

INTERNAL CONTROL OVER FINANCIAL REPORTING

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Brookfield Asset Management Inc. ("Brookfield") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles as defined in Regulation 240.13a-15(f) or 240.15d-15(f).


Management assessed the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2011, based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2011, Brookfield's internal control over financial reporting is effective.

Brookfield's internal control over financial reporting as of December 31, 2011, has been audited by Deloitte & Touche LLP Independent Registered Chartered Accountants, who also audited Brookfield's consolidated financial statements for the year ended December 31, 2011. As stated in the Report of Independent Registered Chartered Accountants, Deloitte & Touche LLP expressed an unqualified opinion on the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2011.



Toronto, Canada
March 15, 2012

J. Bruce Flatt
Chief Executive Officer



Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the internal control over financial reporting of Brookfield Asset Management Inc. and subsidiaries (the “Company”) as of December 31, 2011, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 of the Company and our report dated March 15, 2012 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP

Toronto, Canada
March 15, 2012

Independent Registered Chartered Accountants
Licensed Public Accountants

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this Annual Report have been prepared by the company's management which is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance, and the communication of policies and code of conduct throughout the company. In addition, the company maintains an internal audit group that conducts periodic audits of the company's operations. The Chief Internal Auditor has full access to the Audit Committee.

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche LLP, the Independent Registered Chartered Accountants appointed by the shareholders, have audited the consolidated financial statements set out on pages 94 through 147 in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out on the following page.

The consolidated financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.



Toronto, Canada
March 15, 2012

J. Bruce Flatt
Chief Executive Officer



Brian D. Lawson
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

To the Board of Directors and Shareholders of Brookfield Asset Management Inc.

We have audited the accompanying consolidated financial statements of Brookfield Asset Management Inc. and subsidiaries (the “Company”), which comprise the consolidated balance sheets as at December 31, 2011 and December 31, 2010, and the consolidated statements of operations, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brookfield Asset Management Inc. and subsidiaries as at December 31, 2011 and December 31, 2010, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2012 expressed an unqualified opinion on the Company’s internal control over financial reporting.



Toronto, Canada
March 15, 2012

Independent Registered Chartered Accountants
Licensed Public Accountants

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(MILLIONS)	Note	Dec. 31, 2011	Dec. 31, 2010
Assets			
Cash and cash equivalents.....	28	\$ 2,027	\$ 1,713
Other financial assets.....	4	3,773	4,419
Accounts receivable and other.....	5	6,723	7,869
Inventory.....	6	6,060	5,849
Investments.....	7	9,401	6,629
Investment properties.....	8	28,366	22,163
Property, plant and equipment.....	9	22,832	18,520
Timber.....	10	3,155	2,834
Intangible assets.....	11	3,968	3,805
Goodwill.....	12	2,607	2,546
Deferred income tax asset.....	13	2,118	1,784
Total Assets		\$ 91,030	\$ 78,131
Liabilities and Equity			
Accounts payable and other.....	14	\$ 9,266	\$ 10,334
Corporate borrowings.....	15	3,701	2,905
Non-recourse borrowings			
Property-specific mortgages.....	16	28,415	23,454
Subsidiary borrowings.....	16	4,441	4,007
Deferred income tax liability.....	13	5,817	4,970
Capital securities.....	17	1,650	1,707
Interests of others in consolidated funds.....	18	333	1,562
Equity			
Preferred equity.....	19	2,140	1,658
Non-controlling interests in net assets.....	19	18,516	14,739
Common equity.....	19	16,751	12,795
Total equity.....		37,407	29,192
Total Liabilities and Equity		\$ 91,030	\$ 78,131

On behalf of the Board:



Frank J. McKenna, Director



George S. Taylor, Director

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31
(MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Note	2011	2010
Total revenues.....	20	\$ 15,921	\$ 13,623
Asset management and other services.....	20	388	365
Revenues less direct operating costs			
Property.....	20	1,678	1,495
Renewable power.....	20	740	748
Infrastructure.....	20	756	221
Private equity.....	20	538	628
Equity accounted income.....	7	2,205	765
Investment and other income.....	20	328	503
		<u>6,633</u>	<u>4,725</u>
Expenses			
Interest.....		2,352	1,829
Operating costs.....		481	417
Current income taxes.....	13	97	97
		<u>3,703</u>	<u>2,382</u>
Other items			
Fair value changes.....	21	1,286	1,651
Depreciation and amortization.....		(904)	(795)
Deferred income taxes.....	13	(411)	(43)
Net income.....		<u>\$ 3,674</u>	<u>\$ 3,195</u>
Net income attributable to:			
Shareholders.....		\$ 1,957	\$ 1,454
Non-controlling interests.....		1,717	1,741
		<u>\$ 3,674</u>	<u>\$ 3,195</u>
Net income per share:			
Diluted.....	19	\$ 2.89	\$ 2.33
Basic.....	19	<u>\$ 3.00</u>	<u>\$ 2.40</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31
(MILLIONS)

	2011	2010
Net income.....	<u>\$ 3,674</u>	<u>\$ 3,195</u>
Other comprehensive income (loss)		
Revaluations of property, plant and equipment.....	2,650	(948)
Financial contracts and power sale agreements.....	(855)	(49)
Available-for-sale securities.....	(68)	107
Equity accounted investments.....	<u>193</u>	<u>(16)</u>
Fair value changes.....	1,920	(906)
Foreign currency translation.....	(837)	653
Taxes on above items.....	<u>(147)</u>	<u>448</u>
Other comprehensive income.....	<u>936</u>	<u>195</u>
Comprehensive income.....	<u>\$ 4,610</u>	<u>\$ 3,390</u>
Attributable to:		
Shareholders		
Net income.....	\$ 1,957	\$ 1,454
Other comprehensive income (loss).....	<u>795</u>	<u>(226)</u>
Comprehensive income.....	<u>\$ 2,752</u>	<u>\$ 1,228</u>
Non-controlling interests		
Net income.....	\$ 1,717	\$ 1,741
Other comprehensive income.....	<u>141</u>	<u>421</u>
Comprehensive income.....	<u>\$ 1,858</u>	<u>\$ 2,162</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2011 (MILLIONS)	Accumulated Other Comprehensive Income							Common Equity	Preferred Equity	Non- controlling Interests	Total Equity
	Common Share Capital	Contributed Surplus	Retained Earnings	Ownership Changes ¹	Revaluation Surplus	Currency Translation	Other Reserves				
Balance as at December 31, 2010	\$ 1,334	\$ 97	\$ 4,627	\$ 187	\$ 4,680	\$ 1,899	\$ (29)	\$ 12,795	\$ 1,658	\$ 14,739	\$ 29,192
Changes in period											
Net income.....	—	—	1,957	—	—	—	—	1,957	—	1,717	3,674
Other comprehensive income.....	—	—	—	—	1,719	(443)	(481)	795	—	141	936
Comprehensive income.....	—	—	1,957	—	1,719	(443)	(481)	2,752	—	1,858	4,610
Shareholder distributions											
Common equity.....	—	—	(319)	—	—	—	—	(319)	—	—	(319)
Preferred equity.....	—	—	(106)	—	—	—	—	(106)	—	—	(106)
Non-controlling interests.....	—	—	—	—	—	—	—	—	—	(639)	(639)
Other items											
Equity issuances, net of											
redemptions.....	1,482	—	(169)	—	—	—	—	1,313	482	1,166	2,961
Share-based compensation.....	—	28	—	—	—	—	—	28	—	13	41
Ownership changes.....	—	—	—	276	—	(59)	—	217	—	1,405	1,622
Deferred income taxes.....	—	—	—	12	—	59	—	71	—	(26)	45
Change in period.....	1,482	28	1,363	288	1,719	(443)	(481)	3,956	482	3,777	8,215
Balance as at December 31, 2011.....	<u>\$ 2,816</u>	<u>\$ 125</u>	<u>\$ 5,990</u>	<u>\$ 475</u>	<u>\$ 6,399</u>	<u>\$ 1,456</u>	<u>\$ (510)</u>	<u>\$ 16,751</u>	<u>\$ 2,140</u>	<u>\$ 18,516</u>	<u>\$ 37,407</u>

1. Includes gains or losses on changes in ownership interests of consolidated subsidiaries

YEAR ENDED DECEMBER 31, 2010 (MILLIONS)	Accumulated Other Comprehensive Income							Common Equity	Preferred Equity	Non- controlling Interests	Total Equity
	Common Share Capital	Contributed Surplus	Retained Earnings	Ownership Changes ¹	Revaluation Surplus	Currency Translation	Other Reserves				
Balance as at December 31, 2009	\$ 1,289	\$ 67	\$ 3,560	\$ 117	\$ 5,193	\$ 1,623	\$ (40)	\$ 11,809	\$ 1,144	\$ 10,186	\$ 23,139
Changes in period											
Net income.....	—	—	1,454	—	—	—	—	1,454	—	1,741	3,195
Other comprehensive income.....	—	—	—	—	(513)	276	11	(226)	—	421	195
Comprehensive income.....	—	—	1,454	—	(513)	276	11	1,228	—	2,162	3,390
Shareholder distributions											
Common equity.....	—	—	(298)	—	—	—	—	(298)	—	—	(298)
Preferred equity.....	—	—	(75)	—	—	—	—	(75)	—	—	(75)
Non-controlling interests.....	—	—	—	—	—	—	—	—	—	(444)	(444)
Other items											
Equity issuances, net of											
redemptions.....	45	—	(14)	—	—	—	—	31	514	1,566	2,111
Share-based compensation.....	—	30	—	—	—	—	—	30	—	16	46
Ownership changes.....	—	—	—	(162)	—	75	—	(87)	—	1,223	1,136
Deferred income taxes.....	—	—	—	232	—	(75)	—	157	—	30	187
Change in period.....	45	30	1,067	70	(513)	276	11	986	514	4,553	6,053
Balance as at December 31, 2010.....	<u>\$ 1,334</u>	<u>\$ 97</u>	<u>\$ 4,627</u>	<u>\$ 187</u>	<u>\$ 4,680</u>	<u>\$ 1,899</u>	<u>\$ (29)</u>	<u>\$ 12,795</u>	<u>\$ 1,658</u>	<u>\$ 14,739</u>	<u>\$ 29,192</u>

1. Includes gains or losses on changes in ownership interests of consolidated subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31
(MILLIONS)

	Note	2011	2010
Operating activities			
Net income		\$ 3,674	\$ 3,195
Adjusted for the following items			
Equity accounted income		(2,205)	(765)
Fair value changes		(1,286)	(1,651)
Depreciation and amortization		904	795
Deferred income taxes		411	43
		<u>1,498</u>	<u>1,617</u>
Investment in residential development		(543)	(14)
Net change in non-cash working capital balances and other		<u>(279)</u>	<u>(183)</u>
		<u>676</u>	<u>1,420</u>
Financing activities			
Corporate borrowings, net of repayments	28	851	234
Property-specific mortgages, net of repayments/issuances	28	95	(314)
Other debt of subsidiaries, net of repayments/issuances	28	728	(360)
Capital provided by non-controlling interests, net of repayments		406	327
Capital provided by fund partners		142	445
Corporate preferred equity issuances		468	500
Subsidiary preferred equity issuances		247	782
Common shares issued, net of repurchases	28	406	45
Common shares of subsidiaries issued, net of repurchases		371	12
Shareholder distributions – subsidiaries		(639)	(444)
Shareholder distributions – corporate		(425)	(373)
		<u>2,650</u>	<u>854</u>
Investing activities			
Investment in or sale of operating assets, net			
Investment properties	28	(61)	(621)
Property, plant and equipment			
Renewable power	28	(878)	(348)
Infrastructure	28	(607)	11
Timber		(93)	(67)
Private equity	28	(422)	(131)
Investments	28	(1,390)	(442)
Other financial assets	28	291	(391)
Restricted cash and deposits		68	(133)
Disposition of subsidiaries, net of acquisitions		115	218
		<u>(2,977)</u>	<u>(1,904)</u>
Cash and cash equivalents			
Change in cash and cash equivalents		349	370
Adjusted for impact of foreign exchange on cash and cash equivalents		(35)	34
Balance, beginning of year		1,713	1,309
Balance, end of year	28	<u>\$ 2,027</u>	<u>\$ 1,713</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Brookfield Asset Management Inc. (“Brookfield” or the “company”) is a global alternative asset management company. The company owns and operates assets with a focus on property, renewable power, infrastructure and private equity. The company is listed on the New York, Toronto and Euronext stock exchanges under the symbols BAM, BAM.A and BAMA, respectively. The company was formed by articles of amalgamation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada. The registered office of the company is Brookfield Place, 181 Bay Street, Suite 300, Toronto, Ontario, M5J 2T3.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

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

These financial statements were authorized for issuance by the Board of Directors of the company on March 15, 2012.

b) Basis of Presentation

The financial statements are prepared on a going concern basis. Standards and guidelines not effective for the current accounting period are described in Note 2(t).

i. Subsidiaries

The consolidated financial statements include the accounts of the company and its consolidated subsidiaries, which are the entities over which the company has control. Subsidiaries are consolidated from the date the company obtains control, and continue to be consolidated until the date when control is lost. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. Non-controlling interests in the equity of the company’s subsidiaries are included within equity on the Consolidated Balance Sheets. All intercompany balances, transactions, unrealized gains and losses are eliminated in full. Changes in the company’s ownership interest of a subsidiary that do not result in a loss of control are accounted for as equity transactions and are recorded within Ownership Changes as a component of equity.

