold that gave rise to a significant adjustment of this nature.

Consolidated cash and financial assets decreased to $1.4 billion during 2007 due to the sale of exchangeable debentures and common shares to capture value appreciation and to fund acquisitions during the year. Net invested capital reflects broker deposit liabilities and a small number of borrowed securities that have been sold short.

As part of our ongoing risk management and value creation activities, we establish market positions using total return swaps and credit derivatives. As at December 31, 2007, we maintain common equity positions with a notional value of $70 million through total return swaps. We also bought protection against widening credit spreads through credit default swaps with a total notional value of $2.4 billion, which have a limited downside and benefit from increases in credit spreads and defaults of the underlying debt. We recorded gains of $129 million during 2007 on these credit default swaps.

Financing Costs

Financing costs include interest expense on corporate borrowings, certain subsidiary borrowings and capital securities as set out in the following table.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*Variance*
Corporate borrowings	**$146**	$126	$ 20
Subsidiary borrowings	**66**	64	2
Capital securities	**90**	96	(6)
	$302	$286	$ 16

Interest on corporate borrowings increased during the year due to a higher level of average borrowings that were incurred in the course of expanding our operating base.

Operating Costs

Operating costs relate to our asset management and corporate activities.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*Variance*
Asset management			
Asset management activities	$111	$ 69	$ 42
Property services	153	123	30
	264	192	72
Corporate and other costs	**180**	124	56
	$444	$316	$ 128

Operating costs include those of Brookfield Properties, and reflect the costs of our asset management activities as well as costs which are not directly attributable to specific business units. Corporate and asset management costs increased from $193 million in 2006 to $291 million in 2007 on a net basis, due to the continued expansion of our business and increased level of activity, in particular costs associated with the integration of a major property portfolio, a number of major corporate and asset management initiatives and the expanded resources requirements.

We have continued to invest in our business as we grow, which has resulted in higher operating costs, and also incurred a number of transaction and other costs related to growth initiatives. We believe this investment will enable us to expand our business without a commensurate increase in costs, thereby resulting in expanded margins.

Co-investor Interests in Consolidated Operations

Co-investor interests relate primarily to the 49% minority equity interest held by others in our North American property subsidiary, Brookfield Properties Corporation.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*Variance*
Asset management	**$ 65**	$ 54	$ 11
Operating returns	**303**	193	110
	$368	$247	$ 121

The increase in operating returns reflects the increase in operating cash flows from our Canadian residential property business, which is owned through Brookfield Properties, as well as continued growth in the returns from our North American office property portfolios.

NET INCOME

Net income was $787 million in 2007, compared to $1,170 million in 2006. The decline reflects the lower level of realization gains in 2007. Furthermore, net income excludes $331 million of the gains on sales of the exchangeable debentures that were recorded in retained earnings due to a prescribed accounting change. These items more than offset the increase in operating cash flow from our ongoing operations. Net income is also reduced by depreciation and amortization with respect to assets purchased since the latter portion of 2006. In our view, these assets will generate increasing cash flows over an extended period of time and require sustaining capital expenditures well below the amount of depreciation and amortization being recorded.

The following table reconciles net income and operating cash flow:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Operating cash flow and gains	**$ 1,907**	$1,801
Less: dividends from equity accounted investments	**(21)**	(66)
dividends from Canary Wharf Group	**—**	(87)
exchangeable debenture gain	**(331)**	—
	1,555	1,648
Non-cash items		
Depreciation and amortization	**(1,034)**	(600)
Equity accounted loss from investments	**(72)**	(36)
Provisions and other	**(112)**	57
Future income taxes	**(88)**	(203)
Non-controlling interests	**538**	304
Net income	**$ 787**	$1,170

Depreciation and amortization prior to non-controlling interests increased due to the acquisition of additional assets in a number of segments during 2006 and 2007. Depreciation and amortization for each principal operating segment is summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Commercial properties	**$ 572**	$294
Power generation	**164**	124
Infrastructure	**138**	68
Development and other properties	**65**	36
Specialty funds and private equity investments	**89**	71
Other	**6**	7
	$1,034	$600

In particular, the U.S. core office portfolio and the Pacific Northwest timberlands contributed $323 million of depreciation in aggregate, towards the overall increase of $434 million from 2006.

We recorded net equity accounted losses of $72 million during the year from private equity investments, including Norbord, Fraser Papers and Stelco. Norbord and Fraser Papers faced a weak price environment for their principal products, in addition to higher input costs. We increased our interest in Fraser Papers to 56% during the third quarter of 2007 and began to consolidate our interest at that time, and sold our interest in Stelco during the fourth quarter of 2007 for a $229 million gain which reflects the cash gain of $231 million adjusted to reflect non-cash tax provisions.

The following table summarizes earnings from our equity accounted investments for the past two years:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Norbord	**$(17)**	$ 37
Fraser Papers	**(23)**	(62)
Stelco	**(32)**	(11)
	$(72)	$(36)

Provisions and other, which largely represent revaluation items, contributed a loss of $112 million in 2007 compared with an income of $57 million in 2006, and are summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Norbord exchangeable debentures	**$ (9)**	$ 59
Interest rate contracts	**(64)**	7
Power contracts	**(63)**	—
Stelco recovery of equity accounted losses	**43**	—
Other	**(19)**	(9)
	$(112)	$ 57

Revaluation items are non-cash accounting adjustments that we are required to record under GAAP to reflect changes in value of contractual arrangements that we do not believe are appropriately included in operating cash flow. Items being revalued include debentures issued by us that are exchangeable into 20 million Norbord common shares, which are revalued based on changes in the Norbord share price during the period. We hold the 20 million shares into which the debentures are exchangeable, but are not permitted to mark the investment to market.

Revaluation items also include the impact of revaluing fixed rate financial contracts that we maintain in order to provide an economic hedge against the impact of possible higher interest rates on the value of our long duration interest sensitive assets. The U.S. 10-year treasury rate moved from 4.70% to 4.02% between December 31, 2006 and December 31, 2007, which led to a $64 million decline in the value of these contracts, however we believe that this is offset by a corresponding impact on the value of the assets being hedged. Accounting rules require that we revalue these contracts each period even if the corresponding assets are not revalued.

In our power operations, we enter into long-term contracts to provide generation capacity, and are required to record changes in the value of these contracts through net income whereas we are not permitted to record the corresponding increase in the value of the capacity that we have pre-sold.

Our future income tax provision was lower than in 2006, due principally to the inclusion in that year of charges related to a reduction in income tax rates that lowered the value of our tax pools. Future income taxes in the first and third quarters of 2007 included a reversal of an income tax liability associated with our U.S. homebuilding operations following the receipt of a final assessment from income tax authorities in respect of a prior tax year.

REALIZATION GAINS

The following table summarizes major realization items included in operating results:

		Cash Flow From Operations		Net Income	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	*Operating Platform*	***2007***	*2006*	***2007***	*2006*
Exchange seats sale	Private equity	**$ 204**	$ —	**$ 204**	$ —
Banco Brascan joint venture gain	Private equity	**27**	—	**27**	—
Core office properties – debt breakage	Property – office	**(27)**	—	**(27)**	—
Residential Brazil IPO	Property – residential	**—**	269	**—**	269
Sale of Accor joint venture interest	Private equity	**—**	149	**—**	149
Brookfield Properties dilution gain	Property – office	**—**	110	**—**	110
Fund formation gains	Property – retail / Infrastructure	**—**	105	**—**	105
Less: income taxes and non-controlling interest		**(33)**	(23)	**(27)**	(87)
		$ 171	$ 610	**$ 177**	$ 546

Major realization items in 2007 included gains of $204 million from the sale of exchange seats and joint-venture interests within our Brazilian financial operation. Realization items during 2006 included gains of $269 million on the formation of our publicly listed Brazil residential properties subsidiary, and $105 million on the formation of our Brazilian retail property fund and our eastern timber fund. We also recorded gains of $149 million on the sale of our interests in a joint venture with the Accor Group of France and a $110 million gain on the partial monetization of our North American core office property business. These items were offset by cash taxes and non-controlling interests of $33 million and $23 million during 2007 and 2006, respectively.

The impact of items of this nature on net income, in addition to the foregoing, also reflected non-cash income tax provisions recorded for accounting purposes.

CAPITALIZATION AND LIQUIDITY

The strength of our capital structure and the liquidity that we maintain enables us to achieve a low cost of capital for our shareholders and at the same time provides us with the flexibility to react quickly to potential investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

Our capitalization is comprised largely of long-term financings and permanent equity. We believe this is the most appropriate method of financing our long-term assets, and the high quality of the assets and the associated cash flows enable us to raise long-term financing in a cost effective manner. We prudently finance our operations with debt and other forms of leverage that match the profile of the business and without any recourse to the Corporation. The leverage employed is reflective of the liquidity and duration of the assets and operations being financed and varies from fund to fund and operation to operation. Our policy is to not guarantee the obligations of any fund or operating entity other than our equity commitment except in very limited circumstances. Funds also have the ability to raise additional capital through asset sales or debt financings, from their stakeholders, including us, from the public capital markets or through private issuances.

To ensure we are able to react to investment opportunities quickly and on a value basis, we typically maintain a high level of liquidity at the corporate level. Our primary sources of liquidity consist of our cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities. These totalled $2.0 billion at the corporate level at the end of 2007, compared to $2.1 billion at December 31, 2006. Furthermore, we endeavour to structure our invested capital in a manner that enables future monetization of our investments as desired.

We generate substantial liquidity within our operations on an ongoing basis through our free cash flow, which varies between $1.5 billion to $2.0 billion on an annual basis, as well as from the ongoing turnover in assets with shorter investment horizons and periodic monetization of our longer dated assets through the sale of co-investor participations, divestitures and refinancings.

Accordingly, we consider ourselves to have the necessary liquidity to both manage our financial commitments and to capitalize on opportunities to invest capital at attractive returns. Nevertheless, we are cognizant of the current instability in the capital markets and continue to allocate capital in a prudent manner.

The following table presents Brookfield's capitalization using book values on a fully consolidated and net invested basis together with the associated cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Cost of Capital [1] 2007	Book Value Consolidated 2007	Book Value Consolidated 2006	Book Value Net Invested Capital 2007	Book Value Net Invested Capital 2006	Operating Cash Flow [2] Total 2007	Operating Cash Flow [2] Total 2006	Operating Cash Flow [2] Net 2007	Operating Cash Flow [2] Net 2006
Corporate borrowings	**7%**	**$ 2,048**	$ 1,507	**$ 2,048**	$ 1,507	**$ 146**	$ 126	**$ 146**	$ 126
Non-recourse borrowings									
Property-specific mortgages	**7%**	**21,644**	17,148	**—**	—	**1,226**	751	**—**	—
Subsidiary borrowings [3]	**7%**	**7,463**	4,153	**711**	668	**324**	212	**66**	64
Other liabilities	**9%**	**11,102**	6,497	**3,148**	1,771	**532**	475	**450**	320
Capital securities	**6%**	**1,570**	1,585	**1,570**	1,585	**90**	96	**90**	96
Non-controlling interest in net assets	**20%**	**4,256**	3,734	**1,773**	1,829	**636**	468	**368**	247
Shareholders' equity									
Preferred equity	**5%**	**870**	689	**870**	689	**44**	35	**44**	35
Common equity	**20%**	**6,644**	5,395	**6,644**	5,395	**1,863**	1,766	**1,863**	1,766
	9.5%	**$55,597**	$40,708	**$16,764**	$13,444	**$4,861**	$3,929	**$3,027**	$2,654

1 Based on operating cash flows as a percentage of average book value

2 Interest expense in the case of borrowings. Attributable operating cash flows in the case of minority and equity interests, including cash distributions. Current taxes and operating expenses in the case of accounts payable and other liabilities

3 Net amounts represent subsidiary obligations guaranteed by the Corporation or issued by corporate subsidiaries

Our consolidated capitalization, which includes 100% of the obligations of partially owned consolidated entities, increased by $14.9 billion during the year. The increase reflects additional property-specific mortgage debt on acquired assets and expanded financing on existing properties, as well as additional working capital associated with acquired operations.

Our capitalization on a net invested capital basis increased by $3.3 billion. This basis excludes property-specific borrowings and other financial obligations that have no recourse to the Corporation. The book value of our common equity increased $1.2 billion to $6.6 billion due to the accumulation of undistributed net earnings and unrealized gains on securities. Corporate borrowings increased by $541 million due mainly to the issuance of 10-year bonds during the year.

The market value of our common equity capitalization was $22 billion as at December 31, 2007, compared to $20 billion at the end of 2006.

Deconsolidated Capitalization

As noted above, consolidated capitalization includes 100% of the debt within consolidated entities, even though in most cases we only own a portion of the entity and therefore our pro-rata interest in this debt is much lower. Accordingly, we believe that the level of debt on this basis is relevant only in relation to the associated consolidated assets, as opposed to our equity. We focus primarily on our deconsolidated capitalization in assessing financial leverage.

The table on the following page presents our deconsolidated capitalization, i.e. excluding the capitalization of Brookfield Properties and other consolidated entities. Our deconsolidated debt to capitalization levels remain well within our target of 20% to 30% on a book value basis and, in our opinion, are very conservative on a market value basis at 10%.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Capitalization Market Value [1] 2007	2006	Brookfield Invested Capital 2007	2006	Operating Cash Flow Underlying 2007	2006	Operating Cash Flow Remitted 2007	2006
Corporate borrowings	**$ 2,048**	$ 1,507	**$ 2,048**	$ 1,507	**$ 146**	$ 126	**$ 146**	$ 126
Subsidiary borrowings [2]	**711**	668	**711**	668	**66**	64	**66**	64
Other liabilities	**1,401**	983	**1,401**	983	**329**	234	**329**	234
Capital securities	**517**	663	**517**	663	**32**	44	**32**	44
Non-controlling interests	**9**	69	**9**	69	**2**	1	**2**	1
Shareholders' equity								
Preferred equity	**870**	689	**870**	689	**44**	35	**44**	35
Common equity	**22,262**	19,947	**6,644**	5,395	**1,863**	1,766	**1,661**	1,535
Total capitalization / cash flows	**$ 27,818**	$ 24,526	**$ 12,200**	$ 9,974	**$2,482**	$2,270	**$2,280**	$2,039
Debt to total capitalization [3]	**10%**	9%	**23%**	22%				
Interest coverage [4]					**12x**	12x	**11x**	11x
Fixed charge coverage [5]					**9x**	8x	**8x**	8x

1 Common equity values based on period end market prices

2 Guaranteed by the Corporation or issued by corporate subsidiaries

3 Corporate and subsidiary borrowings as a percentage of total capitalization

4 Total cash flows divided by interest on corporate and subsidiary borrowings

5 Total cash flows divided by interest on corporate and subsidiary borrowings and distributions on capital securities and preferred equity

6 Excludes the capitalization of Brookfield Properties Corporation

Corporate Borrowings

Our corporate borrowings have an average term of 11 years and more than 50% of the maturities extend beyond 2012. We hold cash, financial assets and have committed undrawn bank facilities which do not mature until 2011 that are available to fund shorter-term maturities if we determine that this approach results in a lower cost of capital.

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	2008	2009	2010	2011	2012	Beyond	Total
Commercial paper and bank borrowings	2	$ 117	$ 17	$ 17	$ 16	$ —	$ —	$ 167
Publicly traded term debt	11	299	—	199	—	346	1,037	1,881
Total	11	$ 416	$ 17	$ 216	$ 16	$ 346	$ 1,037	$ 2,048
Percentage of total		20%	1%	10%	1%	17%	51%	100%

Property-specific and Subsidiary Borrowings

Property-specific financings and subsidiary borrowings have no recourse to the Corporation except for a limited number of exceptions, and are typically secured only by the specific assets or operations being financed. In particular, subsidiary borrowings include $711 million (2006 – $668 million) of financial obligations that are either guaranteed by the Corporation or are issued by corporate subsidiaries. Carrying charges incurred in connection with these obligations totalled $66 million during 2007 (2006 – $64 million). The maturities are well diversified and have an average term of seven years and four years, respectively, as illustrated in the following table:

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	2008	2009	2010	2011	2012	Beyond	Total
Property-specific borrowings	7	$4,336	$2,357	$554	$4,807	$1,152	$ 8,438	$21,644
Subsidiary borrowings	4	1,872	2,803	530	253	86	1,919	7,463

We have two financings of note that mature in the next two years. The first is a $1.2 billion loan secured by the U.S. Pacific Northwest timberlands acquired during the first half of 2007. This loan is due in October 2008 and is in the process of being refinanced on a long-term basis. The second is a $1.6 billion loan secured by our Multiplex operations, which we acquired during 2007. This loan does not mature until March 2009 and represents a loan-to-value of less than 60%. We plan to repay a portion of this loan with asset sales and refinance the balance on a traditional long-term financing basis during 2008 and early 2009.

Shareholders' Equity

Preferred equity consists of perpetual preferred shares that represent an attractive form of leverage for common shareholders. During the year we issued C$200 million of perpetual preferred shares with a coupon of 4.75%.

The book value of our common equity increased by 23% during 2007 and by 26% over the past three years as illustrated in the following table:

AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	*2005*
Common equity – book value	**$ 6,644**	$ 5,395	$ 4,514
Common equity – market value	**22,262**	19,947	13,870

The market value of our common equity increased to $22.3 billion at the end of 2007, representing an increase of $8.4 billion over the past two years, and a rate of 31% over the past three years.

OUTLOOK

The fundamentals in most of our businesses remain positive.

Within our asset management activities, we continue to seek to expand our distribution capabilities, our client base and the amount of capital committed to us which should increase the capital available to invest and lead to growth in asset management income and assets under management. This is an area of particular emphasis for us in 2008.

The investment market has become less competitive and acquisition prices have declined due in large part to reduced availability of low-cost capital for many investors. We are well capitalized with access to liquidity from our own balance sheet as well as our clients, financial partners and capital markets. We believe the breadth of our operating platform and our disciplined approach to investing should enable us to continue to invest capital on a favourable basis.

In our office property sector, the leasing markets in which we operate improved measurably during most of 2007, with the most significant improvements taking place in New York and Calgary. While fundamentals remain favourable for well located high quality properties such as ours, economic weakness in North America will affect demand by users of office space over the medium term. As a result, rental rates are expected to stabilize and possibly decline in some markets, and any significant slowdown in the economy could have a further dampening effect on the office markets. We were able to increase the average lease rate in our portfolio during the past year, and our strong tenant lease profile, low vacancies and rental rates that in most properties are substantially below current market rates, give us a high level of confidence that we can achieve our operating targets in 2008. A general lack of development, especially in central business districts, has also created stability from a supply perspective.

Residential markets remain mixed in our core markets. The current supply/demand imbalance in U.S. markets has reduced operating margins and must be worked through before we will see margin improvements and growth. Our Alberta operations have benefitted greatly from the continued expansion of activity in the oil industry. Most of the land holdings were purchased in the mid-1990s or earlier and as a result have an embedded cost advantage today. This has led to particularly strong margins, although the high level of activity is creating some upward pressures on building costs, production delays due to labor shortages and, most recently, supply concerns as a result of an increase in resale and standing inventory.

Our power operations experienced lower water levels during 2007 following above average conditions in 2006. Market prices were relatively unchanged year over year, however, our strategy of locking in future prices through contractual arrangements and our ability to deliver power at peak price intervals enabled us to achieve higher realized prices than in 2006. We are well positioned to achieve our hydrology targets in 2008 based on current storage levels if normal hydrology conditions prevail. If this occurs, we should achieve higher generation levels based on the expansion in our operating base. We have nearly 80% of our power sales fixed for the next two years at favourable prices. Accordingly, we expect to record higher operating cash flows during 2008.

We continue to expand our specialty funds operations by committing additional resources and launching new funds. We will focus on maintaining a high level of invested capital, and deploy the capital from new funds, which should lead to continued growth. We expect the current difficulties in credit markets will lead to a greater number of opportunities for our restructuring operations and more attractive pricing for our bridge and real estate finance groups.

Within our infrastructure operations, we expect our transmission operations to provide returns consistent with those recorded in 2007. We expect our timber operations to experience lower demand and pricing due to weakness in the U.S. homebuilding sector, although we intend to mitigate this by adjusting our harvest plan to preserve value and by increasing exports to Asia. The net contribution from our existing infrastructure operations will be reduced in 2008 due to the ownership interests in these operations that are now held by unitholders in Brookfield Infrastructure Partners.

The increase in the value of various currencies against the U.S. dollar is expected to have a positive impact on the contribution from our operations that are denominated in these other currencies, notably the Canadian dollar, the Brazilian real and the Australian dollar. The recent reductions in interest rates in most economies has a beneficial impact on our results, although most of our cash flows are fixed rate in nature.

There are many factors that could impact our performance in 2008, both positively and negatively. And while we expect to demonstrate continued growth during 2008, our 2006 and 2007 reported results may be unrealistic comparative measures due to the significant realization and other gains recorded during each year. It is for that reason, amongst others, that we measure our growth over the long term as opposed to quarter-over-quarter or year-over-year. We describe the material aspects of our business environment and risks on Part 4 of this MD&A.

We will continue to manage our business with the objective of reducing the impact of short-term market fluctuations through the use of long-term revenue contracts and long-term financings, among other measures. This approach to business provides us with confidence that we will meet our ongoing performance objectives with respect to cash flow growth and value creation.

PART 3 – BUSINESS STRATEGY

In this section we discuss our business strategy and our capabilities as they relate to our ability to execute our strategy. We also describe the key performance factors that are necessary to successfully implement this strategy and key financial measures that are indicative of our progress. We also explain the terminology that is used throughout this section and our rationale for selecting the key financial measures that we use to assess our business.

OUR STRATEGY

We are a global asset management company focused on property, power and infrastructure assets. Our goal is to establish Brookfield as a global asset manager of choice for investment clients who wish to benefit from the ownership of these types of assets. We have spent many years building high quality operating platforms that enable us to acquire, finance and optimize the value of assets for our own benefit, and for our clients whose capital we manage.

We believe that the best way to create long-term shareholder value is to generate increasing operating cash flows, measured on a per share basis, over a very long period of time. Accordingly, we concentrate on high quality long-life assets that generate sustainable cash flows, require minimal sustaining capital expenditures and tend to appreciate in value over time. Often these assets will benefit from some form of barrier to entry due to regulatory, physical or cost structure factors. Consistent with this focus, we own and operate large portfolios of core office properties, hydroelectric power generating stations, private timberlands and regulated transmission systems that, in our opinion, share these common characteristics. These assets represent important components of the infrastructure that supports the global economy.

We believe the demand from institutional investors to own assets of this nature is increasing as they seek to earn increasing yields to meet their investment objectives. These assets, in our view, they represent attractive alternatives to traditional fixed income investments, providing in many cases a “real return” that increases over time, relatively low volatility and strong capital protection. There is a substantial supply of investment opportunities in the form of existing assets as well as the need for continued development in an ever expanding global economy. At the same time there are relatively few global organizations focused on managing assets of this nature as a primary focus on their strategy.

Our strategy for growth is centered around expanding our assets under management, which should lead to increased fee revenues and opportunities to earn performance returns. We plan to achieve this within our existing operating platforms, through geographic expansion beyond our current focus in North America, South America, Europe and Australia, and by developing and acquiring platforms to operate new asset classes that demonstrate characteristics that are similar to our existing assets. We also plan to achieve growth by expanding our distribution capabilities to access a broader range of investment partners, thereby increasing our access to capital. This increased capital, when coupled with new investment opportunities, should increase our assets under management and the associated income as well as direct investment returns, thereby increasing shareholder value.

OUR CAPABILITIES

We believe that we have the necessary capabilities to execute our business strategy and achieve our performance targets. We focus on disciplined and active hands-on management of assets and capital. We strive for excellence and quality in each of our core operating platforms in the belief that this approach will produce superior returns over the long term.

We endeavour to operate as a value investor and follow a disciplined investment approach. Our management team has considerable capabilities in investment analysis, mergers and acquisitions, divestitures and corporate finance that enable us to acquire assets for value, finance them effectively, and to ultimately realize value created during our ownership.

Our operating platforms and depth of experience in managing these assets differentiate us from some competitors that have shorter investment horizons and more of a financial focus. Over time we have established a number of high quality operating platforms that are fully integrated into our organization. This has required considerable investment in building the management teams and the necessary resources; however, we believe these platforms enable us to optimize the cash returns and values of the assets that we manage.

We have established strong relationships with a number of leading institutions and believe we are well positioned to expand our sources of co-investment capital and clients. In order to expand our assets under management, we are investing in our distribution capabilities to encourage existing and potential clients to commit capital to our investment strategies. We are devoting expanded resources to these activities, and our efforts continue to be assisted by strong investment performance.

The diversification within our operations allows us to offer a broad range of products and investment strategies to our clients. We believe this is of considerable value to investors with large amounts of capital to deploy. In addition, our commitment to transparency and governance as a well capitalized public company listed on major North American and European stock exchanges better positions as a strong long-term partner for our clients.

Finally, our commitment to invest considerable capital alongside our investors creates a strong alignment of interest between us and our investment partners and also differentiates us from many of our competitors. Accordingly, our strategy calls for us to maintain considerable surplus financial resources relative to other managers. This capital also supports our ability to commit to investment opportunities in anticipation of future syndications.

KEY PERFORMANCE FACTORS

Our ability to increase our operating cash flows is impacted by our ability to generate attractive returns on the capital invested on behalf of ourselves and our clients, and our ability to expand the magnitude of the capital that we manage on behalf of our clients. These two criteria are linked, in that the quality of our investment returns will encourage clients to commit capital to us, and our access to this capital will enable us to pursue a broader range of investment opportunities.

Investment returns are influenced by a number of factors that are specific to each asset and industry segment. There are however, four key activities that we focus on across the organization.

- Acquire assets “for value” meaning that the projected cash flows and value appreciation of the asset represent an attractive risk-adjusted return to ourselves and our co-investors.
- Optimize the cash returns and value of the asset on an ongoing basis. In most cases, this is the responsibility of one of our operating platforms, and is evidenced by the return on asset metrics and operating margins.
- Finance assets effectively, using a prudent amount of leverage. We believe this is very important in maximizing the net returns to investors from property and infrastructure assets, given the lower return on assets compared to a number of other businesses. Fortunately, these assets are well suited to support a relatively high level of investment grade secured debt given the predictability of the cash flows and tendency of these assets to retain substantial value throughout economic cycles. This is reflected in our return on net capital deployed, our overall return on capital and our cost of capital.
- Have the ability to realize the maximum value of assets through a direct or indirect sale or monetization of the assets. Many of our assets tend to appreciate in value over time and accordingly they may be held for very long periods of time. As a result, this “back-end” appreciation may not be recognized until there is a specific transaction.

Expanding our client relationships is impacted not only by our investment returns, as discussed above, but also by the quality of our distribution capabilities and by maintaining a high level of ongoing client service. This involves transparent and timely communication of results, ongoing engagement responsiveness to client objectives and generation of attractive investment opportunities.

FINANCIAL MEASURES

The long-term rate of growth of operating cash flow on a per share basis is our key performance measure. We also measure the cash return on equity, which demonstrates how effective we are at deploying the capital with which we have been entrusted by shareholders. Our current targets are 12% and 20%, respectively. We revisit these targets periodically in light of the current operating environment to ensure that they are realistic and can be achieved without exposing the organization to inappropriate risk.

The amount of co-investor capital commitments is also an important measure. One of our most important objectives is to significantly expand the amount of capital committed to us by our clients because this provides us with capital to expand our business and also entitles us to earn asset management income based on our ability to successfully invest this capital. “Third Party” asset management income is an important measure in that it is indicative of the cash flow generated from our asset management activities, which is an important source of growth in our operating cash flows.

Operating Cash Flow

We utilize operating cash flow (defined below under Terminology) as a key operating metric as opposed to net income, principally because operating cash flow does not include certain items that we believe can distort operations results, such as depreciation and amortization expense, and future income tax expense.

Depreciation as prescribed by GAAP, for example, implies these assets decline in value on a pre-determined basis over time, whereas we believe that the value of most of our assets, as long as regular sustaining capital expenditures are made, will typically increase over time. This increase in value will inevitably vary based on a number of market and other conditions that cannot be determined in advance, and may sometimes be negative in a particular period. Future income tax expense, in our case, is derived primarily from changes in the magnitude and quality of our tax losses and the differences between the tax values and book values of our assets, as opposed to current cash liabilities. Brookfield has access to significant tax shields as a result of the nature of our asset base, and we do not expect to incur any meaningful cash tax liability in the near future from ongoing operations.

Our operating cash flow is derived from two principal activities: asset management and operations. Our clients compensate us for asset management activities that we perform in respect of the capital and assets that we manage on their behalf. We also invest our own capital in most of the assets and capital that we manage for our clients, and accordingly participate in the operating cash flow produced by these assets and businesses and the associated value appreciation. Accordingly, we distinguish operating cash flows between those attributable to our asset management activities and those that represent investment returns from the capital deployed in established funds and directly held assets. Asset management activities include strategic oversight, investment analysis, capital allocation activities such as acquisitions, divestitures and financing, and the provision of specific services such as investment banking, facilities management and leasing.

Asset Management Income
Asset management income consists of base management fees, transaction fees and performance returns as well as additional property and investment banking services. The management agreements which govern these earnings vary from fund to fund. For example, base fees may be calculated based on net asset value, capital commitments, invested equity or total capital as defined in each agreement. Base management fees, therefore, represent stable long-term cash flows because they are paid over the life of a fund and contribute to income from the inception of the fund.

Our entitlement to performance returns is typically based on results over a prescribed measurement period, and any payments to us prior to the end of the period may be required to be returned if they exceed the actual amount determined at the end of the period (i.e. “clawed back”). We do not accrue any performance returns until such time as there is sufficient certainty that the amount recorded will not be impacted by future events, and therefore no longer subject to a clawback, even if such amounts are paid to us. Performance returns, by their nature, will tend to be more difficult to predict than base management fees. We believe, however, that the high quality and lower volatility of most of our assets should result in performance returns that are more stable than those recorded in respect of higher volatility investments.

Asset management income includes the fees that we receive from established funds, which will include fees in respect of the capital provided by our clients, which we refer to as “Third Party” fees, as well as any capital that we have invested in the funds. We also attribute fees to capital that is invested directly in assets that are not held in funds. This is an internal allocation that we establish by applying a fixed percentage fee to the estimated value of the operations.

We believe that it is important to consider the fees attributable to our capital in assessing the contribution from our different activities because it increases comparability and avoids distorting margins. This is particularly important as we continue to have a disproportionate amount of our own capital invested relative to client capital. For example, we incur expenses in providing asset management services in respect of all of our assets under management, including our own. If we were to eliminate the fees earned on our own capital, whether it is invested in established funds or directly owned assets, then we would be recognizing only a portion of the fees but all of the expenses. This results in distorted operating margins.

OPERATING ENVIRONMENT
Our operating performance is impacted by various factors that are specific to each of our operations as well as the specific sectors and geographic locations in which we operate. We are also impacted by macro-economic factors such as economic growth, changes in currency, inflation and interest rates, regulatory requirements and initiatives, and litigation and claims that arise in the normal course of business.

Our strategy is to invest in high quality long-life assets which generate sustainable streams of cash flow. While high quality assets may initially generate lower returns on capital, we believe that the sustainability and future growth of their cash flows is more assured over the long term, and as a result, warrant higher valuation levels. We also believe that the

high quality of our asset base protects the company against future uncertainty and enables us to invest with confidence when opportunities arise.

We discuss the risks associated with our business in detail in Part 4 – Business Environment and Risks beginning on page 41.

TERMINOLOGY

Operating Cash Flow
We define operating cash flow as net income prior to items such as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the actual underlying operations. Operating cash flow is a non-GAAP measure, and may differ from definitions of operating cash flow used by other companies. It is provided to investors as a consistent measurement tool which we believe assists in analysis of the company, in addition to other traditional measures, which we also provide. We recognize the importance of net income as a GAAP measure to investors and provide a full reconciliation between these measures.

"Total operating cash flow" represents the revenues less directly attributable operating costs.

"Net operating cash flow" represents the cash flow that is attributable to our net invested capital and is equal to total operating cash flow less financing costs associated with related liabilities and the interest of other investors in the operations.

Assets Under Management
Assets under management include assets managed by us on behalf of our clients, as well as our own assets. We invest capital alongside our clients in many of our funds, and we continue to own a number of assets that we acquired prior to the formation of our asset management operations and are therefore not part of any fund. Assets under management include the assets reflected in our consolidated financial statements and, as a result, are based on book values that may differ materially from current market values, particularly in the case of long-life assets that we have owned for many years as well as capital commitments that have not yet been drawn. Our calculation of assets under management may differ from that employed by other asset managers and, as a result, this measure may not be comparable to similar measures presented by other asset managers.

Co-investor Commitments
Co-investor commitments represent capital that has been committed to us to invest on behalf of the client. We typically earn base management fees on this capital from the time that the commitment to the fund is effective, during the period of time until the capital is invested (commonly referred to as the investment period) until such time as the investments are monetized and the capital returned to the client. Committed capital includes invested capital and commitments that have not yet been invested. Uninvested commitments represent capital available to us to invest and form part of our overall liquidity for these purposes.

