Brookfield Asset Management

SUPPLEMENTAL INFORMATION *FOR THE YEAR ENDED DECEMBER 31, 2007*

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Cautionary Statement Regarding Forward-Looking Statements

This Supplemental 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 the takeover of Multiplex, the distribution of Brookfield Infrastructure Partners, 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 targetted 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”, “expect”, “think”, “potentially”, “principally”, “tend”, “primarily”, “look”, “generally”, “represent”, “anticipate”, “position”, “intend”, “estimate”, “should”, 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”, which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters, identify forward-looking statements. Although Brookfield Asset Management believes that the company’s 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; market demand for an infrastructure company, which is unknown; ability to compete for new acquisitions in the competitive infrastructure space; 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 included 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. 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

Although our financial results are determined in accordance with Canadian generally accepted accounting principles (“GAAP”), the basis of presentation throughout much of this report differs from GAAP in that it is organized by business unit and utilizes operating cash flow as an important measure. This is reflective of how we manage the business and, in our opinion, enables the reader to better understand our affairs. We provide a reconciliation in the Supplemental Analysis of Consolidated Financial Statements section. Readers are encouraged to consider both measures in assessing Brookfield’s results.

Business Environment and Risks

Brookfield’s financial results are impacted by: the performance of each of our operations and various external factors influencing the specific sectors and geographic locations in which we operate; 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. These factors are described in our annual report and our annual information form, both of which are available on our web site and at *www.sedar.com.*

INTRODUCTION

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 this Supplement 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 each of 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 which 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 Supplement and our consolidated financial statements. In particular, we reconcile operating cash flow and net income on page 15. The tables on pages 44 and 45 provide a reconciliation between our consolidated financial statements and basis of presentation used herein.

Unless the context indicates otherwise, references in this Supplement 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 this Supplement have 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.

PERFORMANCE REVIEW

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 the Operating Platforms section beginning on page 21.

SUMMARY

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 reflects 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 15.

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 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. they are net of interest expense and co-investor interests) unless otherwise noted.

	2007			2006		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Asset Management**	**Operations**	**Total Platform**	Asset Management	Operations	Total Platform
Operating platforms						
Commercial properties	**$ 351**	**$ 483**	**$ 834**	$ 277	$ 434	$ 711
Power generation	**68**	**193**	**261**	62	275	337
Infrastructure	**36**	**76**	**112**	14	61	75
Development and other properties	**24**	**279**	**303**	22	225	247
Specialty funds	**143**	**323**	**466**	56	150	206
Advisory services	**73**	**—**	**73**	52	—	52
Private equity investments	**—**	**125**	**125**	—	20	20
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 expenses						
Financing	**—**	**(302)**	**(302)**	—	(286)	(286)
Operating costs	**(264)**	**(180)**	**(444)**	(192)	(124)	(316)
Current income taxes	**—**	**(6)**	**(6)**	—	(4)	(4)
Co-investor interests in consolidated operations	**(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. Operating platforms generated approximately $1.5 billion of operating cash flow during 2007 consistent with 2006. These results are net of fees charged in respect of asset management activities. As noted earlier, the 2006 results included $610 million of net realization gains compared to $158 million in 2007, which represents $171 million realization gains referred to elsewhere in this report net of $13 million of co-investor interests in Brookfield Properties.

Overview of Asset Management Results

In this section we provide an overall review of operating cash flows from asset management across the company based on the source of the cash flow as opposed to the operating platform from which it is derived. We do this because the nature of the income differs between base management fees, performance returns and cash flow generated by advisory and other specialized services.

We also provide an analysis of performance income that has accrued to us but has not yet been recorded in our financial results due to current accounting guidelines.

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).

	Total		Third Party	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	***2007***	*2006*
Asset management income and fees	**$ 695**	$ 483	**$ 415**	$ 257
Direct operating costs	**(264)**	(192)	**—**	—
Co-investor interests in consolidated operations	**(65)**	(54)	**—**	—
	$ 366	$ 237	**$ 415**	$ 257

Asset Management Income and Fees

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

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.