The following is a list of the company’s principal consolidated subsidiaries, indicating the jurisdiction of incorporation or formation and the percentage of voting securities owned, or over which control or direction is otherwise exercised directly or indirectly, by the company:

	Jurisdiction of Formation	Voting Control (%)
Property		
Brookfield Office Properties Inc.....	Canada	50.8%
Brookfield Canada Office Properties REIT.....	Canada	83.3%
Renewable Power		
Brookfield Renewable Energy Partners L.P.....	Bermuda	100.0%
Infrastructure		
Brookfield Infrastructure Partners L.P.....	Bermuda	100.0%
Other		
Brookfield Multiplex Australia.....	Australia	100.0%
Brookfield Residential Properties Inc.....	Ontario	72.5%
Norbord Inc.....	Ontario	52.4%
Brookfield Brasil, S.A.....	Brazil	100.0%

ii. Associates

Associates are entities over which the company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. The company accounts for investments over which it has significant influence using the equity method, and they are recorded in Investments on the Consolidated Balance Sheets.

Interests in investments accounted for using the equity method are initially recognized at cost. If the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the company's proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of the company's interest in an investee is adjusted for the company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the consolidated financial statements based on the interests of unrelated investors in the associate.

iii. Joint Arrangements

The company enters into joint arrangements with one or more parties whereby economic activity and decision-making are shared. These arrangements may take the form of a jointly controlled operation, jointly controlled asset or joint venture and accordingly the presentation of each differs.

A jointly controlled operation is where the parties to the joint arrangement each use their own assets and incur their own expenses and liabilities and a contractual agreement exists as to the sharing of revenues and joint expenses. In this case, the company recognizes only its assets and liabilities and its share of the results of operations of the jointly controlled operation.

A jointly controlled asset is a shared asset to which each party has rights and a contractual agreement exists as to the sharing of benefits and risks generated from the asset. The company recognizes its share of the asset and benefits generated from the asset in proportion to its rights.

A joint venture is an arrangement whereby each venturer does not have rights to individual assets or obligations for expenses of the venture, but where each venturer is entitled to a share of the outcome of the activities of the arrangement. The company accounts for its interests in joint ventures using the equity method and they are recorded in the Investments account on the Consolidated Balance Sheets.

c) Foreign Currency Translation

The U.S. dollar is the functional and presentation currency of the company. Each of the company's subsidiaries, associates and jointly controlled entities determines its own functional currency and items included in the financial statements of each subsidiary and associate are measured using that functional currency.

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

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

d) Cash and Cash Equivalents

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

e) Related Party Transactions

In the normal course of operations, the company enters into various transactions on market terms with related parties, which have been measured at exchange value and are recognized in the consolidated financial statements. Related parties of the company include the company's consolidated subsidiaries, entities or individuals with whom the company has entered into joint arrangements with associates and key management personnel. The company's principal subsidiaries are described in Note 2(b)(i) and its associates and jointly controlled entities are described in Note 7. Related party transactions are described in Note 29(d).

f) Revaluation Method for Property, Plant and Equipment

The company uses the revaluation method of accounting for certain classes of property, plant and equipment as well as certain assets which are under development for future use as property, plant and equipment. Property, plant and equipment measured using the revaluation method is initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluations are made on an annual basis to ensure that the carrying amount does not differ significantly from fair value. Where the carrying amount of an asset increases as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity in revaluation surplus, unless the increase reverses a previously recognized impairment recorded through net income, in which case that portion of the increase is recognized in net income. Where the carrying amount of an asset decreases, the decrease is recognized in other comprehensive income to the extent of any balance existing in revaluation surplus in respect of the asset, with the remainder of the decrease recognized in net income. Depreciation of an asset commences when it is available for use.

g) Operating Assets

i. Investment Properties

The company uses the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment property also includes properties that are under development for future use as investment property. Investment property is initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are included in net income during the period in which they arise. Fair values are primarily determined by discounting the expected future cash flows of each property, generally over a term of 10 years, using a discount and terminal capitalization rate reflective of the characteristics, location and market of each property. The future cash flows of each property are based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The company determines fair value using both internal and external valuations.

ii. Renewable Power Generation

Renewable power generating assets, including assets under development, are classified as property, plant and equipment and are accounted for using the revaluation method. The company determines the fair value of its renewable power generating assets using a discounted cash flow model, which includes estimates of forecasted revenue, operating costs, maintenance and other capital expenditures. Discount rates are selected for each facility giving consideration to the expected proportion of contracted to un-contracted revenue and markets into which power is sold.

Generally, the first 20 years of cash flow are discounted with a residual value based on the terminal value cash flows. The fair value and estimated remaining service lives are reassessed on an annual basis. The company uses external appraisers to review fair values of our renewable power generating assets on a rotating basis every three to five years.

Depreciation on power generating assets is calculated on a straight-line basis over the estimated service lives of the assets, which are as follows:

(YEARS)	Useful Lives
Dams	Up to 115
Penstocks	Up to 60
Powerhouses	Up to 115
Generating units	Up to 115
Other assets	Up to 60

Cost is allocated to significant components of power generating assets and each component is depreciated separately.

iii. Timber

Standing timber and other agricultural assets are measured at fair value after deducting estimated selling costs and recorded as timber on the Consolidated Balance Sheets. Estimated selling costs include commissions, levies, delivery costs, transfer taxes and duties. The fair value of standing timber is calculated as the present value of anticipated future cash flows for standing timber before tax and an annual terminal date of approximately 75 years. Fair value is determined based on existing, sustainable felling plans and assessments regarding growth, timber prices and felling and silviculture costs. Changes in fair value are recorded in net income in the period of change. The company determines fair value of its standing timber using external valuations on an annual basis.

Harvested timber is included in inventory and is measured at the lower of fair value less estimated costs to sell at the time of harvest and net realizable value.

Land under standing timber and other agricultural assets is accounted for using the revaluation method and included in property, plant and equipment.

iv. Utilities, Transport and Energy

Utilities, transport and energy assets as well as assets under development classified as property, plant and equipment are accounted for using the revaluation method. The company determines the fair value of its utilities and transport and energy assets using a discounted cash flow model, which includes estimates of forecasted revenue, operating costs, maintenance and other capital expenditures. Valuations are performed internally on an annual basis.

Depreciation on utilities and transport and energy assets is calculated on a straight-line basis over the estimated service lives of the components of the assets, which are as follows:

(YEARS)	Useful Lives
Buildings and infrastructure	Up to 50
Machinery and equipment	Up to 40
Other utilities and transport and energy assets	Up to 41

The fair value and the estimated remaining service lives are reassessed on an annual basis.

v. Other Property, Plant and Equipment

The company accounts for its other property, plant and equipment, using the revaluation method or the cost model, depending on the nature of the asset and the operating segment. Other property, plant and equipment measured using the revaluation method is initially measured at cost and subsequently carried at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Under the cost method, assets are initially recorded at cost and are subsequently depreciated over the assets' useful lives, unless an impairment is identified requiring a write-down to estimated fair value.

vi. Residential Development

Residential development lots, homes and residential condominium projects are recorded in inventory. Residential development lots are recorded at the lower of cost, including pre-development expenditures and capitalized borrowing costs, and net realizable value, which the company determines as the estimated selling price in the ordinary course of business, less estimated expenses.

Homes and other properties held for sale, which include properties subject to sale agreements, are recorded at the lower of cost and net realizable value in inventory. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue.

vii. Other Financial Assets

Other financial assets are classified as either fair value through profit or loss or available-for-sale securities based on their nature and use within the company's business. Other financial assets are recognized at trade date and initially recorded at fair value with changes in fair value recorded in net income or other comprehensive income in accordance with their classification.

Other financial assets also include loans and notes receivable which are recorded initially at fair value and, with the exception of loans and notes receivable designated as fair value through profit or loss, are subsequently measured at amortized cost using the effective interest method, less any applicable provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Loans and receivables designated as fair value through profit or loss are recorded at fair value with changes in fair value accounted for in net income in the period in which they arise.

h) Asset Impairment

At each balance sheet date the company assesses whether for assets, other than those measured at fair value with changes in value recorded in net income, there is any indication that such assets are impaired. An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or the discounted future cash flows generated from use and eventual disposal from an asset or cash generating unit is less than their carrying value. Impairment losses are recorded as unrealized fair value adjustments within the Consolidated Statements of Operations and within accumulated depreciation or cost for depreciable and non-depreciable assets, respectively, in the Consolidated Balance Sheets. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

i) Accounts Receivable

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

j) Intangible Assets

Finite life intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over their estimated useful lives.

Certain of the company's intangible assets have an indefinite life, as there is no foreseeable limit to the period over which the asset is expected to generate cash flows. Indefinite life intangible assets are recorded at cost unless an impairment is identified which requires a write-down to its estimated fair value.

Intangible assets are evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment. Any impairment of the company's intangible assets is charged to net income in the period in which the impairment is identified. Impairment losses on intangible assets may be subsequently reversed in net income.

k) Goodwill

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

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

l) Revenue and Expense Recognition

i. Asset Management Fee Income

Revenues from performance-based incentive fees are recorded on the accrual basis based upon the amount that would be due under the incentive fee formula at the end of the measurement period established by the contract where it is no longer subject to adjustment based on future events, and are presented as asset management and other services within the Consolidated Statements of Operations.

Revenue from construction contracts is recognized using the percentage-of-completion method once the outcome of the construction contract can be estimated reliably, in proportion to the stage of completion of the contract and to the extent to which collectibility is reasonably assured. The stage of completion is measured by reference to actual costs incurred as a percentage of estimated total costs of each contract. When the outcome cannot be reliably determined, contract costs are expensed as incurred and no revenue is recorded. Where it is probable that a loss will arise from a construction contract, the excess of total expected costs over total expected revenue is recognized as an expense immediately.

ii. Properties Operations

Revenue from an office or retail property is recognized when the property is ready for its intended use. Office and retail properties are considered to be ready for their intended use when the property is capable of operating in the manner intended by management, which generally occurs upon completion of construction and receipt of all occupancy and other material permits.

The company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line or free rent receivable, as applicable, is recorded as a component of investment property for the difference between the amount of rental revenue recorded and the contractual amount received. Rental revenue includes percentage participating rents and recoveries of operating expenses, including property, capital and similar taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

Revenue from land sales is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

iii. Renewable Power Generation

Revenue from the sale of electricity is recorded at the time power is provided based upon output delivered and capacity provided at rates as specified under contract terms or prevailing market rates. Costs of generating electricity are recorded as incurred.

iv. Timber

Revenue from timber is derived from the sale of logs and related products. The company recognizes sales to external customers when the product is shipped, title passes and collectibility is reasonably assured.

v. Utilities

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

vi. Transport and Energy

Revenue from transport and energy infrastructure consists primarily of energy distribution income and freight services revenue. Energy distribution income is recognized when services are provided and are rendered based upon usage or volume throughput during the period. Freight services revenue is recognized at the time of the provision of services.

vii. Development and Construction Activities

Revenue from residential land sales is recognized at the time that the risks and rewards of ownership have been transferred, which is generally when possession or title passes to the purchaser, all material conditions of the sales contract have been met, and a significant cash down payment or appropriate security is received.

Revenue from the sale of homes and residential condominium projects is recognized upon completion, when title passes to the purchaser upon closing and at which time all proceeds are received or collectibility is reasonably assured.

viii. Loans and Notes Receivable

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

m) Derivative Financial Instruments and Hedge Accounting

The company and its subsidiaries selectively utilize derivative financial instruments primarily to manage financial risks, including interest rate, commodity and foreign exchange risks. Derivative financial instruments are recorded at fair value determined on a credit adjusted basis. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive income by the application of hedge accounting is recognized in net income over the remaining term of the original hedging relationship. The assets or liabilities relating to unrealized mark-to-market gains and losses on derivative financial instruments is recorded in accounts receivable and other or accounts payable and other, respectively.

i. Items Classified as Hedges

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

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

Unrealized gains and losses on electricity contracts designated as cash flow hedges of future power generation revenue are included in equity as a cash flow hedge. The periodic exchanges of payments on power generation commodity swap contracts designated as hedges are recorded on a settlement basis as an adjustment to power generation revenue.

ii. Items Not Classified as Hedges

Derivative financial instruments that are not designated as hedges are carried at estimated fair value, and gains and losses arising from changes in fair value are recognized in net income in the period the changes occur. Realized and unrealized gains and losses on equity derivatives used to offset the change in share prices in respect of vested Deferred Share Units and Restricted Share Appreciation Units are recorded together with the corresponding compensation expense. Realized and unrealized gains on other derivatives not designated as hedges are recorded in investment and other income. Realized and unrealized gains and losses on derivatives which are considered economic hedges and where hedge accounting is not able to be elected are recorded in fair value changes in the Consolidated Statements of Operations.

n) Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Current and deferred income tax relating to items recognized directly in equity are also recognized in equity. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax assets will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

o) Business Combinations

The acquisition of businesses is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held-for-sale which are recognized and measured at fair value, less costs to sell. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill. To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income.

Where a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income. Acquisition costs are recorded as an expense in net income as incurred.

p) Other Items

i. Capitalized Costs

Capitalized costs related to assets under development and redevelopment include all eligible expenditures incurred in connection with the acquisition, development and construction of the asset until it is available for its intended use. These expenditures consist of costs that are directly attributable to these assets.