Invested Capital
Invested capital represents the capital that Brookfield has invested through funds and directly. Consolidated assets represent the capital on a similar basis as our consolidated balance sheets. Net invested capital is presented on a de-consolidated basis, with the exception of Brookfield Properties, meaning that the assets are presented net of associated liabilities and non-controlling interests. We believe that net invested capital represents the most consistent basis of presentation and is how we assess the capital invested in our business. The consolidated basis is less meaningful, in our opinion, because certain of our operations and managed funds are consolidated and others are not.

Return on Invested Capital
We define cash return on capital as the operating cash flow per share as a percentage of the average book value per common share during the period, and for an individual operation as the operating cash flow as a percentage of the net invested capital. The numerator in calculating return on invested capital is our operating cash flow and the denominator is the average net book value over the measurement period.

PART 4 – BUSINESS ENVIRONMENT AND RISKS

The following is a review of certain risks that could adversely impact our financial condition, results of operation and the value of our common shares. Additional risks and uncertainties not previously known to the Corporation, or that the Corporation currently deems immaterial may also impact our operations and financial results.

GENERAL RISKS

We are exposed to the local, regional, national and international economic conditions and other events and occurrences that affect the markets in which we own assets and operate businesses. In general, a decline in economic conditions will result in downward pressure on our operating margins and asset values. We believe that the long life nature of our assets and, in many cases, the long-term nature of revenue contracts mitigates this risk to some degree.

Each segment of our business is subject to competition in varying degrees. This can result in downward pressure on revenues which can, in turn, reduce operating margins and thereby reduce operating cash flows and investment returns. In addition, competition could result in scarcity of inputs which can impact certain of our businesses through higher costs. We believe that the high quality and low operating costs of many of our assets and businesses provides some measure of protection in this regard.

A number of our long-life assets are interest rate sensitive: an increase in long-term interest rates will, absent all else, tend to decrease the value of the assets. We mitigate this risk in part by financing assets with long-term fixed rate debt, which will typically decrease in value as rates increase. In addition, we believe that many conditions that lead to higher interest rates, such as inflation, can also give rise to higher revenues which will, absent all else, tend to increase values.

The trading price of our common shares in the open market cannot be predicted. The trading price could fluctuate significantly in response to factors such as: variations in our quarterly or annual operating results and financial condition; changes in government regulations affecting our business; the announcement of significant events by our competitors; market conditions and events specific to the industries in which we operate; changes in general economic conditions; differences between our actual financial and operating results and those expected by investors and analysts; changes in analysts' recommendations or projections; the depth and liquidity of the market for our common shares; investor perception of our business and industry; investment restrictions; and our dividend policy. In addition, securities markets have experienced significant price and volume fluctuations in recent years that have often been unrelated or disproportionate to the operating performance of particular companies. These broad fluctuations may adversely affect the trading price of our common shares.

EXECUTION OF STRATEGY

Our strategy for building shareholder value is to acquire or develop high quality assets and businesses that generate sustainable and increasing cash flows on behalf of ourselves and co-investors, with the objective of achieving higher returns on invested capital and increasing asset management fees over the long term.

We consider effective capital allocation to be one of the most important components to achieving long-term investment success. As a result, we apply a rigorous approach towards the allocation of capital among our operations. Capital is invested only when the expected returns exceed pre-determined thresholds, taking into consideration both the degree and magnitude of the relative risks and upside potential and, if appropriate, strategic considerations in the establishment of new business activities.

The successful execution of a value investment strategy requires careful timing and business judgment, as well as the resources to complete asset purchases and restructure them as required, notwithstanding difficulties experienced in a particular industry. Our diversified business base, liquidity and the sustainability of our cash flows provide important elements of strength.

We endeavour to maintain an appropriate level of liquidity in order to invest on a value basis when attractive opportunities arise. Our approach to business entails adding assets to our existing businesses when the competition for assets is lowest, either due to depressed economic conditions or when concerns exist relating to a particular industry. However, there is no certainty that we will be able to acquire or develop additional high quality assets at attractive prices to supplement our growth. Conversely, overly favourable economic conditions can limit the number of attractive investment opportunities and thereby restrict our ability to increase assets under management and the related income streams. Competition from other well-capitalized investors may significantly increase the purchase price or prevent us from completing an acquisition. We may be unable to finance acquisitions on favourable terms, or newly acquired assets and businesses may fail to perform as expected. We may underestimate the costs necessary to bring an acquisition up to standards established for its intended market position or may be unable to quickly and efficiently integrate new acquisitions into our existing operations.

We develop property and power generation assets. In doing so, we must comply with extensive and complex regulations affecting the development process. These regulations impose on us additional costs and delays, which may adversely affect our business and results of operations. In particular, we are required to obtain the approval of numerous governmental authorities regulating matters such as permitted land uses, levels of density, the installation of utility services, zoning and building standards. We must comply with local, state and federal laws and regulations concerning the protection of health and the environment, including laws and regulations with respect to hazardous or toxic substances. These environmental laws and regulations sometimes result in delays, which cause us to incur additional costs, or severely restrict development activity in environmentally sensitive regions or areas.

Our ability to successfully expand our asset management business is dependent on our reputation with our current and potential investment partners. We believe that our track record and recent investments, as well as adherence to operating principles that emphasize a constructive management culture, will enable us to continue to develop productive relationships with institutional investors. However, competition for institutional capital, particularly in the asset classes on which we focus, is intense. Although we seek to differentiate ourselves there is no assurance that we will be successful in doing so and this competition may reduce the margins of our asset management business and may decrease the extent of institutional investor involvement in our activities.

Our executive and other senior officers have a significant role in our success. Our ability to retain our management group or attract suitable replacements should any members of the management group leave is dependent on the competitive nature of the employment market. The loss of services from key members of the management group or a limitation in their availability could adversely impact our financial condition and cash flow. Further, such a loss could be negatively perceived in the capital markets. The conduct of our business and the execution of our growth strategy rely heavily on teamwork. Co-operation amongst our operations and our team-oriented management structure are essential to responding promptly to opportunities and challenges as they arise. We believe that our hiring and compensation practices encourage retention and teamwork.

We participate in joint ventures, partnerships, co-tenancies and funds affecting many of our assets and businesses. Investments in partnerships, joint ventures, co-tenancies or other entities may involve risks not present were a third party not involved, including the possibility that our partners, co-tenants or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners, co-venturers or co-tenants might at any time have economic or other business interests or goals. In addition, we do not have sole control of certain major decisions relating to these assets and businesses, including: decisions relating to the sale of the assets and businesses; refinancing; timing and amount of distributions of cash from such entities to the Corporation; and capital expenditures.

Some of our management arrangements permit our partners to terminate the management agreement in limited circumstances relating to enforcement of the managers' obligations. In addition, the sale or transfer of interests in some of our entities is subject to rights of first refusal or first offer and some agreements provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not want to sell but may be forced to do so because we may not have the financial resources at that time to purchase the other party's interest. Such rights may also inhibit our ability to sell our interest in an entity within our desired time frame or on any other desired basis.

FINANCIAL AND LIQUIDITY RISKS

We employ debt and other forms of leverage in the ordinary course of our business in order to enhance returns to shareholders and our co-investors. We attempt to match the profile of the leverage to the associated assets and accordingly fund shorter duration floating rate assets with shorter term floating rate debt and fund long-term fixed rate and equity like assets with long-term fixed rate and equity capital. Most of the debt within our business has recourse only to the assets or subsidiary being financed and has no recourse to the Corporation.

Accordingly, we are subject to the risks associated with debt financing. These risks, including the following, may adversely affect our financial condition and results of operations: our cash flow may be insufficient to meet required payments of principal and interest; payments of principal and interest on borrowings may leave us with insufficient cash resources to pay operating expenses; we may not be able to refinance indebtedness on our assets at maturity due to company and market factors including: the estimated cash flow of our assets; the value of our assets; liquidity in the debt markets; financial, competitive, business and other factors, including factors beyond our control; and if refinanced, the terms of a refinancing may not be as favourable as the original terms of the related indebtedness. We structure our financings to mitigate these risks through the use of long-term debt and by diversifying our maturities over an extended period of time. We also strive to maintain adequate liquidity to refinance obligations.

The terms of our various credit agreements and other indebtedness require us to comply with a number of customary financial and other covenants, such as maintaining debt service coverage and leverage ratios and maintaining insurance coverage. These covenants may limit our flexibility in our operations, and breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness even if we had satisfied our payment obligations.

If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to dispose of one or more of our assets upon disadvantageous terms, prevailing interest rates or other factors at the time of refinancing could increase our interest expense, and if we pledge assets to secure payment of indebtedness and are unable to make required payments, the creditor could foreclose upon such asset or appoint a receiver to receive an assignment of the associated cash flows.

A large proportion of our capital is invested in physical assets such as office properties, hydroelectric power generating facilities and transmission systems which can be hard to sell, especially if local market conditions are poor. Such liquidity could limit our ability to vary our portfolio or assets promptly in response to changing economic or investment conditions. Additionally, financial or operating difficulties of other owners resulting in distress sales could depress asset values in the markets in which we operate in times of illiquidity. These restrictions could reduce our ability to respond to changes in the performance of our investments and market conditions and could adversely affect our financial condition and results of operations.

We periodically enter into agreements that commit us to acquire assets or securities. In some cases we may enter into such agreements with the expectation that we will syndicate or assign all or a portion of our commitment to other investors prior to, at the same time as, or subsequent to the anticipated closing. We may be unable to complete this syndication or assignment which may increase the amount of capital that we are required to invest. These activities can have an adverse impact on our liquidity which may reduce our ability to pursue further acquisitions or meet other financial commitments.

We enter into financing commitments in the normal course of business and, as a result, may be required to fund these. Although we do not typically do so, we from time to time guarantee the obligations of funds or other entities that we manage and/or invest in. If we are unable to fulfill any of these commitments this could result in damages being pursued against us or a loss of opportunity through default of contracts that are otherwise to our benefit.

Our business is impacted by changes in currency rates, interest rates, commodity prices and other financial exposures. As a general policy, we endeavour to maintain balanced positions, although unmatched positions may be taken from time to time within predetermined limits. The company's risk management and derivative financial instruments are more fully described in the notes to our Consolidated Financial Statements. We selectively utilize financial instruments to manage these exposures.

We have pursued and intend to continue to pursue growth opportunities in international markets and often invest in countries where the U.S. dollar is not the notional currency. As a result, we are subject to foreign currency risk due to potential fluctuations in exchange rates between foreign currencies and the U.S. dollar. A significant depreciation in the value of the foreign currency of one or more countries where we have a significant investment may have a material adverse effect on our results of operations and financial position. Although we attempt to maintain a hedged position with respect to the carrying value of net assets denominated in currencies other than the U.S. dollar, this is not always possible or economical to do. Even if we do so, the carrying value may not equal the economic value, meaning that any difference may not be hedged. In addition, the company receives certain cash flows that are denominated in foreign currencies that are not hedged. We mitigate adverse effects by borrowing under debt agreements denominated in foreign currencies and through the use of financial contracts, however, there can be no assurance that those attempts to mitigate foreign currency risk will be successful.

We typically finance assets that generate predictable long-term cash flows with long-term fixed rate debt in order to provide stability in cash flows and protect returns in the event of changes in interest rates. We also make use of fixed rate preferred equity financing as well as financial contracts to provide additional protection in this regard. Similarly, we typically finance shorter term floating rate assets with floating rate debt. Historically, the company and our subsidiaries have tended to maintain a net floating rate liability position because we believe that this results in lower financing costs over the long term although in recent years we have maintained a net floating rate asset position given our view on interest rates.

As at December 31, 2007, our net floating rate liability position was $0.2 billion (2006 – asset of $0.9 billion). As a result, a 10 basis point increase in interest rates would increase operating cash flow by $16 million, or $0.03 per share. Our fixed-rate obligations at year end include a notional amount of $1.6 billion (2006 – $1.1 billion) which we are required to record at market value and any changes in value recorded as current income, with the result that a 10 basis point

increase in long-term interest rates will result in a corresponding increase in income of $13 million before tax or $0.02 per share and vice versa, based on our year end positions. It is important for shareholders to keep in mind that these interest rate related revaluation gains or losses are offset by corresponding changes in values of the assets and cash flow streams that they relate to, which are not reflected in current income.

We selectively utilize credit default swaps and equity derivatives to hedge financial positions and may establish unhedged positions from time to time. These instruments are typically utilized as an alternative to purchasing or selling the underlying security when they are more effective from a capital employment perspective.

COMMERCIAL OFFICE PROPERTIES

Our strategy is to invest in high quality commercial office properties as defined by the physical characteristics of the assets and, more importantly, the certainty of receiving rental payments from large corporate tenants which these properties attract. Nonetheless, we remain exposed to certain risks inherent in the core office property business.

Core office property investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords and our ability to provide adequate maintenance at an economical cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Our core office properties are subject to mortgages which require substantial debt service payments. If we become unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. We believe the stability and long-term nature of our contractual revenues is an effective mitigant to these risks.

Our core office properties generate a relatively stable source of income from contractual tenant rent payments. We endeavour to stagger our lease expiry profile so that we are not faced with a disproportionate amount of space expiring in any one year. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. While we believe the outlook for commercial office rents is positive for both 2008 and in the longer term, it is possible that rental rates could decline or that renewals may not be achieved. The company is, however, substantially protected against short-term market conditions, since most of our leases are long-term in nature. A protracted disruption in the economy, such as the onset of a severe recession, could place downward pressure over time on overall occupancy levels and net effective rents.

RESIDENTIAL PROPERTIES

In our residential land development and homebuilding operations, markets have been favourable over most of the past seven years. Our operations are concentrated in high growth areas which we believe have positive long-term demographic and economic conditions. Despite this, over the past 18 months the U.S. market has seen extremely negative market sentiment towards housing and has similarly affected our operations in the U.S.

The residential homebuilding and land development industry is cyclical and is significantly affected by changes in general and local economic conditions, such as consumer confidence, employment levels, availability of financing for homebuyers and interest rates. Competition from rental properties and used homes may depress prices and reduce margins for the sale of new homes. Homebuilders are also subject to risks related to the availability and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by us can fluctuate significantly as a result of changing economic and real estate market conditions. If there are significant adverse changes in economic or real estate market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market. Our residential property operations may be particularly affected by changes in local market conditions in California, Virginia, Alberta and Brazil where we derive a large proportion of our residential property revenue. During 2007, we recorded approximately $100 million of charges against our U.S. revenues to reflect changing conditions.

Many of our customers finance their home acquisitions through lenders providing mortgage financing. Mortgage rates have recently been at or near their lowest levels in many years. Despite this, and given that dramatic issues being experienced in the sub-prime markets in the U.S. and by many lenders, it has become more difficult for borrowers to procure mortgages.

Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who need financing, which in the U.S. has resulted in reduced demand for new homes. As a result, rising mortgage rates could adversely affect our ability to sell new homes and the price at which we can sell them.

POWER GENERATING OPERATIONS

Our strategy is to own primarily hydroelectric generating facilities, which have operating costs significantly below that of most competing forms of generation. As a result, there is a high level of assurance that we will be able to deliver power on a profitable basis. In addition, we sell most of our generation pursuant to contracts that protect us from variations in future prices. Nonetheless, we are subject to certain risks, the most significant of which are hydrology and price, but also include changes in regulation, risk of increased maintenance costs, dam failure and other disruptions.

The revenues generated by our power facilities are proportional to the amount of electricity generated, which is dependent upon available water flows. Although annual deviations from long-term average water flows can be significant, we strive to mitigate this risk by increasing the geographic diversification of our facilities which assists in balancing the impact of generation fluctuations in any one geographic region.

Demand for electricity varies with economic activity. An economic slowdown could have an adverse impact on prices. In addition, oversupply in our markets may result from excess generating capacity. Pricing risk is mitigated through fixed-price contracts and forward sales of electricity. Future pricing levels are dependent on economic and supply conditions and the terms on which contracts are renewed. A portion of our power generation revenue is tied, either directly or indirectly, to the spot market price for electricity. Electricity price volatility could have a significant effect on our business, operating results, financial condition or prospects.

There is a risk of equipment failure due to, among other things, wear and tear, latent defect, design error or operator error which could adversely affect revenues and cash flows. Although the power systems have operated in accordance with expectations, there can be no assurance that they will continue to do so. In the future, our generation assets may require significant capital expenditures and operations could be exposed to unexpected increases in costs such as labour, water rents and taxes. Nevertheless, this risk is substantially mitigated by the proven nature of hydroelectric technology, the design of the plants, capital programs, adherence to prudent maintenance programs, comprehensive insurance and significant operational flexibility as a result of having generating units which can operate independently.

The operation of hydroelectric generating facilities and associated sales of electricity are regulated to varying degrees in most regions. Changes in regulation can affect the quantity of generation and the manner in which we produce it.

The occurrence of dam failures at any of our hydroelectric generating stations could result in a loss of generating capacity and repairing such failures could require us to incur significant expenditures of capital and other resources. Such failures could result in us being exposed to liability for damages. There can be no assurance that our dam safety program will be able to detect potential dam failures prior to occurrence or eliminate all adverse consequences in the event of failure. Upgrading all dams to enable them to withstand all events could require us to incur significant expenditures of capital and other resources.

The occurrence of a significant event which disrupts the ability of our generation assets to produce or sell power for an extended period, including events which preclude existing customers from purchasing electricity, could have a material negative impact on the business. Our generation assets could be exposed to effects of severe weather conditions, natural disasters and potentially catastrophic events such as a major accident or incident at our generation facilities. In addition, many of our generation assets are located in remote areas which makes access for repair of damage difficult.

TIMBERLANDS

The financial performance of our timberland operations depends on the state of the lumber and pulp and paper industries. Decreases in the level of residential construction activity generally reduce demand for logs and wood products, resulting in lower revenues, profits and cash flows for lumber mills who are important customers to us. Depressed commodity prices of lumber, pulp or paper or market irregularities may cause mill operators to temporarily or permanently shut down their mills if their product prices fall to a level where mill operation would be uneconomic. Any of these circumstances could significantly reduce the prices that we realize for our timber and the amount of timber that such operators purchase from us.

Weather conditions, timber growth cycles, access limitations, aboriginal claims and regulatory requirements associated with forestry practices, sale of logs and environmental matters, may restrict our harvesting, as may other factors, including damage by fire, insect infestation, disease, prolonged drought and other natural and man-made disasters. Although management believes it follows best practices with regard to forest sustainability and general forest management, there can be no assurance that our forest management planning, including silviculture, will have the intended result of ensuring that our asset base appreciates in value over time. If management's estimates of merchantable inventory are incorrect, harvesting levels on our timberlands may result in depletion of our timber assets.

TRANSMISSION INFRASTRUCTURE

Our transmission operations are subject to regulation. The regulated rates are designed to recover allowed costs, including debt financing costs, and permit earning a specified rate of return on assets or equity. Any changes in the rate structure for the transmission assets or any reallocation or redetermination of allowed costs relating to the transmission assets, could have a material adverse effect on our transmission revenues and operating margins.

SPECIALTY INVESTMENT FUNDS

Our specialty funds operations are focused on the ownership and management of securities and businesses that are supported by underlying tangible assets and cash flows. The principal risks in this business are potential loss of invested capital as well as insufficient investment or fee income to cover operating expenses and cost of capital.

Unfavourable economic conditions could have a significant impact on the value and liquidity of our investments and the level of investment income. Since most of our investments are in our areas of expertise and given that we strive to maintain adequate supplemental liquidity at all times, we are well positioned to assume ownership of and operate most of the assets and businesses that we finance. Furthermore, if this situation does arise, we typically acquire the assets at a discount to the underwritten value, which protects us from loss.

OTHER RISKS

As an owner and manager of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. These laws could hold us liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect our ability to sell our real estate or to borrow using real estate as collateral, and could potentially result in claims or other proceedings against us. We are not aware of any material non-compliance with environmental laws at any of our properties. We are also not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of our properties or any material investigations or actions by environmental regulatory authorities in connection with any of our properties or any material pending threatened claims relating to environmental conditions at our properties. We have made and will continue to make the necessary capital expenditure for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and we may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on our business, financial condition or results of operation.

The ownership and operation of our assets carry varying degrees of inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Compliance with health, safety and environmental laws (and any future laws or amendments enacted) and the requirements of licenses, permits and other approvals will remain material to our business. We have incurred and will continue to incur significant capital and operating expenditures to comply with health, safety and environmental laws

and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. Nevertheless, from time to time it is possible that we may be unsuccessful in obtaining an important license, permit or other approval or become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurance can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to its business and operations.

Our core office portfolio is concentrated in large metropolitan areas, some of which have been or may be perceived to be subject to terrorist attacks. Furthermore, many of our properties consist of high-rise buildings, which may also be subject to this actual or perceived threat, which could be heightened in the event that the United States continues to engage in armed conflict. This could have an adverse effect on our ability to lease office space in our portfolio. Each of these factors could have an adverse impact on our operating results and cash flows. Our core office property operations have insurance covering certain acts of terrorism for up to $500 million of damage and business interruption costs. We continue to seek additional coverage equal to the full replacement cost of our assets; however, until this type of coverage becomes commercially available on a reasonably economic basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to the company.

We carry various insurance coverages that provide comprehensive protection for first party and third party losses to our properties. These coverages contain policy specifications, limits and deductibles customarily carried for similar properties. We also self-insure a portion of certain of these risks. We believe all of our properties are adequately insured.

There are certain types of risks (generally of a catastrophic nature such as war or environmental contamination such as toxic mold) which are either uninsurable or not economically insurable. Should any uninsured or underinsured loss occur, we could lose our investment in, and anticipated profits and cash flows from, one or more of our assets or operations, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

In the normal course of our operations, we become involved in various legal actions, typically involving claims relating to personal injuries, property damage, property taxes, land rights and contract disputes. We endeavour to maintain adequate provisions for outstanding or pending claims. The final outcome with respect to outstanding, pending or future actions cannot be predicted with certainty, and therefore there can be no assurance that their resolution will not have an adverse effect on our financial position or results of our operations in a particular quarter or fiscal year. We believe that we are not currently involved in any litigation, claims or proceedings in which an adverse outcome would have a material adverse effect on our consolidated financial position or results.

Ongoing changes to the physical climate in which we operate may have an impact on our business. In particular, changes in weather patterns may impact hydrology levels thereby influencing generation levels and power generation levels. Climate change may also give rise to changes in regulations and consumer sentiment that could impact other areas of our business.

The U.S. Investment Company Act of 1940 (the "Act") requires the registration of any company which holds itself out to the public as being engaged primarily in the business of investing, reinvesting or trading in securities. In addition, the Act may also require the registration of a company that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and which owns or proposes to acquire investment securities with a value of more than 40% of the company's assets on an unconsolidated basis. We are not currently an investment company in accordance with the Act and we believe we can continue to arrange our business operations in ways so as to avoid becoming an investment company within the meaning of the Act. If we were required to register as an investment company under the Act, we would, among other things, be restricted from engaging in certain businesses and issuing certain securities. In addition, certain of our contracts may become void.

There are many other laws and governmental regulations that apply to us, our assets and businesses. Changes in these laws and governmental regulations, or their interpretation by agencies or the courts, could occur. Further, economic and political factors, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders in the United States, but primarily in the foreign countries in which we have invested, can have a major impact on us as a global company.

A portion of the workforce in our operations is unionized and if we are unable to negotiate acceptable contracts with any of our unions as existing agreements expire, we could experience a significant disruption of the affected operations, higher ongoing labour costs and restriction of its ability to maximize the efficiency of its operations, which could have an adverse effect on our operations and financial results.

PART 5 – DESCRIPTION OF OPERATING PLATFORMS

In this section we provide supplemental information on each of our principal operating platforms as well as our private equity investments.

COMMERCIAL PROPERTIES

We own and operate commercial office and retail properties on behalf of ourselves and our co-investors in North America, South America, Europe, Australia and the Middle East.

Office Properties

We own and manage one of the highest quality commercial office portfolios in the world and focus on major financial, energy and government centre cities in North America, Australasia and Europe. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets so as to build on the strength of our tenant relationships.

Our North American operations are conducted through a 51%-owned subsidiary, Brookfield Properties, and our primary markets are New York, Boston, Houston, Los Angeles, Washington D.C., Toronto, Calgary and Ottawa. These operations include directly owned properties as well as those contained within our U.S. and Canadian core office funds.

Our European operations are principally located in London, U.K. where we own an interest in 17 high quality commercial properties comprising 8.5 million square feet of rentable area and a further 5.4 million square feet of development density. The properties are located in the Canary Wharf Estate, one of the leading core office developments in Europe. We hold a direct 100% ownership interest in the 550,000 square foot 20 Canada Square property and an indirect interest in the balance of the portfolio through our 15% ownership interest in privately-owned Canary Wharf Group.

We acquired a high quality portfolio in Australia and New Zealand in late 2007 through our acquisition of Multiplex, consisting of 24 commercial properties containing 6.2 million square feet of net leasable area.

Office property assets under management totalled $29 billion at the end of 2007, of which $17 billion are held directly and $12 billion are held through seven funds with aggregate capital commitments of $3.7 billion.

Portfolio Activity

The following table sets out the assets and capital in our commercial property operations at the end of 2007 and 2006. Our property assets are recorded at depreciated book value, which in most cases are significantly below recent market values. In particular, the consolidated carrying value of our North American properties is approximately $272 per square foot, significantly less than the estimated replacement cost of these assets.

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested Capital*	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
North America								
United States	**$14,348**	$14,304	**$1,025**	$1,069	**$ 13,593**	$ 13,189	**$ 13,593**	$ 13,189
Canada	**4,541**	4,392	**650**	648	**2,391**	2,209	**2,391**	2,209
	18,889	18,696	**1,675**	1,717	**15,984**	15,398	**15,984**	15,398
United Kingdom	**796**	765	**—**	—	**796**	765	**787**	747
Australasia	**5,728**	—	**623**	—	**3,198**	—	**3,198**	—
Total properties	**25,413**	19,461	**2,298**	1,717	**19,978**	16,163	**19,969**	16,145
Other assets	**3,639**	853	**—**	—	**3,639**	853	**3,639**	853
Other liabilities							**(2,275)**	(919)
Property-specific mortgages							**(16,183)**	(11,811)
Co-investors' capital							**(450)**	(523)
	$29,052	$20,314	**$2,298**	$1,717	**$ 23,617**	$ 17,016	**$ 4,700**	$ 3,745

Our total portfolio occupancy rate at the end of 2007 was 96% across our portfolios worldwide compared to 95% at December 31, 2006 as set forth in the following table:

	2007			2006		
AS AT DECEMBER 31 (THOUSANDS)	**Total Area**	**Owned Interest**	**Percentage Leased**	Total Area	Owned Interest	Percentage Leased
Core North American markets						
United States	**46,703**	**42,477**	**94%**	46,080	40,794	94%
Canada	**19,827**	**10,131**	**99%**	23,067	11,252	98%
Other North American	**6,648**	**5,958**	**95%**	6,648	5,958	93%
United Kingdom	**8,500**	**2,173**	**97%**	8,500	2,173	94%
Australasia	**8,463**	**6,185**	**99%**	—	—	—
Total [1]	**90,141**	**66,924**	**96%**	84,295	60,177	95%

1 Excludes development sites

As at December 31, 2007, the average term of our in-place leases in North America was seven years and annual expiries average 7.1% over the next five years. The U.S. portfolio acquired in late 2006 had a shorter lease maturity than the balance of our portfolio, which we will seek to extend as we re-lease the properties.

Leasing fundamentals in London also continued to improve, bringing total occupancy across the portfolio to more than 97%, with an average unexpired lease term of approximately 20 years. Nearly 80% of the tenant rating profile is A+ or better.

Property-specific mortgages and other debt secured by our commercial property interests includes $1.6 billion of debt associated with the Multiplex acquisition in 2007 and $2.7 billion of assumed debt. The loan to value for the Multiplex acquisition debt and assumed debt represents a relatively conservative loan to value of less than 65%.

During the year we refinanced a number of properties in Europe and North America. This included the refinancing of One Liberty Plaza through the issuance of $850 million, 6.1% mortgage debt, replacing $400 million of existing debt. This enabled us to monetize a portion of the value created in this property in recent years and enhance our return on capital. Core office property debt at December 31, 2007 had an average interest rate of 7% and an average term to maturity of seven years. The co-investors' capital represents the 38% interest of our partners in the U.S. Core Office fund.

Other assets include rents receivable and working capital balances as well as a portion of the purchase price of property that has been attributed to items such as above-market leases and tenant relationships. Similarly, other liabilities include $1 billion in respect of items such as below-market tenant and land leases.

Retail Properties

We operate the Brascan Brasil Real Estate Partners fund which was formed in late 2006 and has $800 million of committed capital (Brookfield's share – 25%). We completed a number of acquisitions which enabled us to fully invest the fund with $1.7 billion of total assets within 18 months from inception and establishes us as one of the largest owners of retail centres in Brazil. The fund's portfolio now consists of interests in 15 shopping centres and associated office space totalling 4.7 million square feet of net leas-able area, located primarily in Rio de Janeiro and São Paulo.

	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested Capital	
AS AT DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Retail properties	**$ 1,698**	$ 800	**$600**	$ 600	**$ 1,698**	$ 215	**$ 827**	$ 207
Borrowings							**(462)**	(105)
Co-investors' capital							**(262)**	(74)
Net investment	**$ 1,698**	$ 800	**$600**	$ 600	**$ 1,698**	$ 215	**$ 103**	$ 28

The book value of retail properties includes total and net working capital balances of $209 million (2006 – $46 million) and $54 million (2006 – $38 million), respectively as well as $716 million representing a portion of the portfolio purchase price. Borrowings also include $265 million of debt incurred by the fund to finance the purchase of the initial portfolio assets, which is guaranteed by the obligations of ourselves and our partners to subscribe for capital in the fund up to the level of the committed amounts.

POWER GENERATING OPERATIONS

We own one of the largest privately owned hydroelectric power generating portfolios in the world. We are currently exploring alternatives to establish an externally managed entity through which we can share the ownership of these assets with others on a fee-bearing basis.

Our power generating operations are predominantly hydroelectric facilities located on river systems in the U.S., Canada and Brazil. As at December 31, 2007, we owned and managed 160 power generating stations with a combined generating capacity of approximately 3,900 megawatts. Our facilities produced approximately 13,000 gigawatt hours of electricity in 2007. All but four of our existing stations are hydroelectric facilities located on river systems in seven geographic regions, specifically Ontario, Quebec, British Columbia, New York, New England, Louisiana and southern Brazil. This geographic distribution provides diversification of water flows to minimize the overall impact of fluctuating hydrology. Our storage reservoirs contain sufficient water to produce approximately 20% of our total annual generation and provide partial protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods. We also own and operate two natural gas-fired plants, a pumped storage facility and a 189-megawatt wind energy project that we operate under a 20-year fixed price power sales agreement.

Financial Position

Total assets in the segment increased to $6.8 billion from $5.4 billion at the end of last year due to the acquisition and development of power facilities as well as the impact of increases in the carrying value of non-U.S. assets as a result of currency fluctuation. Financings completed during the year enabled us to maintain the net capital invested in this segment at approximately $1.4 billion.

	Capacity		*Assets Under Management*		*Brookfield Invested Capital*			
					Consolidated		*Net*	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Hydroelectric generation	*(MW)*							
Ontario	**897**	897	**$1,269**	$1,094	**$1,269**	$1,094	**$ 1,269**	$ 1,094
Quebec	**277**	277	**434**	371	**434**	371	**434**	371
British Columbia	**134**	127	**172**	133	**172**	133	**172**	133
New England	**240**	240	**397**	400	**397**	400	**397**	400
New York and other northeast markets	**852**	832	**1,046**	1,016	**1,046**	1,016	**1,046**	1,016
Louisiana	**192**	192	**459**	478	**459**	478	**459**	478
Brazil	**295**	205	**522**	264	**522**	264	**522**	264
Total hydroelectric generation	**2,887**	2,770	**4,299**	3,756	**4,299**	3,756	**4,299**	3,756
Wind energy	**189**	189	**369**	327	**369**	327	**369**	327
Co-generation and pumped storage	**815**	815	**233**	166	**233**	166	**233**	166
Development projects	**—**	—	**236**	60	**236**	60	**236**	60
Total power generation	**3,891**	3,774	**5,137**	4,309	**5,137**	4,309	**5,137**	4,309
Cash, financial assets, accounts receivable and other			**1,665**	1,081	**1,665**	1,081	**1,665**	1,081
Accounts payable and other liabilities			**—**	—	**—**	—	**(879)**	(419)
Property-specific and subsidiary debt			**—**	—	**—**	—	**(4,285)**	(3,388)
Non-controlling interests in net assets			**—**	—	**—**	—	**(213)**	(215)
	3,891	3,774	**$6,802**	$5,390	**$6,802**	$5,390	**$ 1,425**	$ 1,368

Property-specific debt totalled $3.5 billion at December 31, 2007 and corporate unsecured notes issued by our power generating operations totalled $0.8 billion. Property-specific debt has an average interest rate of 7% and an average term of 13 years and is all investment grade quality. The corporate unsecured notes bear interest at an average rate of 5%, have an average term of 9 years and are rated BBB by S&P and BBB (high) by DBRS and BBB by Fitch.