The level of performance returns recorded in our results continue 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.

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 increasing the number of successful mandates.

The following table includes performance returns on established funds that we believe have accumulated based on results to date, 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	**260**	95	**84**	54
Accumulated returns, beginning of year	**95**	—	**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.

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. 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 $5.4 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 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 UK 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:

	Change in Brookfield's Net Invested Capital		
AS AT DECEMBER 31 (MILLIONS)	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.

Commercial Properties

The following table summarizes the net operating cash flows contributed by our commercial property operations.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2007 Asset Management	2007 Operations	2007 Total Platform	2006 Asset Management	2006 Operations	2006 Total Platform
Office properties	$ —	$ 610	$ 610	$ —	$ 536	$ 536
Retail properties	—	19	19	—	19	19
Asset management and property services[1]	351	(146)	205	277	(121)	156
	$ 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.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2007 Total	2007 Operations	2007 Third-Party	2006 Total	2006 Operations	2006 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.

Our commercial office portfolios contributed net operating cash flow of $610 million during 2007 compared to $536 million in 2006. The 2007 results include gains of $113 million on the sale of non-strategic assets whereas the 2006 results include $44 million of similar gains and an $87 million dividend that we received from Canary Wharf in 2006. Excluding these items, the contribution increased by $92 million year-over-year or 23%.

Acquisitions contributed $79 million towards the increase after taking incremental borrowing costs into consideration. The acquisition of Multiplex in late 2007 contributed $9 million after borrowing costs during our two months of ownership and the major U.S. portfolio acquired in late 2006 contributed $75 million in 2007, compared to $18 million during our three months of ownership in 2006.

The contribution from properties held throughout 2006 and 2007 increased by $39 million due to “same store” growth of 6%. In-place net rents increased to $24 per square foot from $21 per square foot at the beginning of the year due to increases in nominal rents as well as currency appreciation. Borrowing costs associated with these properties increased as a result of refinancing underlevered properties at attractive yields which reduced net operating cash flow but improved return on capital.

The contribution from retail properties prior to gains declined by $8 million over 2006 levels due to the reduction in our interest in these properties from 100% to 25% upon their transfer into our retail fund. Accordingly, we have less capital invested and we received proceeds of $251 million in 2007 that were deployed elsewhere in our operations. In addition, the fund incurred a higher level of integration costs relating to properties acquired during 2007. The fund, however, is now fully invested following the acquisition of a major portfolio of very high quality properties at the end of 2007, and is expected to generate increased cash flows during 2008 and onwards.

The following table summarizes assets under management and invested capital in our commercial property operations.

AS AT DECEMBER 31 (MILLIONS)	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated		Net Invested Capital	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Commercial properties								
Office	**$ 29,052**	$ 20,314	**$ 2,298**	$ 1,717	**$ 23,617**	$ 17,016	**$ 4,700**	$ 3,745
Retail	**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

The 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, bringing our interest in these properties to 100%. Occupancy across the portfolio increased to 96% from 95% at the end of 2006.

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.

Power Generation

The following table summarizes the net operating cash flow generated by our power generating operations during 2007 and 2006.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2007**			2006		
	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 as set forth in the following table.

AS AT DECEMBER 31 (MILLIONS)	**2007**	2006	Variance
Hydroelectric generation	**$ 524**	$ 578	$ (54)
Wind, pumped storage and co-generation	**80**	40	40
Total operating cash flow	**604**	618	(14)
Less: carrying charges and co-investor interests	**(343)**	(281)	(62)
Net operating cash flow	**$ 261**	$ 337	$ (76)

Realized prices from our hydroelectric operations increased by approximately 6% over 2006 levels due both to higher nominal prices as well as favourable exchange rate increases on non-U.S. generation. The higher prices were offset by water flows that were 10% below long-term averages. In addition, operating expenses increased during the year, notwithstanding the lower generation, due to the effect of higher currency exchange rates on our non-U.S. operations, with the result that the overall contribution from our hydroelectric operations declined by $54 million.

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 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.

	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.