Borrowing costs are capitalized when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to prepare for its intended use.

ii. Capital Securities

Capital securities are preferred shares that may be settled by a variable number of the company's common shares upon their conversion by the holders or the company. These instruments as well as the related accrued distributions are classified as liabilities on the Consolidated Balance Sheets. Dividends and yield distributions on these instruments are recorded as interest expense.

iii. Share-based Payments

The company and its subsidiaries issue share-based awards to certain employees and non-employee directors. The cost of equity-settled share-based transactions comprised of share options and escrowed shares, is determined as the fair value of the award on the grant date using a fair value model. The cost of stock options is recognized as each tranche vests and is recorded in contributed surplus as a component of equity. The cost of cash-settled share-based transactions, comprised of Deferred Share Units and Restricted Share Appreciation Units, is measured as the fair value at the grant date, and expensed on a proportionate basis consistent with the vesting features over the vesting period with the recognition of a corresponding liability. The liability is measured at each reporting date at fair value with changes in fair value recognized in net income.

q) Critical Judgments and Estimates

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the period. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the company believes will materially affect the methodology or assumptions utilized in making these estimates and judgments in these financial statements.

The estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements include the following:

i. Investment Properties

The critical assumptions and estimates used when determining the fair value of commercial properties are: the timing of rental income from future leases reflecting current market conditions, less assumptions of future cash flows in respect of current and future leases; maintenance and other capital expenditures; discount rates; terminal capitalization rates; and terminal valuation dates. Properties under development are recorded at fair value using a discounted cash flow model which includes estimates in respect of the timing and cost to complete the development. Further information on investment property estimates is provided in Note 8.

ii. Revaluation Method for Property, Plant and Equipment

When determining the carrying value of property, plant and equipment using the revaluation method, the company uses the following critical assumptions and estimates: the timing of forecasted revenues, future sales prices and margins; future sales volumes; future regulatory rates; maintenance and other capital expenditures; discount rates; terminal capitalization rates; terminal valuation dates; useful lives; and residual values. Determination of the fair value of property, plant and equipment under development includes estimates in respect of the timing and cost to complete the development.

Further information on estimates used in the revaluation method for property, plant and equipment is provided in Note 9.

iii. Timber

The fair value of timber is based on the following critical estimates and assumptions: the timing of forecasted revenues and timber prices; estimated selling costs; sustainable felling plans; growth assumptions; silviculture costs; discount rates; terminal capitalization rates; and terminal valuation dates. Further information on estimates used for timber is provided in Note 10.

iv. Financial Instruments

The critical assumptions and estimates used in determining the fair value of financial instruments are: equity and commodity prices; future interest rates; the credit worthiness of the company relative to its counterparties; the credit risk of the company's counterparties relative to the company; estimated future cash flows; discount rates and volatility utilized in option valuations. Further information on estimates used in determining the carrying value of financial instruments is provided in Notes 4, 22 and 23.

v. Inventory

The company estimates the net realizable value of its inventory using estimates and assumptions about future selling prices and future development costs.

vi. Level of Control

When determining the appropriate basis of accounting for the company's investments, the company uses the following critical judgments and assumptions: the degree of control or influence that the company exerts; the amount of potential voting rights which provide the company or unrelated parties voting powers; the ability to appoint directors, the ability of other investors to remove the company as a manager or general partner in a controlled partnership; and the amount of benefit that the company receives relative to other investors.

Other critical estimates and judgments utilized in the preparation of the company's financial statements are: assessment of net recoverable amounts; net realizable values; depreciation and amortization rates and useful lives; value of goodwill and intangible assets; ability to utilize tax losses and other tax measurements; and the determination of functional currency. Critical estimates and judgments also include the determination of effectiveness of financial hedges for accounting purposes; the likelihood and timing of anticipated transactions for hedge accounting; the fair value of assets held as collateral and the company's ability to hold financial assets, and the selection of accounting policies.

r) Changes in Accounting Policy

Revaluation Method for Property, Plant and Equipment Under Development

During the year ended December 31, 2011, the company changed its accounting policy with respect to its property, plant and equipment under development to utilize the revaluation method of accounting. Assets under development were previously accounted for under the cost model unless an impairment was identified requiring a write-down to the estimated fair value. The change in accounting policy results in the assets under development for future use being measured initially at cost and subsequently carried at their revalued amount, being the fair value at the date of revaluation less any accumulated impairment losses, if any. This change in accounting policy has been applied prospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 16, *Property, Plant and Equipment*.

s) Adoption of Accounting Standard

On November 4, 2009, the IASB issued a revised version of IAS 24, *Related Party Disclosures* ("IAS 24"). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party and removed certain of the disclosures required by the standard's previous version. The revised standard is effective for annual periods beginning on or after January 1, 2011. The disclosure requirements of IAS 24 are included in the notes to the consolidated financial statements.

t) Future Changes in Accounting Standards

i. Income Taxes

In December 2010, the IASB made amendments to IAS 12, *Income Taxes* ("IAS 12") that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, *Investment Property*. The amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The company has not yet determined the impact of the amendments to IAS 12 on its consolidated financial statements.

ii. Consolidated Financial Statements, Joint Ventures and Disclosures

In May 2011, the IASB issued three standards: IFRS 10, *Consolidated Financial Statements* ("IFRS 10"), IFRS 11, *Joint Arrangements* ("IFRS 11"), IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"), and amended two standards: IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). Each of the new and amended standards has an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted if all the respective standards are simultaneously applied.

IFRS 10 replaces IAS 27 and SIC-12, *Consolidation-Special Purpose Entities* (“SIC-12”). The consolidation requirements previously included in IAS 27 have been included in IFRS 10, whereas the amended IAS 27 sets standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12. An investor must possess the following three elements to conclude if it controls an investee: power over the investee’s financial and operating decisions, exposure or rights to variable returns from involvement with the investee, and the ability to use power over the investee and its exposure or rights to variable returns. IFRS 10 requires continuous reassessment of changes in an investor’s power over the investee and changes in the investor’s exposure or rights to variable returns. The company has not yet determined the impact of IFRS 10 and the amendments to IAS 27 on its consolidated financial statements.

IFRS 11 supersedes IAS 31, *Interest in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 is applicable to all parties that have an interest in a joint arrangement. IFRS 11 establishes two types of joint arrangements: joint operations and joint ventures. In a joint operation, the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the arrangement, and recognize their share of the assets, liabilities, revenues and expenses in accordance with applicable IFRS. In a joint venture, the parties to the arrangement have rights to the net assets of the arrangement and account for their interest using the equity method of accounting under IAS 28. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The company has not yet determined the impact of IFRS 11 and the amendments to IAS 28 on its consolidated financial statements.

IFRS 12 integrates the disclosure requirements on interests in other entities and requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity’s conclusion during the reporting period. Entities are permitted to incorporate the disclosure requirements in IFRS 12 into their financial statements without early adopting of IFRS 12. The company has not yet determined the impact of IFRS 12 on its consolidated financial statements.

iii. Fair Value Measurements

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements* (“IFRS 13”). IFRS 13 establishes a single source of fair value measurement guidance and sets out fair value measurement disclosure requirements. The standard requires that information be provided in the financial statements that enables the user to assess the methods and inputs used to develop fair value measurements, and for reoccurring fair value measurements that use significant unobservable inputs, and the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The company has not determined the impact of IFRS 13 on its consolidated financial statements.

iv. Presentation of Items of Other Comprehensive Income

In June 2011, the IASB made amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”). The amendments require that items of other comprehensive income are grouped into two categories: items that will be reclassified subsequently to profit or loss; and items that will be reclassified subsequently directly to equity. Income tax on items of other comprehensive income are required to be allocated on the same basis. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The company does not expect the amendments to IAS 1 to have a material impact on its consolidated financial statements.

v. Financial Instruments

IFRS 9 *Financial Instruments* (“IFRS 9”) was issued by the IASB on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

3. ACQUISITIONS OF CONSOLIDATED ENTITIES

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

a) Completed During 2011

In October 2006, the company formed a joint venture to purchase a portfolio of office properties ("U.S. Office Fund"). Under the terms of the joint venture agreement, the company's venture partner had an option to acquire the company's interest in certain of the U.S. Office Fund's properties which it managed, and to sell to the company its interest in the properties that the company managed.

In August 2011, the company's venture partner exercised its option and sold the company its interest in the properties that it managed, resulting in the company's interest increasing to 83% and the U.S. Office Fund being consolidated. Prior to the acquisition, the company jointly controlled the properties of the U.S. Office Fund and accounted for its investment using the equity method. The company recorded a \$212 million gain on the revaluation of its previously held interest in the U.S. Office Fund at the time of acquisition. No consideration was paid in connection with the company's venture partner's exercise of its option and the company's consolidation of the U.S. Office Fund with the exception of the settlement of consideration payable under the joint venture agreement.

Other acquisitions consisted of the acquisition of a controlling interest in certain office properties, a wind power generation business, a real estate and relocation services business and a coal bed methane producer. The company paid total consideration of \$673 million for its interest in the other assets of which the largest investment was \$190 million.

As a result of the acquisitions made during the year, the company recorded \$430 million of revenue and \$122 million net income from the operations. Total revenue and net income, including fair value changes, that would have been recorded if the acquisition had occurred at the beginning of the year would have been \$1,005 million and \$881 million, respectively.

The following table summarizes the balance sheet impact of significant acquisitions during 2011 that resulted in consolidation:

(MILLIONS)	U.S. Office Fund	Other	Total
Cash and cash equivalents.....	\$ 32	\$ 106	\$ 138
Accounts receivable and other.....	84	376	460
Investments.....	685	—	685
Investment properties.....	4,953	893	5,846
Property, plant and equipment.....	—	1,385	1,385
Intangible assets.....	—	204	204
Goodwill.....	—	144	144
	<u>5,754</u>	<u>3,108</u>	<u>8,862</u>
Less:			
Accounts payable and other.....	(225)	(184)	(409)
Non-recourse borrowings.....	(3,293)	(1,685)	(4,978)
Deferred income tax liability.....	—	(28)	(28)
Non-controlling interests in net assets.....	(1,310)	(538)	(1,848)
Common equity.....	<u>\$ 926</u>	<u>\$ 673</u>	<u>\$ 1,599</u>

b) Completed During 2010

On December 8, 2010, Brookfield Infrastructure Partners (“Brookfield Infrastructure”), a subsidiary of the company, completed a merger with Prime Infrastructure (“Prime”) through the issuance of 50.7 million limited partnership units of Brookfield Infrastructure valued at \$1.1 billion. As a result of the merger, the company’s ownership interest in Brookfield Infrastructure decreased from 41% to 28% and Brookfield Infrastructure’s interest in Prime increased from 40% to 100%. Brookfield Infrastructure recorded a \$239 million gain on the revaluation of the previously held interest in Prime and a \$166 million bargain purchase gain at the acquisition date.

On May 11, 2010, the company acquired a controlling interest in Ainsworth Lumber Co. (“Ainsworth”) through a 40% owned fund that is controlled by the company and commenced consolidation of Ainsworth. Prior to the acquisition, the fund held a 29% interest in Ainsworth. The company paid consideration of \$56 million for the additional 24.5% interest in Ainsworth. Following the acquisition, the fund’s interest in Ainsworth is 53.5%.

Other acquisitions primarily consisted of the acquisition of a controlling interest in commercial property funds in Australia as well as the indirect acquisition of eight commercial properties in North America. The company paid total consideration of \$390 million for its interest in the other acquisitions.

As a result of the total acquisitions made during 2010, the company earned \$296 million of revenue and \$56 million of net income. The total revenue and net income if the acquisitions had occurred at the beginning of the year would have been \$1,612 million and \$148 million, respectively.

The following table summarizes the balance sheet impact of significant acquisitions during 2010 that resulted in consolidation:

(MILLIONS)	Prime	Ainsworth	Other	Total
Cash and cash equivalents.....	\$ 125	\$ 69	\$ 43	\$ 237
Accounts receivable and other.....	2,429	176	76	2,681
Investments.....	779	—	143	922
Investment properties.....	—	—	1,416	1,416
Property, plant and equipment.....	1,932	538	51	2,521
Intangible assets.....	2,490	74	—	2,564
Goodwill.....	—	—	22	22
	<u>7,755</u>	<u>857</u>	<u>1,751</u>	<u>10,363</u>
Less:				
Accounts payable and other.....	(2,659)	(101)	(276)	(3,036)
Non-recourse borrowings.....	(2,606)	(535)	(693)	(3,834)
Non-controlling interests in net assets.....	(1,862)	(173)	(392)	(2,427)
	<u>\$ 628</u>	<u>\$ 48</u>	<u>\$ 390</u>	<u>\$ 1,066</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or ask prices, as appropriate. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the company looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price and rate volatilities as applicable. The fair value of interest rate swap contracts, which form part of financing arrangements, is calculated by way of discounted cash flows using market interest rates and applicable credit spreads. In limited circumstances, the company uses input parameters that are not based on observable market data and believes that using alternative assumptions will not result in significantly different fair values.

Classification of Financial Instruments

Financial instruments classified as fair value through profit or loss or available-for-sale are carried at fair value on the Consolidated Balance Sheets. Changes in the fair values of financial instruments classified as fair value through profit or loss and available-for-sale are recognized in net income and other comprehensive income, respectively. The cumulative changes in the fair values of available-for-sale securities previously recognized in accumulated other comprehensive income are reclassified to net income when the security is sold, or there is a significant or prolonged decline in fair value or when the company acquires a controlling interest in the underlying investment and commences consolidating the investment. During the year ended December 31, 2011, \$6 million of net deferred gains (2010 – \$28 million deferred losses) previously recognized in accumulated other comprehensive income were reclassified to net income as a result of a sale or a determination that a decline in fair value was significant, or prolonged or the acquisition of a controlling interest of the investment.

Available-for-sale securities are recorded on the balance sheet at their fair value, and are assessed for impairment at each reporting date. As at December 31, 2011, the net unrealized loss relating to the fair value of available-for-sale financial instruments amounted to \$18 million (2010 – net unrealized gain \$42 million).