Contract Profile

Approximately 77% of our projected 2008 and 2009 generation is currently subject to long-term bilateral power sales agreements or shorter-term financial contracts. The remaining generation is sold into wholesale electricity markets. Our long-term sales contracts, which cover approximately 53% of total generation during this period, have an average term of 13 years and the counterparties are almost exclusively customers with long-standing favourable credit histories or investment grade ratings. The financial contracts typically have a term of less than three years.

The following table sets out the profile of our contracts over the next five years from our existing facilities, assuming long-term average hydrology:

	Years ended December 31				
	2008	*2009*	*2010*	*2011*	*2012*
Generation (GWh)					
Contracted					
Power sales agreements	7,874	6,497	6,465	6,004	5,934
Financial contracts	3,169	3,376	287	—	—
Uncontracted	2,732	3,364	6,467	7,221	7,284
	13,775	13,237	13,219	13,225	13,218
Contracted generation					
% of total	80	75	51	45	45
Revenue ($millions)	797	741	530	495	496
Price ($/MWh)	72	75	78	83	84

The increase in the average selling price for contracted power from $72 per megawatt hour (MWh) to $84 per MWh over the next five years reflects contractual step-ups in long duration contracts with attractive locked-in prices and the expiry of lower priced contracts during the period. In addition, a number of contracts for our non-U.S. facilities have benefitted from favourable currency appreciation.

INFRASTRUCTURE

Our infrastructure activities are currently concentrated in the timber and electricity transmission sectors, however we are actively reviewing a number of opportunities to expand into new sectors that provide similar investment characteristics. These operations are owned directly and through entities that we manage.

Timberlands

We manage 2.5 million acres of high quality private timberlands with an aggregate book value of $3 billion. We manage a listed specialty issuer that operates in eastern North America and a private fund named Island Timberlands that operates on the west coast of Canada. These funds have aggregate equity capital of $594 million, of which our share is $278 million. We also own direct interests in $2 billion of timberlands in the Pacific Northwest and Brazil. We recently announced the formation of a $250 million Brazil timber fund.

In January 2008 we transferred 30% of our Pacific Northwest operations and a 37.5% interest in Island Timberlands to Brookfield Infrastructure.

Operating Results

	Operating Cash Flow			
	Total		*Net*	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Timber				
Western North America				
Timberlands	**$123**	$ 59		
Higher and better use lands	**7**	6		
Eastern North America	**20**	18		
Brazil	**8**	4		
Timberlands	**158**	87	**$158**	$ 87
Interest expense			**(85)**	(29)
Non-controlling interests in net assets			**(33)**	(26)
	$158	$ 87	**$ 40**	$ 32

Portfolio Activity and Financial Position

AS AT DECEMBER 31 ($MILLIONS)	Acres	Total Assets Under Management 2007	Total Assets Under Management 2006	Co-investor Commitments 2007	Co-investor Commitments 2006	Brookfield Invested Capital Consolidated Assets 2007	Brookfield Invested Capital Consolidated Assets 2006	Brookfield Invested Capital Net Invested 2007	Brookfield Invested Capital Net Invested 2006
Timber									
Western North America									
Timberlands	1,186,650	**$ 2,603**	$ 777	**$243**	$ 240	**$ 2,603**	$ 777	**$2,603**	$ 777
Higher and better use lands	32,865	**105**	111	**—**	—	**105**	111	**105**	111
Eastern North America	1,076,000	**185**	189	**72**	100	**185**	189	**185**	189
Brazil	180,000	**66**	45	**—**	—	**66**	45	**66**	45
	2,475,515	**2,959**	1,122	**315**	340	**2,959**	1,122	**2,959**	1,122
Other assets, net		**716**	68	**—**	—	**716**	68	**74**	18
		3,675	1,190	**315**	340	**3,675**	1,190	**3,033**	1,140
Property-specific and other borrowings							(1,691)	**(485)**	
Co-investors' capital								**(317)**	(340)
		$ 3,675	$ 1,190	**$315**	$ 340	**$ 3,675**	$ 1,190	**$1,025**	$ 315

We acquired Longview Fibre Company, which owns 588,000 acres of high quality timberlands located in the U.S. Pacific Northwest during the second quarter of 2007. Total invested capital includes the purchase cost of the timberlands of $1.9 billion, together with goodwill and working capital totalling $2.6 billion. We recorded a future tax obligation of $593 million relating to the difference between the amount paid by us for the company and the tax basis of the underlying assets. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of $593 million. We expect that we will be able to reorganize the ownership structure of the business over time such that we can extinguish the tax liability without any material cash outlay. Net invested capital includes the net capital invested by us in Longview's timber operations after taking into consideration debt raised to finance the acquisition and the future tax liabilities and subsequent asset sales.

As at December 31, 2007, borrowings included approximately $1.2 billion associated with the Longview acquisition that is secured by the underlying timber assets in North America. The Longview debt consists of an 18-month bridge facility that is in the process of being refinanced with a long-term fixed rate financing secured by the associated timberlands. Our western Canadian timberlands secure investment grade borrowings of approximately $410 million, which have an average interest rate of 6%, and an average term to maturity of 16 years. The balance of the borrowings consists of debt secured by the eastern Canadian timber assets and working capital facilities.

Non-controlling interests represent the interests of co-investors in our two North American funds. We currently own 50% of our western Canadian fund and 45% of Acadian.

Transmission

Our electricity transmission operations consist of the largest transmission system in Chile, a smaller system in northern Ontario and interests in transmission lines in Brazil. We own 28% of the Chilean operations and provide management advisory services to our investment partners on a fee-for-service basis, 100% of the northern Ontario operations and an effective 20% interest in the Brazil operations.

We transferred our northern Ontario and Brazil interests to Brookfield Infrastructure, as well as a 17% interest in the Chilean operations. We believe the regulated rate base nature of these assets provides for attractive reliable long-term returns and we will endeavour to expand our operations in this asset class.

Portfolio Activity and Financial Position

AS AT DECEMBER 31 (MILLIONS)	Total Assets Under Management 2007	Total Assets Under Management 2006	Co-investor Commitments 2007	Co-investor Commitments 2006	Brookfield Invested Capital Consolidated Assets 2007	Brookfield Invested Capital Consolidated Assets 2006	Brookfield Invested Capital Net Invested 2007	Brookfield Invested Capital Net Invested 2006
Transmission facilities and investments								
Chile	**$ 2,650**	$ 2,525	**$ 877**	$ 831	**$ 330**	$ 2,525	**$ 330**	$ 2,525
North America	**193**	146			**193**	146	**193**	146
Brazil	**205**	157			**205**	157	**205**	157
	3,048	2,828			**728**	2,828	**728**	2,828
Other assets	**32**	315			**32**	315	**32**	315
	3,080	3,143			**760**	3,143	**760**	3,143
Other liabilities							**(26)**	(267)
Project-specific financing and other borrowings							**(114)**	(1,496)
							620	1,380
Co-investors' capital							**—**	(831)
	$ 3,080	$ 3,143	**$ 877**	$ 831	**$ 760**	$ 3,143	**$ 620**	$ 549

Net invested capital was relatively unchanged during the year, although consolidated assets declined as we no longer consolidate the assets and liabilities of our Chilean operations. These operations are financed with property-specific financing borrowings totalling $1.5 billion that have an average interest rate of 6%, an average term to maturity of 11 years and are predominantly investment grade.

DEVELOPMENT AND OTHER PROPERTIES

Opportunity Investments

We operate niche real estate opportunity funds with $417 million of committed capital (Brookfield's share – $258 million).

AS AT DECEMBER 31 (MILLIONS)	Total Assets Under Management 2007	Total Assets Under Management 2006	Co-investor Commitments 2007	Co-investor Commitments 2006	Brookfield Invested Capital Consolidated Assets 2007	Brookfield Invested Capital Consolidated Assets 2006	Brookfield Invested Capital Net Invested Capital 2007	Brookfield Invested Capital Net Invested Capital 2006
Commercial properties	**$ 1,571**	$ 1,086	**$ 159**	$ 116	**$ 1,571**	$ 1,086	**$ 1,280**	$ 1,055
Property-specific mortgages							**(934)**	(820)
Co-investors' capital							**(121)**	(103)
	$ 1,571	$ 1,086	**$ 159**	$ 116	**$ 1,571**	$ 1,086	**$ 225**	$ 132

Total property assets within the fund were approximately $1.6 billion at year end, an increase of $0.5 billion from the end of 2006, due to the completion of a major portfolio acquisition. The portfolio consists of approximately 124 properties, predominantly office properties in a number of cities across North America as well as smaller investments in industrial, student housing, multi-family, and other property asset classes. The book value of commercial properties increased due to acquisitions during the year, offset in part by property sales. Our net invested capital at December 31, 2007 included a $42 million bridge loan to the fund (2006 – $23 million), and $52 million of direct capital in addition to our base commitment that was provided to fund acquisitions.

Residential Properties

We conduct residential property operations in Canada, the United States and Brazil through public subsidiaries in which we hold the following interests: Canada – 51%; United States – 58%; Brazil – 60%. We recently formed a land joint venture with $400 million of committed capital from a U.S. institution and ourselves that we will manage.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Assets Under Management	Invested Capital				Operating Cash Flow			
		Total		Net		Total		Net	
	2007	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
United States	**$ 1,384**	**$ 1,384**	$1,355	**$ 1,224**	$ 1,142	**$ 46**	$ 236		
Canada	**516**	**516**	305	**516**	305	**237**	144		
Brazil	**1,009**	**1,009**	743	**612**	567	**92**	36		
	2,909	**2,909**	2,403	**2,352**	2,014	**375**	416	**$ 375**	$416
Impairment charge – U.S.						**(103)**	—	**(103)**	—
Borrowings / interest [1]				**(1,363)**	(1,126)			**(18)**	(23)
Cash taxes								**18**	(93)
Non-controlling interest in net assets				**(539)**	(404)			**(12)**	(69)
				450	484	**272**	416	**260**	231
Realization gain				—	—		269	**—**	269
Net investment / operating cash flow	**$ 2,909**	**$ 2,909**	$2,403	**$ 450**	$ 484	**$ 272**	$ 685	**$ 260**	$500

1 Portion of interest expressed through cost of sales

Total assets, which include property assets as well as inventory, cash and cash equivalents and other working capital balances, have increased since 2006 due to the impact of currency appreciation on our capital in Canada and Brazil, and as new capital was invested to match sales growth in Canada. Subsidiary borrowings consist primarily of construction financings which are repaid with the proceeds from sales of building lots, single-family houses and condominiums and is generally renewed on a rolling basis as new construction commences.

Under Development

Properties under development include both active development projects as well as properties that we are redeveloping to enhance their value.

AS AT DECEMBER 31 (MILLIONS)	Total Assets Under Management		Brookfield Invested Capital			
			Consolidated Assets		Net Invested Capital	
	2007	2006	**2007**	2006	**2007**	2006
Commercial properties						
North America	**$ 965**	$ 551	**$ 965**	$ 551	**$ 965**	$ 551
Australia and United Kingdom	**2,072**	—	**2,072**	—	**2,072**	—
Brazil	**162**	107	**162**	107	**162**	107
Residential lots						
Australia	**201**	—	**201**	—	**201**	—
Property-specific financing	**—**	—	**—**	—	**(1,704)**	(240)
	$ 3,400	$ 658	**$ 3,400**	$ 658	**$ 1,696**	$ 418

In addition to the properties listed above, we have been actively developing a number of hydroelectric power facilities in Brazil and North America, as well as wind generation facilities in Canada, which are described further under Power Generation Operations.

Current development initiatives in North America are focused on the construction of a 1.1 million square foot premier office property on the Bay Adelaide Centre site located in Toronto's downtown financial district, representing a book value of $416 million (2006 – $251 million), the redevelopment of the 1.3 million square foot Four Allen Center in Houston carried at $198 million (2006 – $139 million) and properties in Washington, D.C.

We significantly expanded our development activities with the acquisition of Multiplex which has 70 commercial projects underway that will contain over 20 million square feet and approximately 18,000 residential lots, homes and units. We also own our proportionate share of the approximate 5.4 million square feet of commercial space development density at Canary Wharf in London of which 1.3 million is currently under active development.

Property-specific financing includes debt secured by Bay Adelaide Centre and Four Allen Cedar in North America as well as debt associated with developments in Australia and the United Kingdom that was assumed on the acquisition of Multiplex.

Held for Development

We acquire land or long-term rights on land, seek entitlements to construct, and then either sell the project once it has been improved or build the project ourselves. We typically hold these projects directly, given that they do not generate current cash flow, until the project is completed, at which time it can be transferred to an existing fund portfolio or sold outright. Accordingly, we do not typically record ongoing cash flow in respect of properties held for development and the associated development costs are capitalized until this event occurs, at which time any disposition gain or loss is realized.

	Brookfield Invested Capital			
	Consolidated Assets		*Net Invested Capital*	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Commercial office properties				
Ninth Avenue, New York	**$ 207**	$ 184	**$ 207**	$ 184
Residential lots				
Canada and Brazil	**804**	516	**804**	516
Rural development				
Brazil	**190**	66	**159**	49
	$ 1,201	$ 766	**$ 1,170**	$ 749

Commercial Office Properties

We own well-positioned land at Ninth Avenue between 31st Street and 33rd Street in New York city. We intend to commence construction of the necessary infrastructure to enable the subsequent construction of 5.4 million square feet of commercial office space once the necessary pre-leasing has occurred.

Residential Development Properties

Residential development properties include land, both owned and optioned, which is in the process of being converted to residential lots, but not expected to enter the homebuilding process for more than three years. We utilize options to control lots for future years in our higher land cost markets in order to reduce risk. To that end, we hold options on approximately 12,300 lots which are located predominantly in California and Virginia. We invested additional capital into development land in Alberta as a result of the significant increase in activity in this market.

Rural Development Properties

We own approximately 372,000 acres of prime rural development land in the States of São Paulo, Minas Gerais and Mato Grosso, having acquired a number of new properties in 2007. These properties are being used for agricultural purposes, including the harvest of sugar cane for its use in the production of ethanol as a gasoline substitute. We also hold 33,300 acres of potentially higher and better use land adjacent to our western North American timberlands, which we intend to convert into residential and other purpose land over time, and are included within our timberlands segment.

SPECIALTY FUNDS

We conduct bridge lending, restructuring and real estate finance activities. Although our primary industry focus is on property, power and long-life infrastructure assets, our mandates within our bridge finance and restructuring funds include other industries which have tangible assets and cash flows, and particularly where we have expertise as a result of previous investment experience. As at December 31, 2007 we managed nine funds with total committed capital of $5 billion and total assets under management of $7 billion.

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested*	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Bridge lending	**$ 1,187**	$ 1,452	**$1,510**	$ 470	**$ 488**	$ 637	**$ 488**	$ 622
Restructuring	**1,538**	977	**753**	652	**1,538**	977	**361**	377
Real estate finance	**4,637**	5,438	**1,225**	937	**685**	183	**263**	183
Real estate services	**125**	—	**59**	59	**25**	—	**25**	—
	$ 7,487	$ 7,867	**$3,547**	$2,118	**$ 2,736**	$ 1,797	**$1,137**	$1,182

Bridge Lending

We operate three bridge lending funds. Our first fund has commitments of $1.2 billion at the end of the year, of which $0.9 billion is funded and will mature through 2011. We have $0.6 billion committed to these funds. We have raised C$935 million in commitments and pledges for our two follow-on funds, consisting of a senior and junior fund, and includes a C$240 million commitment from Brookfield. We have advanced $105 million of loans within the new funds thus far.

We had total assets under management of $1.2 billion at year end, down from $1.5 billion at the end of 2006. The level of committed capital to our funds from clients increased to $1.5 billion at year end due to the formation of new funds during the year. Our net invested capital was $488 million, down from $622 million at the end of 2006. The decline in invested capital occurred primarily during the fourth quarter of 2007 as a result of a number of maturities.

Our portfolio at year end was comprised of 16 loans, and our largest single exposure at that date was $105 million. Our share of the portfolio has an average term of 20 months excluding extension privileges and generates an average yield of 14% based on interest rate levels at year end.

Restructuring

We operate two restructuring funds. Our first fund, Tricap Restructuring Fund ("Tricap I") completed its investment period last year and we continue to manage and harvest the remaining invested capital of $432 million. We also completed an additional capital raise for Tricap Partners II ("Tricap II"), which now has $842 million of committed capital. The capital committed by us to both funds totals $521 million, including co-investment capital invested by us in Tricap I.

Our two principal investments in Tricap I are Western Forest Products and Concert Industries. Western Forest Products experienced a difficult year due in part to a major industry strike which has since been resolved. Concert Industries, a leading producer of air-laid woven fabric, continues to perform well and we continue to make progress expanding its revenue and operating base.

	Total Assets Under Management		*Co-investor Commitments*		*Brookfield Invested Capital*			
					Consolidated Assets		*Net Invested*	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Property, plant and equipment	**$ 615**	$ 453			**$ 615**	$ 453	**$ 615**	$ 453
Securities	**115**	29			**115**	29	**115**	29
Loans receivable	**51**	23			**51**	23	**51**	23
Other assets	**757**	472			**757**	472	**757**	472
	1,538	977			**1,538**	977	**1,538**	977
Other liabilities							**(433)**	(235)
Subsidiary debt							**(293)**	(175)
Non-controlling interests							**(451)**	(190)
	$ 1,538	$ 977	**$753**	$ 652	**$ 1,538**	$ 977	**$ 361**	$ 377

Our net invested capital in restructuring opportunities at year end was $361 million, relatively unchanged from the end of 2006.

Real Estate Finance
We operate three real estate finance funds with total committed capital of approximately $1.6 billion, of which our share is approximately $400 million. Our first private fund, the $600 million Brookfield Real Estate Finance Partners (BREF I) recently completed its investment period and we completed a $450 million capital raise for our second fund (BREF II). We also manage a public mortgage REIT that is listed on the NYSE and has raised $565 million of equity capital.

During 2007, BREF I acquired investments with an aggregate principal balance of approximately $1.1 billion and concluded its investment period. During 2007, BREF II commenced its investment period and completed investments with an aggregate principal balance of approximately $460 million. The portfolio continues to perform in line with expectations notwithstanding difficult credit markets.

ADVISORY SERVICES
We manage fixed income and real estate securities and provide investment banking services, all with a particular focus on property and infrastructure.

We manage $26.2 billion of fixed income and equity securities on an advisory basis for a large number of institutional and individual investors. The largest proportion of these assets is managed by our New York-based Brookfield Hyperion Group, which specializes in real estate fixed income securities. We acquired Chicago-based K.G. Redding Inc., (now known as Brookfield Redding), in late 2007. Brookfield Redding has a well established record as a leading real estate equity securities manager with a wide variety of clients throughout North America and Australasia. Brookfield Soundvest, based in Ottawa, Canada, manages fixed income and equity securities on behalf of a number of Canadian institutional investors.

	Assets Under Management	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*
Brookfield Hyperion	**$ 20,210**	$ 19,711
Brookfield Redding	**5,325**	—
Brookfield Soundvest	**702**	749
	$ 26,237	$ 20,460

Our investment banking services are provided by teams located in Canada and Brazil.

PRIVATE EQUITY INVESTMENTS
We own a number of investments which will be sold once value has been maximized, integrated into our core operations or used to seed new funds. Although not core to our broader strategy, we expect to continue to make new investments of this nature and dispose of more mature assets.

			Assets Under Management	*Brookfield Invested Capital*			
				Consolidated		*Net*	
AS AT DECEMBER 31 (MILLIONS)	*Location*	Interest	***2007***	***2007***	2006	***2007***	2006
Forest products							
Norbord Inc.	North America / UK	27%	**$ 180**	**$ 180**	$ 178	**$ 19**	$ 26
Fraser Papers Inc.	North America	56%	**477**	**477**	141	**109**	141
Privately held	North America	100%	**162**	**162**	140	**113**	95
Infrastructure							
Coal lands	Alberta	100%	**85**	**85**	73	**85**	73
Business services							
Insurance	Various	80-100%	**2,513**	**2,513**	2,357	**661**	593
Banco Brascan, S.A.	Rio de Janeiro	—	**—**	**—**	75	**—**	75
Privately held	Various	100%	**229**	**229**	369	**223**	278
Publicly listed	Canada	60%	**52**	**52**	51	**26**	23
Property							
Privately held	Brazil	Various	**153**	**153**	66	**100**	100
Net investment			**$ 3,851**	**$3,851**	$3,450	**$1,336**	$1,404

We account for our non-controlled public investments where we exercise significant influence, such as Norbord, using the equity method, and include dividends received from these investments in operating cash flow and our proportional share of their earnings in net income. We consolidate the results of our majority owned private companies and accordingly include our proportional share of their results in the operating cash flow shown above.

Forest Products
We control 41% and own a net beneficial interest in approximately 27% or 40 million shares of Norbord Inc. ("Norbord"). Net invested capital reflects debentures issued by us that are exchangeable into 20 million Norbord shares and which are recorded at the market value of the Norbord shares. Our net investment had a market value of approximately $319 million at year end.

Privately held forest products operations include paper and pulp operations that we acquired out of bankruptcy in April 2003 in connection with the purchase of power generation operations.

Infrastructure
We own the coal rights under approximately 475,000 acres of freehold lands in central Alberta. These lands supply approximately 11% of Alberta's coal-fired power generation through the production of approximately 13 million tonnes of coal annually. Royalties from this production generate $6 million of operating cash flow and provide a stable source of income as they are free of crown royalties. In addition, we own a 3.5% net profit interest in 75 million tonnes of proven reserves, and 35 million tonnes of potential reserves of high quality metallurgical coal in British Columbia.

Business Services
Our insurance operations are conducted through 80%-owned Imagine Insurance, a specialty reinsurance business which operates internationally; Hermitage Insurance, a property and casualty insurer which operates principally in the northeast United States; and Trisura, a surety company based in Toronto. We manage the securities portfolios of these companies, which total $1.6 billion and consist primarily of highly rated government and corporate bonds, through our public securities operations. Imagine is rated A- and A- (excellent) by Fitch and AM Best, respectively and Hermitage is rated B++ (good) by AM Best. We continue to explore a variety of options to surface the value of our insurance business, which could result in a reduced ownership interest in the future.

We acquired control of Banco Brascan during the year and have integrated the book values associated with their investment banking, lending and capital markets activities with our corresponding activities.

CASH AND FINANCIAL ASSETS
We hold a substantial amount of financial assets, cash and equivalents that represent liquid capital to fund operating activities and investment initiatives. We reduced our holdings during the year to capture value appreciation in the face of increasingly volatile markets and to fund operating activities.

		Assets Under Management	*Brookfield Invested Capital*			
			Total		*Net*	
AS AT DECEMBER 31 (MILLIONS)		***2007***	***2007***	*2006*	***2007***	*2006*
Financial assets						
Government bonds		**$ 420**	**$ 420**	$ 57	**$ 420**	$ 57
Corporate bonds	– Exchangeable debentures	**—**	**—**	375	**—**	375
	– Other	**286**	**286**	199	**286**	199
Fixed income		**22**	**22**	16	**22**	16
High yield bonds		**112**	**112**	137	**112**	137
Preferred shares		**40**	**40**	26	**40**	26
Common shares	– Multiplex	**—**	**—**	44	**—**	44
	– Other	**51**	**51**	504	**51**	504
Loans receivable		**76**	**76**	10	**76**	10
Total financial assets		**1,007**	**1,007**	1,368	**1,007**	1,368
Cash and cash equivalents		**360**	**360**	305	**360**	305
Deposits and other liabilities		**—**	**—**	—	**(500)**	(524)
Net investment		**$ 1,367**	**$1,367**	$1,673	**$ 867**	$1,149

During 2007, we adopted new accounting guidelines related to financial instruments under which our financial assets, other than equity accounted investments and most loans receivable, are carried at fair values. The December 31, 2006 balances are shown at original cost other than designated trading portfolios that are carried at market.

As part of our ongoing risk management and value creation activities, we also establish market positions using total return swaps and credit derivatives. As at December 31, 2007, we maintain common equity positions with a notional value of $70 million through total return swaps. We also bought protection against spread widening through credit default swaps with a total notional value of $2.4 billion, which have a limited downside and benefit from increases in credit spreads and defaults of the underlying debt.

Deposit and other liabilities include broker deposit liabilities associated with our securities portfolio and borrowed securities sold short with a value of $39 million at December 31, 2007.

PART 6 – CAPITAL RESOURCES AND LIQUIDITY

The following sections describe our capitalization and liquidity profile on both a consolidated and deconsolidated basis. The strength of our capital structure and the liquidity that we maintain enables us to achieve a low cost of capital for our shareholders and at the same time provides us with the flexibility to react quickly to potential investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

Our primary sources of liquidity consist of our cash and financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities. These total $2.0 billion at December 31, 2007, compared with $2.1 billion as at December 31, 2006. Furthermore, we endeavour to structure our invested capital in a manner that enables future monetization of our investments as desired.

CAPITALIZATION

AS AT AND FOR THE YEARS ENDED DECEMBER 31		Book Value				Operating Cash Flow [2]			
	Cost of Capital [1]	Consolidated		Net Invested Capital		Total		Net	
(MILLIONS)	**2007**	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Corporate borrowings	**7%**	**$ 2,048**	$ 1,507	**$ 2,048**	$ 1,507	**$ 146**	$ 126	**$ 146**	$ 126
Non-recourse borrowings									
Property-specific mortgages	**7%**	**21,644**	17,148	**—**	—	**1,226**	751	**—**	—
Subsidiary borrowings [3]	**7%**	**7,463**	4,153	**711**	668	**324**	212	**66**	64
Other liabilities	**9%**	**11,102**	6,497	**3,148**	1,771	**532**	475	**450**	320
Capital securities	**6%**	**1,570**	1,585	**1,570**	1,585	**90**	96	**90**	96
Non-controlling interest in net assets	**20%**	**4,256**	3,734	**1,773**	1,829	**636**	468	**368**	247
Shareholders' equity									
Preferred equity	**5%**	**870**	689	**870**	689	**44**	35	**44**	35
Common equity	**20%**	**6,644**	5,395	**6,644**	5,395	**1,863**	1,766	**1,863**	1,766
	9.5%	**$55,597**	$40,708	**$16,764**	$ 13,444	**$4,861**	$3,929	**$3,027**	$2,654

1 *Based on operating cash flows as a percentage of average book value*

2 *Interest expense in the case of borrowings. Attributable operating cash flows in the case of minority and equity interests, including cash distributions. Current taxes and operating expenses in the case of accounts payable and other liabilities*

3 *Net amounts represent subsidiary obligations guaranteed by the Corporation or issued by corporate subsidiaries*

Our overall weighted average cash cost of capital, using a 20% return objective for our common equity, is 9.5%, unchanged from 2006. This reflects the low cost of non-participating perpetual preferred equity issued over a number of years, as well as the low cost of term debt, capital securities and non-recourse investment grade financings, achievable due to the high quality of our core office properties and power generating plants.

Corporate Borrowings

AS AT AND FOR THE YEARS ENDED DECEMBER 31			Book Value				Operating Cash Flow [2]			
	Cost of Capital [1]		Total		Net		Total		Net	
(MILLIONS)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Commercial paper and bank borrowings	**6%**	5%	**$ 167**	$ —	**$ 167**	$ —	**$ 26**	$ 11	**$ 26**	$ 11
Publicly traded term debt	**7%**	7%	**1,881**	1,463	**1,881**	1,463	**118**	113	**118**	113
Privately held term debt [3]	**—**	6%	**—**	44	**—**	44	**2**	2	**2**	2
	7%	7%	**$2,048**	$1,507	**$2,048**	$1,507	**$146**	$126	**$146**	$126

1 *As a percentage of average book value of debt*

2 *Interest expense*

3 *$ 44 million is secured by coal assets included in Investments*

The average interest rate on our corporate borrowings was 7% at year end, similar to 2006, and the average term was 11 years (2006 – 11 years).

The Corporation has $1,395 million of committed corporate four-year revolving term credit facilities which are utilized principally as back-up credit lines to support commercial paper issuance. At December 31, 2007, $167 million of these facilities were drawn, and approximately $63 million (2006 – $43 million) of the facilities were utilized for letters of credit issued to support various business initiatives.

Non-Recourse Borrowings

As part of our financing strategy, we raise the majority of our debt capital in the form of asset-specific mortgages or subsidiary obligations. With limited exceptions, these obligations have no recourse to the Corporation.

The nature of these borrowings is discussed within the Operating Platforms section as part of the relevant business unit reviews.

Property-Specific Borrowings

Where appropriate, we finance our operating assets with long-term non-recourse borrowings that have no recourse to the Corporation or our operating entities, such as property-specific mortgages and project financings.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	Cost of Capital [1] 2007	Cost of Capital [1] 2006	Brookfield Invested Capital Total 2007	Brookfield Invested Capital Total 2006	Brookfield Invested Capital Net 2007	Brookfield Invested Capital Net 2006	Operating Cash Flow [2] Total 2007	Operating Cash Flow [2] Total 2006	Operating Cash Flow [2] Net 2007	Operating Cash Flow [2] Net 2006
Commercial properties	6	**7%**	7%	**$16,360**	$12,470	**$ —**	$ —	**$ 834**	$465	**$ —**	$ —
Power generation	13	**7%**	8%	**3,488**	2,704	**—**	—	**248**	206	**—**	—
Infrastructure	6	**7%**	6%	**1,796**	1,974	**—**	—	**144**	80	**—**	—
	7	**7%**	7%	**$21,644**	$17,148	**$ —**	$ —	**$1,226**	$751	**$ —**	$ —

1 *As a percentage of average book value*

2 *Interest expense*

Commercial property debt includes $2.8 billion of mortgage financing assumed with our acquisition of Multiplex which has no recourse to the Corporation. The remaining increase relates principally to our North American office property operations and reflects financings for new and existing properties, including a new 10-year $850 million mortgage on One Liberty Plaza in downtown Manhattan that replaced an existing $400 million mortgage at lower rates. The increase also reflects the impact of currency fluctuations on non-U.S. debt.

Property-specific financings within our power operations increased by approximately $800 million due to a $330 million financing secured by hydroelectric facilities in New York State and currency appreciation on financings securing facilities in Brazil and Canada.

During the year, we completed a $1.2 billion financing within our infrastructure operations to fund the acquisition of our Pacific Northwest timberland operations. The debt is secured by these operations and has no recourse to the Corporation. We are in the process of refinancing this debt with long-term fixed rate financing. Consolidated debt declined by a similar amount as we no longer consolidate our Chilean transmission operations beginning June 30, 2007.

Other Debt of Subsidiaries

These borrowings are largely corporate debt of subsidiaries, issued by way of corporate bonds, bank credit facilities, commercial paper and other financial obligations of subsidiaries.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	Cost of Capital [1] 2007	Cost of Capital [1] 2006	Brookfield Invested Capital Total 2007	Brookfield Invested Capital Total 2006	Brookfield Invested Capital Net 2007	Brookfield Invested Capital Net 2006	Operating Cash Flow [2] Total 2007	Operating Cash Flow [2] Total 2006	Operating Cash Flow [2] Net 2007	Operating Cash Flow [2] Net 2006
Subsidiary borrowings											
Properties	2	**7%**	7%	**$3,806**	$1,111	**$—**	$ —	**$ 55**	$ 37	**$ —**	$ —
Power generation	9	**5%**	5%	**797**	684	**—**	—	**41**	29	**—**	—
Private equity investments	2	**7%**	5%	**1,387**	298	**—**	—	**79**	44	**—**	—
Corporate subsidiaries	7	**10%**	10%	**711**	668	**711**	668	**66**	64	**66**	64
Co-investor capital											
Properties	6	**10%**	11%	**762**	803	**—**	—	**55**	12	**—**	—
Infrastructure	—	**—**	9%	**—**	589	**—**	—	**28**	26	**—**	—
	4	**7%**	7%	**$7,463**	$4,153	**$711**	$668	**$324**	$212	**$ 66**	$ 64

1 *As a percentage of average book value*

2 *Interest expense*

Properties debt includes $1.6 billion of debt incurred to complete the Multiplex acquisition as well as $0.4 billion of debt within that company that has no recourse to the Corporation.

Infrastructure debt at December 31, 2006 related to our Chilean transmission operations, which are no longer consolidated into our financial results.

Private equity investments' debt increased due to the consolidation of Fraser Papers and Banco Brascan during 2007.

Other debt of subsidiaries include C$127 million retractable preferred shares issued by corporate subsidiaries that are fully integrated into our ownership structure as well as financial obligations that are guaranteed by the Corporation. The company does not typically guarantee the debts of subsidiaries, with the principal exception being a guarantee of subsidiary debt due in 2015 which was originally issued in 1990, and was assumed by the Corporation upon amalgamating with the original guarantor.