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

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. The 2006 results for these operations were below plan due to the impact of fires and adverse weather conditions in the second half of that year. The operations acquired in the U.S. Pacific Northwest in April 2007 recorded a nominal contribution after carrying charges due to the impact of the slowdown in the U.S. housing markets on both pricing and volumes.

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 operations contributed $62 million of operating cash flow, net of carrying charges and co-investor interests, compared with $37 million during 2006. 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.

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.

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.

Development and Other Properties

Development and other properties include our opportunity invested funds, residential operations, properties under development and properties held for development.

	Net Operating Cash Flow		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	***2007***	*2006*	*Variance*
Opportunity investments	**$ 38**	$ 14	$ 24
Residential	**260**	231	29
Under development and held for development	**3**	1	2
	$ 301	$ 246	$ 55

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.

We benefited 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.

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.

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 2007	Brookfield Invested Capital – Consolidated 2006	Brookfield Invested Capital – Net Invested Capital 2007	Brookfield Invested Capital – Net Invested Capital 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 residential operations increased by approximately $500 million 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 Brazil properties.

Specialty Funds

Specialty investment funds, which include our bridge lending, restructuring, real estate finance and public securities operations generated net operating cash flow of $466 million during 2007, more than double the operating results during 2006.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2007 Asset Management	2007 Operations	2007 Total Platform	2006 Asset Management	2006 Operations	2006 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 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.

Our restructuring group completed the sale of a large integrated steel manufacturer for a cash gain of $231 million. 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.

The real estate finance group increased the level of invested assets, 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.

Asset management activities 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.

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. Co-investor commitments increased with the formation of two new bridge funds during the year. We completed the launch of our second restructuring fund, resulting in increased co-investor commitments. The increase in restructuring assets under management and consolidated assets 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.

During 2007 we increased co-investor capital committed to our second restructuring fund by $183 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 $240 million from Brookfield.

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**	$ 20,460	**$ 20,210**	$ 20,460	**$ —**	$ —	**$ —**	$ —
Equity	**6,027**	—	**6,027**	—	**—**	—	**—**	—
	$ 26,237	$ 20,460	**$ 26,237**	$ 20,460	**$ —**	$ —	**$ —**	$ —

Assets and capital commitments increased during the year due to additional mandates secured within our existing operations, as well as the acquisition of a real estate and infrastructure equities manager with $6 billion of securities under management during the fourth quarter of 2007

Other Activities

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.

Consolidated assets increased to $3.9 billion due to the consolidation of our investments in Fraser Papers and Banco Brascan for accounting purposes following the increase in our interests in the company 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.

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	$ 44
Property services	**153**	123	30
	264	192	74
Corporate and other costs	**180**	124	54
	$ 444	$ 316	$ 128

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.

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, net of non-controlling interests		
Depreciation and amortization	**(1,034)**	(600)
Equity accounted income (losses) from investments	**(72)**	(36)
Gains on disposition of investments	**—**	—
Future income taxes	**(88)**	(203)
Provisions and other	**(112)**	57
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. 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	**$ 637**	$ 330
Power generation	**164**	124
Infrastructure	**138**	68
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. These companies 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	$ (10)	$ 59
Interest rate contracts	(64)	7
Power contracts	(63)	—
Stelco recovery of equity accounted loses	43	—
Other	(18)	(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.

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.

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	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.

		Book Value				*Operating Cash Flow* [2]			
AS AT AND FOR THE YEARS ENDED DECEMBER 31	*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 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 $3.0 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.

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 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 as presented in the following table together with relevant credit statistics.

					Operating Cash Flow			
AS AT AND FOR THE YEARS	Capitalization Market Value [1]		Brookfield Invested Capital		Underlying		Remitted	
ENDED DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006	**2007**	2006	**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

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%.

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 financings and subsidiary financings 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. 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	$ 2,356	$ 554	$ 4,807	$ 1,153	$ 8,438	$21,644
Subsidiary borrowings	4	1,875	2,798	530	254	86	1,920	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 acquired during 2007. This loan does not mature until March 2009 and represents a loan-to-value of less than 60%. We expect 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.