Gains or losses arising from changes in the fair value of fair value through profit or loss financial assets are presented in the Consolidated Statements of Operations, in the period in which they arise. Dividends on fair value through profit or loss and available-for-sale financial assets are recognized in the Consolidated Statements of Operations as part of investment and other income when the company's right to receive payment is established. Interest on available-for-sale financial assets is calculated using the effective interest method and recognized in the Consolidated Statements of Operations as part of investment and other income.

Carrying Value and Fair Value of Financial Instruments

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2011:

(MILLIONS) FINANCIAL INSTRUMENT CLASSIFICATION	Loans and Receivables/ Other Financial Liabilities					Total
	FVTPL ^{1, 2} (Fair Value)	Available- for-Sale (Fair Value)	Held- to-Maturity (Amortized Cost)	Other Financial Liabilities (Amortized Cost)		
MEASUREMENT BASIS						
Financial assets						
Cash and cash equivalents.....	\$ 2,027	\$ —	\$ —	\$ —	\$	2,027
Other financial assets						
Government bonds.....	263	261	—	—		524
Corporate bonds.....	—	202	—	—		202
Fixed income securities.....	70	152	—	—		222
Common shares.....	1,235	131	—	—		1,366
Loans and notes receivable.....	—	—	762	697		1,459
	1,568	746	762	697		3,773
Accounts receivable and other ²	1,502	—	—	3,366		4,868
	<u>\$ 5,097</u>	<u>\$ 746</u>	<u>\$ 762</u>	<u>\$ 4,063</u>	<u>\$</u>	<u>10,668</u>
Financial liabilities						
Corporate borrowings.....	\$ —	\$ —	\$ —	\$ 3,701	\$	3,701
Property-specific mortgages.....	—	—	—	28,415		28,415
Subsidiary borrowings.....	—	—	—	4,441		4,441
Accounts payable and other ²	1,123	—	—	8,143		9,266
Capital securities.....	—	—	—	1,650		1,650
Interests of others in consolidated funds...	333	—	—	—		333
	<u>\$ 1,456</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 46,350</u>	<u>\$</u>	<u>47,806</u>

1. Financial instruments classified as fair value through profit or loss

2. Includes derivative instruments which are elected for hedge accounting totalling \$107 million (2010 – \$24 million) included in accounts receivable and other and \$1,053 million (2010 – \$278 million) of derivative instruments included in accounts payable and other, of which changes in fair value are recorded in other comprehensive income

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2010:

(MILLIONS) FINANCIAL INSTRUMENT CLASSIFICATION						Loans and Receivables/ Other Financial Liabilities	Total
	FVTPL ¹ (Fair Value)	Available- for-Sale (Fair Value)	Held- to-Maturity (Amortized Cost)				
MEASUREMENT BASIS							
Financial assets							
Cash and cash equivalents.....	\$ 1,713	\$ —	\$ —	\$ —	\$ —	\$ —	1,713
Other financial assets.....							
Government bonds.....	242	414	—	—	—	—	656
Corporate bonds.....	20	194	—	—	—	—	214
Fixed income securities.....	95	231	—	—	—	—	326
Common shares.....	1,059	88	—	—	—	—	1,147
Loans and notes receivable.....	—	—	1,332	—	744	—	2,076
	1,416	927	1,332	—	744	—	4,419
Accounts receivable and other.....	1,823	—	—	—	2,824	—	4,647
	<u>\$ 4,952</u>	<u>\$ 927</u>	<u>\$ 1,332</u>	<u>\$ —</u>	<u>\$ 3,568</u>	<u>\$ —</u>	<u>10,779</u>
Financial liabilities							
Corporate borrowings.....	\$ —	\$ —	\$ —	\$ —	2,905	—	2,905
Property-specific mortgages.....	—	—	—	—	23,454	—	23,454
Subsidiary borrowings.....	—	—	—	—	4,007	—	4,007
Accounts payable and other.....	572	—	—	—	9,762	—	10,334
Capital securities.....	—	—	—	—	1,707	—	1,707
Interests of others in consolidated funds ...	1,562	—	—	—	—	—	1,562
	<u>\$ 2,134</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 41,835</u>	<u>\$ —</u>	<u>43,969</u>

1. Financial instruments classified as fair value through profit or loss

The following table provides the carrying values and fair values of financial instruments as at December 31, 2011 and December 31, 2010:

(MILLIONS)	Dec. 31, 2011		Dec. 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents.....	\$ 2,027	\$ 2,027	\$ 1,713	\$ 1,713
Other financial assets.....				
Government bonds.....	524	524	656	656
Corporate bonds.....	202	202	214	214
Fixed income securities.....	222	222	326	326
Common shares.....	1,366	1,366	1,147	1,147
Loans and notes receivable.....	1,459	1,375	2,076	1,990
	3,773	3,689	4,419	4,333
Accounts receivable and other.....	4,868	4,868	4,647	4,647
	<u>\$ 10,668</u>	<u>\$ 10,584</u>	<u>\$ 10,779</u>	<u>\$ 10,693</u>
Financial liabilities				
Corporate borrowings.....	\$ 3,701	\$ 3,906	\$ 2,905	\$ 3,039
Property-specific mortgages.....	28,415	29,173	23,454	23,601
Subsidiary borrowings.....	4,441	4,567	4,007	4,085
Accounts payable and other.....	9,266	9,266	10,334	10,334
Capital securities.....	1,650	1,734	1,707	1,781
Interests of others in consolidated funds...	333	333	1,562	1,562
	<u>\$ 47,806</u>	<u>\$ 48,979</u>	<u>\$ 43,969</u>	<u>\$ 44,402</u>

The current and non-current balances of other financial assets are as follows:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Current	\$ 1,143	\$ 1,700
Non-current	2,630	2,719
Total	<u>\$ 3,773</u>	<u>\$ 4,419</u>

Hedging Activities

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

Fair Value Hedges

The company uses interest rate swaps to hedge the variability related to changes in the fair value of fixed rate assets or liabilities. For the year ended December 31, 2011, pre-tax net unrealized losses of \$6 million (2010 – losses of \$5 million) were recorded in net income as a result of changes in the fair value of the hedges which were offset by fair value changes related to the effective portion of the hedged asset or liability. As at December 31, 2011, there was a net unrealized derivative asset balance of \$7 million relating to derivative contracts designated as fair value hedges (2010 – net unrealized derivative asset balance of \$24 million).

Cash Flow Hedges

The company uses the following cash flow hedges: energy derivative contracts to hedge the sale of power; interest rate swaps to hedge the variability in cash flows or future cash flows related to a variable rate asset or liability; and equity derivatives to hedge the long-term compensation arrangements. For the year ended December 31, 2011, pre-tax net unrealized losses of \$855 million (2010 – losses of \$41 million) were recorded in other comprehensive income for the effective portion of the cash flow hedges. As at December 31, 2011, there was a net unrealized derivative liability balance of \$899 million relating to derivative contracts designated as cash flow hedges (2010 – net unrealized derivative liability balance of \$136 million). Unrealized losses on cash flow hedges are expected to be realized in net income by 2024.

Net Investment Hedges

The company uses foreign exchange contracts and foreign currency denominated debt instruments to manage its foreign currency exposures arising from net investments in foreign operations. For the year ended December 31, 2011, unrealized pre-tax net gains of \$159 million (2010 – losses of \$318 million) were recorded in other comprehensive income for the effective portion of hedges of net investments in foreign operations. As at December 31, 2011, there was a net unrealized derivative liability balance of \$47 million relating to derivative contracts designated as net investment hedges (2010 – net unrealized derivative liability balance of \$257 million).

Fair Value Hierarchical Levels

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

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Fair valued assets and liabilities that are included in this category are primarily certain derivative contracts, other financial assets carried at fair value in an inactive market and redeemable fund units.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate. Fair valued assets and liabilities that are included in this category are power purchase contracts, subordinated mortgaged-backed securities, interest rate swap contracts, derivative contracts, certain equity securities carried at fair value which are not traded in an active market and the non-controlling interests share of net assets of limited life funds.

Assets and liabilities measured at fair value on a recurring basis include \$1,820 million (2010 – \$2,087 million) of financial assets and \$618 million (2010 – \$580 million) of financial liabilities which are measured at fair value using valuation inputs based on management's best estimates. The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the level of input to the valuations as described above:

(MILLIONS)	Dec. 31, 2011			Dec. 31, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents.....	\$ 2,027	\$ —	\$ —	\$ 1,713	\$ —	\$ —
Other financial assets.....						
Government bonds.....	225	299	—	397	259	—
Corporate bonds.....	8	194	—	77	111	26
Fixed income securities.....	108	—	114	149	—	177
Common shares.....	329	—	1,037	274	11	862
Accounts receivable and other.....	720	113	669	789	12	1,022
	<u>\$ 3,417</u>	<u>\$ 606</u>	<u>\$ 1,820</u>	<u>\$ 3,399</u>	<u>\$ 393</u>	<u>\$ 2,087</u>
Financial liabilities						
Accounts payable and other.....	\$ —	\$ 778	\$ 345	\$ —	\$ 199	\$ 373
Interests of others in consolidated funds.....	—	60	273	—	1,355	207
	<u>\$ —</u>	<u>\$ 838</u>	<u>\$ 618</u>	<u>\$ —</u>	<u>\$ 1,554</u>	<u>\$ 580</u>

The following table presents the change in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2011 and December 31, 2010.

(MILLIONS)	Financial Assets		Financial Liabilities	
	2011	2010	2011	2010
Balance, beginning of the year.....	\$ 2,087	\$ 1,463	\$ 580	\$ 390
Fair value changes in net income.....	237	15	22	35
Fair value changes in other comprehensive income.....	(340)	313	(63)	(1)
Additions (disposals).....	(164)	(32)	79	156
Acquisitions through business combinations.....	—	328	—	—
Balance, end of year.....	<u>\$ 1,820</u>	<u>\$ 2,087</u>	<u>\$ 618</u>	<u>\$ 580</u>

5. ACCOUNTS RECEIVABLE AND OTHER

(MILLIONS)	Note	Dec. 31, 2011	Dec. 31, 2010
Accounts receivable.....	(a)	\$ 4,149	\$ 3,860
Prepaid expenses and other assets.....	(b)	1,855	3,222
Restricted cash.....	(c)	719	787
Total.....		<u>\$ 6,723</u>	<u>\$ 7,869</u>

The current and non-current balances of accounts receivable and other are as follows:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Current.....	\$ 4,515	\$ 5,504
Non-current.....	2,208	2,365
Total.....	<u>\$ 6,723</u>	<u>\$ 7,869</u>

a) Accounts Receivable

Accounts receivable includes \$669 million (2010 – \$1,026 million) of unrealized mark-to-market gains on energy sales contracts and \$944 million (2010 – \$814 million) of completed contracts and work-in-progress related to contracted sales from the company's residential development operations. Also included in this balance are loans receivable from employees of the company and its consolidated subsidiaries of \$6 million (2010 – \$7 million).

b) Prepaid Expenses and Other Assets

Prepaid expenses and other assets in 2010 included assets which were classified as held-for-sale and which were successfully sold during 2011.

c) Restricted Cash

Restricted cash relates primarily to our property, renewable power and residential development financing arrangements including defeasement of debt obligations, debt service accounts and deposits held by the company's insurance operations.

6. INVENTORY

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Residential properties under development.....	\$ 2,351	\$ 3,398
Land held for development.....	2,395	1,712
Completed residential properties.....	567	182
Pulp, paper and other.....	747	557
Total carrying value ¹	<u>\$ 6,060</u>	<u>\$ 5,849</u>

1. The carrying amount of inventory pledged as security at December 31, 2011 was \$1,154 million (December 31, 2010 – \$1,450 million)

The current and non-current balances of inventory are as follows:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Current.....	\$ 2,373	\$ 2,093
Non-current.....	3,687	3,756
Total.....	<u>\$ 6,060</u>	<u>\$ 5,849</u>

During the year ended December 31, 2011, the company recognized as an expense \$4,579 million (2010 – \$4,676 million) of inventory relating to cost of goods sold and \$7 million (2010 – \$65 million) relating to impairments of inventory.