Capital Securities

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	*Average Term*	*Cost of Capital [1]*		*Brookfield Invested Capital*				*Operating Cash Flow [2]*			
				Total		*Net*		*Total*		*Net*	
		2007	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Corporate preferred shares	7	**6%**	6%	**$ 517**	$ 663	**$ 517**	$ 663	**$ 32**	$ 44	**$ 32**	$ 44
Subsidiary preferred shares	7	**6%**	6%	**1,053**	922	**1,053**	922	**58**	52	**58**	52
	7	**6%**	6%	**$1,570**	$1,585	**$1,570**	$1,585	**$ 90**	$ 96	**$ 90**	$ 96

1 As a percentage of average book value

2 Interest expense

Distributions paid on these securities, which are largely denominated in Canadian dollars, are recorded as interest expense, even though all of the issues are preferred shares that are convertible into common equity at our option. The holders of the preferred shares also have the right, after a fixed date, to convert the shares into common equity based on the market price of our common shares at that time and, accordingly, these securities are classified as liabilities for Canadian GAAP purposes.

The average distribution yield on the capital securities at December 31, 2007 was 6% (2006 – 6%) and the average term was 7 years (2006 – 12 years). We have been issuing lower cost perpetual preferred equity with more favourable terms and using the proceeds to redeem certain capital securities. To that end, we redeemed C$125 million of 8.35% capital securities due 2050 in January 2007 and a further C$125 million, 8.30% capital securities in July 2007.

Interests of Co-investors in Net Assets

Interests of co-investors in net assets are comprised of two components: participating interests of other shareholders in our operating assets and subsidiary companies, and non-participating preferred equity issued by subsidiaries.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	*Number of Shares / % Interest*	*Brookfield Invested Capital*				*Operating Cash Flow [1]*			
		Total		*Net*		*Total*		*Net*	
	2007	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
Participating interests									
Property									
Brookfield Properties Corporation	**198.3 / 49%**	**$1,622**	$1,633	**$1,622**	$1,633	**$361**	$243	**$361**	$243
Brookfield Homes Corporation	**11.1 / 42%**	**245**	174	**—**	—	**(16)**	69	**—**	—
Property funds and other	**various**	**843**	601	**—**	—	**157**	8	**—**	—
Power generation	**various**	**170**	203	**—**	—	**47**	42	**—**	—
Infrastructure									
Timberlands	**50% / 55%**	**314**	338	**—**	—	**33**	26	**—**	—
Transmission	**—**	**—**	242	**—**	—	**5**	(6)	**—**	—
Other	**various**	**911**	347	**—**	—	**42**	82	**—**	—
		4,105	3,538	**1,622**	1,633	**629**	464	**361**	243
Non-participating interests		**151**	196	**151**	196	**7**	4	**7**	4
		$4,256	$3,734	**$1,773**	$1,829	**$636**	$468	**$368**	$247

1 Represents share of operating cash flows attributable to the interests of the respective shareholders and includes cash distributions

We include Brookfield Properties on a fully consolidated basis in our segmented basis of presentation and accordingly the interests of others in these operations are reflected in both the total and net results. The other entities shown above are presented on a deconsolidated basis in our segmented analysis, and, as a result, the interests of other shareholders are presented in total invested capital and total operating cash flow only. These interests are discussed as appropriate within each of the operating segments. The total operating cash flow attributable to these interests is shown as a deduction in arriving at the net operating cash flow for each respective business unit.

Operating cash flow distributed to other non-controlling shareholders in the form of cash dividends totalled $169 million ($110 million on a net basis) in 2007 compared with $147 million ($85 million on a net basis) for the same period in 2006. The undistributed cash flows attributable to non-controlling shareholders are retained in the respective operating businesses and are available to expand their operations, reduce indebtedness or repurchase equity.

Preferred Equity

Preferred equity represents perpetual floating rate preferred shares that provide an attractive form of permanent equity leverage to our common shares.

			Brookfield Invested Capital				Operating Cash Flow [2]			
AS AT AND FOR THE YEARS	Cost of Capital [1]		Total		Net		Total		Net	
ENDED DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Preferred equity	**5%**	6%	**$870**	$689	**$870**	$689	**$ 44**	$ 35	**$ 44**	$ 35

1 *As a percentage of average book value*

2 *Dividends*

We issued C$200 million of 4.75% perpetual preferred shares during the second quarter, in addition to an issue of an equivalent amount and terms in late 2006.

Common Equity

On a diluted basis, Brookfield had 611.0 million common shares outstanding at year end with an aggregate book value of $6.6 billion or $11.64 per share. The market capitalization of our common shares on December 31, 2007 was $22.3 billion or $35.67 per share. The difference of $15.7 billion (2006 – $14.5 billion) reflects in part the appreciation in the value of our assets that is not reflected in our book values due to accounting depreciation and economic appreciation, and acquisitions that were completed at a discount to long-term value.

The number of shares outstanding increased by 0.2 million shares on a diluted basis during 2007. We repurchased 4.9 million common shares under issuer bids at an average price of $33 per share, issued 3.5 million options in connection with annual compensation awards, and issued 1.8 million common shares in connection with an acquisition.

Brookfield has two classes of common shares outstanding: Class A and Class B. Each class of shares elects one-half of the Corporation's Board of Directors. The Class B shares are held by Partners Ltd., a private company owned by 42 individuals, including a number of the senior executive officers of Brookfield, who also collectively hold direct and indirect beneficial interests in approximately 100 million Class A shares representing an approximate 17% equity interest in the company. Further details on Partners Ltd. can be found in the company's management information circular.

OTHER ASSETS AND LIABILITIES

Other Assets

The following is a summary of other assets:

AS AT DECEMBER 31 (MILLIONS)	Net Invested Capital 2007	2006
Accounts receivable	**$ 565**	$ 386
Restricted cash	**184**	517
Intangible assets	**211**	130
Prepaid and other assets	**788**	888
Deferred tax asset	**262**	—
	$ 2,010	$ 1,921

Other assets include working capital balances employed in our business that are not directly attributable to specific operating units. The magnitude of these balances varies somewhat based on seasonal variances. The net balances include $1,171 million (2006 – $846 million) associated with Brookfield Properties and $839 million (2006 – $1,075 million) associated with the Corporation.

Other Liabilities

AS AT DECEMBER 31 (MILLIONS)	Brookfield Invested Capital Total 2007	Total 2006	Net 2007	Net 2006
Accounts payable	**$ 3,659**	$1,778	**$1,130**	$ 952
Insurance liabilities	**1,655**	1,619	**—**	—
Deferred tax liability	**1,523**	436	**1,044**	349
Other liabilities	**4,265**	2,664	**974**	470
	$11,102	$6,497	**$3,148**	$1,771

Accounts payable and other liabilities include $1,398 million associated with Brookfield Properties (2006 – $616 million). Deferred taxes represent future tax obligations that arise largely due to holding assets whose book value exceeds their value for tax purposes. The increase in these balances on a total basis since year end relate primarily to the difference between our purchase cost of Longview Fibre and the underlying tax basis of the acquired assets. We expect to be able to restructure our ownership of this business so that the accounting liability will not give rise to any material cash outlay.

LIQUIDITY

We attempt to maintain sufficient financial liquidity at all times so that we are able to participate in attractive investment opportunities as they arise, and to also better withstand sudden adverse changes in economic circumstances. Our principal sources of liquidity are financial assets, undrawn committed credit facilities, free cash flow and the turnover of assets on our balance sheet. We structure the ownership of our assets to enhance our ability to monetize their embedded value to provide additional liquidity if necessary.

Our free cash flow represents the operating cash flow retained in the business after operating costs and cash taxes, interest payments, dividend payments to other shareholders of consolidated entities, preferred equity distributions and sustaining capital expenditures. This cash flow is available to pay common share dividends, invest for future growth, reduce borrowings or repurchase equity.

Maturity Profile of Debt Obligations

We endeavour to finance our long-term assets with long-term financing and to diversify our principal repayments over a number of years. Principal repayments on debt obligations due over the next five years and thereafter are as follows:

Corporate Borrowings

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	2008	2009	2010	2011	2012	Beyond	Total
Commercial paper and bank borrowings	2	$ 117	$ 17	$ 17	$ 16	$ —	$ —	$ 167
Publicly traded term debt	11	299	—	199	—	346	1,037	1,881
Total	11	$ 416	$ 17	$ 216	$ 16	$ 346	$ 1,037	$ 2,048
Percentage of total		20%	1%	10%	1%	17%	51%	100%

Property-Specific Borrowings

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	2008	2009	2010	2011	2012	Beyond	Total
Commercial properties	6	$ 2,950	$ 1,678	$ 211	$ 4,685	$ 423	$ 5,479	$ 15,426
Power generation	13	55	138	161	88	667	2,379	3,488
Infrastructure	6	1,200	42	—	32	—	522	1,796
Development and other properties		131	499	182	2	62	58	934
Total	7	$ 4,336	$ 2,357	$ 554	$ 4,807	$ 1,152	$ 8,438	$ 21,644
Percentage of total		20%	11%	3%	22%	5%	39%	100%

Other Debt of Subsidiaries

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	2008	2009	2010	2011	2012	Beyond	Total
Subsidiary borrowings								
Commercial properties	2	$ 469	$ 1,754	$ —	$ —	$ 25	$ 170	$ 2,418
Power generation	9	—	448	—	—	—	349	797
Infrastructure	3	4	—	—	4	—	—	8
Development and other properties	2	563	554	121	97	1	53	1,389
Investments	2	836	47	409	25	60	1	1,378
Corporate subsidiaries	7	—	—	—	127	—	584	711
Co-investor capital								
Properties	6	—	—	—	—	—	762	762
Total	4	$ 1,872	$ 2,803	$ 530	$ 253	$ 86	$ 1,919	$ 7,463
Percentage total		25%	38%	7%	3%	1%	26%	100%

Capital Securities

YEARS ENDED DECEMBER 31 (MILLIONS)	2008 to 2010	2011 to 2013	2014 to 2016	2017 to 2018	Total
Corporate preferred shares and preferred securities	$ —	$ 346	$ —	$ 171	$ 517
Subsidiary preferred shares	199	199	655	—	1,053
Total	$ 199	$ 545	$ 655	$ 171	$ 1,570
Percentage of total	12%	35%	42%	11%	100%

PART 7 – ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

The information in this section enables the reader to reconcile this basis of presentation in our consolidated financial statements to that employed elsewhere in our MD&A. We also provide additional information for certain items not covered within that section. The tables presented on pages 72 and 73 provide a detailed reconciliation between our consolidated financial statements and the basis of presentation throughout the balance of this report.

CONSOLIDATED STATEMENTS OF INCOME

The following table summarizes our consolidated statements of net income:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Revenues	**$ 9,343**	$ 6,897
Net operating income	**4,509**	3,776
Expenses		
Interest	**(1,786)**	(1,185)
Current income taxes	**(68)**	(142)
Asset management and other operating costs	**(464)**	(333)
Non-controlling interests in the foregoing	**(636)**	(468)
	1,555	1,648
Other items, net of non-controlling interests	**(768)**	(478)
Net income	**$ 787**	$ 1,170

Revenues

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Commercial properties	**$ 2,331**	$ 1,500
Power generation	**960**	894
Infrastructure	**599**	428
Development and other properties	**2,169**	1,788
Specialty funds	**1,246**	908
Investment income and other	**2,038**	1,379
	$ 9,343	$ 6,897

Revenues from commercial properties increased due to the expansion of our operations including the acquisition of a major U.S. portfolio in late 2006, which contributed revenues of $899 million ended December 31, 2007. The increase in power generation revenues reflects higher pricing and increased generating capacity offset by lower water flows. Infrastructure revenues increased due to the acquisition of the Pacific Northwest operations during the second quarter of 2007; and for the first six months of 2007, we consolidated the results of the electricity transmission system in Chile that we acquired in June 2006. Our specialty funds' revenues increased due to the consolidation of revenues from Western Forest Products and Concert Industries and increased yields from loans issued during the year. Similarly, investment income and other includes revenues from operations consolidated during 2007 that were accounted for on the equity method during 2006.

Net Operating Income

Net operating income includes the following items from our consolidated statements of income: fees earned; other operating revenues less direct operating expenses; investment and other income; and realization gains. These items are described for each business unit in the Part 2 – Performance Review beginning on page 12.

The following table reconciles net operating income to the total operating cash flow in the segmented basis of presentation and net operating income:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	*Operating Platform*	***2007***	2006
Net operating income		**$ 4,509**	$ 3,776
Add: dividends from equity accounted investments	Private Equity	**21**	66
dividends from Canary Wharf Group	Commercial Properties	**—**	87
exchangeable debenture gains	Cash and Financial Assets	**331**	—
Total operating cash flow		**$ 4,861**	$ 3,929

Expenses

The following table reconciles total interest expense to the categories discussed in the Performance Review and Capital Resources and Liquidity sections:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Corporate borrowings	**$ 146**	$ 126
Property-specific mortgages	**1,226**	751
Subsidiary borrowings	**324**	212
Capital securities	**90**	96
	$ 1,786	$ 1,185

Corporate interest expense for the year increased due to higher rates as well as increased borrowing levels established to provide for the Multiplex acquisition. Property-specific and subsidiary borrowing expenses aggregated $1,550 million during the year, compared with $963 million last year. The increase is due to secured debt on properties acquired in late 2006 and thus far in 2007, the up-financing of our One Liberty Plaza property from $400 million to $850 million as well as associated breakage costs. Interest costs also reflect debt associated with the acquisition of the Pacific Northwest timberland operations in April 2007.

The interests of non-controlling parties in net operating income less expenses aggregated $636 million on a consolidated basis during the year, compared with $468 million on a similar basis during 2006. The increase was due to a higher level of operating cash flows within existing partially owned operations. The composition of non-controlling interests is detailed in the table on page 62.

Other Items

Other items are summarized in the following table, and include items that are non-cash in nature and not considered by us to form part of our operating cash flow. Accordingly, they are included in the reconciliation between net income and operating cash flow presented on page 30.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	2006
Depreciation and amortization	**$ (1,034)**	$ (600)
Equity accounted loss from investments	**(72)**	(36)
Provisions and other	**(112)**	57
Future income taxes	**(88)**	(203)
Non-controlling interests in the foregoing items	**538**	304
	$ (768)	$ (478)

Depreciation and amortization prior to non-controlling interests increased due to the acquisition of additional assets in a number of segments during 2006 and 2007. Depreciation and amortization for each principal operating segment is summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*2005*
Commercial properties	**$ 572**	$ 294	$ 173
Power generation	**164**	124	104
Infrastructure	**138**	68	24
Development and other properties	**65**	36	16
Specialty funds and private equity investments	**89**	71	51
Other	**6**	7	6
	$ 1,034	$ 600	$ 374

The increase in depreciation charges during the year includes $254 million relating to core office properties acquired since late 2006. The infrastructure category includes depreciation and amortization of timberlands and industrial assets acquired upon our purchase of Longview Fibre in the second quarter of 2007, offset by the exclusion of similar charges relating to our Chilean transmission operations as we no longer consolidate these results.

The following table summarizes earnings from our equity accounted investments for the past three years:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*2005*
Norbord	**$ (17)**	$ 37	$ 87
Fraser Papers	**(23)**	(62)	(13)
Stelco	**(32)**	(11)	—
Falconbridge	**—**	—	145
	$ (72)	$ (36)	$ 219

Norbord and Fraser Papers were impacted by low product prices in North America. Fraser Papers also faced higher input costs and incurred additional restructuring charges. We record our share of Stelco's results one quarter in arrears, however because the carrying value to our investment is nominal, we did not record any amount in respect of their second and third quarter results.

Provisions and other, which largely represent revaluation items, contributed a loss of $112 million in 2007 compared with an income of $57 million in 2006 and are summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*2005*
Norbord exchangeable debentures	**$ (9)**	$ 59	$ (10)
Interest rate contracts	**(64)**	7	(16)
Power contracts	**(63)**	—	—
Stelco recovery of equity accounted losses	**43**	—	—
Other	**(19)**	(9)	(33)
	$ (112)	$ 57	$ (59)

Revaluation items are non-cash accounting adjustments that we are required to record under GAAP to reflect changes in value of contractual arrangements that we do not believe are appropriately included in operating cash flow. Items being revalued include debentures issued by us that are exchangeable into 20 million Norbord common shares, which are revalued based on changes in the Norbord share price during the period. We hold the 20 million shares into which the debentures are exchangeable, but are not permitted to mark the investment to market.

Revaluation items also include the impact of revaluing fixed rate financial contracts that we maintain in order to provide an economic hedge against the impact of possible higher interest rates on the value of our long duration interest sensitive assets. The U.S. 10-year treasury rate moved from 4.70% to 4.02% between December 31, 2006 and December 31, 2007, which led to a $64 million decline in the value of these contracts, however we believe that this is offset by a corresponding impact on the value of the assets being hedged. Accounting rules require that we revalue these contracts each period even if the corresponding assets are not revalued.

Within our power operations, we enter into long-term contracts to provide generation capacity, and are required to record changes in the value of these contracts through net income whereas we are not permitted to record the corresponding increase in the value of the capacity that we have pre-sold.

We sold our investment in Stelco during the fourth quarter of 2007 for proceeds substantially in excess of our book value and accordingly recovered $43 million of accumulated equity accounted losses in addition to a disposition gain of $231 million.

Our future income tax provision was lower than in 2006 on a year-to-date basis, due principally to the inclusion in that year of charges related to a reduction in income tax rates that lowered the value of our tax pools. Future income taxes in the first and third quarters of 2007 included a reversals of an income tax liability associated with our U.S. homebuilding operations totalling $51 million following the receipt of a final assessment from income tax authorities in respect of a prior tax year.

CONSOLIDATED BALANCE SHEETS

Total assets at book value increased to $55.6 billion as at December 31, 2007 from $40.7 billion at the end of 2006.

	Book Value	
AS AT DECEMBER 31 (MILLIONS)	***2007***	*2006*
Assets		
Cash and cash equivalents and financial assets	**$ 3,090**	$ 2,869
Investments	**1,352**	775
Accounts receivable and other	**7,327**	4,805
Intangible assets	**1,773**	1,146
Goodwill	**1,528**	669
Operating assets		
Property, plant and equipment	**37,790**	28,082
Securities	**1,828**	1,711
Loans and notes receivable	**909**	651
	$ 55,597	$ 40,708

Investments

Investments represent equity accounted interests in partially owned companies as set forth in the following table, which are discussed further within the relevant business segments in the Description of Operating Platforms.

		% of Investment		Book Value	
AS AT DECEMBER 31 (MILLIONS)	*Business Segment*	***2007***	*2006*	***2007***	*2006*
Property lands	Commercial Office	**20-25%**	—	**$ 382**	$ —
Chile transmission	Transmission	**28%**	28%	**330**	—
Brazil transmission	Transmission	**7.5-25%**	7.5-25%	**205**	157
Norbord Inc.	Investments	**41%**	38%	**180**	178
Real Estate Finance Fund	Specialty Funds	**27%**	33%	**148**	139
Fraser Papers Inc.	Investments	**56%**	49%	**—**	141
Stelco Inc.	Specialty Funds	**—**	23%	**—**	44
Other	Various			**107**	116
Total				**$ 1,352**	$ 775

We acquired interests in four commercial office funds with our acquisition of Multiplex. We commenced accounting for our 28% interest in the Chilean transmission operations on an equity accounted basis on June 30, 2007 following a change in the ownership structure and consolidated the operations at that time. The Brazil transmission investments consist of interests in transmission concessions ranging from 7.5% to 25% that we account for using the equity method as a result of the significant influence that we exercise. We increased our investment in Norbord to 60.2 million shares through the purchase of 5.8 million shares at a cost of $42 million. We syndicated a portion of our interest in the Real Estate Finance Fund to an institutional investor during the third quarter. We began accounting for our investment in Fraser Papers on a consolidated basis following the increase in our ownership to 56%. Our investment in Stelco had nominal book value at the end of the third quarter. The purchase of Stelco by U.S. Steel was approved on October 31, 2007. We received $274 million in proceeds for our investment and recorded a $231 million pre-tax cash gain.

Accounts Receivable and Other

AS AT DECEMBER 31 (MILLIONS)	Book Value 2007	2006
Accounts receivable	**$2,892**	$1,597
Prepaid expenses and other assets	**2,930**	1,902
Restricted cash	**627**	961
Inventory	**878**	345
	$7,327	$4,805

These balances include amounts receivable by the company in respect of contracted revenues owing but not yet collected, and dividends, interest and fees owing to the company. Prepaid expenses and other assets include amounts accrued to reflect the straight-lining of long-term contracted revenues and capitalized lease values in accordance with accounting guidelines and U.S. intangible assets increased during the year due largely to the acquisition of Multiplex. Restricted cash represents cash balances placed on deposit in connection with financing arrangements and insurance contracts, including the defeasement of long-term property-specific mortgages. The distribution of these assets among our business units is presented in the tables on page 72.

Goodwill

Goodwill represents purchase consideration that is not specifically allocated to the tangible and intangible assets being acquired. The balance as at December 31, 2007 includes $694 million of goodwill incurred on the acquisition of Multiplex Group during the fourth quarter of 2007 as discussed within the Property Operations segment; and $593 million of goodwill incurred on the acquisition of Longview Fibre Company during the second quarter of 2007 as discussed within the Infrastructure segment. Goodwill as at December 31, 2006 included an amount of $483 million that arose from the purchase of a transmission system in Chile during 2006. We commenced equity accounting this investment in June 2007 and accordingly no longer present this amount as goodwill as it is imbedded within the carrying value of the investment.

Property, Plant and Equipment

AS AT DECEMBER 31 (MILLIONS)	Book Value 2007	2006
Commercial properties	**$20,984**	$16,058
Power generation	**5,137**	4,309
Infrastructure	**3,046**	2,940
Development and other properties	**7,573**	4,156
Other plant and equipment	**1,050**	619
	$37,790	$28,082

The changes in these balances are discussed within each of the relevant business units within the Description of Operating Platforms section. Commercial properties includes, office and retail property assets. Development and other properties include opportunity investments, residential properties, properties under development and properties held for development.

Securities

Securities include $1.6 billion (2006 – $1.5 billion) of largely fixed income securities held through our insurance operations, as well as our $182 million (2006 – $182 million) common share investment in Canary Wharf Group, which is included in our core office property operations and continues to be carried at historic cost.

Loans and Notes Receivable

Loans and notes receivable consist largely of loans advanced by our bridge lending operations, included in specialty funds.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the company's cash flows on a consolidated basis:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Operating activities	**$ 3,397**	$ 984
Financing activities	**4,392**	8,380
Investing activities	**(7,432)**	(9,111)
Increase in cash and cash equivalents	**$ 357**	$ 253

Operating Activities

Cash flow from operating activities is reconciled to the operating cash flow measure utilized elsewhere in this report as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Operating cash flow	**$1,907**	$1,801
Adjust for:		
Net change in working capital balances and other	**1,254**	(418)
Dividends from Canary Wharf Group	**—**	(87)
Realization gains	**(231)**	(633)
Undistributed non-controlling interests in cash flow	**467**	321
Cash flow from operating activities	**$3,397**	$ 984

Operating cash flow is discussed in detail elsewhere in this report. Changes in working capital balances reflect the sale of exchangeable debentures for approximately $750 million and an increase in accounts payable of $716 million that represents the amount to be paid in 2008 for the purchase of a retail portfolio completed in 2007.

We retained $467 million (2006 – $321 million) of operating cash flow within our consolidated subsidiaries in excess of that distributed by way of dividends.

Financing Activities

Financing activities generated $4.4 billion of cash during 2007, compared with $8.4 billion in 2006. During the year, we completed a number of property-specific financings within our property, power and infrastructure operations, including a major core office property refinancing which lengthened our maturity profile, and financing for the U.S. Pacific Northwest timberlands acquired during the year. Financing proceeds also includes borrowings at the subsidiary level incurred in connection with the Multiplex acquisition.

During 2007, we increased corporate borrowings by $476 million to establish funding for our acquisition of Multiplex. We also redeemed higher cost securities during the first and third quarters of the year and repurchased 4.9 million common shares under issuer bids.

We paid shareholder distributions to holders of our common and preferred shares totalling $316 million (2006 – $258 million), and repurchased common shares issued by our core office and residential property subsidiaries.

Investing Activities

We invested net capital of $7.4 billion on a consolidated basis during 2007, compared with a net investment of $9.1 billion during 2006. We increased our investment in office properties within our core office and opportunity property groups, and invested additional capital through the acquisition and development of power facilities. The most significant acquisitions included that of Multiplex, a major retail property portfolio in Brazil and U.S. timberlands.

RECONCILIATION OF SEGMENTED DISCLOSURE TO CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
	AS AT DECEMBER 31, 2007									
Assets										
Operating assets										
Property, plant and equipment										
Commercial properties	$ 20,984	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 20,984
Power generation	—	5,137	—	—	—	—	—	—	—	5,137
Infrastructure	—	—	3,046	—	—	—	—	—	—	3,046
Development and other properties	—	—	106	7,389	—	78	—	—	—	7,573
Other plant and equipment	18	—	—	—	632	398	2	—	—	1,050
Securities	182	—	—	—	—	1,646	—	—	—	1,828
Loans and notes receivable	—	—	—	—	856	53	—	—	—	909
Cash and cash equivalents	470	77	38	305	74	237	360	—	—	1,561
Financial assets	—	707	—	(41)	180	—	683	—	—	1,529
Investments	382	—	535	30	194	194	17	—	—	1,352
Accounts receivable and other	2,585	848	119	1,398	800	1,208	305	1,837	—	9,100
Goodwill	694	33	591	—	—	37	—	173	—	1,528
Total assets	**$ 25,315**	**$6,802**	**$ 4,435**	**$ 9,081**	**$ 2,736**	**$ 3,851**	**$ 1,367**	**$2,010**	**$ —**	**$ 55,597**
Liabilities and shareholders' equity										
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,048	$ 2,048
Property-specific financing	13,722	3,488	1,796	2,638	—	—	—	—	—	21,644
Other debt of subsidiaries	3,180	797	9	1,364	637	371	394	—	711	7,463
Accounts payable and other liabilities	3,155	879	668	876	434	1,877	65	—	3,148	11,102
Capital securities	—	—	—	—	—	—	—	—	1,570	1,570
Non-controlling interests in net assets	455	213	317	662	528	267	41	—	1,773	4,256
Preferred equity	—	—	—	—	—	—	—	—	870	870
Common equity / net invested capital	4,803	1,425	1,645	3,541	1,137	1,336	867	2,010	(10,120)	6,644
Total liabilities and shareholders' equity	**$ 25,315**	**$6,802**	**$ 4,435**	**$ 9,081**	**$ 2,736**	**$ 3,851**	**$ 1,367**	**$2,010**	**$ —**	**$ 55,597**

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
	AS AT DECEMBER 31, 2006									
Assets										
Operating assets										
Property, plant and equipment										
Commercial properties	$ 16,058	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 16,058
Power generation	—	4,309	—	—	—	—	—	—	—	4,309
Infrastructure	—	—	2,940	—	—	—	—	—	—	2,940
Development and other properties	63	—	111	3,984	—	(2)				4,156
Other plant and equipment	—	—	—	—	453	166	—	—	—	619
Securities	182	—	—	—	29	1,500	—	—	—	1,711
Loans and notes receivable	—	—	—	—	645	6	—	—	—	651
Cash and cash equivalents	11	86	35	407	42	318	305	—	—	1,204
Financial assets	—	532	81	(15)	23	—	1,044	—	—	1,665
Investments	—	—	157	—	160	439	19	—	—	775
Accounts receivable and other	917	436	526	537	445	990	305	1,808	—	5,964
Goodwill	—	27	483	—	—	33	—	113	—	656
Total assets	**$ 17,231**	**$5,390**	**$ 4,333**	**$ 4,913**	**$ 1,797**	**$ 3,450**	**$ 1,673**	**$1,921**	**$ —**	**$ 40,708**
Liabilities and shareholders' equity										
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,507	$ 1,507
Property-specific financing	11,265	2,704	1,974	1,205	—	—	—	—	—	17,148
Other debt of subsidiaries	908	684	596	981	175	67	74	—	668	4,153
Accounts payable and other liabilities	945	419	317	435	250	1,914	446	—	1,771	6,497
Capital securities	—	—	—	—	—	—	—	—	1,585	1,585
Non-controlling interests in net assets	340	215	582	509	190	65	4	—	1,829	3,734
Preferred equity	—	—	—	—	—	—	—	—	689	689
Common equity / net invested capital	3,773	1,368	864	1,783	1,182	1,404	1,149	1,921	(8,049)	5,395
Total liabilities and shareholders' equity	**$ 17,231**	**$5,390**	**$ 4,333**	**$ 4,913**	**$ 1,797**	**$ 3,450**	**$ 1,673**	**$1,921**	**$ —**	**$ 40,708**

Results from Operations

FOR THE YEAR ENDED DECEMBER 31, 2007

(MILLIONS)	*Asset Management*	*Commercial Properties*	*Power*	*Infrastructure*	*Development and Other*	*Specialty Funds*	*Investments*	*Investment Income / Gains*	*Corporate*	*Consolidated*
Fees earned	$ 415	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 415
Revenues less direct operating costs										
Commercial properties	—	1,548	—	—	—	—	—	—	—	1,548
Power generation	—	—	611	—	—	—	—	—	—	611
Infrastructure	—	—	—	290	—	—	—	—	—	290
Development and other properties	—	—	—	7	419	—	(9)	1	—	418
Specialty funds	—	—	—	—	—	370	—	—	—	370
Investment and other income	—	18	—	21	(7)	11	213	370	—	626
Realization gains	—	—	—	—	—	—	—	—	231	231
	415	1,566	611	318	412	381	204	371	231	4,509
Expenses										
Interest	—	843	289	174	72	22	50	7	329	1,786
Asset management and other operating costs	—	—	—	—	—	—	7	—	457	464
Current income taxes	—	10	7	4	(18)	4	42	—	19	68
Non-controlling interests	—	84	54	38	57	14	1	—	388	636
Net income before the following	415	629	261	102	301	341	104	364	(962)	1,555
Dividends	—	—	—	—	—	—	21	—	—	21
Xstrata debenture gain	—	—	—	—	—	—	—	331	—	331
Cash flow from operations	**415**	**629**	**261**	**102**	**301**	**341**	**125**	**695**	**(962)**	**1,907**
Allocation of fees on Brookfield capital	**280**	**(146)**	**(68)**	**(26)**	**(22)**	**(18)**	**—**	**—**	**—**	**—**
	695	483	193	76	279	323	125	695	(962)	1,907
Less: asset management expenses	(264)	—	—	—	—	—	—	—	264	—
non-controlling interests	(65)	—	—	—	—	—	—	—	65	—
Cash flow from operations	**$ 366**	**$ 483**	**$ 193**	**$ 76**	**$ 279**	**$ 323**	**$ 125**	**$ 695**	**$ (633)**	**$ 1,907**

FOR THE YEAR ENDED DECEMBER 31, 2006

(MILLIONS)	*Asset Management*	*Commercial Properties*	*Power*	*Infrastructure*	*Development and Other*	*Specialty Funds*	*Investments*	*Investment Income / Gains*	*Corporate*	*Consolidated*
Fees earned	$ 257	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 257
Revenues less direct operating costs										
Commercial properties	—	936	—	—	—	—	—	—	—	936
Power generation	—	—	620	—	—	—	—	—	—	620
Infrastructure	—	—	—	200	—	—	—	—	—	200
Development and other properties	—	—	—	6	466	—	(2)	—	—	470
Specialty funds	—	—	—	—	—	228	—	—	—	228
Investment and other income	—	—	—	—	—	1	18	413	—	432
Realization gains	—	—	—	—	—	—	—	—	633	633
	257	936	620	206	466	229	16	413	633	3,776
Expenses										
Interest	—	457	235	109	53	13	32	—	286	1,185
Asset management and other operating costs	—	—	—	—	—	—	17	—	316	333
Current income taxes	—	6	2	8	93	3	3	—	27	142
Non-controlling interests	—	5	46	20	74	49	10	17	247	468
Net income before the following	257	468	337	69	246	164	(46)	396	(243)	1,648
Dividends	—	87	—	—	—	—	66	—	—	153
Cash flow from operations	**257**	**555**	**337**	**69**	**246**	**164**	**20**	**396**	**(243)**	**1,801**
Allocation of fees on Brookfield capital	**226**	**(121)**	**(62)**	**(8)**	**(21)**	**(14)**	**—**	**—**	**—**	**—**
	483	434	275	61	225	150	20	396	(243)	1,801
Less: asset management expenses	(192)	—	—	—	—	—	—	—	192	—
non-controlling interests	(54)	—	—	—	—	—	—	—	54	—
Cash flow from operations	**$ 237**	**$ 434**	**$ 275**	**$ 61**	**$ 225**	**$ 150**	**$ 20**	**$ 396**	**$ 3**	**$ 1,801**

PART 8 – SUPPLEMENTAL INFORMATION

This section contains information required by applicable continuous disclosure guidelines and to facilitate additional analysis.