The book value of our common equity increased by 22% 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.

We continue to expand our distribution capabilities and expand our asset management clients base and the amount of capital committed to us. This 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. 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 core 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 there is no tangible evidence of softening, 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 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 and production delays.

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 a higher operating cash flows during 2008.

We continue to expand our specialty funds and our infrastructure 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.

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 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 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.

OPERATING PLATFORMS

In this section we provide supplemental information on each of our principal operating platforms and corporate activities.

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COMMERCIAL PROPERTIES

We conduct a wide range of property operations on behalf of ourselves and our co-investors in North America, South America, Europe, Australia and the Middle East. Commercial property operations include office and retail. Development and other activities include residential and opportunistic investment activities as well as development and redevelopment activities.

Office Properties

We have total office property assets under management of $29 billion of which $17 billion are held directly and $12 billion are held through seven funds with aggregate capital commitments of $3.7 billion.

Operating Results

	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 was $1.5 billion during 2007 representing an increase of $533 million or 54% over 2006. Net operating cash flows, which reflect costs associated with property-specific financings and co-investor interests, increased by $74 million or 14% during 2007. Interest expense incurred on property-specific financings and co-investor capital increased from a total of $449 million during 2006 to $908 million 2007. Carrying charges from debt incurred on the acquisition of properties accounted for much of the increase.

The following table sets out the variances in net 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	69
Other	**10**	9	1
Total operating cash flow	**1,518**	985	501
Interest expense and co-investor interests	**(908)**	(449)	(427)
Net operating cash flow	**$ 610**	$ 536	$ 74

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. We acquired a major portfolio in the United States in late 2006 which increased total operating cash flows by $408 million and net operating cash flows by $57 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 after deducting interest expenses

We achieved growth in same property income 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. We continue to manage our portfolios and tenant relationships on a proactive basis, which in our opinion leads to opportunities to re-lease space for increased yields and gains.

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

Total commercial office assets under management increased by $8.7 billion during 2007 to $29.1 billion at year end. Approximately $5.7 billion of this increase represents property held in managed funds and owned directly within our recently acquired Australian operation, which resulted in a $623 million increase in co-investor commitments. We acquired the remaining 49% interest in our two Boston properties for approximately $500 million, which accounts for the increase in consolidated assets within our U.S. portfolio.

Net invested capital increased by $955 million, which represents the net capital invested by us in the Australian operations offset by the proceeds from refinancing existing properties.

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 increased by $4.4 billion, which included $1.6 billion of debt associated with the Multiplex acquisition 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 60%.

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 represent 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 positions us as one of the largest owners of retail centres in Brazil.

Operating Results

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. The impact of acquisitions and higher sales within existing properties was largely offset by integration costs.

	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*

The fund completed a major acquisition at the end of 2007 that will contribute to cash flows beginning in 2008.

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.

We recorded a realization gain of $79 million on the formation of the fund in 2006 and the vend-in by us of the seed portfolio.

Financial Profile

	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 which increased to $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.

Total property assets within the fund increased to $1,698 million since 2006 due to the acquisition of interests in 12 additional shopping centres. 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.

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.

Operating Results

The following table summarizes the operating cash flow 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*
Hydroelectric generation				
North America				
United States	**$ 292**	$ 318	**$ 292**	$ 318
Canada	**171**	221	**171**	221
Brazil	**68**	41	**68**	41
Total hydroelectric generation	**531**	580	**531**	580
Wind energy	**33**	5	**33**	5
Co-generation and pumped storage	**47**	35	**47**	35
Total other generation	**80**	40	**80**	40
	611	620	**611**	620
Other expense			**(7)**	(2)
Interest expense			**(289)**	(235)
Non-controlling interests			**(54)**	(46)
Operating cash flow	**$ 611**	$ 620	**$ 261**	$ 337

Our results are impacted principally by realized prices and the level of generation which are discussed in the following sections. 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. The increase in operating cash flows attributable to co-investors increased to reflect the interests of our joint venture partners in the pumped storage facility.