7. INVESTMENTS

The following table presents the ownership interests and carrying values of the company's investments in associates and equity-accounted joint ventures:

AS AT (MILLIONS)	Investment Type	Ownership Interest		Carrying Value	
		Dec. 31	Dec. 31	Dec. 31	Dec. 31
		2011	2010	2011	2010
Property					
General Growth Properties.....	Associate	23%	10%	\$ 4,099	\$ 1,014
245 Park Avenue.....	Joint Venture	51%	51% ³	619	580
Grace Building ¹	Joint Venture	41%	—	618	—
U.S. Office Fund ¹	—	—	47%	—	1,806
Other properties ²	Various	20 – 75% ³	20 – 51% ³	1,578	1,466
Renewable power					
Bear Swamp Power Co. LLC.....	Joint Venture	50%	50%	130	95
Other power.....	Various	50%	50%	228	171
Infrastructure					
Natural gas pipeline.....	Associate	26%	26%	395	384
Transelec S.A.....	Associate	28%	28%	584	373
Other infrastructure assets.....	Various	30 – 50%	30 – 50%	719	513
Other.....	Various	25 – 50%	25 – 50%	431	227
Total.....				\$ 9,401	\$ 6,629

1. The company acquired a controlling interest in the U.S. Office Fund on August 9, 2011, resulting in the consolidation of the U.S. Office Fund and its equity accounted investments, as described in Note 3
2. Other properties include investments in Darling Park Trust and E&Y Centre Sydney which represent investments in joint ventures where control is either shared or does not exist resulting in the investment being equity accounted
3. Investments in which the company's ownership interest is greater than 50% are in equity accounted joint ventures

The following table presents the change in the balance of investments in associates and equity accounted joint ventures:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ 6,629	\$ 4,466
Additions, net of disposals.....	(100)	638
Acquisitions through business combinations ¹	685	922
Share of net income.....	2,205	765
Share of other comprehensive income (loss).....	193	(16)
Distributions received.....	(204)	(374)
Foreign exchange.....	(7)	228
Balance at end of year.....	\$ 9,401	\$ 6,629

1. The company acquired a controlling interest in the U.S. Office Fund on August 9, 2011, resulting in the consolidation of the U.S. Office Fund and its equity accounted investments, as described in Note 3

The following table presents the gross assets and liabilities of our investments in associates and equity accounted joint ventures:

(MILLIONS)	Dec. 31, 2011		Dec. 31, 2010	
	Assets	Liabilities	Assets	Liabilities
Property				
General Growth Properties.....	\$ 35,835	\$ 20,368	\$ 32,367	\$ 21,953
245 Park Avenue.....	1,027	408	987	407
Grace Building ¹	814	196	—	—
U.S. Office Fund ¹	—	—	7,802	5,804
Other properties ²	4,222	2,541	2,839	904
Renewable power				
Bear Swamp Power Co. LLC.....	673	353	498	322
Other Power.....	531	260	566	251
Infrastructure				
Natural gas pipeline company.....	7,650	6,432	7,804	6,606
Transelec S.A.....	4,828	2,853	4,142	2,803
Other Infrastructure.....	4,568	2,959	3,742	2,752
Other	2,381	1,569	983	439
	\$ 62,529	\$ 37,939	\$ 61,730	\$ 42,241

1. The company acquired a controlling interest in the U.S. Office Fund on August 9, 2011, resulting in the consolidation of the U.S. Office Fund and its equity accounted investments, as described in Note 3
2. Other properties include investments in Darling Park Trust and E&Y Centre Sydney

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

The following table presents revenue and net income of our investments in associates and equity accounted joint ventures:

YEARS ENDED DECEMBER 31 (MILLIONS)	2011			2010		
	Revenue	Net Income	Share of Net Income	Revenue	Net Income (Loss)	Share of Net Income (Loss)
Property						
General Growth Properties.....	\$ 3,353	\$ 6,287	\$ 1,401	\$ —	\$ —	\$ —
U.S. Office Fund ¹	475	518	437	863	779	366
245 Park Avenue.....	67	118	60	63	306	156
Grace Building ¹	19	215	88	—	—	—
Other properties ²	545	227	68	351	230	140
Renewable power						
Bear Swamp Power Co. LLC.....	58	16	8	69	29	14
Other power.....	43	10	5	42	1	1
Infrastructure						
Natural gas pipeline company.....	840	83	22	61	(18)	(6)
Transelec S.A.....	402	318	90	351	44	16
Other infrastructure.....	1,240	16	3	151	6	2
Other	538	55	23	290	58	76
Total	\$ 7,580	\$ 7,863	\$ 2,205	\$ 2,241	\$ 1,435	\$ 765

1. The company acquired a controlling interest in the U.S. Office Fund on August 9, 2011, resulting in the consolidation of the U.S. Office Fund and its equity accounted investments, as described in Note 3
2. Other properties include investments in Darling Park Trust and E&Y Centre Sydney

Certain of our investments are publicly listed entities with active pricing in a liquid market. The fair value based on the publicly listed price of these investments in comparison to the company's carrying value is as follows:

(MILLIONS)	Dec. 31, 2011		Dec. 31, 2010	
	Public Price	Carrying Value	Public Price	Carrying Value
General Growth Properties.....	\$ 2,924	\$ 4,099	\$ 1,176	\$ 1,014
Other.....	89	76	72	87
	<u>\$ 3,013</u>	<u>\$ 4,175</u>	<u>\$ 1,248</u>	<u>\$ 1,101</u>

8. INVESTMENT PROPERTIES

(MILLIONS)	2011	2010
Fair value at beginning of year.....	\$ 22,163	\$ 19,219
Additions.....	1,442	689
Acquisitions through business combinations.....	5,846	1,416
Disposals.....	(2,050)	(802)
Fair value adjustments.....	1,377	778
Foreign currency translation.....	(412)	863
Fair value at end of year.....	<u>\$ 28,366</u>	<u>\$ 22,163</u>

The fair value of investment properties is generally determined by discounting the expected cash flows of the properties based upon internal or external valuations. All properties are externally valued on a three-year rotation plan.

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Properties where valuations are performed by:		
External valuers.....	\$ 10,095	\$ 5,160
Internal appraisals.....	18,271	17,003
Fair value recorded in financial statements.....	<u>\$ 28,366</u>	<u>\$ 22,163</u>

The key valuation metrics of our commercial office properties are presented in the following table:

	United States		Canada		Australia	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Discount rate.....	7.5%	8.1%	6.7%	6.9%	9.1%	9.1%
Terminal capitalization rate....	6.3%	6.7%	6.2%	6.3%	7.5%	7.4%
Investment horizon (years)....	12	10	11	11	10	10

The key valuation assumptions of our Brazilian retail properties include a discount rate of 9.6% (2010 – 10.0%), a terminal capitalization rate of 7.3% (2010 – 7.3%) and an investment horizon of 10 years (2010 – 10 years).

9. PROPERTY, PLANT AND EQUIPMENT

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost.....	\$ 14,857	\$ 12,398
Accumulated fair value changes.....	9,944	7,417
Accumulated depreciation.....	(1,969)	(1,295)
Total.....	<u>\$ 22,832</u>	<u>\$ 18,520</u>

Accumulated fair value changes include unrealized revaluations of property, plant and equipment using the revaluation method, which are recorded in revaluation surplus as a component of equity, as well as unrealized impairment losses recorded in net income.

The company's property, plant and equipment relates to our business platforms as shown in the following table:

(MILLIONS)	Note	Dec. 31, 2011	Dec. 31, 2010
Renewable power.....	(a)	\$ 14,727	\$ 12,443
Infrastructure			
Utilities.....	(b)	993	723
Transport and energy.....	(c)	2,514	1,727
Timberlands.....	(d)	1,162	1,060
Private equity and other.....	(e)	3,436	2,567
		<u>\$ 22,832</u>	<u>\$ 18,520</u>

a) Renewable Power

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost.....	\$ 6,149	\$ 5,533
Accumulated fair value changes.....	9,887	7,804
Accumulated depreciation.....	(1,309)	(894)
Total.....	<u>\$ 14,727</u>	<u>\$ 12,443</u>

Renewable power assets include the cost of the company's hydroelectric generating stations, wind energy, pumped storage and natural gas-fired cogeneration facilities. The company's hydroelectric power facilities operate under various agreements for water rights which extend to, or are renewable over, terms through the years up to 2046.

Renewable power assets are accounted for under the revaluation model and the most recent date of revaluation was December 31, 2011.

The key valuation metrics of our hydro and wind generating facilities at the end of 2011 and 2010 are summarized below. The valuations are impacted primarily by the discount rate and long-term power prices.

	United States		Canada		Brazil	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Discount rate.....	6.7%	7.7%	5.7%	6.1%	9.9%	10.8%
Terminal capitalization rate.....	7.2%	7.9%	6.8%	7.1%	n/a	n/a
Exit date.....	2031	2030	2031	2030	2029	2029

The following table presents the changes to the cost of the company's renewable power generation assets:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ 5,533	\$ 5,035
Additions.....	371	335
Acquisitions through business combinations.....	446	—
Foreign currency translation.....	(201)	163
Balance at end of year.....	<u>\$ 6,149</u>	<u>\$ 5,533</u>

As at December 31, 2011, the cost of generating facilities under development includes \$9 million of capitalized costs (December 31, 2010 — \$239 million).

The following table presents the changes to the accumulated fair value changes of the company's power generation assets:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ 7,804	\$ 8,531
Fair value changes.....	2,319	(929)
Foreign currency translation.....	(236)	202
Balance at end of year.....	<u>\$ 9,887</u>	<u>\$ 7,804</u>

The following table presents the changes to the accumulated depreciation of the company's power generation assets:

(MILLIONS)	2011	2010
Balance at beginning of year	\$ (894)	\$ (400)
Depreciation expense	(453)	(488)
Foreign currency translation	38	(6)
Balance at end of year	<u>\$ (1,309)</u>	<u>\$ (894)</u>

b) Utilities

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost	\$ 984	\$ 746
Accumulated fair value changes	49	—
Accumulated depreciation	(40)	(23)
Total	<u>\$ 993</u>	<u>\$ 723</u>

The company's utilities assets are primarily comprised of power transmission and distribution networks, and an Australian coal terminal, which are operated primarily under regulated rate base arrangements.

Utilities assets are accounted for under the revaluation model, and the most recent date of revaluation was December 31, 2011. The company determined fair value to be the current replacement cost.

The following table presents the changes to the cost of the company's utilities assets:

(MILLIONS)	2011	2010
Balance at beginning of year	\$ 746	\$ 220
Additions, net of disposals	254	12
Acquisitions through business combinations	—	513
Foreign currency translation	(16)	1
Balance at end of year	<u>\$ 984</u>	<u>\$ 746</u>

The following table presents the changes to the accumulated fair value changes of the company's utilities assets:

(MILLIONS)	2011	2010
Balance at beginning of year	\$ —	\$ —
Fair value changes	49	—
Balance at end of year	<u>\$ 49</u>	<u>\$ —</u>

The following table presents the changes to the accumulated depreciation of the company's utilities assets:

(MILLIONS)	2011	2010
Balance at beginning of year	\$ (23)	\$ (11)
Depreciation expense	(24)	(11)
Foreign currency translation	7	(1)
Balance at end of year	<u>\$ (40)</u>	<u>\$ (23)</u>

c) Transport and Energy

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost	\$ 2,346	\$ 1,776
Accumulated fair value changes	244	(32)
Accumulated depreciation	(76)	(17)
Total	<u>\$ 2,514</u>	<u>\$ 1,727</u>

Transport and energy assets are accounted for under the revaluation model, and the most recent date of revaluation was December 31, 2011. The company determined fair value to be the current replacement cost. The following table presents the changes to the cost of the company's transport and energy assets:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ 1,776	\$ 299
Additions, net of disposals.....	572	26
Acquisitions through business combinations.....	—	1,419
Foreign currency translation.....	(2)	32
Balance at end of year.....	<u>\$ 2,346</u>	<u>\$ 1,776</u>

The following table presents the changes to the accumulated fair value changes of the company's transport and energy assets:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ (32)	\$ —
Fair value changes.....	276	(33)
Foreign currency translation.....	—	1
Balance at end of year.....	<u>\$ 244</u>	<u>\$ (32)</u>

The following table presents the changes to the accumulated depreciation of the company's transport and energy assets:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ (17)	\$ (1)
Depreciation expense.....	(62)	(15)
Foreign currency translation.....	3	(1)
Balance at end of year.....	<u>\$ (76)</u>	<u>\$ (17)</u>

d) Timberlands

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost.....	\$ 1,305	\$ 1,294
Accumulated fair value changes.....	(132)	(224)
Accumulated depreciation.....	(11)	(10)
Total.....	<u>\$ 1,162</u>	<u>\$ 1,060</u>

The following table presents the changes to the cost of the company's timberland property, plant and equipment assets:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ 1,294	\$ 1,219
Additions, net of disposals.....	81	38
Foreign currency translation.....	(70)	37
Balance at end of year.....	<u>\$ 1,305</u>	<u>\$ 1,294</u>

Timberland assets are accounted for under the revaluation model and the most recent date of revaluations was December 31, 2011.

The following table presents the changes to the accumulated fair value changes of the company's timberland assets:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Balance at beginning of year.....	\$ (224)	\$ (138)
Fair value changes.....	99	(85)
Foreign currency translation.....	(7)	(1)
Balance at end of year.....	<u>\$ (132)</u>	<u>\$ (224)</u>

The following table presents the changes to the accumulated depreciation of the property, plant and equipment within the company's timberlands business:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ (10)	\$ (5)
Depreciation expense.....	(2)	(5)
Foreign currency translation.....	1	—
Balance at end of year.....	<u>\$ (11)</u>	<u>\$ (10)</u>

e) Private Equity and Other

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost.....	\$ 4,073	\$ 3,049
Accumulated fair value changes.....	(104)	(131)
Accumulated depreciation.....	(533)	(351)
Total.....	<u>\$ 3,436</u>	<u>\$ 2,567</u>

Private equity includes capital assets owned by the company's investees held directly or consolidated through funds.

The majority of the company's private equity and other assets are accounted for under the cost model, which requires the asset to be carried at its cost less any accumulated depreciation and any accumulated impairment losses. The following table presents the changes to the carrying value of the company's property, plant and equipment assets included in the company's private equity operations:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ 3,049	\$ 2,496
Additions, net of disposals.....	144	(110)
Acquisitions through business combinations.....	939	589
Foreign currency translation.....	(59)	74
Balance at end of year.....	<u>\$ 4,073</u>	<u>\$ 3,049</u>

The following table presents the changes to the accumulated fair value changes of the company's property, plant and equipment within its private equity operations:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ (131)	\$ (39)
Fair value changes.....	27	(92)
Balance at end of year.....	<u>\$ (104)</u>	<u>\$ (131)</u>

The following table presents the changes to the accumulated depreciation of the company's other property, plant and equipment within its private equity and development operations:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ (351)	\$ (144)
Depreciation expense.....	(197)	(199)
Foreign currency translation.....	15	(8)
Balance at end of year.....	<u>\$ (533)</u>	<u>\$ (351)</u>

10. TIMBER

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Timber.....	\$ 3,119	\$ 2,807
Other agricultural assets.....	36	27
Total.....	<u>\$ 3,155</u>	<u>\$ 2,834</u>

The company held 1,441 million acres of consumable freehold timber at December 31, 2011 (December 31, 2010 – 1,447 million), of which approximately 849 million acres (December 31, 2010 – 854 million) were classified as mature and available for harvest.