CONTRACTUAL OBLIGATIONS

The following table presents the contractual obligations of the company by payment periods:

		Payments Due by Period			
(MILLIONS)	***Total***	*Less than One Year*	*1 - 3 Years*	*4 - 5 Years*	*After 5 Years*
Long-term debt					
Property-specific mortgages	**$21,644**	$ 4,336	$2,911	$5,959	$8,438
Other debt of subsidiaries	**7,463**	1,872	3,333	339	1,919
Corporate borrowings	**2,048**	416	233	362	1,037
Capital securities	**1,570**	—	199	246	1,125
Lease obligations	**27**	5	10	6	6
Commitments	**1,068**	1,068	—	—	—
Interest expense [1]					
Long-term debt	**10,130**	1,916	2,710	1,834	3,670
Capital securities	**541**	81	162	133	165
Interest rate swaps	**213**	73	37	32	71

1 Represents aggregate interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates

Contractual obligations include $1,068 million (2006 – $1,074 million) of commitments by the company and its subsidiaries provided in the normal course of business, including commitments to provide bridge financing, and letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations, of which $95 million is included as liabilities in the consolidated balance sheets and the balance treated as contingent obligations.

OFF BALANCE SHEET ARRANGEMENTS

We conduct our operations primarily through entities that are fully or proportionately consolidated in our financial statements. We do hold non-controlling interests in entities which are accounted for on an equity basis, as are interests in some of our funds, however we do not guarantee any financial obligations of these entities other than our contractual commitments to provide capital to a fund, which are limited to predetermined amounts.

We utilize various financial instruments in our business to manage risk and make better use of our capital. The fair values of these instruments that are reflected on our balance sheets, are disclosed in Note 18 to our Consolidated Financial Statements and under Financial and Liquidity Risks beginning on page 42.

RELATED-PARTY TRANSACTIONS

In the normal course of operations, the company enters into various transactions on market terms with related parties which have been measured at exchange value and are recognized in the consolidated financial statements. There were no such transactions, individually or in aggregate, that were material to our overall operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to select appropriate accounting policies to make 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 during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the company's financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; depreciation and amortization; value of goodwill and intangible assets; ability to utilize tax losses; the determination of the primary beneficiary of variable interest activities; effectiveness of financial hedges for accounting purposes; and fair values for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with that in the prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. The estimates are impacted by, among other things, movements in

interest rates and other factors, some of which are highly uncertain, as described in the analysis of Business Environment and Risks beginning on page 41 and in the section entitled Financial and Liquidity Risk beginning on page 42. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the company's financial statements in a meaningful way. For further reference on critical accounting policies, see our significant accounting policies contained in Note 1 and Changes in Accounting Policies as described below.

CHANGES IN ACCOUNTING POLICIES

Financial Instruments

In 2005, the CICA issued five new accounting standards: Handbook Section 1530, *Comprehensive Income* (Section 1530), Handbook Section 3251, *Equity* (Section 3251), Handbook Section 3855, *Financial Instruments – Recognition and Measurement* (Section 3855), Handbook Section 3865, *Hedges* (Section 3865) and Handbook Section 3861, *Financial Instruments – Disclosure and Presentation* (Section 3861), which provides disclosure and presentation requirements related to the aforementioned standards. These new standards became effective for the company on January 1, 2007.

Comprehensive Income

Section 1530 introduces Comprehensive Income which represents changes in Shareholders' Equity during a period arising from transactions and other events with non-owner sources. Other Comprehensive Income ("OCI") includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, unrealized gains and losses on derivatives designated to hedge self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Annual Consolidated Financial Statements include a Statement of Comprehensive Income. Accumulated Other Comprehensive Income ("AOCI"), is presented as a new category of Shareholders' Equity in the Consolidated Balance Sheets.

Equity

Section 3251, Equity (Section 3251) establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements of this section are in addition to those noted above in Section 1530. This standard requires the disclosure of both the changes in equity during the periods presented and the components of equity as at the end of the periods presented. As a result of adopting this standard, AOCI has been presented as a separate component of common equity.

Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities including derivatives be recognized on the balance sheet when the company becomes a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transaction costs related to held-for-trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization.

Financial assets and financial liabilities held-for-trading are measured at fair value with gains and losses recognized in income in the period in which they arise. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in OCI in the period in which they arise. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost. The company classifies financial instruments using their applicable default categories except when, in the opinion of management, alternative classification results in a more relevant accounting treatment of the specific instrument.

Derivative instruments are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial instruments or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments are recognized in Net Income, except for effective derivatives that are designated as cash flow hedges and hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation not classified as held-for-trading, the fair value change for which are recognized in OCI.

Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. Instruments that are classified as held-for-trading by way of this "fair value option" must have reliably measurable fair values.

The company accounts for securities transactions using trade date accounting. Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

Hedges

Section 3865 specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in Net Income. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion will be recognized in Net Income. The amounts recognized in AOCI will be reclassified to Net Income in the periods in which Net Income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging derivative is recognized in OCI and the ineffective portion is recognized in Net Income.

For hedging relationships existing prior to adopting Section 3865 that are continued and qualify for hedge accounting under the new standard, the transition accounting is as follows: (i) Fair value hedges – any gain or loss on the hedging instrument is recognized in the opening balance of retained earnings on transition and the carrying amount of the hedged item is adjusted by the cumulative change in fair value that reflects the designated hedged risk and the adjustment is included in the opening balance of retained earnings on transition; and (ii) Cash flow hedges and hedges of a net investment in a self-sustaining foreign operation – any gain or loss on the hedging instrument that is determined to be the effective portion is recognized in AOCI and the ineffectiveness in the past periods is included in the opening balance of retained earnings on transition.

Deferred gains or losses on the hedging instrument with respect to hedging relationships that were discontinued prior to the transition date but qualify for hedge accounting under the new standards will be recognized in the carrying amount of the hedged item and amortized to Net Income over the remaining term of the hedged item for fair value hedges, and for cash flow hedges it will be recognized in AOCI and reclassified to Net Income in the same period during which the hedged item affects Net Income. However, for discontinued hedging relationships that do not qualify for hedge accounting under the new standards, the deferred gains and losses are recognized in the opening balance of retained earnings on transition.

Impact of Adopting Sections 1530, 3251, 3855, 3861 and 3865

The company recorded a transition adjustment effective January 1, 2007, attributable to the following: (i) an increase of $292 million, net of taxes, to opening retained earnings for financial instruments classified as held-for-trading, which includes embedded derivatives in financial instruments and contracts that were not previously recorded at fair value; (ii) recognition of $185 million, net of taxes, in AOCI related to the unrealized gain on available-for-sale financial instruments, effective cash flow hedges and hedges of net investments in self-sustaining foreign operations; and (iii) reclassification of $42 million of net foreign currency losses to AOCI, previously classified as the cumulative translation adjustment in Shareholders' Equity. The impact during the year is described in the Consolidated Statements of Comprehensive Income. Net income during 2007 was reduced by $331 million representing the transitional adjustment in respect of securities sold during the year that would have been recognized under the previous accounting policies.

Accounting Changes

Effective January 1, 2007 the company adopted CICA Handbook Section 1506, *Accounting Changes*. The new standard sets out the conditions that must be met for a change in accounting policy to be applied in accordance with GAAP, specifies how such changes should be applied and requires disclosure of the impact of changes in accounting policies. The standard also specifies that changes in accounting estimate be recognized prospectively in net income and requires disclosure of the impact of a change in estimate on the current and future periods. The adoption of this standard did not have a material impact on the consolidated financial statements.

Variability In Variable Interest Entities

On September 15, 2006, the Emerging Issues Committee issued Abstract No. 163, *Determining the Variability to be Considered in Applying AcG-15* (EIC-163). This EIC provides additional clarification on how to analyze arrangements identified as potential variable interests. EIC-163 was effective for the company on April 1, 2007. The implementation of EIC-163 did not have a material impact to the consolidated financial position or results of operations.

Debt Instruments with Embedded Derivatives

On March 5, 2007, the Emerging Issues Committee issued Abstract No. 164, *Convertible and Other Debt Instruments with Embedded Derivatives* (EIC-164). The EIC provides guidance on how the issuer should account for the financial statement presentation of the instrument, embedded derivatives within the hybrid instrument, the future tax aspects of the instrument and how the instrument is to be treated in earnings per share computations. The implementation of EIC-164 did not have a material impact to the consolidated financial position or results of operations.

ASSESSMENT AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated the effectiveness of the company's internal control over financial reporting. Refer to Management's Report on Internal Control over Financial Reporting. There have been no changes in our internal control over financial reporting during the year ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect the internal control over financial reporting.

DISCLOSURE CONTROLS

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators Multilateral Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of December 31, 2007 in providing reasonable assurance that material information relating to the company and the consolidated subsidiaries would be made known to them within those entities.

CORPORATE DIVIDENDS

The distributions paid by Brookfield on outstanding securities during the past three years are as follows:

	Distribution per Security		
	2007	*2006*	*2005*
Class A Common Shares [1]	**$ 0.47**	$ 0.40	$ 0.26
Class A Preferred Shares			
Series 2	**0.99**	0.88	0.63
Series 3 [2]	**—**	—	2,012.46
Series 4 + Series 7	**0.99**	0.88	0.63
Series 8	**1.10**	1.10	0.74
Series 9	**1.01**	1.25	1.16
Series 10	**1.34**	1.27	1.19
Series 11	**1.28**	1.22	1.14
Series 12	**1.26**	1.19	1.12
Series 13	**0.99**	0.88	0.63
Series 14	**3.57**	3.10	2.25
Series 15	**1.15**	1.00	0.65
Series 17 [3]	**1.11**	0.12	—
Series 18 [4]	**0.71**	—	—
Preferred Securities			
Due 2050 [5]	**0.01**	1.85	1.73
Due 2051 [6]	**0.95**	1.84	1.71

1 *Adjusted to reflect three-for-two stock split*
2 *Redeemed November 8, 2005*
3 *Issued November 20, 2006*
4 *Issued May 9, 2007*
5 *Redeemed January 2, 2007*
6 *Redeemed July 3, 2007*

QUARTERLY RESULTS

Net income and operating cash flows for the eight recently completed quarters are as follows:

	2007				2006			
(MILLIONS)	***Q4***	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Total revenues	**$3,158**	$2,219	$2,125	$1,841	$2,904	$1,405	$1,405	$1,183
Fees earned	**92**	96	95	132	70	64	69	54
Revenues less direct operating costs								
Commercial property	**414**	350	396	388	322	194	208	212
Power generation	**148**	105	170	188	142	122	156	200
Infrastructure	**33**	54	114	89	70	80	30	20
Development and other properties	**115**	40	117	146	164	107	129	70
Specialty funds	**233**	16	59	62	131	29	29	39
Investment and other income	**133**	248	116	129	78	180	84	90
Realization gains	**204**	—	27	—	528	79	—	26
	1,372	909	1,094	1,134	1,505	855	705	711
Expenses								
Interest	**510**	454	424	398	420	291	250	224
Asset management and other operating costs	**141**	108	105	110	108	70	84	71
Current income taxes	**28**	(6)	26	20	68	23	37	14
Non-controlling interest in net income before the following	**124**	103	204	205	142	108	118	100
Net income before the following	**569**	250	335	401	767	363	216	302
Equity accounted income (loss) from investments	**(4)**	—	(29)	(39)	(10)	(7)	3	(22)
Depreciation and amortization	**(294)**	(250)	(267)	(223)	(233)	(136)	(127)	(104)
Provisions and other	**(95)**	(33)	11	5	(37)	4	70	20
Future income taxes	**35**	11	(69)	(65)	3	(49)	(86)	(71)
Non-controlling interests in the foregoing items	**135**	115	172	116	121	70	59	54
Net income	**$ 346**	$ 93	$ 153	$ 195	$ 611	$ 245	$ 135	$ 179

For the three months ended December 31, 2007, we reported operating cash flow of $575 million, compared to $859 million during the same period in 2006 as shown in the table on the following page and reported net income of $346 million and $611 million for the same periods in 2007 and 2006, respectively.

The results for the three months ended December 31, 2006 included $528 million of realization gains whereas the results for the fourth quarter of 2007 included $204 million of realization gains. The contribution from specialty funds during the fourth quarter of 2007 included a $231 million disposition gain within our restructuring operations whereas the 2006 results from the same unit included a $59 million net contribution from the settlement of an outstanding trade negotiations involving one of our investee companies. Commercial property operations contributed a higher level of operating cash flow due to acquisitions completed in the fourth quarter of both 2006 and during 2007. Cash flow from commercial property operations in 2006 included an $87 million dividend from Canary Wharf, which represents an important component of our European property operations.

Commercial office property operations tend to produce consistent results throughout the year due to the long-term nature of the contractual lease arrangements. Quarterly seasonality does exist in our residential property and power generation operations. With respect to our residential operations, the fourth quarter tends to be the strongest as this is the period during which most of the construction is completed and homes are delivered. With respect to our power generation operations, seasonality exists in water inflows and pricing. During the fall rainy season and spring thaw, water inflows tend to be the highest leading to higher generation during those periods; however prices tend not to be as strong as the summer and winter seasons due to the more moderate weather conditions during those periods and associated reductions in demand for electricity. We periodically record realization and other gains, special distributions, as well as gains on losses or any unhedged financial positions throughout our operations and, while the timing of these items is difficult to predict, the dynamic nature of our asset base tends to result in these items occurring on a relatively frequent basis.

Cash flow from operations for the last eight quarters are as follows:

	2007				2006			
(MILLIONS, EXCEPT PER SHARE AMOUNTS)	***Q4***	*Q3*	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	*Q1*
Net income before the following	**$ 569**	$ 250	$ 335	$ 401	$ 767	$ 363	$ 216	$ 302
Dividends from equity accounted investments	**6**	5	5	5	5	5	51	5
Dividends from Canary Wharf	**—**	—	—	—	87	—	—	—
Exchangeable debenture gain	**—**	66	100	165	—	—	—	—
Cash flow from operations and gains	**575**	321	440	571	859	368	267	307
Preferred share dividends	**12**	13	10	9	8	7	10	10
Cash flow to common shareholders	**$ 563**	$ 308	$ 430	$ 562	$ 851	$ 361	$ 257	$ 297
Common equity – book value	**$6,644**	$6,328	$6,337	$6,061	$5,395	$4,905	$4,721	$4,663
Common shares outstanding [1]	**583.6**	581.0	583.6	582.2	581.8	581.0	580.2	579.8
Per common share [1]								
Cash flow from operations	**$ 0.94**	$ 0.52	$ 0.72	$ 0.93	$ 1.42	$ 0.60	$ 0.43	$ 0.50
Net income	**0.56**	0.13	0.24	0.31	1.01	0.40	0.20	0.29
Dividends	**0.12**	0.12	0.12	0.11	0.11	0.11	0.11	0.07
Book value	**11.64**	11.17	11.07	10.59	9.37	8.60	8.31	8.19
Market trading price (NYSE)	**35.67**	38.50	39.90	34.84	32.12	29.56	27.08	24.47

1 Adjusted to reflect three-for-two stock split

ADDITIONAL SHARE DATA

Basic and Diluted Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Net income	**$787**	$1,170
Preferred share dividends	**(44)**	(35)
Net income available for common shareholders	**$743**	$1,135
Weighted average – common shares	**582**	580
Dilutive effect of the conversion of notes and options using treasury stock method	**17**	18
Common shares and common share equivalents	**599**	598

Issued and Outstanding Common Shares

The number of issued and outstanding common shares changed as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Outstanding at beginning of year	**581.8**	579.6
Issued (repurchased)		
Dividend reinvestment plan	**0.1**	0.1
Management share option plan	**4.9**	2.4
Issuer bid purchases	**(5.0)**	(0.3)
Acquisition	**1.8**	—
Outstanding at end of year	**583.6**	581.8
Unexercised options	**27.4**	29.0
Total diluted common shares at end of year	**611.0**	610.8

In calculating our book value per common share, the cash value of our unexercised options of $469 million (2006 – $328 million) is added to the book value of our common share equity of $6,644 million (2006 – $5,395 million) prior to dividing by the total diluted common shares presented above.

ASSETS UNDER MANAGEMENT

The following tables set forth the assets, net invested capital and commitments managed by Brookfield, including the amounts managed on behalf of co-investors:

		Total Assets Under Management			Co-investor Interests		Brookfield's
	Year		Net Invested	Committed	Net Invested	Committed	Ownership
AS AT DECEMBER 31, 2007 (MILLIONS)	Formed	Assets	Capital	Capital [1]	Capital	Capital	Level
Core and Value Add							
U.S. Core Office [2]	2006	$ 7,650	$ 1,770	$ 1,950	$ 980	$ 1,025	62%
Canadian Core Office [2]	2005	1,641	866	866	650	650	25%
Multiplex Funds [3]	2007	2,530	924	924	623	623	various
West Coast Timberlands	2005	911	477	477	243	243	50%
East Coast Timber Fund	2006	205	117	117	72	72	45%
Transmission	2006	2,650	1,207	1,207	877	877	28%
Bridge Loan I	2003	1,082	1,082	1,435	661	814	41%
Bridge Loan II	2007	105	105	936	38	696	26%
Real Estate Finance	various	4,637	1,330	1,624	1,053	1,225	4-51%
Brookfield Real Estate Services Fund	2003	125	84	84	59	59	25%
		21,536	7,962	9,620	5,256	6,284	
Opportunity and Private Equity							
Real Estate Opportunity	2006	988	226	249	93	116	52%
Real Estate Opportunity II	2007	583	92	168	—	43	74%
Brazil Retail Property	2006	1,698	328	800	225	600	25%
Residential Properties – U.S. [4]	2007	1,384	400	400	200	200	29%
Tricap Restructuring I	2002	878	432	432	211	211	48%
Tricap Restructuring II	2006/7	660	380	842	240	542	36%
		6,191	1,858	2,891	969	1,712	
Listed Securities and Fixed Income							
Equity Funds	various	6,027	6,027	6,027	6,027	6,027	3%
Fixed Income Funds	various	20,210	20,210	20,210	20,210	20,210	na
		26,237	26,237	26,237	26,237	26,237	
Total fee bearing assets/capital		53,964	36,057	38,748	$ 32,462	$ 34,233	na
Directly Held Non-Fee Bearing Assets							
Core Office – North America [2]		10,357	2,149	2,149			
Core Office – Europe		796	257	257			
Core Office – Australia		6,078	987	987			
Residential Properties – Canada [2] / Brazil		1,525	200	200			
Power Generation – North America		5,994	901	901			
Power Generation – Brazil		808	524	524			
Timber – U.S.		2,462	674	674			
Timber – Brazil		97	72	72			
Transmission – Canada / Brazil		430	290	290			
Other		11,829	6,695	6,695			
		40,376	12,749	12,749			
		$94,340	$ 48,806	$ 51,497			

1 Includes incremental co-investment capital

2 Held by 51%-owned Brookfield Properties

3 Comprised of four funds with ownerships ranging from 20% to 25%

4 Held by 58%-owned Brookfield Homes

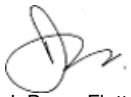
Internal Control Over Financial Reporting

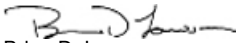
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Brookfield Asset Management Inc. ("Brookfield") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Management assessed the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2007, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2007, Brookfield's internal control over financial reporting is effective. Also, management determined that there were no material weaknesses in Brookfield's internal control over financial reporting as of December 31, 2007. Management excluded from its assessment the internal control over financial reporting at Longview Fibre Inc. ("Longview"), Multiplex Group Limited ("Multiplex"), and Malzoni Properties Inc. ("Malzoni"), which were acquired during 2007, whose total assets, net assets, total revenues, and net income on a combined basis constitute approximately 22%, 39%, 11% and nil% respectively of the consolidated financial statement amounts as of and for the year ended December 31, 2007.

Management's assessment of the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2007, has been audited by Deloitte & Touche, LLP, Independent Registered Chartered Accountants, who also audited Brookfield's Consolidated Financial Statements for the year ended December 31, 2007. As stated in the Report of Independent Registered Chartered Accountants, Deloitte & Touche, LLP expressed an unqualified opinion on Brookfield's internal control over financial reporting as of December 31, 2007.





Toronto, Canada
March 13, 2008

J. Bruce Flatt
Chief Executive Officer

Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the internal control over financial reporting of Brookfield Asset Management Inc. and subsidiaries (the "Company") as of December 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Longview Fibre Company ("Longview"), Multiplex Group ("Multiplex"), and Malzoni Properties Inc. ("Malzoni"), which were acquired in 2007 and whose financial statements, on a combined basis, constitute approximately 39% and 22% of net and total assets, respectively, 11% of revenues, and nil% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2007. Accordingly, our audit did not include the internal control over financial reporting at Longview, Multiplex, and Malzoni. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards, the consolidated financial statements as of and for the year ended December 31, 2007 of the Company and our report dated March 13, 2008 expressed an unqualified opinion on those financial statements.

Toronto, Canada
March 13, 2008

Deloitte & Touche LLP
Independent Registered Chartered Accountants
Licensed Public Accountants

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the company's management which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the company. In addition, the company maintains an internal audit group that conducts periodic audits of all aspects of the company's operations. The Chief Internal Auditor has full access to the Audit Committee.

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche, LLP, the independent registered chartered accountants appointed by the shareholders, have examined the consolidated financial statements set out on pages 84 through 115 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.



Toronto, Canada
March 13, 2008

J. Bruce Flatt
Chief Executive Officer

Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

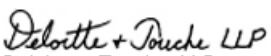
We have audited the consolidated balance sheets of Brookfield Asset Management Inc. (the "Company") as at December 31, 2007 and 2006, and the consolidated statements of income, retained earnings, comprehensive income, accumulated other comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

On March 13, 2008, we reported separately to the Board of Directors and Shareholders of Brookfield Asset Management Inc. that we have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), consolidated financial statements for the same periods, prepared in accordance with Canadian generally accepted accounting principles but which included a footnote providing a reconciliation of accounting principles generally accepted in Canada and the United States of America as it related to the Company.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.



Toronto, Canada
March 13, 2008

Deloitte & Touche, LLP
Independent Registered Chartered Accountants
Licensed Public Accountants

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (MILLIONS)	*Note*	***2007***	*2006*
Assets			
Cash and cash equivalents		**$ 1,561**	$ 1,204
Financial assets	*3*	**1,529**	1,665
Investments	*4*	**1,352**	775
Accounts receivable and other	*5*	**7,327**	4,805
Intangible assets	*6*	**1,773**	1,146
Goodwill	*2*	**1,528**	669
Operating assets			
Property, plant and equipment	*7*	**37,790**	28,082
Securities	*8*	**1,828**	1,711
Loans and notes receivable	*9*	**909**	651
		$55,597	$40,708
Liabilities and shareholders' equity			
Corporate borrowings	*10*	**$ 2,048**	$ 1,507
Non-recourse borrowings			
Property-specific mortgages	*11*	**21,644**	17,148
Subsidiary borrowings	*11*	**7,463**	4,153
Accounts payable and other liabilities	*12*	**10,055**	5,578
Intangible liabilities	*13*	**1,047**	919
Capital securities	*14*	**1,570**	1,585
Non-controlling interests in net assets	*15*	**4,256**	3,734
Shareholders' equity			
Preferred equity	*16*	**870**	689
Common equity	*17*	**6,644**	5,395
		$55,597	$40,708

On behalf of the Board:



Robert J. Harding, FCA, Director

Marcel R. Coutu, Director

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	*Note*	***2007***	*2006*
Total revenues		**$ 9,343**	$6,897
Fees earned		**415**	257
Revenues less direct operating costs	*19*		
Commercial properties		**1,548**	936
Power generation		**611**	620
Infrastructure		**290**	200
Development and other properties		**418**	470
Specialty funds		**370**	228
		3,652	2,711
Investment and other income		**626**	432
Realization gains		**231**	633
		4,509	3,776
Expenses			
Interest		**1,786**	1,185
Current income taxes	*21*	**68**	142
Asset management and other operating costs		**464**	333
Non-controlling interests in net income before the following	*20*	**636**	468
		1,555	1,648
Other items			
Equity accounted loss from investments	*22*	**(72)**	(36)
Depreciation and amortization		**(1,034)**	(600)
Provisions and other		**(112)**	57
Future income taxes	*21*	**(88)**	(203)
Non-controlling interests in the foregoing items	*20*	**538**	304
Net income		**$ 787**	$1,170
Net income per common share[1]	*17*		
Diluted		**$ 1.24**	$ 1.90
Basic		**$ 1.27**	$ 1.95

1 Prior year has been restated to reflect three-for-two stock split on June 1, 2007

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31 (MILLIONS)	**2007**	*2006*
Retained earnings, beginning of year	**$4,222**	$3,321
Change in accounting policy [1]	**292**	—
Net income	**787**	1,170
Preferred equity issue costs	**(6)**	(5)
Shareholder distributions – preferred equity	**(44)**	(35)
– common equity	**(272)**	(223)
Amount paid in excess of book value of common shares purchased for cancellation	**(112)**	(6)
	$4,867	$4,222

1 Refer to Note 1(m) for impact of new accounting policies related to financial instruments

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME [1]

YEARS ENDED DECEMBER 31 (MILLIONS)	*Note*	***2007***	*2006*
Net income		**$ 787**	$1,170
Other comprehensive income (loss)	*3*		
Foreign currency translation		**410**	(36)
Available-for-sale securities		**(79)**	—
Derivative instruments designated as cash flow hedges		**(73)**	—
Future income taxes on above items		**44**	—
		302	(36)
Comprehensive income		**$1,089**	$1,134

1 Refer to Note 1(m) for impact of new accounting policies related to financial instruments

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) [1]

YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*
Transition adjustment – January 1, 2007	**$143**	$ —
Other comprehensive income (loss)	**302**	(36)
Balance, end of year	**$445**	$ (36)

1 Refer to Note 1(m) for impact of new accounting policies related to financial instruments

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31 (MILLIONS)	*Note*	***2007***	*2006*
Operating activities			
Net income		**$ 787**	$ 1,170
Adjusted for the following non-cash items			
Depreciation and amortization		**1,034**	600
Future income taxes and other provisions		**200**	146
Realization gains		**(231)**	(633)
Non-controlling interest in non-cash items	*20*	**(538)**	(304)
Equity accounted loss and dividends received from investments		**93**	102
		1,345	1,081
Net change in non-cash working capital balances and other		**1,472**	(418)
Undistributed non-controlling interests in cash flows		**467**	321
		3,284	984
Financing activities			
Corporate borrowings, net of repayments	*25*	**476**	(110)
Property-specific mortgages, net of repayments	*25*	**2,484**	5,437
Other debt of subsidiaries, net of repayments	*25*	**1,824**	33
Capital provided by non-controlling interests		**268**	1,950
Capital securities redemption		**(225)**	—
Corporate preferred equity issuance		**181**	174
Common shares and equivalents repurchased, net of issuances	*25*	**(121)**	10
Common shares of subsidiaries repurchased, net of issuances		**(100)**	1,144
Shareholder distributions		**(316)**	(258)
		4,471	8,380
Investing activities			
Investment in or sale of operating assets, net			
Property	*25*	**(5,798)**	(6,482)
Power generation		**(452)**	(801)
Infrastructure		**(1,330)**	(1,718)
Securities and loans	*25*	**(528)**	(720)
Financial assets	*25*	**636**	696
Investments		**115**	(169)
Other property, plant and equipment		**(41)**	(4)
Dividends from Canary Wharf Group, plc		**—**	87
		(7,398)	(9,111)
Cash and cash equivalents			
Increase		**357**	253
Balance, beginning of year		**1,204**	951
Balance, end of year		**$ 1,561**	$ 1,204

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA").

(a) Basis of Presentation

All currency amounts are in United States dollars ("U.S. dollars") unless otherwise stated. The consolidated financial statements include the accounts of Brookfield Asset Management Inc. and the entities over which it has voting control, as well as Variable Interest Entities ("VIEs") for which the company is considered to be the primary beneficiary.

The company accounts for investments over which it has significant influence using the equity basis. Interests in jointly controlled partnerships and corporate joint ventures are proportionately consolidated. Measurement of investments in which the company does not have a significant influence depends on the financial instrument classification.

Certain prior year amounts have been reclassified to conform to the current year's presentation.

The preparation of financial statements in conformity with GAAP requires management to make 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 during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values, tax and other provisions, hedge effectiveness, and fair values.

(b) Reporting Currency

The U.S. dollar is the functional currency of the company's head office operations and the U.S. dollar is the company's reporting currency.

The accounts of self-sustaining subsidiaries having a functional currency other than the U.S. dollar are translated using the current rate method. Gains or losses on translation are deferred and included in other comprehensive income in the cumulative translation adjustment account. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these subsidiaries are reported in the same manner.

Foreign currency denominated monetary assets and liabilities of the company and subsidiaries where the functional currency is other than the U.S. dollar, are translated at the rate of exchange prevailing at period-end and revenues and expenses at average rates during the period. Gains or losses on translation of these items are included in the consolidated statements of income. Gains or losses on transactions which hedge these items are also included in the consolidated statements of income. Gains or losses on foreign currency denominated available-for-sale financial instruments are included in other comprehensive income.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid short-term investments with original maturities less than 90 days.

(d) Operating Assets

(i) Commercial Properties

Commercial properties held for investment are carried at cost less accumulated depreciation. Depreciation on buildings is provided during the year on a straight-line basis over the useful lives of the properties to a maximum of 60 years. Depreciation is determined with reference to the carried value, remaining estimated useful life and residual value of each rental property. Tenant improvements and re-leasing costs are deferred and amortized over the lives of the leases to which they relate.

CICA Handbook EIC-140, *Accounting for Operating Leases Acquired in either an Asset Acquisition or a Business Combination* and CICA Handbook EIC-137, *Recognition of Customer Relationships Acquired in a Business Combination* require that when a company acquires real estate in either an asset acquisition or business combination, a portion of the purchase price should be allocated to the in-place leases to reflect the intangible amounts of leasing costs, above or below market tenant and land leases, and tenant relationship values, if any. These intangible costs are amortized over their respective lease terms.

(ii) Power Generation

Power generating facilities are recorded at cost, less accumulated depreciation. Depreciation on power generating facilities and equipment is provided at various rates on a straight-line basis over the estimated service lives of the assets, which are up to 60 years for hydroelectric generation assets.

Power generating facilities under development are recorded at cost, including pre-development expenditures, unless impairment is identified requiring a write-down to estimated fair value.

(iii) Infrastructure

(a) Timberlands

Timber assets are carried at cost, less accumulated depletion. Depletion of timber assets is determined based on the number of cubic metres of timber harvested annually at a fixed rate.

(b) Transmission Infrastructure

Transmission assets are carried at cost, less accumulated depreciation. Depreciation on transmission and distribution facilities is provided at various rates on a straight-line basis over the estimated service lives of the assets, which is up to 40 years.

(iv) Development and Other Properties

Development and other properties consist of residential properties, properties for which a major repositioning program is being conducted and properties which are under construction. These properties are recorded at cost, including pre-development expenditures. Homes and other properties held for sale, which include properties subject to sale agreements, are recorded at the lower of cost and estimated fair value. Income received relating to homes and other properties held for sale is applied against the carried value of these properties. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue.

(v) Financial Assets, Investments and Securities

Financial Assets include securities that are not an active component of the company's asset management operations and are designated as either held-for-trading or available-for-sale. Investments in securities that are actively deployed in the company's operations are classified as securities and are designated as either held-for-trading or available-for-sale. Financial Assets and Securities are recorded at fair value, with changes in fair value accounted for in net income or other comprehensive income as applicable. Equity instruments designated as available-for-sale financial assets and securities that do not have a quoted market price from an active market are carried at cost.

Investments include investments in the securities of affiliates and are accounted for using the equity method of accounting.

Provisions are established in instances where, in the opinion of management, the carrying values of portfolio securities or portfolio investments has been impaired.

(vi) Loans and Notes Receivable

Loans and notes receivable are recorded initially at their fair value and, with the exception of receivables designated as trading, are subsequently measured at amortized cost using the effective interest method, less any applicable provision for impairment. Loans and receivables designated as held-for-trading are recorded at fair value with changes in fair value accounted for in net income in the period in which they arise. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

(e) Asset Impairment

For assets other than securities and loans and notes receivable, a write-down to estimated fair value is recognized if the estimated undiscounted future cash flows from an asset or group of assets is less than their carried 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 economic conditions anticipated to prevail in the market.

(f) Accounts Receivable and Other

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. Included in accounts receivable and other are restricted cash and inventories which are carried at the lower of average cost and net realizable value and materials and supplies which are valued at the lower of average cost and replacement cost.

(g) Intangible Assets and Liabilities

Intangible assets and liabilities with a finite life are amortized on a straight-line basis over their estimated useful lives, generally not exceeding 20 years, and are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to recover its carrying amount.