Realized Prices and Operating Margins

Realized prices from our hydro portfolio increased 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:

FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	Long-Term Average	Actual Production 2007	2006	2005	Variance to 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

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 2007	Capacity 2006	Assets Under Management 2007	Assets Under Management 2006	Brookfield Invested Capital Consolidated 2007	Consolidated 2006	Net 2007	Net 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

We have 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 increased the number of facilities in Brazil by 13 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 145 megawatts at a total projected cost of $352 million.

The carrying values of our pumped storage operations increased since 2006 as we commenced accounting for these operations, which are owned in a 50/50 joint venture, on a fully consolidated basis during the second quarter. Carrying values of non-U.S. assets also increased due to currency fluctuations. This was offset by the corresponding impact on non-U.S. financings.

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 14 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.

Co-investor commitments relate to capital held by others in a publicly listed specialty issuer through which we own some of our operations and direct co-investments in several facilities and are presented at book value. While we do not receive any fees for managing these operations, we do have the opportunity to market much of the output which we purchase on a fixed-rate basis. This in turn increases the stability of the cash flows for unitholders of the issuer. Over time we hope to establish our power generating operations on a managed asset basis.

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

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Cash Flow Total 2007	Total 2006	Net 2007	Net 2006
Timberlands	**$ 158**	$ 87	**$ 158**	$ 87
Interest expense			**(85)**	(29)
Co-investors's interests			**(33)**	(26)
	$ 158	$ 87	**$ 40**	$ 32

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.

We increased our western Canadian harvesting activities in the first half of the year due to the possibility of a 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.

The 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.

The following table summarizes the operating results from our timber operations.

FOR THE YEARS ENDED DECEMBER 31 ($ MILLIONS)	2007 Sales (m^3)	2007 Revenue	2007 Harvest (m^3)	2006 Sales (m^3)	2006 Revenue	2006 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

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	Consolidated Assets 2006	Net Invested 2007	Net Invested 2006
Timber	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. The increase in total invested capital since 2006 reflects the purchase cost of the timberlands of approximately $1.9 billion, together with goodwill and working capital totalling $2.6 billion. We recorded a future tax obligation of approximately $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 approximately $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. The increase in net invested capital reflects 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.

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 consist 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 the 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.

Operating Results

The Chilean and Ontario transmission operations performed in line with expectations during the quarter. 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 during the prior year to interest expense was $208 million in 2007, compared to $98 million in 2006.

	Operating Cash Flow			
	Total		Net	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006
Transmission facilities and investments				
Chile	**$ 114**	$ 91		
North America	**31**	28		
Brazil	**15**	—		
	160	119	**$ 160**	$ 119
Other expenses			**(4)**	(8)
Interest expense			**(65)**	(55)
	160	119	**91**	56
Co-investors' interests			**(29)**	(19)
	$ 160	$ 119	**$ 62**	$ 37

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.

Portfolio Activity and Financial Position

AS AT DECEMBER 31 (MILLIONS)	Total Assets Under Management		Co-investor Commitments		Brookfield Invested Capital			
					Consolidated Assets		Net Invested	
	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. The increases in the carrying values of our North American and Brazilian operations are due primarily to appreciation in the value of the Brazilian and Canadian currency.

Development and Other Properties

Opportunity Investments

We operate niche real estate opportunity funds with $417 million of committed capital (Brookfield's share – $258 million).

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Cash Flow			
	Total		Net	
	2007	2006	**2007**	2006
Commercial properties	**$ 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 in 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. The first fund is fully invested and has begun the process of monetizing assets purchased over the past two years to capture value appreciation, while the second fund is early in its investment period.

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
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 $450 million of committed capital from a U.S. institution and ourselves that we will manage.

Operating Results

	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.	**(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 were under active development at year end and 76,500 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.

Financial Profile

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*
	$ 2,909	$ 2,403	**$ 200**	$ —	**$ 2,909**	$ 2,403	**$ 450**	$ 484

Total assets and net capital, 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 are redeveloping to enhance their value.