The following table presents the change in the balance of standing timber and other agricultural assets:

(MILLIONS)	2011	2010
Balance at beginning of year.....	\$ 2,834	\$ 2,629
Additions, net of disposals.....	54	59
Fair value adjustments.....	527	282
Decrease due to harvest.....	(235)	(139)
Foreign currency changes.....	(25)	3
Balance at end of year.....	<u>\$ 3,155</u>	<u>\$ 2,834</u>

The carrying values are based on external appraisals that are completed annually. Key valuation assumptions include a weighted average discount and terminal capitalization rate of 6.6% (2010 – 6.6%) and an average terminal valuation date of 75 years (2010 – 75 years). Timber prices were based on a combination of forward prices available in the market and the price forecasts.

11. INTANGIBLE ASSETS

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost.....	\$ 4,210	\$ 3,969
Accumulated amortization and impairment losses.....	(242)	(164)
Net intangible assets.....	<u>\$ 3,968</u>	<u>\$ 3,805</u>

Intangible assets are allocated to the following cash generating units:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Property.....	\$ 180	\$ —
Renewable power.....	115	125
Timber – Western North America.....	114	133
Utilities – Australian coal terminal.....	2,555	2,571
Transport and energy – UK port operations.....	330	332
Private equity.....	168	180
Construction.....	386	408
Other.....	120	56
Net intangible assets.....	<u>\$ 3,968</u>	<u>\$ 3,805</u>

The following table presents the changes to the cost of the company's intangible assets:

(MILLIONS)	2011	2010
Cost at beginning of year.....	\$ 3,969	\$ 1,150
Additions, net of disposals.....	60	34
Acquisitions through business combinations.....	204	2,564
Foreign currency translation.....	(23)	221
Cost at end of year.....	<u>\$ 4,210</u>	<u>\$ 3,969</u>

The following table presents the changes in the accumulated amortization and accumulated impairment losses of the company's intangible assets:

(MILLIONS)	2011	2010
Accumulated amortization at beginning of year	\$ (164)	\$ (102)
Amortization	(82)	(43)
Reversal of impairments	—	15
Foreign currency translation	4	(34)
Accumulated amortization at end of year	<u>\$ (242)</u>	<u>\$ (164)</u>

12. GOODWILL

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Cost	\$ 2,652	\$ 2,561
Accumulated impairment losses	(45)	(15)
Total	<u>\$ 2,607</u>	<u>\$ 2,546</u>

Goodwill is allocated to the following cash generating units:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Construction	\$ 860	\$ 862
Timber – Western North America	591	591
Residential – Brazil	420	474
Retail – Brazil	150	169
Asset management and services	336	194
Other	250	256
Total	<u>\$ 2,607</u>	<u>\$ 2,546</u>

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

(MILLIONS)	2011	2010
Cost at beginning of year	\$ 2,561	\$ 2,370
Acquisitions through business combinations	144	22
Foreign currency translation and other	(53)	169
Cost at end of year	<u>\$ 2,652</u>	<u>\$ 2,561</u>

The following table reconciles accumulated impairment losses:

(MILLIONS)	2011	2010
Accumulated impairment at beginning of year	\$ (15)	\$ (7)
Impairment losses	(30)	(8)
Accumulated impairment at end of year	<u>\$ (45)</u>	<u>\$ (15)</u>

13. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2011 and December 31, 2010 are set out below:

(MILLIONS)	2011	2010
Total current income tax.....	\$ 97	\$ 97
Deferred income tax expense/(recovery)		
Origination and reversal of temporary differences.....	\$ 409	\$ 60
Recovery arising from previously unrecognized tax assets.....	(19)	(15)
Change of tax rates and imposition of new legislation.....	21	(2)
Total deferred income tax.....	\$ 411	\$ 43

The company's effective tax rate is different from the company's domestic statutory income tax rate due to the differences set out below:

	2011	2010
Statutory income tax rate.....	28%	31%
Increase (reduction) in rate resulting from:		
Portion of income not subject to tax.....	(6)	(7)
International operations subject to different tax rates.....	(11)	(14)
Change in tax rates on temporary differences.....	2	1
Recognition of deferred tax assets.....	(4)	(6)
Non-recognition of the benefit of current year's tax losses.....	4	1
Other.....	—	(1)
Effective income tax rate.....	13%	5%

Deferred income tax assets and liabilities as at December 31, 2011 and December 31, 2010 relate to the following:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Non-capital losses (Canada).....	\$ 771	\$ 578
Capital losses (Canada).....	174	171
Losses (U.S.).....	316	360
Losses (International).....	501	634
Difference in basis.....	(5,461)	(4,929)
Total net deferred tax liability.....	\$ (3,699)	\$ (3,186)

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Deferred income tax asset.....	\$ 2,118	\$ 1,784
Deferred income tax liability.....	(5,817)	(4,970)
Total net deferred tax liability.....	\$ (3,699)	\$ (3,186)

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as at December 31, 2011 is approximately \$6 billion (December 31, 2010 – approximately \$4 billion).

The company regularly assesses the status of open tax examinations and its historical tax filing positions for the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. The company believes that it has adequately provided for any tax adjustments that are more likely than not to occur as a result of ongoing tax examinations or historical filing positions.

The dividend payment on certain preferred shares of the company results in the payment of cash taxes and the company obtaining a deduction based on the amount of these taxes.

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

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
2012.....	\$ —	\$ —
2013.....	4	—
2014.....	2	1
2015.....	17	8
After 2021.....	302	284
Do not expire.....	591	519
Total	<u>\$ 916</u>	<u>\$ 812</u>

14. ACCOUNTS PAYABLE AND OTHER

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Accounts payable.....	\$ 5,342	\$ 4,581
Other liabilities.....	3,924	5,753
Total.....	<u>\$ 9,266</u>	<u>\$ 10,334</u>

The current and non-current balances of accounts payable and other liabilities are as follows:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Current.....	\$ 5,495	\$ 6,482
Non-current.....	3,771	3,852
Total.....	<u>\$ 9,266</u>	<u>\$ 10,334</u>

Included in accounts payable and other liabilities are \$1,522 million (2010 – \$1,286 million) and \$498 million (2010 – \$633 million) of accounts payable and deferred revenue, respectively, related to the company's residential development operations. Accounts payable also includes \$539 million (2010 – \$598 million) of insurance deposits, claims and other liabilities incurred by the company's insurance subsidiaries. Other liabilities in the prior year included held-for-sale liabilities, which were disposed in 2011.

15. CORPORATE BORROWINGS

(MILLIONS)	Maturity	Annual Rate	Currency	Dec. 31, 2011	Dec. 31, 2010
Term debt					
Public – U.S.....	Jun. 15, 2012	7.13%	US\$	\$ 350	\$ 350
Private – U.S.....	Oct. 23, 2012	6.40%	US\$	75	75
Private – U.S.....	Oct. 23, 2013	6.65%	US\$	75	75
Private – Canadian.....	Apr. 30, 2014	6.26%	C\$	29	33
Private – Canadian.....	Jun. 2, 2014	8.95%	C\$	489	501
Public – Canadian.....	Sept. 8, 2016	5.20%	C\$	294	301
Public – U.S.....	Apr. 25, 2017	5.80%	US\$	240	240
Public – Canadian.....	Apr. 25, 2017	5.29%	C\$	245	250
Public – Canadian.....	Mar. 1, 2021	5.30%	C\$	343	351
Public – U.S.....	Mar. 1, 2033	7.38%	US\$	250	250
Public – Canadian.....	Jun. 14, 2035	5.95%	C\$	293	301
Commercial paper and bank borrowings.....		1.41%	US\$/C\$/£	1,042	199
Deferred financing costs ¹				(24)	(21)
Total				<u>\$ 3,701</u>	<u>\$ 2,905</u>

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

Corporate borrowings have a weighted average interest rate of 5.2% (2010 – 5.5%), and include \$2,142 million (2010 – \$1,832 million) repayable in Canadian dollars of C\$2,187 million (2010 – C\$1,829 million) and \$158 million (2010 – \$nil) repayable in British pounds of £102 million (2010 – £nil).

16. NON-RECOURSE BORROWINGS

a) Property-Specific Mortgages

Principal repayments on property-specific mortgages due over the next five calendar years and thereafter are as follows:

(MILLIONS)	Property	Renewable Power	Infrastructure	Private Equity	Other	Total
2012.....	\$ 1,374	\$ 650	\$ 7	\$ 983	\$ 278	\$ 3,292
2013.....	2,548	742	1,076	725	129	5,220
2014.....	4,006	285	619	489	116	5,515
2015.....	291	125	411	267	—	1,094
2016.....	1,863	110	448	657	—	3,078
Thereafter.....	5,614	2,285	2,241	53	23	10,216
Total – Dec. 31, 2011.....	\$ 15,696	\$ 4,197	\$ 4,802	\$ 3,174	\$ 546	\$ 28,415
Total – Dec. 31, 2010.....	\$ 12,740	\$ 3,834	\$ 4,463	\$ 2,287	\$ 130	\$ 23,454

The current and non-current balances of property-specific mortgages are as follows:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Current.....	\$ 3,292	\$ 4,331
Non-current.....	25,123	19,123
Total.....	\$ 28,415	\$ 23,454

Property-specific mortgages by currency include the following:

(MILLIONS)	Dec. 31, 2011	Local Currency	Dec. 31, 2010	Local Currency
U.S. dollars.....	\$ 14,211	US\$ 14,211	\$ 9,490	US\$ 9,490
Australian dollars.....	5,406	A\$ 5,297	5,320	A\$ 5,199
Canadian dollars.....	4,148	C\$ 4,236	3,785	C\$ 3,779
Brazilian reais.....	3,445	R\$ 6,419	3,215	R\$ 5,356
British pounds.....	1,198	£ 770	1,380	£ 884
European Union euros.....	7	€ 5	7	€ 5
New Zealand dollars.....	—	N\$ —	257	N\$ 329
Total.....	\$ 28,415		\$ 23,454	

b) Subsidiary Borrowings

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

(MILLIONS)	Property	Renewable Power	Infrastructure	Private Equity	Other	Total
2012.....	\$ 4	\$ —	\$ 113	\$ 382	\$ —	\$ 499
2013.....	357	—	—	135	—	492
2014.....	382	251	—	187	—	820
2015.....	—	—	—	296	988	1,284
2016.....	—	294	—	9	—	303
Thereafter.....	—	778	1	264	—	1,043
Total – Dec. 31, 2011.....	\$ 743	\$ 1,323	\$ 114	\$ 1,273	\$ 988	\$ 4,441
Total – Dec. 31, 2010.....	\$ 579	\$ 1,152	\$ 148	\$ 1,233	\$ 895	\$ 4,007

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

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Current.....	\$ 499	\$ 620
Non-current.....	3,942	3,387
Total.....	<u>\$ 4,441</u>	<u>\$ 4,007</u>

Subsidiary borrowings by currency include:

(MILLIONS)	Dec. 31, 2011	Local Currency	Dec. 31, 2010	Local Currency
U.S. dollars.....	\$ 2,475	US\$ 2,475	\$ 1,907	US\$ 1,907
Canadian dollars.....	1,492	C\$ 1,524	1,301	C\$ 1,298
Australian dollars.....	359	A\$ 352	511	A\$ 499
New Zealand dollars.....	113	N\$ 145	112	N\$ 144
Brazilian reais.....	2	R\$ 4	19	R\$ 32
British pounds.....	—	£ —	157	£ 100
Total.....	<u>\$ 4,441</u>		<u>\$ 4,007</u>	

17. CAPITAL SECURITIES

Capital securities are preferred shares that are classified as liabilities and consist of the following:

(MILLIONS)	Note	Dec. 31, 2011	Dec. 31, 2010
Corporate preferred shares.....	(a)	\$ 656	\$ 669
Subsidiary preferred shares.....	(b)	994	1,038
Total.....		<u>\$ 1,650</u>	<u>\$ 1,707</u>

a) Corporate Preferred Shares

Corporate preferred shares consist of the company's Class A Preferred Shares as follows:

(MILLIONS, EXCEPT SHARE INFORMATION)	Shares Outstanding	Cumulative Dividend Rate	Currency	Dec. 31, 2011	Dec. 31, 2010
Class A preferred shares					
Series 10.....	10,000,000	5.75%	C\$	\$ 245	\$ 251
Series 11.....	4,032,401	5.50%	C\$	99	101
Series 12.....	7,000,000	5.40%	C\$	171	175
Series 21.....	6,000,000	5.00%	C\$	147	150
Deferred financing costs.....				(6)	(8)
Total.....				<u>\$ 656</u>	<u>\$ 669</u>

Subject to approval of the Toronto Stock Exchange, the Class A, Series 10, 11, 12 and 21 preferred shares, unless redeemed by the company for cash, are convertible into Class A Limited Voting shares at a price equal to the greater of 95% of the market price at the time of conversion and C\$2.00, at the option of either the company or the holder, at any time after the following dates:

	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Class A preferred shares			
Series 10.....	Sept. 30, 2008	Sept. 30, 2008	Mar. 31, 2012
Series 11.....	Jun. 30, 2009	Jun. 30, 2009	Dec. 31, 2013
Series 12.....	Mar. 31, 2014	Mar. 31, 2014	Mar. 31, 2018
Series 21.....	Jun. 30, 2013	Jun. 30, 2013	Jun. 30, 2013

b) Subsidiary Preferred Shares

Subsidiary preferred shares are composed of Brookfield Office Properties Class AAA preferred shares as follows:

(MILLIONS, EXCEPT SHARE INFORMATION)	Shares Outstanding	Cumulative Dividend Rate	Currency	Dec. 31, 2011	Dec. 31, 2010
Class AAA preferred shares					
Series F.....	8,000,000	6.00%	C\$	\$ 196	\$ 200
Series G.....	4,400,000	5.25%	US\$	110	110
Series H.....	8,000,000	5.75%	C\$	196	200
Series I.....	6,138,022	5.20%	C\$	150	179
Series J.....	8,000,000	5.00%	C\$	196	200
Series K.....	6,000,000	5.20%	C\$	148	151
Deferred financing costs.....				(2)	(2)
Total.....				\$ 994	\$ 1,038

The subsidiary preferred shares are redeemable at the option of either the issuer or the holder, at any time after the following dates:

	Earliest Permitted Redemption Date	Company's Conversion Option	Holder's Conversion Option
Class AAA preferred shares			
Series F	Sept. 30, 2009	Sept. 30, 2009	Mar. 31, 2013
Series G	Jun. 30, 2011	Jun. 30, 2011	Sept. 30, 2015
Series H	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2015
Series I	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2010
Series J	Jun. 30, 2010	Jun. 30, 2010	Dec. 31, 2014
Series K	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2016

18. INTERESTS OF OTHERS IN CONSOLIDATED FUNDS

Interests of others in consolidated funds is classified outside of equity and is comprised of the following:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Limited life funds	\$ 273	\$ 207
Redeemable fund units	60	1,355
	\$ 333	\$ 1,562

Limited life funds represent the interests of others in the company's consolidated funds that have a defined maximum fixed life where the company has an obligation to distribute the residual interests of the fund to non-controlling interests based on their proportionate share of the fund's equity in the form of cash or other financial assets at cessation of the fund's life. The increase or decrease in the amount of the liability resulting from the operations of the fund that is attributable to others is recorded in net income in the period of the change.