(h) Goodwill

Goodwill represents the excess of the price paid for the acquisition of a consolidated entity over the fair value of the net identifiable tangible and intangible assets acquired.

Goodwill is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. If the carrying value of a subsidiary, including the allocated goodwill, exceeds its fair value, goodwill impairment is measured as the excess of the carrying amount of the subsidiary's allocated goodwill over the implied fair value of the goodwill, based on the fair value of the assets and liabilities of the subsidiary. Any goodwill impairment is charged to income in the period in which the impairment is identified.

(i) Revenue and Expense Recognition

(i) Asset Management Fee Income

Revenues from performance-based incentive fees are recorded on the accrual basis based upon the amount that would be due under the incentive fee formula at the end of the measurement period established by the contract where it is no longer subject to adjustment based on future events. In some cases this will require that the recognition of performance-based incentive fees be deferred to the end, or towards the end of the contract at which point performance can be accurately measured.

(ii) Commercial Property Operations

Revenue from a commercial property is recognized upon the earlier of attaining a break-even point in cash flow after debt servicing, or the expiration of a reasonable period of time following substantial completion, subject to the time limitation determined when the project is approved, but no later than one year following substantial completion. Prior to this, the property is categorized as a property under development, and related revenue is applied to reduce development costs.

The company has retained substantially all of the risks and Benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line or free rent receivable, as applicable is recorded for the difference between the rental revenue recorded and the contractual amount received. Rental revenue includes percentage participating rents and recoveries of operating expenses, including property, capital and similar taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Revenue from commercial land sales is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

(iii) Power Generation

Revenue from the sale of electricity is recorded at the time power is provided based upon output delivered and capacity provided at rates as specifi ed under contract terms or prevailing market rates.

(iv) Infrastructure

(a) Timberlands

Revenue from timberlands is derived from the sale of logs and related products. The company recognizes sales to external customers when the product is shipped and title passes, and collectibility is reasonably assured.

(b) Transmission Infrastructure

Revenue from transmission infrastructure assets is derived from the transmission and distribution of electricity to industrial and retail customers. Revenue is recognized at regulated rates when the electricity is delivered, and collectibility is reasonably assured.

(v) Development and Other Properties

Revenue from residential land sales is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

Revenue from the sale of homes is recognized when title passes to the purchaser upon closing and at which time all proceeds are received or collectibility is assured.

Revenue from the sale of condominium units is recognized using the percentage-of-completion method at the time that construction is beyond a preliminary stage, sufficient units are sold and all proceeds are received or collectability is assured.

Revenue from construction projects is recognized by the percentage-of-completion method at the time that construction is beyond a preliminary stage, there are indications that the work will be completed according to plan and all proceeds are received or collectibility is assured.

(vi) Securities and Loans and Notes Receivable

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

(vii) Other

Gains on the exchange of assets which do not result from transactions of commercial substance are deferred until realized by sale.

The net proceeds recorded under reinsurance contracts are accounted for as deposits until a reasonable possibility that the company may realize a significant loss from the insurance risk does not exist.

(j) Derivative Financial Instruments

The company and its subsidiaries selectively utilize derivative financial instruments primarily to manage financial risks, including interest rate, commodity and foreign exchange risks. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is reasonable assurance that it will continue to be 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 deferred by the application of hedge accounting is recognized in income over the remaining term of the original hedging relationship.

Realized and unrealized gains and losses on foreign exchange forward contracts and currency swap contracts designated as hedges of currency risks are included in other comprehensive income when the currency risk relates to a net investment in a self-sustaining subsidiary and are otherwise included in income in the same period as when the underlying asset, liability or anticipated transaction affects income.

Unrealized gains and losses on interests rate forward and swap contracts designated as hedges of future interest payments are included in other comprehensive income when the interest rate risk relates to an anticipated 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 income over the term of the corresponding interest payments. Unrealized gains and losses on electricity forward and swap contracts designated as hedges of future power generation revenue are included in other comprehensive income. The periodic exchanges of payments on power generation commodity swap contracts designated as hedges are recorded on a settlement basis as an adjustment to power generation revenue. Premiums paid on options are initially recorded as assets and are amortized into earnings over the term of the option contract.

Derivative financial instruments that are not designated as hedges are carried at estimated fair value, and gains and losses arising from changes in fair value are recognized in the period the changes occur. Unrealized gains and losses on interest rate swaps carried to offset corresponding changes in the values of assets and cash flow streams that are not reflected in the consolidated financial statements at December 31, 2007 and 2006 are recorded in other comprehensive income. Realized and unrealized gains and losses on equity derivatives used to offset the change in share prices in respect of vested Deferred Share Units and Restricted Share Appreciation Units are recorded together with the corresponding compensation expense. Realized and unrealized gains on other derivatives not designated as hedges are recorded in investment and other income. Derivative financial instruments of a financing nature are recorded at fair value determined on a credit adjusted basis.

(k) Income Taxes

The company uses the asset and liability method whereby future income tax assets and liabilities are determined based on differences between the carrying amounts and tax bases of assets and liabilities, and measured using the tax rates and laws that will be in effect when the differences are expected to reverse.

(l) Other Items

(i) Capitalized Costs

Capitalized costs on assets under development and redevelopment include all expenditures incurred in connection with the acquisition, development and construction of the asset until it is available for its intended use. These expenditures consist of costs and interest on debt that is related to these assets. Ancillary income relating specifically to such assets during the development period is treated as a reduction of costs.

(ii) Pension Benefits and Employee Future Benefits

The costs of retirement Benefits for defined benefit plans and post-employment Benefits are recognized as the Benefits are earned by employees. The company uses the accrued benefit method pro-rated using the length of service and management's best estimate assumptions to value its pension and other retirement Benefits. Assets are valued at fair value for purposes of calculating the expected return on plan assets. For defined contribution plans, the company expenses amounts as paid.

(iii) Liabilities and Equity

Financial instruments that must or could be settled by a variable number of the company's common shares upon their conversion by the holders as well as the related accrued distributions are classified as liabilities on the Consolidated Balance Sheets under the caption "Capital Securities" and are translated into U.S. dollars at period end rates. Dividends and yield distributions on these instruments are classified as Interest expense in the Consolidated Statements of Income.

(iv) Asset Retirement Obligations

Obligations associated with the retirement of tangible long-lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liabilities initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset.

(v) Stock-Based Compensation

The company and most of its consolidated subsidiaries account for stock options using the fair value method. Under the fair value method, compensation expense for stock options is determined based on the fair value at the grant date using an option pricing model and charged to income over the vesting period. The company's publicly traded U.S. and Brazilian homebuilding subsidiaries record the liability and expense of stock options based on their intrinsic value using variable plan accounting, reflecting differences in how these plans operate. Under this method, vested options are revalued each reporting period, and any change in value is included in income.

(m) Changes in Accounting Policies Adopted During 2007

Financial Instruments

The CICA issued five new accounting standards: Handbook Section 1530, *Comprehensive Income* (Section 1530), Handbook Section 3251, *Equity* (Section 3251), Handbook Section 3855, *Financial Instruments – Recognition and Measurement* (Section 3855), Handbook Section 3865, *Hedges* (Section 3865) and Handbook Section 3861, *Financial Instruments – Disclosure and Presentation* (Section 3861), which provides disclosure and presentation requirements related to the aforementioned standards. These new standards became effective for the company on January 1, 2007.

(i) Comprehensive Income

Section 1530 introduces Comprehensive Income which represents changes in Shareholders' Equity during a period arising from transactions and other events with non-owner sources. Other Comprehensive Income ("OCI") includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, unrealized gains and losses on derivatives designated to hedge self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Annual Consolidated Financial Statements include a Statement of Comprehensive Income. Accumulated Other Comprehensive Income ("AOCI"), is presented as a new category of Shareholders' Equity in the Consolidated Balance Sheets.

(ii) Equity

Section 3251, Equity (Section 3251) establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements of this section are in addition to those noted above in Section 1530. This standard requires the disclosure of both the changes in equity during the periods presented and the components of equity as at the end of the periods presented. As a result of adopting this standard, AOCI has been presented as a separate component of common equity.

(iii) Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities including derivatives be recognized on the balance sheet when the company becomes a party to the contractual provisions of the financial instrument or a non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related-party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Transaction costs related to held-for-trading financial assets or liabilities are expensed as incurred. For other financial instruments, transaction costs are capitalized on initial recognition and amortized using the effective interest method of amortization.

Financial assets and financial liabilities held-for-trading are measured at fair value with gains and losses recognized in income in the period in which they arise. Available-for-sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in OCI in the period in which they arise. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost using the effective interest method of amortization. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost. The company classifies financial instruments using their applicable default categories except when, in the opinion of management, alternative classification results in a more relevant accounting treatment of the specific instrument.

Derivative instruments are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial instruments or other contracts that are not closely related to the host financial instrument or contract. Changes in the fair values of derivative instruments are recognized in Net Income, except for effective derivatives that are designated as cash flow hedges and hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation not classified as held-for-trading, the fair value change for which are recognized in OCI.

Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855. Instruments that are classified as held-for-trading by way of this “fair value option” must have reliably measurable fair values.

The company accounts securities transactions using trade date accounting. Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost.

(iv) Hedges

Section 3865 specifies the criteria under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item will be adjusted by gains or losses attributable to the hedged risk and recognized in Net Income. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective, will be offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in OCI. The ineffective portion will be recognized in Net Income. The amounts recognized in AOCI will be reclassified to Net Income in the periods in which Net Income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, the effective portion of foreign exchange gains and losses on the hedging derivative is recognized in OCI and the ineffective portion is recognized in Net Income.

For hedging relationships existing prior to adopting Section 3865 that are continued and qualify for hedge accounting under the new standard, the transition accounting is as follows: (i) Fair value hedges – any gain or loss on the hedging instrument is recognized in the opening balance of retained earnings on transition and the carrying amount of the hedged item is adjusted by the cumulative change in fair value that reflects the designated hedged risk and the adjustment is

included in the opening balance of retained earnings on transition; and (ii) Cash flow hedges and hedges of a net investment in a self-sustaining foreign operation – any gain or loss on the hedging instrument that is determined to be the effective portion is recognized in AOCI and the ineffectiveness in the past periods is included in the opening balance of retained earnings on transition.

Deferred gains or losses on the hedging instrument with respect to hedging relationships that were discontinued prior to the transition date but qualify for hedge accounting under the new standards will be recognized in the carrying amount of the hedged item and amortized to Net Income over the remaining term of the hedged item for fair value hedges, and for cash flow hedges it will be recognized in AOCI and reclassified to Net Income in the same period during which the hedged item affects Net Income. However, for discontinued hedging relationships that do not qualify for hedge accounting under the new standards, the deferred gains and losses are recognized in the opening balance of retained earnings on transition.

Impact of Adopting Sections 1530, 3251, 3855, 3861 and 3865

The company recorded a transition adjustment effective January 1, 2007, attributable to the following: (i) an increase of $292 million, net of taxes, to opening retained earnings for financial instruments classified as held-for-trading, which includes embedded derivatives in financial instruments and contracts that were not previously recorded at fair value; (ii) recognition of $185 million, net of taxes, in AOCI related to the unrealized gain on available-for-sale financial instruments, effective cash flow hedges and hedges of net investments in self-sustaining foreign operations; and (iii) reclassification of $42 million of net foreign currency losses to AOCI, previously classified as the cumulative translation adjustment in Shareholders' Equity. The impact during the year is described in the Consolidated Statements of Comprehensive Income. Net income during 2007 was reduced by $331 million representing the transitional adjustment in respect of securities sold during the year that would have been recognized under the previous accounting policies.

Accounting Changes

Effective January 1, 2007 the company adopted CICA Handbook Section 1506, *Accounting Changes*. The new standard sets out the conditions that must be met for a change in accounting policy to be applied in accordance with GAAP, specifies how such changes should be applied and requires disclosure of the impact of changes in accounting policies. The standard also specifies that changes in accounting estimates be recognized prospectively in net income and requires disclosure of the impact of a change in estimate on the current and future periods. The adoption of this standard did not have a material impact to the consolidated financial statements.

Variability In Variable Interest Entities

On September 15, 2006, the Emerging Issues Committee issued Abstract No. 163, *Determining the Variability to be Considered in Applying AcG-15* (EIC-163). This EIC provides additional clarification on how to analyze and arrangements identified as potential variable interests. EIC-163 was effective for the company on April 1, 2007. The implementation of EIC-163 did not have a material impact on the consolidated financial position or results of operations.

Debt Instruments with Embedded Derivatives

On March 5, 2007, the Emerging Issues Committee issued Abstract No. 164, *Convertible and Other Debt Instruments with Embedded Derivatives* (EIC-164). The EIC provides guidance on how the issuer should account for and the financial statement presentation of the instrument, embedded derivatives within the hybrid instrument, the future tax aspects of the instrument and how the instrument is to be treated in earnings per share computations. The implementation of EIC-164 did not have a material impact on the consolidated financial position or results of operations.

(n) Future Changes in Accounting Policies

Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These standards replace Section 3861, *Financial Instruments – Disclosure and Presentation* and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards are effective for fiscal years beginning January 1, 2008.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, *Capital Disclosures*. Section 1535 requires the disclosure of: (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital

requirements, the consequences of such non-compliance. This new standard is effective for fiscal years beginning January 1, 2008.

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Handbook Sections 3062, *Goodwill and Other Intangible Assets* and 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to the financial statements relating to fiscal years beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition of intangible assets by profit-oriented enterprises. The company is currently evaluating the impact of Section 3064 on its financial statements.

Inventories

In June 2007, the CICA issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. This standard provides guidance on the determination of the cost of inventories and the subsequent recognition as an expense, including any write-down to net relizable value. This new standard is effective for fiscal years beginning January 1, 2008. The adoption of Section 3031 is not expected to nave a material impact on the consolidated financial statements.

2. ACQUISITIONS

The company accounts for business combinations using the purchase method of accounting which establishes specific criteria for the recognition of intangible assets separately from goodwill. 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 purchase with any excess allocated to goodwill.

(a) Completed During 2007

On April 20, 2007, the company completed the acquisition of Longview Fibre Company for approximately $2.3 billion including assumed debt and recorded $593 million of goodwill. With this transaction, the company has acquired 588,000 acres of prime, freehold timberlands in Washington and Oregon and an integrated manufacturing operation that produces specialty papers and containers.

The company completed the acquisition of the Multiplex Group's ("Multiplex") stapled securities in the fourth quarter of 2007, comprising the shares of Multiplex Limited and the units of Multiplex Property Trust for, A$5.05 per stapled security and recorded goodwill of $694 million. Multiplex is a diversified property business with operations throughout Australia, New Zealand, the United Kingdom and the Middle East. The Multiplex portfolio consists of 24 commercial properties, in addition to construction, development, facilities and funds management divisions.

In December 2007, the company completed the acquisition of a retail mall portfolio consisting of four properties in the São Paulo area and one in Rio de Janeiro from the Malzoni Investment Group. The properties were acquired for approximately $950 million.

In addition, the company acquired $972 million of net assets including other commercial properties, hydro generation facilities, and hydro generation developments, together with associated intangibles, working capitals and borrowings. Included in this balance is the acquisition of a real estate equity securities manager which resulted in goodwill of $55 million in 2007.

The following table summarizes the balance sheet impact of the significant acquisitions in 2007:

(MILLIONS)	*Longview*	*Multiplex*	*Malzoni*	*Other*	*Total*
Cash, accounts receivable and other	$ 487	$ 1,838	$ 13	$ 56	$ 2,394
Intangible assets	—	513	—	32	545
Goodwill	593	694	13	57	1,357
Property, plant and equipment	1,985	5,188	1,070	1,777	10,020
Non-recourse and corporate borrowings	(1,350)	(4,712)	(95)	(724)	(6,881)
Accounts payable and other liabilities	(160)	(1,441)	(57)	(29)	(1,687)
Intangible liabilities	—	—	—	(107)	(107)
Future income tax asset (liability)	(593)	87	6	(9)	(509)
Non-controlling interests in net assets	—	—	—	(62)	(62)
Preferred equity	—	—	—	(19)	(19)
	$ 962	$ 2,167	$ 950	$ 972	$ 5,051

(b) Completed During 2006

The company completed the acquisition of all of the shares of Trizec Properties Inc. and Trizec Canada Inc. (collectively, "Trizec"), for a combined equity value of $4.8 billion. The Trizec portfolio consists of 58 high quality office properties totalling 29.2 million square feet. The company was joined by a partner in the acquisition and is jointly responsible for managing and operating the portfolio. In addition, the company completed a $460 million acquisition of 33 commercial properties across the U.S. comprising 5.3 million square feet. The company acquired two buildings in the Washington, D.C. area for $230 million which are 100% leased to the U.S. Government and are the headquarters of the Transportation Security Administration. The company and a joint venture partner acquired, and subsequently 100% leased to Chevron, a building in Houston for $120 million, comprising 1.2 million square feet.

The company completed the acquisition of a transmission company, which included over 8,000 kilometers of transmission lines and 51 substations in Chile ("Transelec"), for approximately $2.5 billion, including assumed liabilities. The acquisition resulted in goodwill of $483 million. The company holds a 28% interest in Transelec and consolidates it under the VIE rules. The 72% held by institutional investors is reflected in non-controlling interests. As a result of a change in ownership structure in the second quarter of 2007, the company ceased consolidating Transelec and commenced accounting for its interest on an equity accounted basis.

The company completed the acquisition of two hydroelectric generating stations totalling 39 megawatts in Maine for approximately $146 million including assumed liabilities and the company completed the acquisition of four hydroelectric generating facilities with a total capacity of 50 megawatts located in Ontario for approximately $197 million, including assumed liabilities.

The following table summarizes the balance sheet impact of the significant acquisitions in 2006:

(MILLIONS)	*Trizec*	*Transelec*	*Total*
Cash, accounts receivable and other	$ 475	$ 140	$ 615
Intangible assets	739	339	1,078
Goodwill	—	483	483
Property, plant and equipment	7,591	1,793	9,384
Non-recourse and corporate borrowings	(5,556)	(1,998)	(7,554)
Accounts payable and other liabilities	(283)	(223)	(506)
Intangible liabilities	(816)	—	(816)
Future income tax liability	(182)	—	(182)
Non-controlling interests in net assets	(1,474)	(215)	(1,689)
Preferred equity	(65)	—	(65)
	$ 429	$ 319	$ 748

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instruments is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the company has immediate access. 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 (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 analysis, using observable market-based 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, the company looks primarily to external readily observable market inputs including factors such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. In limited circumstances, the company uses input parameters that are not based on observable market data and believes that using possible alternative assumptions will not result in significantly different fair values.

Fair Value of Financial Instruments

As described in Note 1, financial instruments classified or designated as held-for-trading or available-for-sale are typically carried at fair value on the Consolidated Balance Sheet. Equity instruments designated as available-for-sale that do not have a quoted market price from an active market are carried at cost. The carrying amount of available-for-sale financial assets that do not have a quoted market price from an active market was $182 million at December 31, 2007. Any changes in the fair values of financial instruments classified as held-for-trading or available-for-sale are recognized in Net Income or OCI, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in AOCI are reclassified to Net Income when the underlying security is either sold or there is a decline in value that is considered to be other than temporary. During the year ended December 31, 2007, $55 million of deferred gains previously recognized in AOCI were reclassified to Net Income due to the sale of available-for-sale securities.

Available-for-sale securities measured at fair value or cost are assessed for impairment at each reporting date. For the year ended December 31, 2007, unrealized gains and unrealized losses in the fair values of available-for-sale financial instruments measured at fair value amounted to $164 million and $243 million respectively. Unrealized gains and losses for debt securities are primarily due to changing interest rates and for equity securities, are due to changes in market prices and foreign exchange movements. As at December 31, 2007, the company did not consider any investments to be other than temporarily impaired, as the company has the ability and intent to hold them until the fair value recovers.

Gains or losses arising from changes in the fair value on held-for-trading financial assets are presented in the statements of income, within investment and other income in the period in which they arise. Dividend income on held-for-trading financial assets is recognized in the income statement as part of investment and other income when the company's right to receive payment is established.

Interest on available-for-sale financial assets is calculated using the effective interest method and recognized in the income statement as part of investment and other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of investment and other income when the company's right to receive payment is established.

Carrying Value and Fair Value of Selected Financial Instruments

As a result of adopting the new financial instruments accounting standards, certain financial instruments are now measured at fair value which were previously reported at cost or amortized cost. This is primarily due to the reclassification of certain securities as held-for-trading securities, which includes securities designated as held-for-trading using the fair value option and available-for-sale securities. The following table provides a comparison of the carrying values and fair values as at December 31, 2007 and December 31, 2006, for selected financial instruments.

					December 31, 2007			December 31, 2006	
Financial Instrument Classification	***Held-for-Trading***	***Available-for-Sale***		***Loans Receivable and Other Liabilities***	***Total***		*Total*	
Measurement Basis (MILLIONS)	*(Fair Value)*	*(Fair Value)*	*(Cost)*	*(Amortized Cost)*	*(Carrying Value)*	*(Fair Value)*	*(Carrying Value)*	*(Fair Value)*
Financial assets								
Cash and cash equivalents	**$ 1,561**	**$ —**	**$ —**	**$ —**	**$ 1,561**	**$ 1,561**	$ 1,204	$ 1,204
Financial Assets								
Government bonds	**358**	**62**	**—**	**—**	**420**	**420**	138	138
Corporate bonds	**216**	**155**	**—**	**—**	**371**	**371**	712	1,044
Fixed income securities	**—**	**62**	**—**	**—**	**62**	**62**	42	47
Common shares	**118**	**190**	**—**	**—**	**308**	**308**	548	652
Loans receivable	**—**	**—**	**—**	**368**	**368**	**368**	225	225
	692	**469**	**—**	**368**	**1,529**	**1,529**	1,665	2,106
Accounts receivable and other	**—**	**—**	**—**	**3,519**	**3,519**	**3,519**	2,558	2,558
Securities								
Government bonds	**—**	**465**	**—**	**—**	**465**	**465**	375	375
Corporate bonds	**—**	**670**	**—**	**—**	**670**	**670**	693	693
Fixed income securities	**—**	**449**	**—**	**—**	**449**	**449**	392	392
Common shares	**—**	**62**	**182**	**—**	**244**	**244**	251	251
	—	**1,646**	**182**	**—**	**1,828**	**1,828**	1,711	1,711
Loans and notes receivable	**—**	**53**	**—**	**856**	**909**	**909**	651	651
	$ 2,253	**$ 2,168**	**$182**	**$ 4,743**	**$ 9,346**	**$ 9,346**	$ 7,789	$ 8,230
Financial liabilities								
Corporate borrowings	**$ —**	**$ —**	**$ —**	**$ 2,048**	**$ 2,048**	**$ 2,068**	$ 1,507	$ 1,581
Property-specific mortgages	**—**	**—**	**—**	**21,644**	**21,644**	**21,644**	17,148	17,323
Subsidiary borrowings	**—**	**—**	**—**	**7,463**	**7,463**	**7,470**	4,153	4,162
Accounts payable and other liabilities	**161**	**—**	**—**	**8,191**	**8,352**	**8,352**	5,142	5,142
Capital securities	**—**	**—**	**—**	**1,570**	**1,570**	**1,561**	1,585	1,699
	$ 161	**$ —**	**$ —**	**$ 40,916**	**$ 41,077**	**$ 41,095**	$ 29,535	$ 29,907

The purpose of the table below is to present the carrying value at December 31, 2006 of those financial instruments that were classified upon adoption as held-for-trading or available-for-sale or designated as held-for-trading using the fair value option, prior to adoption of the new financial instruments accounting standards.

	Carrying Value as at December 31, 2006			
(MILLIONS)	*Classified as Held-for-Trading*	*Designated as Held-for-Trading*	*Classified as Available-for-Sale*	*Total*
Financial instruments				
Cash and cash equivalents	$ 1,204	$ —	$ —	$1,204
Financial Assets	—	654	786	1,440
Securities	—	—	1,711	1,711
	$ 1,204	$ 654	$ 2,497	$4,355

During the year, the fair value of net financial assets classified as held-for-trading decreased by $61 million which was recorded in net income. In addition to the above financial instruments, the company designated as a held-for-trading liability, debentures that are exchangeable into 20 million shares of Norbord, see Note 12(c). The fair value of net financial assets designated as held-for-trading increased by $9 million which was recorded in net income.

Hedging Activities

The company uses derivatives and non-derivative financial instruments to manage exposures to interest, currency, credit and other market risks. When derivatives are used to manage exposures, the company determines for each derivative whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge, a cash flow hedge or a hedge of foreign currency exposure of a net investment in a self-sustaining foreign operation. The derivative must be highly effective in accomplishing the objective of offsetting changes in the fair value or cash flows attributable to the hedged risk both at inception and over the life of the hedge. If it is determined that the derivative is not highly effective as a hedge, hedge accounting is discontinued prospectively.

Cash Flow Hedges

The company uses energy derivative contracts primarily to hedge the sale of power, interest rate swaps to hedge the variability in cash flows related to a variable rate asset or liability, and equity derivatives to hedge the long-term compensation arrangements. All components of each derivative's change in fair value have been included in the assessment of cash flow hedge effectiveness. For the year ended December 31, 2007, pre-tax net unrealized losses of $73 million were recorded in OCI for the effective portion of the cash flow hedges.

Net Investment Hedges

The company uses foreign exchange contracts and foreign currency denominated debt instruments to manage its foreign currency exposures to net investments in self-sustaining foreign operations having a functional currency other than the U.S. dollar. For the year ended December 31, 2007, unrealized pre-tax net losses of $208 million were recorded in OCI for the effective portion of hedges of net investments in foreign operations.

4. INVESTMENTS

Equity accounted investments include the following:

	Number of Shares		*% of Investment*		*Book Value*	
(MILLIONS)	***2007***	2006	***2007***	2006	***2007***	2006
Property funds	**—**	—	**20 - 25%**	—	**$ 382**	$ —
Chile Transmission	**—**	—	**28%**	—	**330**	—
Brazil Transmission	**—**	—	**7.5 - 25%**	7.5 - 25%	**205**	157
Norbord Inc.	**60.2**	54.4	**41%**	38%	**180**	178
Real Estate Finance Fund	**—**	—	**27%**	33%	**148**	139
Fraser Papers Inc.	**16.6**	14.4	**56%**	49%	**—**	141
Stelco Inc.	**—**	6.2	**—**	23%	**—**	44
Other					**107**	116
Total					**$1,352**	$ 775

In connection with the acquisition of Multiplex, the company acquired interests in five property funds which are accounted for using the equity method.

The company commenced accounting for its 28% interest in the Chilean transmission operations on an equity accounted basis on June 30, 2007 following a change in the ownership structure. During the third quarter of 2007, the company increased its ownership interest in Fraser Papers and began accounting for its investment on a consolidated basis.

The company completed the disposition of Stelco during the fourth quarter of 2007.

5. ACCOUNTS RECEIVABLE AND OTHER

(MILLIONS)	*Note*	***2007***	*2006*
Accounts receivable	*(a)*	**$2,892**	$1,597
Prepaid expenses and other assets	*(b)*	**3,808**	2,247
Restricted cash	*(c)*	**627**	961
Total		**$7,327**	$4,805

(a) Accounts Receivable

Included in accounts receivable are loans receivable from employees of the company and consolidated subsidiaries of $4 million (2006 – $8 million). None of the company's receivables were impaired at year end.

(b) Prepaid Expenses and Other Assets

Prepaid expenses and other assets includes $773 million (2006 – $706 million) of levelized receivables arising from straight-line revenue recognition for property rent and power sales contracts and $878 million (2006 – $345 million) of inventory primarily related to completed residential properties and pulp and paper products.

(c) Restricted Cash

Restricted cash relates primarily to commercial property and power generating financing arrangements including defeasement of debt obligations, debt service accounts and deposits held by the company's insurance operations.

6. INTANGIBLE ASSETS

Intangible assets includes $1,700 million (2006 – $853 million) related to leases and tenant relationships allocated from the purchase price on the acquisition of commercial properties, net of accumulated amortization.

7. PROPERTY, PLANT AND EQUIPMENT

(MILLIONS)	*Note*	***2007***	*2006*
Commercial properties	*(a)*	**$20,984**	$16,058
Power generation	*(b)*	**5,137**	4,309
Infrastructure	*(c)*	**3,046**	2,940
Development and other properties	*(d)*	**7,573**	4,156
Other plant and equipment	*(e)*	**1,050**	619
Total		**$37,790**	$28,082

(a) Commercial Properties

(MILLIONS)	***2007***	*2006*
Commercial properties	**$22,274**	$16,933
Less: accumulated depreciation	**1,290**	875
Total	**$20,984**	$16,058

Commercial properties carried at a net book value of approximately $4,000 million (2006 – $3,714 million) are situated on land held under leases or other agreements largely expiring after the year 2099. Minimum rental payments on land leases are approximately $28 million (2006 – $28 million) annually for the next five years and $3,256 million (2006 – $1,230 million) in total on an undiscounted basis.

Construction costs of $71 million (2006 – $1 million) were capitalized to the commercial property portfolio for properties undergoing redevelopment in 2007.

During 2007, the company acquired Multiplex and a Brazilian retail mall portfolio which included commercial properties with an ascribed value of $3,967 million, see Note 2(a).

(b) Power Generation

(MILLIONS)	***2007***	*2006*
Hydroelectric power facilities	**$5,095**	$4,351
Wind energy	**393**	332
Co-generation and pumped storage	**362**	260
	5,850	4,943
Less: accumulated depreciation	**949**	694
	4,901	4,249
Generating facilities under development	**236**	60
Total	**$5,137**	$4,309

Generation assets includes the cost of the company's approximately 160 hydroelectric generating stations, wind energy, pumped storage and two gas-fired cogeneration facilities. The company's hydroelectric power facilities operate under various agreements for water rights which extend to or are renewable over terms through the years 2008 to 2046.

(c) Infrastructure

(MILLIONS)	*Note*	***2007***	*2006*
Timberlands	*(i)*	**$2,853**	$1,011
Transmission	*(ii)*	**193**	1,929
Total		**$3,046**	$2,940

(i) Timberlands

(MILLIONS)	***2007***	*2006*
Timberlands	**$3,202**	$1,022
Other property, plant and equipment	**21**	30
	3,223	1,052
Less: accumulated depletion and amortization	**370**	41
Total	**$2,853**	$1,011

The carrying value of timberlands includes the cost of the company's 2.5 million acres of timber in eastern and western North America and Brazil. The company acquired $1,934 million of timberlands through its acquisition of Longview Fibre, see Note 2(a).

(ii) Transmission

(MILLIONS)	***2007***	*2006*
Transmission lines and infrastructure	**$186**	$1,422
Other property, plant and equipment	**90**	603
	276	2,025
Less: accumulated depreciation	**83**	96
Total	**$193**	$1,929

The company's infrastructure assets are comprised of power transmission and distribution networks which are operated under regulated rate base arrangements that are applied to the company's invested capital.

The company discontinued consolidating its Chilean transmission operations during 2007, see Note 4.

(d) Development and Other Properties

Development and other properties include properties relating to the company's opportunity investments, residential properties, properties under development and properties held for development.

(MILLIONS)	*Note*	***2007***	*2006*
Opportunity investments	*(i)*	**$ 981**	$1,039
Residential	*(ii)*	**1,850**	1,592
Under development	*(iii)*	**3,584**	780
Held for development	*(iii)*	**1,158**	745
Total		**$7,573**	$4,156

(i) Opportunity Investments

(MILLIONS)	***2007***	*2006*
Commercial and other properties	**$1,017**	$1,064
Less: accumulated depreciation	**36**	25
Total	**$ 981**	$1,039

(ii) Residential

(MILLIONS)	***2007***	*2006*
Residential properties – owned	**$1,747**	$1,497
– optioned	**103**	95
Total	**$1,850**	$1,592

Residential properties include infrastructure, land (owned and under option), and construction in progress for single-family homes and condominiums. During 2007, the company capitalized $85 million (2006 – $72 million) to its residential land operations.

(iii) Development

Properties that are currently under development or held for future development include commercial developments, construction projects, residential land, and rural lands held for future development in agricultural or residential areas. During 2007, the company capitalized construction related costs of $203 million (2006 – $54 million) and interest costs of $58 million (2006 – $24 million) to its commercial development sites.

(e) Other Plant and Equipment

Other plant and equipment includes capital assets associated primarily with the company's investment in Western Forest Products and Fraser Papers.

8. SECURITIES

(MILLIONS)	***2007***	*2006*
Government bonds	**$ 465**	$ 375
Corporate bonds	**670**	693
Fixed income securities	**449**	392
Common shares	**62**	69
Canary Wharf Group common shares	**182**	182
Total	**$1,828**	$1,711

Securities represent holdings that are actively deployed in the company's financial operations and include $1,638 million (2006 – $1,529 million) owned through the company's insurance operations, as described in Note 18(g).