AS AT DECEMBER 31 (MILLIONS)	*Brookfield Invested Capital*			
	Consolidated Assets		*Net Invested Capital*	
	2007	*2006*	***2007***	*2006*
Bay Adelaide Centre, Toronto	**$ 416**	$ 251	**$ 416**	$ 251
Four Allen Center, Houston	**198**	139	**198**	139
Australia and United Kingdom	**2,273**	—	**2,273**	—
Other	**513**	268	**513**	268
Property-specific financing	**—**	—	**(1,704)**	(240)
	$ 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 are focused on the construction of a 1.1 million square foot premier office property within the Bay Adelaide Centre site located in Toronto's downtown financial district, the redevelopment of the 1.3 million square foot Four Allen Center in Houston and properties in Washington, D.C. 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. We significantly expanded our development activities with the acquisition of Multiplex which has 70 commercial projects under way that will contain over 20 million square feet and approximately 18,000 residential lots, homes and units.

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.

AS AT DECEMBER 31 (MILLIONS)	Brookfield Invested Capital			
	Consolidated Assets		Net Invested Capital	
	2007	2006	**2007**	2006
Core 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

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.

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.

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 and associated yields were relatively consistent year over year.

We had total assets under management of $1.0 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. The level of invested capital over the full year, at $613 million, was relatively consistent with 2006.

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 Investment Partners (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 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.

We successfully concluded our involvement with Stelco, 37% held by Tricap I and its investors, with an offer by U.S. Steel to acquire 100% of the company. Our share of the proceeds were approximately $274 million, giving rise to a disposition gain of $231 million. The favourable result should also contribute towards meaningful performance income from our carried interest in the fund.

	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

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.

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 increase is due to a higher level of invested assets during the year as the group was able to originate a number of high quality investment opportunities. The portfolio continues to perform in line with our expectations and we fully expect to receive full payment of interest and principal over the remaining term of our investments.

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.

	Assets Under Management		Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2007**	2006	**2007**	2006
Fixed income and real estate securities	**$ 26,237**	$ 20,460	**$ 39**	$ 36
Investment banking	**—**	—	**34**	16
	$ 26,237	$ 20,460	**$ 73**	$ 52

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 are 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.

AS AT AND FOR THE YEARS ENDED DECEMBER 31			Assets Under Management	Brookfield Invested Capital				Operating Cash Flow			
				Consolidated		Net		Total		Net	
(MILLIONS)	Location	Interest	2007	2007	2006	2007	2006	2007	2006	2007	2006
Forest products											
Norbord Inc.	North America / UK	27%	$ 180	$ 180	$ 178	$ 19	$ 26	$ 21	$ 66	$ 11	$ 39
Fraser Papers Inc.	North America	56%	477	477	141	109	141	(15)	—	(22)	—
Privately held	North America	100%	162	162	140	113	95	11	(64)	11	(64)
Mining											
Coal lands	Alberta	100%	85	85	73	85	73	6	5	6	5
Business services											
Insurance	Various	80-100%	2,513	2,513	2,357	661	593	113	37	93	25
Banco Brascan, S.A.	Rio de Janeiro	—	—	—	75	—	75	44	6	16	6
Privately held	Various	100%	229	229	369	223	278	34	30	4	5
Publicly listed	Canada	60%	52	52	51	26	23	5	—	4	—
Property											
Privately held	Brazil	Various	153	153	66	100	100	6	2	2	4
Net investment / operating cash flows			$ 3,851	$ 3,851	$ 3,450	$ 1,336	$ 1,404	$ 225	$ 82	$ 125	$ 20

We account for our non-controlled public investments 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. Norbord contributed $21 million of dividends to total cash flow during the year resulting in a net contribution of $11 million after deducting the exchangeable debenture interest.

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.

Privately held forest products operations include paper, containerboard and pulp operations. We acquired Katahdin Paper out of bankruptcy in April 2003 in connection with the purchase of power generation operations. The containerboard and pulp operations were previously owned by Longview Fibre, which we acquired in April 2007, and which were sold to our Tricap II restructuring fund in October 2007. These operations produced cash flow of $11 million during the year on a combined basis as strong performance by the containerboard and pulp operations offset a modest loss from the paper operations.