Redeemable fund units represent interests of others in the consolidated subsidiaries that have a redemption feature. The company merged its Canadian Renewable Power Fund ("Power Fund") with Brookfield Renewable Energy Partners ("BREP") and extinguished the Power Fund's redeemable units on November 28, 2011, which is further described in Note 29(d).

19. EQUITY

Equity is comprised of the following:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Preferred equity.....	\$ 2,140	\$ 1,658
Non-controlling interests.....	18,516	14,739
Common equity.....	16,751	12,795
	<u>\$ 37,407</u>	<u>\$ 29,192</u>

a) Preferred Equity

Preferred equity represents perpetual preferred shares and consists of the following:

(MILLIONS, EXCEPT SHARE INFORMATION)	Rate	Issued and Outstanding		Dec. 31, 2011	Dec. 31, 2010
		2011	2010		
Class A preferred shares					
Series 2.....	70% P	10,465,100	10,465,100	\$ 169	\$ 169
Series 4.....	70% P/8.5%	2,800,000	2,800,000	45	45
Series 8.....	Variable up to P	1,652,394	1,805,948	29	29
Series 9.....	4.35%	2,347,606	2,194,052	35	35
Series 13.....	70% P	9,297,700	9,297,700	195	195
Series 15.....	B.A. + 40 b.p. ¹	2,000,000	2,000,000	42	42
Series 17.....	4.75%	8,000,000	8,000,000	174	174
Series 18.....	4.75%	8,000,000	8,000,000	181	181
Series 22.....	7.00%	12,000,000	12,000,000	274	274
Series 24.....	5.40%	11,000,000	11,000,000	269	269
Series 26.....	4.50%	10,000,000	10,000,000	245	245
Series 28.....	4.60%	9,400,000	—	235	—
Series 30.....	4.80%	10,000,000	—	247	—
Total.....				\$ 2,140	\$ 1,658

1. Rate determined in a quarterly auction

P – Prime Rate, B.A. – Bankers' Acceptance Rate, b.p. – Basis Points

The company is authorized to issue an unlimited number of Class A preferred shares and an unlimited number of Class AA preferred shares, issuable in series. No Class AA preferred shares have been issued.

The Class A preferred shares have preference over the Class AA preferred shares, which in turn are entitled to preference over the Class A and Class B Limited Voting Shares on the declaration of dividends and other distributions to shareholders. All series of the outstanding preferred shares have a par value of C\$25 per share.

b) Non-controlling interests

Non-controlling interests represent the common and preferred equity in consolidated entities that are owned by other shareholders.

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Common equity.....	\$ 17,338	\$ 13,802
Preferred equity.....	1,178	937
Total.....	<u>\$ 18,516</u>	<u>\$ 14,739</u>

c) Common Equity

The company's common equity is comprised of the following:

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Common shares.....	\$ 2,816	\$ 1,334
Contributed surplus.....	125	97
Retained earnings.....	5,990	4,627
Ownership changes.....	475	187
Accumulated other comprehensive income.....	7,345	6,550
Common equity.....	<u>\$ 16,751</u>	<u>\$ 12,795</u>

The company is authorized to issue an unlimited number of Class A Limited Voting Shares and 85,120 Class B Limited Voting Shares, together referred to as common shares. The company's common shares have no stated par value. The holders of Class A Limited Voting shares and Class B Limited Voting Shares rank on parity with each other with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding up of the company or any other distribution of the assets of the company among its shareholders for the purpose of winding up its affairs. Holders of the Class A Limited Voting Common Shares are entitled to elect one-half of the Board of Directors of the company and holders of the Class B Limited Voting Common Shares are entitled to elect the other one-half of the Board of Directors. With respect to the Class A and Class B Limited Voting Shares, there are no dilutive factors, material or otherwise, that would result in different diluted earnings per share between the classes. This relationship holds true irrespective of the number of dilutive instruments issued in either one of the respective classes of common stock, as both classes of Limited Voting shares participate equally, on a pro rata basis, in the dividends, earnings and net assets of the company, whether taken before or after dilutive instruments, regardless of which class of Limited Voting shares are diluted.

The holders of Class A Limited Voting shares received dividends of \$0.52 per share (2010 – \$0.52 per share) and holders of Class B shares received dividends of \$0.52 per share (2010 – \$0.52 per share).

The number of shares issued and outstanding and unexercised options at December 31, 2011 and December 31, 2010 are as follows:

	Dec. 31, 2011	Dec. 31, 2010
Class A Limited Voting Shares.....	619,203,649	577,578,573
Class B Limited Voting Shares.....	85,120	85,120
	<u>619,288,769</u>	<u>577,663,693</u>
Unexercised options.....	37,873,841	38,401,076
Total diluted Limited Voting shares.....	<u>657,162,160</u>	<u>616,064,769</u>

The authorized common share capital consists of an unlimited number of Limited Voting shares. Limited Voting shares issued and outstanding changed as follows:

	Dec. 31, 2011	Dec. 31, 2010
Outstanding at beginning of year.....	577,663,693	572,867,939
Shares issued (repurchased)		
Dividend reinvestment plan.....	128,600	112,876
Management share option plan.....	2,545,776	4,681,614
Repurchases.....	(6,144,300)	—
Issuances.....	45,095,000	—
Other.....	—	1,264
Outstanding at end of year.....	<u>619,288,769</u>	<u>577,663,693</u>

In January 2011, the company issued 27,500,000 Class A Limited Voting Shares in connection with the \$1.7 billion acquisition of General Growth Properties' common shares. In February 2011, the company issued 17,595,000 Class A Limited Voting shares for cash proceeds of C\$578 million pursuant to a public equity offering. In March 2011, the company acquired 3.2 million Class A Limited Voting Shares for \$106 million, of which 2.4 million shares relate to grants of restricted stock to employees in lieu of share options. During the year, the company repurchased 2,944,300 Class A Limited Voting Shares under its normal course issuer bid at a cost of \$80 million.

i. Earnings Per Share

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2011	2010
Net income available to shareholders.....	\$ 1,957	\$ 1,454
Preferred share dividends.....	(106)	(75)
Net income available to shareholders – basic.....	1,851	1,379
Capital securities dividends ¹	38	36
Net income available for shareholders – diluted.....	\$ 1,889	\$ 1,415
Weighted average – common shares.....	616.2	574.9
Dilutive effect of the conversion of options using treasury stock method.....	10.8	9.6
Dilutive effect of the conversion of capital securities ^{1,2}	26.0	23.0
Common shares and common share equivalents.....	653.0	607.5

1. Subject to the approval of the Toronto Stock Exchange, the Series 10,11,12 and 21 shares, unless redeemed by the company for cash, are convertible into Class A Limited Voting shares at a price equal to the greater of 95% at the market price at the time of conversion and C\$2.00, at the option of either the company or the holder
2. The number of shares is based on 95% of the quoted market price at year end

ii. Stock-Based Compensation

The expense recognized for stock-based compensation is summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2011	2010
Expense arising from equity-settled share-based payment transactions.....	\$ 46	\$ 46
(Income)/Expense arising from cash-settled share-based payment transactions.....	(54)	163
Total (income)/expense arising from share-based payment transactions.....	(8)	209
Effect of hedging program.....	75	(149)
Total expense included in consolidated results.....	\$ 67	\$ 60

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2011.

Management Share Option Plan

Options issued under the company's Management Share Option Plan ("MSOP") vest over a period of up to five years, expire 10 years after the grant date, and are settled through issuance of Class A Limited Voting Shares. The exercise price is equal to the market price at the grant date.

The changes in the number of options during 2011 and 2010 were as follows:

	Number of Options (000's) ¹	Weighted Average Exercise Price	Number of Options (000's) ²	Weighted Average Exercise Price
Outstanding at January 1, 2011.....	29,636	C\$ 20.48	8,765	US\$ 23.39
Granted.....	—	—	2,727	32.38
Exercised.....	(2,520)	11.39	(37)	23.18
Cancelled.....	(121)	23.18	(576)	27.02
Outstanding at December 31, 2011.....	26,995	C\$ 21.31	10,879	US\$ 25.45

1. Options to acquire TSX listed Class A Limited Voting Shares
2. Options to acquire NYSE listed Class A Limited Voting Shares

	Number of Options (000's) ¹	Weighted Average Exercise Price	Number of Options (000's) ²	Weighted Average Exercise Price
Outstanding at January 1, 2010.....	34,883	C\$ 19.11	—	US\$ —
Granted.....	—	—	8,873	23.39
Exercised.....	(4,682)	9.51	—	—
Cancelled.....	(565)	26.83	(108)	23.18
Outstanding at December 31, 2010.....	29,636	C\$ 20.48	8,765	US\$ 23.39

- Options to acquire TSX listed Class A Limited Voting Shares
- Options to acquire NYSE listed Class A Limited Voting Shares

The cost of the options granted during the year was determined using the Black-Scholes model of valuation, with inputs to the model as follows:

	Unit	2011	2010
Weighted average share price.....	US\$	32.38	23.39
Weighted average fair value per share.....	US\$	7.92	4.86
Average term to exercise.....	Years	7.5	7.5
Share price volatility ¹	%	33.8	32.7
Liquidity discount.....	%	25.0	25.0
Weighted average annual dividend yield.....	%	1.6	2.2
Risk-free rate.....	%	2.8	3.0

- Share price volatility was determined based on historical share prices over a similar period to the term exercise

At December 31, 2011, the following options to purchase Class A Limited Voting shares were outstanding:

Exercise Price	Weighted Average Remaining Life	Options Outstanding (000's)		
		Vested	Unvested	Total
C\$8.51 – C\$9.76.....	0.7 years	3,120	—	3,120
C\$13.37 – C\$19.03.....	6.2 years	5,679	5,706	11,385
C\$20.21 – C\$30.22.....	3.7 years	6,919	158	7,077
C\$31.62 – C\$46.59.....	5.7 years	3,751	1,662	5,413
US\$23.18 – US\$32.61.....	8.4 years	1,636	9,243	10,879
		21,105	16,769	37,874

Restricted Share Unit Plan

The Restricted Share Unit Plan provides for the issuance of the Deferred Share Units (“DSUs”), as well as Restricted Share Units (“RSUs”). Under this plan, qualifying employees and directors receive varying percentages of their annual incentive bonus or directors’ fees in the form of DSUs. The DSUs and RSUs vest over periods of up to five years, and DSUs accumulate additional DSUs at the same rate as dividends on common shares based on the market value of the common shares at the time of the dividend. Participants are not allowed to convert DSUs and RSUs into cash until retirement or cessation of employment. The value of the DSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the RSUs, when converted into cash, will be equivalent to the difference between the market price of equivalent number of common shares at the time the conversion takes place and the market price on the date the RSUs are granted. The company uses equity derivative contracts to offset its exposure to the change in share prices in respect of vested and unvested DSUs and RSUs. The fair value of the vested DSUs and RSUs as at December 31, 2011 was \$295 million (December 31, 2010 – \$374 million).

Employee compensation expense for these plans is charged against income over the vesting period of the DSUs and RSUs. The amount payable by the company in respect of vested DSUs and RSUs changes as a result of dividends and share price movements. All of the amounts attributable to changes in the amounts payable by the company are recorded as employee compensation expense in the period of the change, and for the year ended December 31, 2011, including those of operating subsidiaries, totalled \$21 million (2010 – \$14 million), net of the impact of hedging arrangements.

The change in the number of DSUs and RSUs during 2011 and 2010 was as follows:

	DSUs	RSUs	
	Number of Units (000's)	Number of Units (000's)	Weighted Average Exercise Price
Outstanding at January 1, 2011.....	6,531	8,030	C\$ 13.56
Granted and reinvested.....	834	—	—
Exercised.....	(110)	—	—
Outstanding at December 31, 2011.....	<u>7,255</u>	<u>8,030</u>	<u>C\$ 13.56</u>

	DSUs	RSUs	
	Number of Units (000's)	Number of Units (000's)	Weighted Average Exercise Price
Outstanding at January 1, 2010.....	6,540	8,142	C\$ 13.49
Granted and reinvested.....	635	—	—
Exercised.....	(621)	(112)	8.83
Cancelled.....	(23)	—	—
Outstanding at December 31, 2010.....	<u>6,531</u>	<u>8,030</u>	<u>C\$ 13.56</u>

The fair value of DSUs is equal to the traded price of the company's common shares.