Securities are measured at fair value except for equity instruments classified as available-for-sale securities that do not have a quoted market price in an active market, which are measured at cost. The fair value of securities at December 31, 2007 was $2,722 million (2006 – $2,256 million).

Corporate bonds include fixed rate securities totalling $634 million (2006 – $660 million) with an average yield of 5.2% (2006 – 5.3%) and an average maturity of approximately four years. Government bonds and fixed-income securities include predominantly fixed-rate securities.

9. LOANS AND NOTES RECEIVABLE

Loans and notes receivable include corporate loans, bridge loans and other loans, either advanced directly or acquired in the secondary market.

The fair value of the company's loans and notes receivable at December 31, 2007 and 2006 approximated their carrying value based on expected future cash flows, discounted at market rates for assets with similar terms and investment risks.

The loans and notes receivable mature over the next five years (2006 – five years), with an average maturity of approximately two years (2006 – three years) and include fixed rate loans totalling $5 million (2006 – $12 million) with an average yield of 10.0% (2006 – 7.0%).

10. CORPORATE BORROWINGS

(MILLIONS)	*Market*	*Maturity*	*Annual Rate*	*Currency*	***2007***	*2006*
Term debt	Private – Canadian	March 27, 2007	11.75%	C$	**$ —**	$ 1
	Public – Canadian	June 1, 2007	7.25%	C$	**—**	107
	Public – U.S.	December 12, 2008	8.13%	US$	**300**	300
	Public – U.S.	March 1, 2010	5.75%	US$	**200**	200
	Public – U.S.	June 15, 2012	7.13%	US$	**350**	350
	Public – U.S.	April 25, 2017	5.80%	US$	**250**	—
	Public – Canadian	April 25, 2017	5.29%	C$	**250**	—
	Private – Canadian	July 16, 2021	5.50%	C$	**—**	43
	Public – U.S.	March 1, 2033	7.38%	US$	**250**	250
	Public – Canadian	June 14, 2035	5.95%	C$	**300**	256
Commercial paper and bank borrowings			5.61%	N/A	**167**	—
Deferred financing costs [1]					**(19)**	—
Total					**$2,048**	$1,507

1 Deferred financing costs were reclassified from other assets to corporate borrowings on January 1, 2007 and totalled $18 million at December 31, 2006, in connection with the adoption of new accounting guidelines (see Note 1(m))

Term debt borrowings have a weighted average interest rate of 6.6% (2006 – 7.2%), and include $551 million (2006 – $407 million) repayable in Canadian dollars equivalent to C$550 million (2006 – C$476 million).

Commercial paper and bank borrowings is principally commercial paper issued by the company. Commercial paper obligations are backed by the company's credit facilities, which are in the form of a four year revolving term facility.

The fair value of corporate borrowings at December 31, 2007 exceeds the company's carrying values by $20 million (2006 – $74 million), determined by way of discounted cash flows using market rates adjusted for the company's credit spreads. Corporate borrowings are recorded initially at their fair value, net of transaction costs incurred, and are subsequently reported at their amortized cost calculated using the effective interest method.

11. NON-RECOURSE BORROWINGS

(a) Property-Specific Mortgages

Principal repayments on property-specific mortgages due over the next five years and thereafter are as follows:

(MILLIONS)	*Commercial Properties*	*Power Generation*	*Infrastructure*	*Development and Other Properties*	*Total Annual Repayments*
2008	$ 2,950	$ 55	$ 1,200	$ 131	$ 4,336
2009	1,678	138	42	499	2,357
2010	211	161	—	182	554
2011	4,685	88	32	2	4,807
2012	423	667	—	62	1,152
Thereafter	5,479	2,379	522	58	8,438
Total – 2007	$ 15,426	$ 3,488	$ 1,796	$ 934	$ 21,644
Total – 2006	$ 11,650	$ 2,704	$ 1,974	$ 820	$ 17,148

Property-specific mortgages include $3,211 million (2006 – $2,667 million) repayable in Canadian dollars equivalent to C$3,206 million (2006 – C$3,120 million); $164 million (2006 – $91 million) in Brazilian *real* equivalent to R$291 million (2006 – R$195 million); $561 million (2006 – $459 million) in British pounds equivalent to £283 million (2006 – £234 million); $nil (2006 – $782 million) in Chilean pesos equivalent to CLP$nil (2006 – CLP$416 billion); and $2,751 million (2006 – $nil) in Australian dollars equivalent to A$3,144 million (2006 – $nil). The weighted average interest rate at December 31, 2007 was 6.1% per annum (2006 – 6.8%).

Property-specific mortgages are recorded initially at their fair value, net of transaction costs incurred, and are subsequently reported at their amortized cost calculated using the effective interest method.

The fair value of property-specific mortgages exceeds the company's carrying values by $nil (2006 – $175 million), determined by way of discounted cash flows using market rates adjusted for credit spreads applicable to the debt.

(b) Subsidiary Borrowings

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

(MILLIONS)	*Commercial Properties*	*Power Generation*	*Infrastructure*	*Development and Other Properties*	*Other*	*Total Annual Repayments*
2008	$ 469	$ —	$ 4	$ 563	$ 836	$ 1,872
2009	1,754	448	—	554	47	2,803
2010	—	—	—	121	409	530
2011	—	—	4	97	152	253
2012	25	—	—	1	60	86
Thereafter	932	349	—	53	585	1,919
Total – 2007	$ 3,180	$ 797	$ 8	$ 1,389	$2,089	$ 7,463
Total – 2006	$ 908	$ 684	$ 596	$ 1,006	$ 959	$ 4,153

The fair value of subsidiary borrowings exceeds the company's carrying values by $7 million (2006 – $9 million), determined by way of discounted cash flows using market rates adjusted for credit spreads applicable to the debt.

Subsidiary borrowings include $1,504 million (2006 – $1,149 million) repayable in Canadian dollars equivalent to C$1,502 million (2006 – C$1,344 million); $820 million (2006 – $7 million) in Brazilian *real* equivalent to R$1,455 million (2006 – R$15 million); $9 million (2006 – $7 million) in British pounds equivalent to £4 million (2005 – £4 million); $25 million (2006 – $30 million) in European euros equivalent to €17 million (2006 – €23 million); $1,960 million (2006 – $nil) in Australian dollars equivalent to A$2,240 million (2006 – A$nil); and $126 million (2006 – $nil) in Japanese yen equivalent to ¥14,030 million (2006 – ¥nil). The weighted average interest rate at December 31, 2007 was 9.3% per annum (2006 – 8.4%).

Commercial properties includes $257 million (2006 – $257 million) invested by investment partners in the form of debt capital in entities that are required to be consolidated into the company's accounts.

Residential property debt represents amounts drawn under construction financing facilities which are typically established on a project-by-project basis. Amounts drawn are repaid from the proceeds on the sale of building lots, single-family homes and condominiums and redrawn to finance the construction of new homes.

Subsidiary borrowings include obligations pursuant to financial instruments which are recorded as liabilities. These amounts include $584 million (2006 – $497 million) of subsidiary obligations relating to the company's international operations subject to credit rating provisions, which are supported by corporate guarantees.

Subsidiary borrowings are recorded initially at their fair value, net of transaction costs incurred, and are subsequently reported at their amortized costs calculated using the effective interest method.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

(MILLIONS)	*Note*	*2007*	*2006*
Accounts payable	*(a)*	**$ 5,212**	$3,099
Other liabilities and future tax liabilities	*(b)*	**4,682**	2,327
Exchangeable debentures	*(c)*	**161**	152
Total		**$10,055**	$5,578

Acquisitions in 2007 resulted in an increase in accounts payable and other liabilities of $2,912 million, see Note 2(a).

(a) Accounts Payable

Accounts payable include $1,560 million (2006 – $1,473 million) of insurance deposits, claims and other liabilities incurred by the company's insurance subsidiaries.

(b) Other Liabilities and Future Tax Liabilities

Other liabilities include the fair value of the company's obligations to deliver securities it did not own at the time of sale and obligations pursuant to financial instruments recorded as liabilities.

(c) Exchangeable Debentures

A subsidiary of the company issued debentures that are exchangeable for and secured by 20 million common shares of Norbord and mature on September 30, 2029. The debentures are classified as held-for-trading and accordingly the carrying value is adjusted to reflect the market value of the underlying Norbord shares, which at December 31, 2007 was $161 million, and any change in value is recorded in income. In 2007, a loss of $9 million was recorded to income as a result of the change in value.

13. INTANGIBLE LIABILITIES

Intangible liabilities represent below-market tenant leases and above-market ground leases assumed on acquisitions, net of accumulated amortization.

14. CAPITAL SECURITIES

The company has the following capital securities outstanding:

(MILLIONS)	*Note*	***2007***	*2006*
Corporate preferred shares and preferred securities	*(a)*	**$ 517**	$ 663
Subsidiary preferred shares	*(b)*	**1,053**	922
Total		**$1,570**	$1,585

(a) Corporate Preferred Shares and Preferred Securities

(MILLIONS, EXCEPT SHARE INFORMATION)	*Shares Outstanding*	*Description*	*Cumulative Distribution Rate*	*Currency*	***2007***	*2006*
Class A preferred shares	10,000,000	Series 10	5.75%	C$	**$ 251**	$214
	4,032,401	Series 11	5.50%	C$	**101**	86
	7,000,000	Series 12	5.40%	C$	**175**	149
Preferred securities	—	Due 2050	8.35%	C$	**—**	107
	—	Due 2051	8.30%	C$	**—**	107
Deferred financing costs [1]					**(10)**	—
Total					**$ 517**	$663

1 Deferred financing costs were reclassified from other assets to Capital Securities on January 1, 2007 and totalled $9 million at December 31, 2006, in connection with the adoption of new accounting guidelines (see Note 1(m))

Subject to approval of the Toronto Stock Exchange, the Series 10, 11 and 12 shares, unless redeemed by the company for cash, are convertible into Class A common shares at a price equal to the greater of 95% of the market price at the time of conversion and C$2.00, at the option of both the company and the holder, at any time after the following dates:

Class A Preferred Shares	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Series 10	September 30, 2008	September 30, 2008	March 31, 2012
Series 11	June 30, 2009	June 30, 2009	December 31, 2013
Series 12	March 31, 2014	March 31, 2014	March 31, 2018

The company redeemed the 8.35% preferred securities on January 2, 2007 and the 8.30% preferred securities on July 3, 2007.

(b) Subsidiary Preferred Shares

(MILLIONS, EXCEPT SHARE INFORMATION)	Shares Outstanding	Description	Cumulative Dividend Rate	Currency	**2007**	2006
Class AAA preferred shares of	8,000,000	Series F	6.00%	C$	**$ 200**	$171
Brookfield Properties Corporation	4,400,000	Series G	5.25%	US$	**110**	110
	8,000,000	Series H	5.75%	C$	**200**	171
	8,000,000	Series I	5.20%	C$	**200**	171
	8,000,000	Series J	5.00%	C$	**200**	171
	6,000,000	Series K	5.20%	C$	**150**	128
Deferred financing costs [1]					**(7)**	—
Total					**$1,053**	$922

1 Deferred financing costs were reclassified from other assets to Capital Securities on January 1, 2007 and totalled $12 million at December 31, 2006, in connection with the adoption of new accounting guidelines (see Note 1(m))

The subsidiary preferred shares are redeemable at the option of both the company and the holder, at any time after the following dates:

Class AAA Preferred Shares	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Series F	September 30, 2009	September 30, 2009	March 31, 2013
Series G	June 30, 2011	June 30, 2011	September 30, 2015
Series H	December 31, 2011	December 31, 2011	December 31, 2015
Series I	December 31, 2008	December 31, 2008	December 31, 2010
Series J	June 30, 2010	June 30, 2010	December 31, 2014
Series K	December 31, 2012	December 31, 2012	December 31, 2016

15. NON-CONTROLLING INTERESTS IN NET ASSETS

Non-controlling interests in net assets represent the common and preferred equity in consolidated entities that is owned by other shareholders.

(MILLIONS)	**2007**	2006
Common equity	**$4,105**	$3,538
Preferred equity	**151**	196
Total	**$4,256**	$3,734

16. PREFERRED EQUITY

Preferred equity represents perpetual preferred shares.

(MILLIONS, EXCEPT SHARE INFORMATION)	Rate	Term	Issued and Outstanding 2007	Issued and Outstanding 2006	2007	2006
Class A preferred shares						
Series 2	70% P	Perpetual	**10,465,100**	10,465,100	**$169**	$169
Series 4	70% P/8.5%	Perpetual	**2,800,000**	2,800,000	**45**	45
Series 8	Variable up to P	Perpetual	**1,805,948**	1,805,948	**29**	29
Series 9	4.35% [1]	Perpetual	**2,194,052**	2,194,052	**35**	35
Series 13	70% P	Perpetual	**9,297,700**	9,297,700	**195**	195
Series 15	B.A. + 40 b.p. [2]	Perpetual	**2,000,000**	2,000,000	**42**	42
Series 17	4.75%	Perpetual	**8,000,000**	8,000,000	**174**	174
Series 18	4.75%	Perpetual	**8,000,000**	—	**181**	—
Total					**$870**	$689

1 Rate was reset from 5.63% per annum in October 2006

2 Rate determined in a quarterly auction

P – Prime Rate B.A. – Banker's Acceptance Rate b.p. – Basis Points

The company is authorized to issue an unlimited number of Class A preferred shares and an unlimited number of Class AA preferred shares, issuable in series. No Class AA preferred shares have been issued.

The Class A preferred shares have preference over the Class AA preferred shares, which in turn are entitled to preference over the Class A and Class B common shares on the declaration of dividends and other distributions to shareholders. All series of the outstanding preferred shares have a par value of C$25 per share.

On May 9, 2007, the company issued 8,000,000 Class A Series 18, 4.75% preferred shares for cash proceeds of C$200 million, and incurred transaction costs of C$6 million.

17. COMMON EQUITY

The company is authorized to issue an unlimited number of Class A Limited Voting Shares ("Class A common shares") and 85,120 Class B Limited Voting Shares ("Class B common shares"), together referred to as common shares.

The company's common shareholders' equity is comprised of the following:

(MILLIONS)	2007	2006 [1]
Class A and B common shares	**$ 1,275**	$ 1,215
Contributed surplus	**57**	—
Retained earnings	**4,867**	4,222
Accumulated other comprehensive income [2]	**445**	—
Cumulative translation adjustment [2]	**—**	(42)
Common equity	**$ 6,644**	$ 5,395
NUMBER OF SHARES		
Class A common shares	**583,527,581**	581,730,809
Class B common shares	**85,120**	85,120
	583,612,701	581,815,929
Unexercised options	**27,344,215**	28,991,782
Total diluted common shares	**610,956,916**	610,807,711

1 Prior year has been restated to reflect three-for-two stock split on June 1, 2007

2 Refer to Note 1(m) for impact of new accounting policies related to financial instruments

(a) Class A and Class B Common Shares

The company's Class A common shares and its Class B common shares are each, as a separate class, entitled to elect one-half of the company's Board of Directors. Shareholder approvals for matters other than for the election of directors must be received from the holders of the company's Class A common shares as well as the Class B common shares, each voting as a separate class.

During 2007 and 2006, the number of issued and outstanding common shares changed as follows:

	2007	2006 [1]
Outstanding at beginning of year	**581,815,929**	579,572,028
Shares issued (repurchased)		
Dividend reinvestment plan	**71,251**	79,258
Management share option plan	**4,920,468**	2,421,657
Business acquisitions	**1,795,297**	—
Repurchases	**(4,985,802)**	(251,925)
Other	**(4,442)**	(5,089)
Outstanding at end of year	**583,612,701**	581,815,929

1 Prior year has been restated to reflect three-for-two stock split on June 1, 2007

In 2007, the company repurchased 4,985,802 (2006 – 251,925) Class A common shares under normal course issuer bids at a cost of $163 million (2006 – $8 million). Proceeds from the issuance of common shares pursuant to the company's dividend reinvestment plan and management share option plan ("MSOP"), totalled $45 million (2006 – $18 million).

On November 16, 2007, the company issued 1,795,297 Class A common shares to acquire a real estate securities manager representing consideration of $66 million.

(b) Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

(MILLIONS)	**2007**	2006 [1]
Net income	**$ 787**	$1,170
Preferred share dividends	**(44)**	(35)
Net income available for common shareholders	**$ 743**	$1,135
Weighted average outstanding common shares	**582.4**	580.4
Dilutive effect of options using treasury stock method	**17.1**	17.6
Common shares and common share equivalents	**599.5**	598.0

1 Prior year has been restated to reflect three-for-two stock split on June 1, 2007

The holders of Class A common shares and Class B common shares rank on parity with each other with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding up of the company or any other distribution of the assets of the company among its shareholders for the purpose of winding up its affairs. With respect to the Class A and Class B common shares, there are no dilutive factors, material or otherwise, that would result in different diluted earnings per share. This relationship holds true irrespective of the number of dilutive instruments issued in either one of the respective classes of common stock, as both classes of common shares participate equally, on a pro rata basis in the dividends, earnings and net assets of the company, whether taken before or after dilutive instruments, regardless of which class of common shares is diluted.

(c) Stock-Based Compensation

Options issued under the company's MSOP typically vest proportionately over five years and expire 10 years after the grant date. The exercise price is equal to the market price at the grant date. During 2007, the company granted 3,516,763 (2006 – 3,306,412) options with an average exercise price of C$38.67 (2006 – C$27.36) per share. The cost of the options granted was determined using the Black-Scholes model of valuation, assuming a 7.5 year term to exercise (2006 – 7.5 year), 22% volatility (2006 – 17%), a weighted average expected annual dividend yield of 1.2% (2006 – 1.2%) and risk-free rate of 4.0% (2006 – 3.9%). The cost of $26 million (2006 – $18 million) is charged to employee compensation expense on an equal basis over the five-year vesting period of the options granted.

The changes in the number of options during 2007 and 2006 were as follows:

	2007		2006[1]	
	Number of Options (000's)	**Weighted Average Exercise Price**	Number of Options (000's)	Weighted Average Exercise Price
Outstanding at beginning of year	**28,992**	**C$ 13.25**	28,379	C$ 11.13
Granted	**3,517**	**38.67**	3,306	27.36
Exercised	**(4,921)**	**9.20**	(2,421)	7.27
Cancelled	**(244)**	**26.87**	(272)	17.69
Outstanding at end of year	**27,344**	**C$ 17.12**	28,992	C$ 13.25
Exercisable at end of year	**15,876**		16,921	

1 Prior year has been restated to reflect three-for-two stock split on June 1, 2007

At December 31, 2007, the following options to purchase Class A common shares were outstanding:

Number Outstanding (000's)	*Exercise Price*	*Weighted Average Remaining Life*	*Number Exercisable (000's)*
1,933	C$4.90 – C$ 5.69	2.1 yrs	1,933
4,039	C$5.72 – C$ 8.56	3.1 yrs	4,039
6,308	C$8.71 – C$ 12.28	3.7 yrs	5,544
3,096	C$ 13.37 – C$ 16.63	6.1 yrs	1,813
8,463	C$ 19.71 – C$ 29.47	7.5 yrs	2,537
3,505	C$ 29.91 – C$ 46.59	9.2 yrs	10
27,344			15,876

A Restricted Share Unit Plan provides for the issuance of Deferred Share Units ("DSUs"), the value of which are equal to the value of a Class A common share, as well as Restricted Share Appreciation Units ("RSAUs"), the value of which are equal to the increase in value of a Class A common share over the value as at the date of issuance. Under this plan, qualifying employees and directors receive varying percentages of their annual incentive bonus or directors' fees in the form of DSUs. The DSUs and RSAUs vest over periods of up to five years, and DSUs accumulate additional DSUs at the same rate as dividends on common shares based on the market value of the common shares at the time of the dividend. Participants are not allowed to convert DSUs and RSAUs into cash until retirement or cessation of employment. The value of the DSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the RSAUs when converted into cash will be equivalent to the difference between the market price of equivalent numbers of common shares at the time the conversion takes place, and the market price on the date the RSAUs are granted. The company uses equity derivative contracts to offset its exposure to the change in share prices in respect of vested DSUs and RSAUs. The value of the vested and unvested DSUs and RSAUs as at December 31, 2007 was $372 million (2006 – $335 million).

Employee compensation expense for these plans is charged against income over the vesting period of the DSUs and RSAUs. The amount payable by the company in respect of vested DSUs and RSAUs changes as a result of dividends and share price movements. All of the amounts attributable to changes in the amounts payable by the company are recorded as employee compensation expense in the period of the change, and for the year ended December 31, 2007, including those of operating subsidiaries, totalled $27 million (2006 – $44 million), net of the impact of hedging arrangements.

18. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The company's activities expose it to a variety of financial risks, including market risk (i.e. currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The company and its subsidiaries selectively use derivative financial instruments principally to manage risk. Management evaluates and monitors the credit risk of its derivative financial instruments and endeavours to minimize counterparty credit risk through collateral diversification, and other credit risk mitigation techniques. The credit risk of derivative financial instruments is limited to the positive fair value of the instruments. Substantially all of the company's derivative financial instruments involve counterparties that are banks or other financial institutions in North America, the United Kingdom and Australia with high credit ratings from international credit rating agencies. The company does not expect to incur credit losses in respect of any of these counterparties.

The fair value of interest rate swap contracts which form part of financing arrangements is calculated by way of discounted cash flows using market interest rates. The company endeavours to maintain a matched book of currencies and interest rates. However,

unmatched positions are carried, on occasion, within predetermined exposure limits. These limits are reviewed on a regular basis and the company believes the exposures are manageable and not material in relation to its overall business operations.

The aggregate notional amount of the company's derivative positions at the end of 2007 and 2006 are as follows:

(MILLIONS)	*Note*	***2007***	*2006*
Foreign exchange	*(a)*	**$ 2,887**	$ 2,908
Interest rates	*(b)*	**8,294**	5,126
Credit default swaps	*(c)*	**2,350**	2,338
Equity derivatives	*(d)*	**870**	424
Commodity instruments (energy)	*(e)*	**193**	49
		$14,594	$10,845

(a) Foreign Exchange

At December 31, 2007, the company held foreign exchange contracts with a notional amount of $1,562 million (2006 – $1,469 million) at an average exchange rate of $1.0036 (2006 – $1.1622) to manage its Canadian dollar exposure. At December 31, 2007, the company held foreign exchange contracts with a notional amount of $198 million (2006 – $238 million) at an average exchange rate of $1.9944 (2006 – $1.8981) to manage its British pounds exposure. The company held cross currency interest rate swap contracts with a notional amount of $946 million (2006 – $574 million), to manage its Canadian dollar and Australian dollar exposure. The remaining foreign exchange contracts relate to the company's Brazilian and European operations.

Included in 2007 income, are net losses on foreign currency balances amounting to $24 million (2006 – $14 million) and included in the cumulative translation adjustment account of other comprehensive income are losses in respect of foreign currency contracts entered into for hedging purposes amounting to $60 million (2006 – $4 million), which are offset by translation gains on the underlying net assets.

(b) Interest Rates

At December 31, 2007, the company held interest rate swap contracts having an aggregate notional amount of $800 million (2006 – $840 million). The company's subsidiaries held interest rate swap contracts having an aggregate notional amount of $3,191 million (2006 – $466 million). The company's subsidiaries held interest rate cap contracts with an aggregate notional amount of $4,303 million (2006 – $3,820 million).

All interest rate contracts are recorded at an amount equal to fair value and are reflected in the company's consolidated financial statements at year end.

(c) Credit Default Swaps

As at December 31, 2007, the company held credit default swap contracts with an aggregate notional amount of $2,350 million (2006 – $2,338 million). Credit default swaps are contracts which are designed to compensate the purchaser for any change in value of an underlying reference asset, based on measurement in credit spreads, upon the occurrence of predetermined credit events. The company is entitled to receive payment in the event of a predetermined credit event for up to $2,334 million (2006 – $2,275 million) of the notional amount and could be required to make payment in respect of $16 million (2006 – $22 million) of the notional amount.

(d) Equity Derivatives

At December 31, 2007, the company and its subsidiaries held equity derivatives with a notional amount of $870 million (2006 – $424 million) recorded at an amount equal to replacement value. A portion of the notional amount represents a hedge of long-term compensation arrangements and the balance represents common equity positions established in connection with the company's investment activities. The fair value of these instruments was reflected in the company's consolidated financial statements at year end.

(e) Commodity Instruments

The company has entered into energy derivative contracts primarily to hedge the sale of generated power. The company endeavours to link forward electricity sale derivatives to specific periods in which it expects to generate electricity for sale. All energy derivative contracts are recorded at an amount equal to replacement value and are reflected in the company's consolidated financial statements at year end.

Other Information Regarding Derivative Financial Instruments

The following table classifies derivatives elected for hedging as fair value hedges, cash flow hedges or net investment hedges, and presents the effective portion of the hedge recorded in either other comprehensive income or in income, depending on the type of hedge and the ineffective portion of the hedge recorded in income during the year.

		Net Gain (Losses)	
(MILLIONS)	*Notional*	*Effective Portion*	*Ineffective Portion*
Fair value hedges	$ 35	$ —	$ —
Cash flow hedges	5,434	(73)	5
Net investment hedges	1,939	(137)	—
	$ 7,408	$ (210)	$ 5

The following table presents the notional amounts underlying the company's derivative instruments by term to maturity, as at December 31, 2007, for both derivatives that are held-for-trading and derivatives that qualify for hedge accounting:

	Residual Term to Contractual Maturity			
(MILLIONS)	*< 1 year*	*1 to 5 years*	*> 5 years*	*Total Notional Amount*
Held-for-trading				
Foreign exchange derivatives	$ 869	$ 1	$ 6	$ 876
Interest rate derivatives				
Interest rate swaps	666	1,128	582	2,376
Interest rate caps	272	329	—	601
	938	1,457	582	2,977
Credit default swaps	—	2,303	47	2,350
Equity derivatives	49	523	263	835
Commodity derivatives	19	49	80	148
	$ 1,875	$ 4,333	$ 978	$ 7,186
Elected for hedge accounting				
Foreign exchange derivatives	$ 1,390	$ 182	$ 439	$ 2,011
Interest rate derivatives				
Interest rate swaps	62	303	1,250	1,615
Interest rate caps	3,702	—	—	3,702
	3,764	303	1,250	5,317
Equity derivatives	—	35	—	35
Commodity derivatives	27	15	3	45
	$ 5,181	$ 535	$ 1,692	$ 7,408
	$ 7,056	$ 4,868	$ 2,670	$ 14,594

The following table presents the change in fair values of the company's derivative positions during the year ended December 31, 2007 and 2006, for both derivatives that are held-for-trading and derivatives that qualify for hedge accounting:

(MILLIONS)	***Unrealized Gains During 2007***	***Unrealized Loss During 2007***	***Net Change During 2007***	*2006 Net Change*
Foreign exchange derivatives	**$ 23**	**$ (107)**	**$ (84)**	$ (19)
Interest rate derivatives				
Interest rate swaps	**59**	**(186)**	**(127)**	(2)
Interest rate caps	**1**	**(1)**	**—**	1
	60	**(187)**	**(127)**	(1)
Credit default swaps	**123**	**(25)**	**98**	(7)
Equity derivatives	**47**	**(85)**	**(38)**	176
Commodity derivatives	**75**	**(133)**	**(58)**	4
	$ 328	**$ (537)**	**$ (209)**	$ 153

(f) Commitments, Guarantees and Contingencies

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

In the normal course of business, the company and its subsidiaries enter into commitments which primarily support financing arrangements and power purchase agreements. At the end of 2007, the company and its subsidiaries had $1,068 million (2006 – $1,074 million) of such commitments outstanding. The company maintains credit facilities and other financial assets to fund these commitments.

The company has acquired $500 million of insurance for damage and business interruption costs sustained as a result of an act of terrorism. However, a terrorist act could have a material effect on the company's assets to the extent damages exceed the coverage.

The company has reviewed its loan agreements and believes it is in compliance, in all material respects, with the contractual obligations therein.

The company, through its subsidiaries within the residential properties operations, is contingently liable for obligations of its associates in its land development joint ventures. In each case, all of the assets of the joint venture are available first for the purpose of satisfying these obligations, with the balance shared among the participants in accordance with predetermined joint venture arrangements.

In the normal course of operations, the company and its consolidated subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions or dealings such as business dispositions, business acquisitions, sales of assets, provision of services, securitization agreements, and underwriting and agency agreements. The company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the company from making a reasonable estimate of the maximum potential amount the company could be required to pay third parties, as in most cases the agreements do not specify a maximum amount, and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Neither the company nor its consolidated subsidiaries have made significant payments in the past nor do they expect at this time to make any significant payments under such indemnification agreements in the future.

(g) Insurance

The company conducts insurance operations as part of its asset management activities. As at December 31, 2007, the company held insurance assets of $581 million (2006–$609 million) in respect of insurance contracts that are accounted for using the deposit method which were offset in each year by an equal amount of reserves and other liabilities. Net underwriting income earned on reinsurance operations was $67 million (2006 – $19 million) representing $544 million (2006 – $675 million) of premium and other revenues offset by $477 million (2006 – $656 million) of reserves and other expenses.

19. REVENUES LESS DIRECT OPERATING COSTS

Direct operating costs include all attributable expenses except interest, depreciation and amortization, taxes, other provisions and non-controlling interest in income. The details are as follows:

	2007			*2006*		
(MILLIONS)	***Revenue***	***Expenses***	***Net***	*Revenue*	*Expenses*	*Net*
Commercial properties	**$ 2,851**	**$ 1,303**	**$1,548**	$ 1,544	$ 608	$ 936
Power generation	**959**	**348**	**611**	893	273	620
Infrastructure	**599**	**309**	**290**	429	229	200
Development and other properties	**1,802**	**1,384**	**418**	1,788	1,318	470
Specialty funds	**1,246**	**876**	**370**	908	680	228
	$ 7,457	**$ 4,220**	**$3,237**	$ 5,562	$ 3,108	$2,454

20. NON-CONTROLLING INTERESTS IN INCOME

Non-controlling interests of others in income is segregated into the non-controlling share of income before certain items and their share of those items, which include depreciation and amortization, taxes and other provisions attributable to the non-controlling interest.

(MILLIONS)	***2007***	*2006*
Non-controlling interests' share of income prior to the following	**$ 636**	$ 468
Non-controlling interests' share of depreciation and amortization, and future income taxes and other provisions	**(538)**	(304)
Non-controlling interests in income	**$ 98**	$ 164
Distributed as recurring dividends		
Preferred	**$ 5**	$ 4
Common	**169**	143
(Overdistributed) Undistributed	**(76)**	17
Non-controlling interests in income	**$ 98**	$ 164

21. INCOME TAXES

(MILLIONS)	**2007**	*2006*
Current	**$ 68**	$ 142
Future	**88**	203
Current and future tax expense	**$ 156**	$ 345

(MILLIONS)	**2007**	*2006*
Future income tax assets	**$ 932**	$ 890
Future income tax liabilities	**(1,925)**	(1,326)
Net future income tax liabilities	**$ (993)**	$ (436)

The future income tax assets relate primarily to non-capital losses available to reduce taxable income which may arise in the future. The company and its Canadian subsidiaries have future income tax assets of $359 million (2006 – $463 million) that relate to non-capital losses which expire over the next 20 years, and $105 million (2006 – $115 million) that relate to capital losses which have no expiry date. The company's U.S. subsidiaries have future income tax assets of $272 million (2006 – $189 million) that relate to net operating losses which expire over the next 20 years. The company's international subsidiaries have future income tax assets of $196 million (2006 – $123 million) that relate to operating losses which generally have no expiry date. The amount of non-capital and capital losses and deductible temporary differences for which no future income tax assets have been recognized is approximately $2,825 million (2006 – $2,426 million). The future income tax liabilities represent the cumulative amount of income tax payable on the differences between the book values and the tax values of the company's assets and liabilities at the rates expected to be effective at the time the differences are anticipated to reverse. The future income tax liabilities relate primarily to differences between book values and tax values of property, plant and equipment due to different depreciation rates for accounting and tax purposes. The future income tax assets and liabilities are recorded in accounts receivable and other and accounts payable and other liabilities on the balance sheet. The following table reflects the company's effective tax rate at December 31, 2007 and 2006:

	2007	*2006*
Statutory income tax rate	**33%**	36%
Increase (reduction) in rate resulting from		
Dividends subject to tax prior to receipt by the company	**(3)**	(3)
Portion of gains not subject to tax	**(13)**	(12)
Lower income tax rates in other jurisdictions	**(8)**	(4)
Derecognition of future tax assets/(liabilities)	**(7)**	3
Foreign exchange gain	**9**	(1)
Other	**3**	2
Effective income tax rate	**14%**	21%

22. EQUITY ACCOUNTED LOSS FROM INVESTMENTS

Equity accounted income (loss) includes the following:

(MILLIONS)	***2007***	*2006*
Norbord	**$(17)**	$ 37
Fraser Papers [1]	**(23)**	(62)
Stelco Inc. [2]	**(32)**	(11)
Total	**$(72)**	$(36)

1 During 2007, the company increased its ownership in Fraser Papers to 56% and started to account for the investment on a consolidated basis

2 During 2007, the company sold its 23% common equity interest in Stelco

23. JOINT VENTURES

The following amounts represent the company's proportionate interest in incorporated and unincorporated joint ventures that are reflected in the company's accounts:

(MILLIONS)	***2007***	*2006*
Assets	**$4,343**	$4,888
Liabilities	**2,243**	2,769
Operating revenues	**715**	914
Operating expenses	**417**	554
Net income	**267**	223
Cash flows from operating activities	**276**	251
Cash flows from (used in) investing activities	**74**	(107)
Cash flows used in financing activities	**(187)**	(98)

24. POST-EMPLOYMENT BENEFITS

The company offers pension and other post employment benefit plans to its employees. The company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The benefit plans' income for 2007 was $2 million (2006 – expense of $5 million). The discount rate used was 6% (2006 – 5%) with an increase in the rate of compensation of 4% (2006 – 4%) and an investment rate of 8% (2006 – 7%).