Business Services

Our insurance operations contributed improved results compared to 2006, which had been adversely impacted by storm-related losses in the first half of the year. 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.

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.

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.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Assets Under Management	Brookfield Invested Capital				Operating Cash Flow			
		Total		Net		Total		Net	
	2007	**2007**	2006	**2007**	2006	**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	**$ 702**	$ 413	**$ 702**	$ 413
Cash and cash equivalents	**360**	**360**	305	**360**	305	**—**		**—**	—
Deposits and other liabilities	**—**	**—**	—	**(500)**	(524)	**—**		**(7)**	(17)
Net investment / operating cash flow	**$ 1,367**	**$1,367**	$1,673	**$ 867**	$1,149	**$ 702**	$ 413	**$ 695**	$ 396

During 2007, we adopted new accounting guidelines related to Financial Instruments under which our financial assets, other than equity accounted investments and loans receivable, are carried at market values. The December 31, 2006 balances are shown at original cost other than designated trading portfolios that are carried at market. Operating cash flow reflects revaluation gains for securities that are held for trading and instruments that contain embedded derivatives such as convertible or exchangeable debentures. Revaluation gains or losses on other securities are recorded in other comprehensive income and not included in operating cash flow.

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 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.

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. We recorded gains of $129 million during 2007 on these credit default swaps.

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.

CAPITALIZATION

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Cost of Capital[1]	Book Value				Operating Cash Flow[2]			
		Consolidated		Net Invested Capital		Total		Net	
	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 (MILLIONS)	Cost of Capital[1]		Book Value				Operating Cash Flow[2]			
			Total		Net		Total		Net	
	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 and activity during the period is discussed within the Review of Operating Platforms 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	14	**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 increased by $3.9 billion during 2007. This included $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.

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 types of 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 borrowing											
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 Total		Brookfield Invested Capital Net		Operating Cash Flow [2] Total		Operating Cash Flow [2] 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 but one 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 shares 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 completed the redemption of 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 Total		Brookfield Invested Capital Net		Operating Cash Flow [1] Total		Operating Cash Flow [1] 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.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	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
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 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 5.0 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 AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Brookfield Invested Capital				Operating Cash Flow			
	Total		Net		Total		Net	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Accounts receivable	**$ 565**	$ 386	**$ 565**	$ 386				
Restricted cash	**184**	517	**184**	517				
Intangible assets	**211**	130	**211**	130				
Prepaid and other assets	**788**	888	**788**	888				
Deferred tax asset	**262**	—	**262**	—				
	$ 2,010	$ 1,921	**$ 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 and Corporate Costs

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Brookfield Invested Capital				Operating Cash Flow			
	Total		Net		Total		Net	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	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				
Other operating costs								
Corporate and asset management					**$ 311**	$ 210	**$ 291**	$ 193
Property services expenses					**153**	123	**153**	123
Cash taxes					**68**	142	**6**	4
	$ 11,102	$ 6,497	**$ 3,148**	$ 1,771	**$ 532**	$ 475	**$ 450**	$ 320

Accounts payable and other liabilities, which on a net basis 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.

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.

Cash taxes relate principally to the taxable income generated within our operations and in jurisdictions that cannot be fully offset by tax losses elsewhere in the business. The decline in total cash taxes is due primarily to reduced taxable income within our U.S. residential business.