(MILLIONS)	***2007***	*2006*
Plan assets	**$ 688**	$ 71
Less accrued benefit obligation:		
Defined benefit pension plan	**(586)**	(81)
Other post-employment benefits	**(62)**	(16)
Net asset (liability)	**40**	(26)
Less: Unamortized transitional obligations and net actuarial losses	**14**	8
Accrued benefit asset (liability)	**$ 54**	$(18)

In connection with the acquisition of Longview Fibre, the company assumed the pension and other post-employment benefit plans of its employees which represented a net plan asset of $71 million, of which the company's pro rata interest is $26 million. This pension plan is held through a 36% owned restructuring fund.

25. SUPPLEMENTAL CASH FLOW INFORMATION

(MILLIONS)	***2007***	*2006*
Corporate borrowings		
Issuances	**$ 2,768**	$ 524
Repayments	**(2,292)**	(634)
Net	**$ 476**	$ (110)
Property-specific mortgages		
Issuances	**$ 4,113**	$ 6,386
Repayments	**(1,629)**	(949)
Net	**$ 2,484**	$ 5,437
Other debt of subsidiaries		
Issuances	**$ 2,897**	$ 279
Repayments	**(1,073)**	(246)
Net	**$ 1,824**	$ 33
Common shares		
Issuances	**$ 44**	$ 18
Repayments	**(165)**	(8)
Net	**$ (121)**	$ 10
Property		
Proceeds of dispositions	**$ 455**	$ 211
Investments	**(6,253)**	(6,693)
Net	**$ (5,798)**	$ (6,482)
Securities		
Securities sold	**$ 128**	$ 3
Securities purchased	**(552)**	(327)
Loans collected	**707**	399
Loans advanced	**(811)**	(795)
Net	**$ (528)**	$ (720)
Financial assets		
Securities sold	**$ 1,396**	$ 1,446
Securities purchased	**(760)**	(750)
Net	**$ 636**	$ 696

Cash taxes paid were $103 million (2006 – $147 million) and are included in current income taxes. Cash interest paid totalled $1,686 million (2006 – $1,101 million). Capital expenditures in the company's power generating operations were $50 million (2006 – $40 million), in its property operations were $45 million (2006 – $45 million) and in its transmission operations were $10 million (2006 – $35 million).

26. SEGMENTED INFORMATION

The company's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. The company has fi ve reportable segments:

(a) commercial properties operations, which are principally commercial office properties and retail properties, located primarily in major North American, Brazilian, and Australian cities;

(b) power generation operations, which are predominantly hydroelectric power generating facilities on river systems in North America and Brazil;

(c) infrastructure operations, which are predominantly timberlands and electrical transmission and distribution systems. The company's timberland operations are located in North America and Brazil. The electrical transmission and distribution systems are located in Northern Ontario and Chile;

(d) development and other properties operations, which are principally residential development and homebuilding operations, located primarily in major North American, Brazilian and Australian cities; and

(e) specialty funds, which include the company's bridge lending, real estate finance and restructuring funds, are managed for the company and for institutional partners.

Non-operating assets and related revenue, cash flow and income are presented as financial assets and other.

Revenue, net income and assets by reportable segments are as follows:

	2007			2006		
(MILLIONS)	**Revenue**	**Net Income**	**Assets**	Revenue	Net Income	Assets
Commercial properties	**$ 2,891**	**$ 24**	**$23,571**	$ 1,499	$ 19	$17,538
Power generation	**971**	**106**	**7,106**	893	228	5,390
Infrastructure	**622**	**4**	**4,230**	419	56	4,333
Development and other properties	**1,751**	**138**	**12,115**	1,856	377	4,606
Specialty funds	**1,368**	**187**	**2,676**	943	173	1,797
Cash, financial assets and other	**1,740**	**328**	**5,899**	1,287	317	7,044
	$ 9,343	**$ 787**	**$55,597**	$ 6,897	$ 1,170	$40,708

Revenue and assets by geographic segments are as follows:

	2007		2006	
(MILLIONS)	**Revenue**	**Assets**	Revenue	Assets
United States	**$ 4,844**	**$27,156**	$ 2,699	$23,618
Canada	**2,604**	**12,248**	3,322	10,111
International	**1,895**	**16,193**	876	6,979
	$ 9,343	**$55,597**	$ 6,897	$40,708

27. SUBSEQUENT EVENTS

On January 31, 2008, the company completed the spin-off of a newly created publicly-traded partnership named Brookfield Infrastructure Partners L.P. (“BIP”). The spin-off was implemented by way of a special dividend of a 60% interest in BIP to holders of the company’s Class A and Class B Limited Voting shares. Initially, BIP will own interests in five electricity transmission and timber operations in North America, Chile and Brazil.

Five Year Financial Review

AS AT AND FOR THE YEARS ENDED DECEMBER 31
(MILLIONS, EXCEPT PER SHARE AMOUNTS; UNAUDITED)

	2007	*2006*	*2005*	*2004*	*2003*
Per Common Share *(fully diluted)*					
Book value	**$ 11.64**	$ 9.37	$ 7.87	$ 5.67	$ 4.99
Cash flow from operations	**3.11**	2.95	1.46	1.03	0.95
Cash return on book equity	**30%**	34%	21%	19%	18%
Net income	**$ 1.24**	$ 1.90	$ 2.72	$ 0.90	$ 0.35
Market trading price – NYSE	**$ 35.67**	$ 32.12	$ 22.37	$ 16.01	$ 9.05
Dividends paid	**$ 0.47**	$ 0.39	$ 0.26	$ 0.24	$ 0.22
Common shares outstanding					
Basic	**583.6**	581.8	579.6	582.1	576.2
Diluted	**611.0**	610.8	608.0	611.3	610.4
Total *(millions)*					
Total assets under management	**$94,340**	$71,121	$49,700	$27,146	$23,108
Consolidated balance sheet assets	**55,597**	40,708	26,058	20,007	16,309
Corporate borrowings	**2,048**	1,507	1,620	1,675	1,213
Non-recourse borrowings					
Property-specific mortgages	**21,644**	17,148	8,756	6,045	4,881
Other debt of subsidiaries	**7,463**	4,153	2,510	2,373	2,075
Common equity	**6,644**	5,395	4,514	3,277	2,898
Revenues	**9,343**	6,897	5,220	3,867	3,370
Operating income	**4,509**	3,776	2,319	1,793	1,532
Cash flow from operations	**1,907**	1,801	908	626	590
Net income	**787**	1,170	1,662	555	232

Corporate Governance

Management and the Board of Directors are committed to working together to achieve strong and effective corporate governance, with the objective of promoting the long-term interests of the company and the enhancement of value for all shareholders. Our Board of Directors is of the view that our corporate governance policies and practices and our disclosure in this regard are appropriate, effective and consistent with the guidelines established by Canadian and U.S. securities regulators. We continue to review our corporate governance policies and practices in relation to evolving legislation, guidelines and best practices.

Our Statement of Corporate Governance Practices is set out in full in the Management Information Circular mailed each year to all our shareholders along with the Notice of our Annual Meeting. This Statement is also available on our web site, **www.brookfield.com**, at "About Brookfield / Corporate Governance."

You can also access the following documents referred to in the Statement on our web site – the Mandate of our Board of Directors, the Charter of Expectations for Directors, the Charters of the Board's three Standing Committees (Audit, Governance & Nominating and Management Resources & Compensation), Board Position Descriptions, our Code of Business Conduct and our Corporate Disclosure Policy. We encourage you to review these materials.

Sustainable Development

Management and the Board of Directors are committed to the principle that our business decisions will consider social issues, including the long-term sustainability of our local communities in which we operate, taking into account current and future environmental, safety, health and economic considerations. The review and improvement of our sustainability practices is an ongoing process that we take very seriously throughout our organization.

Environmental initiatives across our operations include energy reduction, water conservation, recycling, air quality standards, wildlife preservation, timber harvesting techniques and erosion control. We believe that these initiatives will benefit the company over the long term from an economic perspective by increasing competitiveness and strengthening the local communities in which we operate. While an appropriate balance is sometimes difficult to achieve, the initiatives we undertake and the investments we make in building our company are guided by our core set of values around sustainable development.

Our renewable energy business is focused on hydroelectricity and wind power generation, while our office properties contain building features, systems and programs that foster environmental responsibility, cost and energy savings for tenants, and the health and safety of all those who work at and visit our properties. We implement comprehensive environmental initiatives in existing properties as well as new development projects to ensure industry standards are achieved and exceeded. For example, our most recent office development, the Bay Adelaide Centre in Toronto, will be built to a Leadership in Energy and Environmental Design (LEED) Gold standard. The LEED® Green Building Rating System is the internationally accepted scorecard for sustainable sites, water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality.

Shareholder Information

Shareholder Enquiries

Shareholder enquiries are welcomed and should be directed to Denis Couture, Senior Vice-President, Investor Relations, Corporate and International Affairs at 416-363-9491 or *dcouture@brookfield.com*. Alternatively shareholders may contact the company at its administrative head office:

Brookfield Asset Management Inc.
Suite 300, Brookfield Place, Box 762, 181 Bay Street
Toronto, Ontario M5J 2T3
Telephone: 416-363-9491
Facsimile: 416-365-9642
Web Site: **www.brookfield.com**
E-Mail: *inquiries@brookfield.com*

Shareholder enquiries relating to dividends, address changes and share certificates should be directed to the company's Transfer Agent:

CIBC Mellon Trust Company
P.O. Box 7010, Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: 416-643-5500 or
1-800-387-0825 (Toll free throughout North America)
Facsimile: 416-643-5501
Web Site: **www.cibcmellon.com**
E-Mail: *inquiries@cibcmellon.com*

Stock Exchange Listings

	Symbol	Stock Exchange
Class A Common Shares	**BAM**	New York
	BAM.A	Toronto
	BAMA	Euronext Amsterdam
Class A Preference Shares		
Series 2	**BAM.PR.B**	Toronto
Series 4	**BAM.PR.C**	Toronto
Series 8	**BAM.PR.E**	Toronto
Series 9	**BAM.PR.G**	Toronto
Series 10	**BAM.PR.H**	Toronto
Series 11	**BAM.PR.I**	Toronto
Series 12	**BAM.PR.J**	Toronto
Series 13	**BAM.PR.K**	Toronto
Series 14	**BAM.PR.L**	Toronto
Series 17	**BAM.PR.M**	Toronto
Series 18	**BAM.PR.N**	Toronto

Investor Relations and Communications

We are committed to informing our shareholders of our progress through a comprehensive communications program which includes publication of materials such as our annual report, quarterly interim reports and press releases for material information. We also maintain a web site that provides ready access to these materials, as well as statutory filings, stock and dividend information and other presentations.

Meeting with shareholders is an integral part of our communications program. Directors and management meet with Brookfield's shareholders at our annual meeting and are available to respond to questions at any time. Management is also available to investment analysts, financial advisors and media to ensure that accurate information is available to investors. All materials distributed at any of these meetings are posted on the company's web site.

The text of the company's 2007 Annual Report is available in French on request from the company and is filed with and available through SEDAR at **www.sedar.com**.

Annual Meeting of Shareholders

The company's 2008 Annual Meeting of Shareholders will be held at 10:30 a.m. on Wednesday, April 30, 2008 at The Design Exchange, 234 Bay Street, Toronto, Ontario and will be webcast through **www.brookfield.com**.

Dividend Reinvestment Plan

Registered holders of Class A Common Shares who are resident in Canada may elect to receive their dividends in the form of newly issued Class A Common Shares at a price equal to the weighted average price at which the shares traded on the Toronto Stock Exchange during the five trading days immediately preceding the payment date of such dividends.

The Dividend Reinvestment Plan allows current shareholders to acquire additional shares in the company without payment of commissions. Further details on the Plan and a Participation Form can be obtained from our administrative head office, our transfer agent or from our web site.

Dividend Record and Payment Dates

	Record Date	Payment Date
Class A Common Shares [1]	First day of February, May, August and November	Last day of February, May, August and November
Class A Preference Shares [1]		
Series 2, 4, 10, 11, 12, 13, 17 and 18	15th day of March, June, September and December	Last day of March, June, September and December

Series 8 and 14	Last day of each month	12th day of following month
Series 9	15th day of January, April, July and October	First day of February, May, August and November

1 All dividend payments are subject to declaration by the Board of Directors

Exhibit 99.4

DIFFERENCES BETWEEN CANADIAN AND UNITED STATES OF AMERICA

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Canadian generally accepted accounting principles ("Canadian GAAP") differ in some respects from the principles that Brookfield Asset Management Inc. (the "company") would follow if its consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The impact of the accounting differences between Canadian GAAP and U.S. GAAP on the company's balance sheets at December 31, 2007 and 2006 and statements of income, retained earnings and comprehensive income for the years then ended are quantified and described in this exhibit. The additional disclosure contained within this document for years ended December 31, 2007 and 2006 should be read in conjunction with the company's financial statements as at and for the years ended December 31, 2007 and 2006 contained in the company's 2007 Annual Report as filed on Form I. A copy of this Annual Report can be found on EDGAR at *www.sec.gov/edgar.shtml* and on the company's web site, *www.brookfield.com*, at *investor center/financial reports*.

(a) Income Statement Differences

The impact of the differences in accounting principles between the company's income statements and those prepared under U.S. GAAP are summarized in the following table:

(MILLIONS, EXCEPT PER SHARE AMOUNTS)	*Note*	*2007*	*2006*
Net income as reported under Canadian GAAP		**$ 787**	$1,170
Adjustments:			
Commercial property income	*(i)*	**(20)**	(14)
Residential property income	*(ii)*	**(52)**	(31)
Market value adjustments	*(iii)*	**139**	312
Foreign exchange and dividends on convertible preferred shares	*(iv)*	**267**	74
Equity accounted income	*(v)*	**—**	2
Start-up costs and other	*(vi)*	**(13)**	43
Commercial property depreciation	*(vii)*	**8**	7
Non-controlling interests		**(91)**	(41)
Deferred income taxes	*(viii)*	**(10)**	(5)
Net income under U.S. GAAP		**1,015**	1,517
Preferred share dividends		**(44)**	(35)
Convertible preferred share dividends	*(iv)*	**(27)**	(26)
Net income available to common shareholders under U.S. GAAP		**$ 944**	$1,456
Per share amounts under U.S. GAAP [1]	*(ix)*		
Basic earnings per share		**$ 1.62**	$ 2.51
Diluted earnings per share		**$ 1.57**	$ 2.43

1 Prior year has been restated to reflect three-for-two stock split on June 1, 2007

(i) Commercial Property Income

The company adopted straight-line recognition of rental revenue for all its properties from January 1, 2004 onward, thereby harmonizing this policy with U.S. GAAP. In 2007, the company recorded a decrease to commercial property income of $12 million (2006 – $17 million) to reflect the adjustment required if straight-line rental revenue had been recognized from the outset of the lease as opposed to January 1, 2004 onward. The recognition of lease termination income can differ between U.S. GAAP and Canadian GAAP, and resulted in a decrease to commercial property income in 2007 of $8 million (2006 – increase of $3 million).

(ii) Residential Property Income

The company's revenue recognition policy for land sales requires, in part, that the significant risks and rewards of ownership have passed to the purchaser in certain jurisdictions prior to the recognition of revenue by the vendor. Land sales transactions substantially transfer the risks and rewards of ownership to the purchaser when both parties are bound to the terms of the sale agreement and possession passes to the purchaser. In certain instances, title may not have transferred. Transfer of title is a requirement for recognizing revenue under U.S. GAAP, whereas this is not required in all circumstances under Canadian GAAP. Accordingly, residential development income decreases by $52 million (2006 – $31 million) for U.S. GAAP purposes.

(iii) Market Value Adjustments

Prior to January 1, 2007, Canadian GAAP required securities to be carried at the lower of cost or net realizable value and derivatives that qualified as cash flow hedges to be accrued into income with no mark-to-market recognized on the balance sheet. Effective January 1, 2007, Canadian GAAP harmonized its treatment in respect of both items with U.S. GAAP such that all securities and derivatives that are specifically designated as cash flow hedges are now required to be carried at fair value on the balance sheet.

The company enters into power sales contracts to sell power generated from its operations. Canadian GAAP requires that certain of these contracts that contain a net settlement provision be marked-to-market without a corresponding mark-to-market of the carrying value of the underlying power generating capacity. U.S. GAAP allows such contracts to be exempt from mark-to-market treatment if the contracts form part of the normal sales activities of the company. Under Canadian GAAP, the company recorded a $78 million loss on the market-to-market of power sale contracts, which was not recorded under U.S. GAAP.

In 2007, the company recorded a $57 million gain on settlement of a foreign currency derivative to mitigate the foreign currency exposure of an anticipated business combination. Canadian GAAP allows qualified cash flow hedges of foreign currency risk exposures of an anticipated business combination to be recorded in other comprehensive income, as opposed to net income under U.S. GAAP.

Market value adjustments for securities and derivative contracts for U.S. GAAP are as follows:

(MILLIONS)	2007	2006
Fair value adjustments to securities for U.S. GAAP	**$—**	$ 12
Derivative contract adjustments for U.S. GAAP	**139**	300
	$139	$312

(iv) Foreign Exchange and Dividends on Convertible Preferred Shares

Canadian GAAP requires that the company's preferred share obligations that could be settled with a variable number of the company's common equity be classified as liabilities and corresponding distributions as interest expense for Canadian GAAP, whereas under U.S. GAAP, they are treated as equity with corresponding distributions as dividends. Under Canadian GAAP, these preferred share liabilities are converted into the company's functional currency at current rates. Under U.S. GAAP, these preferred shares are treated as equity and are converted into the company's functional currency at historical rates. As a result, the company has recorded the following adjustments for U.S. GAAP:

(MILLIONS)	2007	2006
Preferred share dividends classified as interest expense for Canadian GAAP	**$ 84**	$78
Revaluation of preferred shares at historical foreign exchange rates	**183**	(4)
	$267	$74

(v) Equity Accounted Income

Under U.S. GAAP, the company's equity accounted income has been adjusted for differences in the accounting treatment by the investee as follows:

Accounting Treatment	Canadian GAAP	U.S. GAAP
Start-up costs	Defer and amortize	Expense as incurred
Pension accounting	Valuation allowance	No valuation allowance

Canadian GAAP requires recognition of a pension valuation allowance for an excess of the prepaid benefit expense over the expected future benefit with changes in the pension valuation allowance recognized in the consolidated statements of income, whereas U.S. GAAP does not. Accordingly, the company's equity accounted investees eliminate the effects of recognizing pension valuation allowances for these purposes.

(vi) Start-up Costs and Other

Start-up costs and other has been adjusted for the differences between Canadian GAAP and U.S. GAAP and includes $10 million of expense (2006 – $20 million) related to start-up costs which are deferred and amortized under Canadian GAAP and expensed under U.S. GAAP, and $8 million of expense (2006 – $28 million of income) related to differences from the company's operations in Brazil and its insurance operations.

(vii) Commercial Property Depreciation

Straight-line depreciation was adopted by the company from January 1, 2004 onward which effectively harmonized Canadian GAAP with U.S. GAAP. In 2007, the company recorded an increase to U.S. GAAP net income of $8 million (2006 – $7 million) to reflect the adjustment required if straight-line depreciation had been recognized from the outset as opposed to January 1,2004 onward.

(viii) Deferred Income Taxes

The difference in the deferred income tax provision includes the tax effect of the income statement adjustments under U.S. GAAP. Also, under Canadian GAAP the tax rates applied to temporary differences and losses carried forward are those which are substantively enacted. Under U.S. GAAP, tax rates are applied to temporary differences and losses carried forward only when they are enacted.

(ix) Per Share Amounts

The company's current policy is to redeem the Preferred Shares Series 10, 11 and 12, through the payment of cash in the event that holders of Preferred Shares exercise their conversion option. As a result, the impact of the conversion option of these Preferred Shares has been excluded from the company's diluted EPS calculation under U.S. GAAP. However, the company is not legally obliged to redeem these Preferred Shares for cash and reserves the right to settle the conversion option in Class A common shares.

(b) Comprehensive Income

The impact of the differences in accounting principles between the company's statements of comprehensive income under Canadian GAAP and under U.S. GAAP are as follows:

(MILLIONS)	*Note*	*2007*	*2006*
Other comprehensive income – Canadian GAAP		**$302**	$—
Market value adjustments	*(i)*	**(59)**	244
Additional pension asset	*(ii)*	**6**	10
Foreign currency translation adjustments	*(iii)*	**(18)**	37
Taxes on other comprehensive income		**15**	(81)
Other comprehensive income – U.S. GAAP		**$246**	$210

As a result of the above adjustments, the components of other comprehensive income under U.S. GAAP are as follows:

(MILLIONS)	*2007*	*2006*
Net income under U.S. GAAP	**$1,015**	$1,517
Market value adjustments	**(211)**	244
Additional pension asset	**6**	10
Foreign currency translation adjustments	**392**	37
Taxes on other comprehensive income	**59**	(81)
Other comprehensive income	**246**	210
Comprehensive income	**$1,261**	$1,727

(i) Market Value Adjustments

The company adopted new Canadian GAAP financial instrument accounting standards on January 1, 2007, which effectively harmonized with U.S. GAAP the accounting for available-for-sale securities and derivatives that are designated in cash flow hedging relationships. Available-for-sale securities are carried at fair value which is based on reference to quoted prices in an active market. The effective portion of derivatives designated as cash flow hedges are reported in other comprehensive income whereas the offsetting changes of the future cash flows being hedged are not. The amounts recorded in other comprehensive income are subsequently reclassified into net income at the same time as the cash flows being hedged are recorded in net income. Historically under Canadian GAAP, the company recorded its securities at cost and wrote them down when an other than temporary impairment occurred and the fair value of derivatives designated as cash flow hedges was not recognized in income.

Canadian GAAP allows the effective portion of cash flow hedges of foreign currency risk exposures of an anticipated business combination to be recorded in other comprehensive income. However, under U.S. GAAP, cash flow hedges of an anticipated business combination are recorded in net income at fair value.

Market value adjustments in other comprehensive income in 2007 and 2006 are recorded on the balance sheet as follows:

(MILLIONS)	*2007*	*2006*
Available-for-sale securities	**$ (2)**	$ 42
Derivative contracts designated as cash flow hedges	**(57)**	201
Equity accounted investments	**—**	1
Market value adjustments	**$(59)**	$244

(ii) Additional Pension Asset

U.S. GAAP requires the excess of any unfunded accumulated benefit obligation (with certain other adjustments) to be reflected as an additional pension asset or liability in the consolidated balance sheet with an offsetting adjustment to intangible assets to the extent of unrecognized prior service costs, with the remainder recorded in other comprehensive income. The company has reflected this adjustment including its proportionate share of adjustments recorded by equity accounted investees and consolidated subsidiaries.

(iii) Foreign Currency Translation Adjustments

Effective January 1, 2007, Canadian and U.S. GAAP require that the change in the cumulative translation adjustment account be recorded in other comprehensive income. The resulting changes in the carrying values of assets which reflect foreign currency conversion are not necessarily reflective of changes in underlying value.

(c) Balance Sheet Differences

The incorporation of the significant differences in accounting principles under Canadian GAAP and U.S. GAAP would result in the following presentation of the company's balance sheets:

(MILLIONS)	*Note*	*2007*	*2006*
Assets			
Cash and cash equivalents		**$ 1,561**	$ 1,204
Accounts receivable and other	*(i)*	**7,796**	5,314
Intangible assets		**1,773**	1,146
Goodwill		**1,528**	669
Securities		**3,453**	3,943
Loans and notes receivable		**892**	635
Property, plant and equipment	*(ii)*	**37,206**	27,563
Equity accounted investments	*(iii)*	**1,336**	712
Total assets under U.S. GAAP		**$55,545**	$41,186
Liabilities and shareholders' equity			
Non-recourse borrowings			
Property-specific mortgages		**$21,644**	$17,148
Other debt of subsidiaries		**7,729**	4,389
Corporate borrowings		**2,048**	1,507
Accounts payable and other		**9,938**	5,502
Intangible liabilities		**1,047**	919
Convertible and subordinated notes		**—**	214
Non-controlling interests		**4,986**	4,445
Preferred equity		**1,204**	1,022
Common equity	*(iv)*	**6,949**	6,040
Total liabilities and shareholders' equity under U.S. GAAP		**$55,545**	$41,186

The significant difference in each category between Canadian GAAP and U.S. GAAP are as follows:

(i) Deferred Income Taxes

The deferred income tax asset (liability) under U.S. GAAP is included in accounts receivable (payable) and other and is calculated as follows:

(MILLIONS)	*2007*	*2006*
Tax assets related to operating and capital losses	**$ 1,270**	$1,194
Tax liabilities related to differences in tax and book basis	**(1,556)**	(944)
Valuation allowance	**(338)**	(304)
Deferred income tax liability under U.S. GAAP	**$ (624)**	$ (54)

(ii) Joint Ventures

Under U.S. GAAP, proportionate consolidation of investments in joint ventures is generally not permitted. Under certain rules for foreign private issuers promulgated by the United States Securities and Exchange Commission ("SEC"), the company has continued to follow the proportionate consolidation method for investments that would otherwise be equity accounted for under U.S. GAAP.

(iii) Equity Accounted Investments

The company's equity accounted investments under U.S. GAAP include Norbord, Australian property funds, Chilean transmission operations and other real estate and business services and during 2006, Fraser Papers and Stelco. During 2007, the company began consolidating Fraser Papers and disposed of its investment in Stelco. The investments have been adjusted to reflect the cumulative impact of calculating equity accounted earnings under U.S. GAAP.

(MILLIONS)	*2007*	*2006*
Equity accounted investments under Canadian GAAP	**$1,352**	$775
Reclassification from securities and accounts receivable and other	**24**	24
Accumulated other comprehensive income (loss)	**(20)**	(76)
Retained earnings adjustment	**(20)**	(11)
Equity accounted investments under U.S. GAAP	**$1,336**	$712

(iv) Common Equity

(MILLIONS)	2007	2006
Common equity under Canadian GAAP	**$6,644**	$5,395
Reclassification of Canadian GAAP cumulative translation adjustment to accumulated other comprehensive income	**—**	42
Common shares	**17**	13
Additional paid in capital	**75**	21
Cumulative adjustments to retained earnings under U.S. GAAP	**225**	382
Accumulated other comprehensive income	**(12)**	187
Common equity under U.S. GAAP	**$6,949**	$6,040

As a result of the above adjustments, the components of common equity under U.S. GAAP are as follows:

(MILLIONS)	2007	2006
Common shares	**$1,291**	$1,228
Additional paid in capital	**75**	21
Accumulated other comprehensive income	**433**	187
Retained earnings	**5,150**	4,604
Common equity under U.S. GAAP	**$6,949**	$6,040

(d) Changes in Accounting Policies Adopted During 2007

FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109"

Effective January 1, 2007, the company adopted FIN 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." This interpretation clarifies financial statement recognition and disclosure requirements for uncertain tax positions taken or expected to be taken in a tax return. Guidance is also provided on the derecognition of previously recognized tax benefits and the classification of tax liabilities on the balance sheet. The company recorded a $6 million transition adjustment to decrease opening retained earnings effective January 1, 2007, as a result of the adoption of FIN 48.

(e) Future Accounting Policy Changes

(i) SFAS 157, "Fair Value Measurements"

As of January 1, 2008, the company is required to adopt, for purposes of U.S. GAAP, FASB Statement No. 157, " *Fair Value Measurements*" ("SFAS 157"). SFAS 157 provides a common definition of fair value, establishes a framework for measuring fair value under U.S. GAAP and expands disclosures about fair value measurements. This statement applies when other accounting pronouncements require fair value measurements and does not require new fair value measurements. The company is assessing the impact this interpretation will have on the consolidated financial statements.

(ii) SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities"

As of January 1, 2008, the company is required to adopt, for the purposes of U.S. GAAP, FASB Statement No. 159, " *The Fair Value Option for Financial Assets and Financial Liabilities*" ("SFAS 159") which provides companies with an option to report selected financial assets and liabilities at fair value. The standard's objective is to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities.

(iii) SFAS No. 141(R), "Business Combinations" and SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements"

As of January 1, 2008, the company is required to adopt FASB Statement No. 141(R), " *Business Combinations*" ("SFAS 141(R)") and FASB Statement No. 160, "*Non-controlling Interests in Consolidated Financial Statements*" ("SFAS 160"). SFAS 141(R) will change how business acquisitions are accounted for and will impact the financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be re-characterized as non-controlling interests and classified as a component of equity. The company is currently evaluating the impact of these new interpretations on the consolidated financial statements.

Exhibit 99.5

CERTIFICATION

I, **J. Bruce Flatt**, certify that:

1. I have reviewed this annual report on Form 40-F of Brookfield Asset Management Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: March 27, 2008

/s/ J. Bruce Flatt
J. Bruce Flatt
Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.6

CERTIFICATION

I, **Brian D. Lawson**, certify that:

1. I have reviewed this annual report on Form 40-F of Brookfield Asset Management Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report.
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: March 27, 2008

/s/ Brian D. Lawson
Brian D. Lawson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.7

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **J. Bruce Flatt**, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ J. Bruce Flatt
J. Bruce Flatt
Chief Executive Officer

March 27, 2008

Exhibit 99.8

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Brian D. Lawson**, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Brian D. Lawson
Brian D. Lawson
Chief Financial Officer

March 27, 2008

Exhibit 99.9

Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax:416-601-6151
www.deloitte.ca

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our reports dated March 13, 2008 relating to the consolidated financial statements of Brookfield Asset Management Inc. (the "Company") (which expresses an unqualified opinion and includes an explanatory paragraph relating to changes in accounting principles) and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 40-F of the Company for the year ended December 31, 2007.

We also consent to the incorporation by reference in Amendment No. 1 dated November 1, 2007 to the Short Form Base Shelf Prospectus dated November 6, 2006 of the above mentioned reports.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. Our audits also included the reconciliation of Canadian and United States of America generally accepted accounting principles as of December 31, 2007 and 2006 and for the years then ended listed in Exhibit 99.4, Difference from United States Generally Accepted Accounting Principles. This exhibit is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the information in the exhibit referred to above as of and for the years ended December 31, 2007 and 2006, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Licensed Public Accountants
March 27, 2008

Member of
Deloitte Touche Tohmatsu

Exhibit 99.10

Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax:416-601-6151
www.deloitte.ca

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the accompanying consolidated balance sheets of Brookfield Asset Management Inc. and subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, retained earnings, comprehensive income, accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company'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). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Asset Management Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with Canadian generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Canadian Institute of Chartered Accountants Handbook Sections 1530 – Comprehensive Income, 3251 – Equity, 3855 – Financial Instruments – Recognition and Measurement, 3861 – Financial Instruments – Disclosure and Presentation and 3865 – Hedges, effective January 1, 2007.

On March 13, 2008, we reported separately to the Board of Directors and Shareholders of the Company on our audits, conducted in accordance with Canadian generally accepted auditing standards, of the consolidated financial statements for the same periods, prepared in accordance with Canadian generally accepted accounting principles but which excluded the Exhibit 99.4 which describes Differences between Canadian and United States of America generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte + Touche LLP

Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
March 13, 2008

Exhibit 99.11

Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the internal control over financial reporting of Brookfield Asset Management Inc. and subsidiaries (the "Company") as of December 31, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Multiplex Group ("Multiplex"), Longview Fibre Company ("Longview"), and Malzoni Properties Inc. ("Malzoni"), which were acquired in 2007 and whose financial statements, on a combined basis, constitute approximately 39% and 22% of net and total assets, respectively, 11% of revenues, and nil% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2007. Accordingly, our audit did not include the internal control over financial reporting at Multiplex, Longview, and Malzoni. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2007 of the Company and our report dated March 13, 2008 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of Canadian Institute of Chartered Accountants Handbook Sections 1530—Comprehensive Income, 3251—Equity, 3855—Financial Instruments – Recognition and Measurement, 3861—Financial Instruments – Disclosure and Presentation and 3865—Hedges.

Deloitte + Touche LLP

Independent Registered Chartered Accountants
Licensed Public Accountants
Toronto, Canada
March 13, 2008