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 to 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 repayment 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	$ 3,081	$ 2,176	$ 393	$ 4,687	$ 486	$ 5,537	$ 16,360
Power generation	14	55	138	161	88	667	2,379	3,488
Infrastructure	6	1,200	42	—	32	—	522	1,796
Total	7	$ 4,336	$ 2,356	$ 554	$ 4,807	$ 1,153	$ 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								
Properties	2	$ 1,032	$ 2,307	$ 121	$ 97	$ 26	$ 223	$ 3,806
Power generation	9	—	448	—	—	—	349	797
Investments	2	843	43	409	30	60	2	1,387
Corporate subsidiaries	7	—	—	—	127	—	584	711
Co-investor capital								
Properties	6	—	—	—	—	—	762	762
Total	4	$ 1,875	$ 2,798	$ 530	$ 254	$ 86	$ 1,920	$ 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%

Reconciliation of Segmented Disclosure to Consolidated Financial Statements

Balance Sheet

AS AT DECEMBER 31, 2007

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
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**

AS AT DECEMBER 31, 2006

(MILLIONS)	Commercial Properties	Power	Infrastructure	Development and Other	Specialty Funds	Investments	Cash and Financial Assets	Other Assets	Corporate	Consolidated
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	435	371	—	4,509
Expenses										
Interest	—	870	289	174	72	22	50	7	302	1,786
Asset management and other operating costs	—	—	—	—	—	—	23	—	441	464
Current income taxes	—	10	7	4	(18)	4	52	—	9	68
Non-controlling interests	—	84	54	38	57	14	21	—	368	636
Net income before the following	415	602	261	102	301	341	289	364	(1,120)	1,555
Dividends	—	—	—	—	—	—	21	—	—	21
Xstrata debenture gain	—	—	—	—	—	—	—	331	—	331
Cash flow from operations	**415**	**602**	**261**	**102**	**301**	**341**	**310**	**695**	**(1,120)**	**1,907**
Allocation of fees on Brookfield capital	**280**	**(146)**	**(68)**	**(26)**	**(22)**	**(18)**	**—**	**—**	**—**	**—**
	695	456	193	76	279	323	310	695	(1,120)	1,907
Less: asset management expenses	(264)	—	—	—	—	—	—	—	264	—
non-controlling interests	(65)	—	—	—	—	—	—	—	65	—
Cash flow from operations	**$ 366**	**$ 456**	**$ 193**	**$ 76**	**$ 279**	**$ 323**	**$ 310**	**$ 695**	**$ (791)**	**$ 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	—	189	—	26	269	—	149	—	—	633
	257	1,125	620	232	735	229	165	413	—	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	26	—	4	142
Non-controlling interests	—	5	46	20	74	49	10	17	247	468
Net income before the following	257	657	337	95	515	164	80	396	(853)	1,648
Dividends	—	87	—	—	—	—	66	—	—	153
Cash flow from operations	**257**	**744**	**337**	**95**	**515**	**164**	**146**	**396**	**(853)**	**1,801**
Allocation of fees on Brookfield capital	**226**	**(121)**	**(62)**	**(8)**	**(21)**	**(14)**	**—**	**—**	**—**	**—**
	483	623	275	87	494	150	146	396	(853)	1,801
Less: asset management expenses	(192)	—	—	—	—	—	—	—	192	—
non-controlling interests	(54)	—	—	—	—	—	—	—	54	—
Cash flow from operations	**$ 237**	**$ 623**	**$ 275**	**$ 87**	**$ 494**	**$ 150**	**$ 146**	**$ 396**	**$ (607)**	**$ 1,801**

SUPPLEMENTAL INFORMATION

This section contains information required by applicable continuous disclosure guidelines and to facilitate additional analysis.

Quarterly Results

Net income 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								
Property	**529**	390	513	534	865	380	337	282
Power generation	**148**	105	170	188	142	122	156	200
Infrastructure	**33**	54	114	89	70	80	30	46
Specialty funds	**233**	16	59	62	131	29	29	39
Investment and other income	**337**	248	143	129	227	180	84	90
	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

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
Market trading price (TSX) – C$	**35.45**	38.15	42.61	40.23	37.57	32.95	29.91	28.57

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:

(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 – 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

1 Share numbers are adjusted to reflect three-for-two stock split

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 [1]
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

1 Adjusted to reflect three-for-two stock split

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
AS AT DECEMBER 31, 2007 (MILLIONS)	Year Formed	Assets	Net Invested Capital	Committed Capital [1]	Net Invested Capital	Committed Capital	Ownership 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.	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%*