The fair value of RSUs was determined using the Black-Scholes model of valuation, with inputs to the model as follows:

	Unit	Dec. 31, 2011	Dec. 31, 2010
Share price on date of measurement.....	C\$	28.04	33.20
Weighted average exercise price.....	C\$	13.56	13.56
Term to exercise.....	Years	10.2	11.2
Share price volatility.....	%	23.93	29.3
Weighted average of expected annual dividend yield.....	%	1.9	1.3
Risk-free rate.....	%	2.3	3.7
Weighted average fair value of a unit.....	C\$	<u>13.64</u>	<u>20.62</u>

Escrowed Stock Plan

In February 2011, the company established an Escrowed Stock Plan which allows executives to increase their ownership of Brookfield Class A Limited Voting Shares. Under the escrowed plan, a private company was capitalized with common shares (the "Escrowed Shares") and preferred shares issued to Brookfield for cash proceeds. The proceeds were used to purchase 3.2 million Brookfield Class A Limited Voting Shares and 75% of the Escrowed Shares were granted to executives.

The Escrowed Shares vest on, and must be held until, the fifth anniversary of the grant date. At a date no less than five years, and no more than 10 years, from the grant date, all Escrowed Shares held will be exchanged for a number of Class A Limited Voting Shares issued from treasury of the company, based on the market value of Class A Limited Voting Shares at the time of exchange.

20. REVENUES LESS DIRECT OPERATING COSTS

Direct operating costs include all attributable expenses except interest, depreciation and amortization, taxes and fair value changes and are primarily related to employee benefits and costs of goods sold. The details are as follows:

(MILLIONS)	2011			2010		
	Revenue	Direct Operating Costs	Net	Revenue	Direct Operating Costs	Net
Asset management and other services.....	\$ 3,286	\$ 2,898	\$ 388	\$ 2,519	\$ 2,154	\$ 365
Property.....	2,681	1,003	1,678	2,231	736	1,495
Renewable power.....	1,140	400	740	1,138	390	748
Infrastructure.....	1,674	918	756	656	435	221
Private equity.....	6,673	6,135	538	6,422	5,794	628
Investment and other income.....	467	139	328	657	154	503
	<u>\$ 15,921</u>	<u>\$ 11,493</u>	<u>\$ 4,428</u>	<u>\$ 13,623</u>	<u>\$ 9,663</u>	<u>\$ 3,960</u>

21. FAIR VALUE CHANGES

Fair value changes consist of mark-to-market gains (losses) and are comprised of the following:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2011	2010
Investment property.....	\$ 1,377	\$ 778
Timber.....	292	143
Power contracts.....	54	588
Infrastructure.....	—	405
Redeemable units.....	(376)	(159)
Interest rate contracts.....	(64)	(58)
Other.....	3	(46)
	<u>\$ 1,286</u>	<u>\$ 1,651</u>

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

The aggregate notional amount of the company's derivative positions at December 31, 2011 and December 31, 2010 is as follows:

(MILLIONS)	Note	Dec. 31, 2011	Dec. 31, 2010
Foreign exchange.....	(a)	\$ 4,358	\$ 6,463
Interest rates.....	(b)	13,882	9,523
Credit default swaps.....	(c)	970	84
Equity derivatives.....	(d)	650	790
		<u>\$ 19,860</u>	<u>\$ 16,860</u>
Commodity instruments.....	(e)		
Energy (GWh).....		77,553	74,022
Natural gas (MMBtu — 000's).....		22,868	16,990
Crude oil (bbls).....		—	1,000

a) Foreign Exchange

The company held the following foreign exchange contracts with notional amounts at December 31, 2011 and December 31, 2010.

(MILLIONS)	Notional Amount (U.S. Dollars)		Average Exchange Rate	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Foreign exchange contracts				
Canadian dollars.....	\$ 802	\$ 984	1.02	1.01
British pounds.....	588	883	1.56	1.57
European Union euros.....	337	211	1.31	1.35
Australian dollars.....	276	2,282	1.01	0.96
New Zealand dollars.....	218	74	0.77	0.75
Brazilian reais.....	183	181	1.84	1.73
Japanese yen.....	53	28	81.05	79.23
Danish kroner.....	—	164	—	0.18
Cross currency interest rate swaps				
Australian dollars.....	612	—	1.00	—
Canadian dollars.....	223	366	0.79	0.73
Japanese yen.....	98	—	75.47	—
Brazilian reais.....	73	174	1.81	1.60
Foreign exchange options				
Canadian dollars.....	441	431	1.13	1.14
Brazilian reais.....	322	—	1.51	—
Australian dollars.....	128	640	1.05	1.05
British pounds.....	—	7	—	1.65
Foreign currency futures				
U.S. dollars.....	2	30	1.01	1.01
European Union euros.....	2	5	1.31	1.34
Japanese yen.....	—	3	—	80.50
	<u>\$ 4,358</u>	<u>\$ 6,463</u>		

Included in net income are unrealized net losses on foreign currency derivative balances amounting to \$32 million (2010 – net loss of \$14 million) and included in the cumulative translation adjustment account in other comprehensive income are gains in respect of foreign currency contracts entered into for hedging purposes amounting to \$133 million (2010 – net loss of \$151 million).

b) Interest Rates

At December 31, 2011, the company held interest rate swap contracts having an aggregate notional amount of \$1,098 million (2010 – \$700 million), bond forwards having an aggregate notional of \$295 million (2010 – \$nil), and interest rate swaptions with an aggregate notional of \$211 million (2010 – \$nil). The company's subsidiaries held interest rate swap contracts with an aggregate notional amount of \$9,780 million (2010 – \$7,550 million). The company's subsidiaries held interest rate cap contracts with an aggregate notional amount of \$2,374 million (2010 – \$556 million), interest rate swaptions with an aggregate notional value of \$nil (2010 – \$584 million), bond forwards with an aggregate notional value of \$nil (2010 – \$60 million), and interest rate futures with an aggregate notional value of \$124 million (2010 – \$73 million).

c) Credit Default Swaps

As at December 31, 2011, the company held credit default swap contracts with an aggregate notional amount of \$970 million (2010 – \$84 million). Credit default swaps are contracts which are designed to compensate the purchaser for any change in the value of an underlying reference asset, based on measurement in credit spreads, upon the occurrence of predetermined credit events. The company is entitled to receive payments in the event of a predetermined credit event for up to \$830 million (2010 – \$75 million) of the notional amount and could be required to make payments in respect of \$140 million (2010 – \$9 million) of the notional amount.

d) Equity Derivatives

At December 31, 2011, the company and its subsidiaries held equity derivatives with a notional amount of \$650 million (2010 – \$790 million) which includes a \$463 million (2010 – \$543 million) notional amount that hedges long-term compensation arrangements. The balance represents common equity positions established in connection with the company's investment activities. The fair value of these instruments was reflected in the company's consolidated financial statements at year end.

e) Commodity Instruments

The company has entered into energy derivative contracts primarily to hedge the sale of generated power. The company endeavours to link forward electricity sale derivatives to specific periods in which it expects to generate electricity for sale. All energy derivative contracts are recorded at an amount equal to fair value and are reflected in the company's consolidated financial statements at year end.

Other Information Regarding Derivative Financial Instruments

The following table classifies derivatives elected for hedge accounting during the years ended December 31, 2011 and 2010 as either: cash flow hedges, net investment hedges or fair value hedges. Changes in the fair value of the effective portion of the hedge are recorded in either other comprehensive income or net income, depending on the hedge classification, whereas changes in the fair value of the ineffective portion of the hedge are recorded in net income:

YEARS ENDED DECEMBER 31 (MILLIONS)	2011			2010		
	Notional	Effective Portion	Ineffective Portion	Notional	Effective Portion	Ineffective Portion
Cash flow hedges ¹	\$ 10,598	\$ (850)	\$ 37	\$ 6,192	\$ (41)	\$ 4
Net investment hedges.....	1,194	133	—	4,695	(151)	—
Fair value hedges.....	472	(6)	—	649	(5)	—
	<u>\$ 12,264</u>	<u>\$ (723)</u>	<u>\$ 37</u>	<u>\$ 11,536</u>	<u>\$ (197)</u>	<u>\$ 4</u>

1. Notional amount does not include 42,837 GWh and 2,476 GWh of commodity derivatives at December 31, 2011 and December 31, 2010, respectively

The following table presents the change in fair values of the company's derivative positions during the years ended December 31, 2011 and 2010, for derivatives that are fair value through profit or loss, and derivatives that qualify for hedge accounting:

(MILLIONS)	Unrealized Gains During 2011	Unrealized Losses During 2011	Net Change During 2011	Net Change During 2010
Foreign exchange derivatives.....	\$ 197	\$ (60)	\$ 137	\$ (165)
Interest rate derivatives				
Interest rate swaps.....	24	(660)	(636)	(116)
Bond forwards.....	—	(23)	(23)	(2)
Interest rate swaptions.....	2	—	2	(1)
	<u>26</u>	<u>(683)</u>	<u>(657)</u>	<u>(119)</u>
Credit default swaps.....	4	—	4	(4)
Equity derivatives.....	14	(102)	(88)	372
Commodity derivatives.....	73	(434)	(361)	536
	<u>\$ 314</u>	<u>\$ (1,279)</u>	<u>\$ (965)</u>	<u>\$ 620</u>

The following table presents the notional amounts underlying the company's derivative instruments by term to maturity as at December 31, 2011 and the comparative notional amounts at December 31, 2010, for derivatives that are fair value through profit or loss, and derivatives that qualify for hedge accounting:

(MILLIONS)	Dec. 31, 2011			Dec. 31, 2010	
	< 1 year	1 to 5 years	> 5 years	Total Notional Amount	Total Notional Amount
Fair value through profit or loss					
Foreign exchange derivatives.....	\$ 1,613	\$ 543	\$ 98	\$ 2,254	\$ 1,303
Interest rate derivatives					
Interest rate swaps.....	442	609	25	1,076	2,249
Interest rate swaptions.....	129	82	—	211	584
Interest rate caps.....	1,676	649	—	2,325	256
Interest rate futures.....	93	31	—	124	73
	2,340	1,371	25	3,736	3,162
Credit default swaps.....	264	700	6	970	84
Equity derivatives.....	107	351	178	636	775
	\$ 4,324	\$ 2,965	\$ 307	\$ 7,596	\$ 5,324
Commodity instruments					
Energy (GWh).....	23,615	8,434	2,667	34,716	71,546
Natural gas (MMBtu – 000's).....	18,478	4,390	—	22,868	16,990
Crude Oil (bbls).....	—	—	—	—	1,000
Elected for hedge accounting					
Foreign exchange derivatives.....	\$ 1,156	\$ 336	\$ 612	\$ 2,104	\$ 5,160
Interest rate derivatives					
Interest rate swaps.....	1,033	6,151	2,618	9,802	6,001
Bond forwards.....	295	—	—	295	60
Interest rate caps.....	49	—	—	49	300
	1,377	6,151	2,618	10,146	6,361
Equity derivatives.....	7	7	—	14	15
	\$ 2,540	\$ 6,494	\$ 3,230	\$ 12,264	\$ 11,536
Commodity instruments					
Energy (GWh).....	3,441	9,309	30,087	42,837	2,476

23. MANAGEMENT OF RISKS ARISING FROM HOLDING FINANCIAL INSTRUMENTS

The company is exposed to the following risks as a result of holding financial instruments: market risk (i.e., interest rate risk, currency risk and other price risk that impact the fair values of financial instruments); credit risk; and liquidity risk. The following is a description of these risks and how they are managed:

a) Market Risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, currency exchange rates and changes in market prices due to factors other than interest rates or currency exchange rates, such as changes in equity prices, commodity prices or credit spreads.

The company manages market risk from foreign currency assets and liabilities and the impact of changes in currency exchange rates and interest rates, by funding assets with financial liabilities in the same currency and with similar interest rate characteristics, and holding financial contracts such as interest rate and foreign exchange derivatives to minimize residual exposures.

Financial instruments held by the company that are subject to market risk include other financial assets, borrowings, and derivative instruments such as interest rate, currency, equity and commodity contracts.

Interest Rate Risk

The observable impacts on the fair values and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in the net income from financial instruments whose cash flows are determined with reference to floating interest rates and changes in the value of financial instruments whose cash flows are fixed in nature.

The company's assets largely consist of long duration interest sensitive physical assets. Accordingly, the company's financial liabilities consist primarily of long-term fixed rate debt or floating rate debt that has been swapped with interest rate derivatives. These financial liabilities are, with few exceptions, recorded at their amortized cost. The company also holds interest rate caps to limit its exposure to increases in interest rates on floating rate debt that has not been swapped, and holds interest rate contracts to lock in fixed rates on anticipated future debt issuances and as an economic hedge against the values of long duration interest sensitive physical assets that have not been otherwise matched with fixed rate debt.

The result of a 50 basis-point increase in interest rates on the company's net floating rate assets and liabilities would have resulted in a corresponding decrease in net income before tax of \$33 million (2010 – \$29 million) on an annualized basis.

Changes in the value of fair value through profit or loss interest rate contracts are recorded in net income and changes in the value of contracts that are elected for hedge accounting together with changes in the value of available-for-sale financial instruments are recorded in other comprehensive income. The impact of a 10 basis-point parallel increase in the yield curve on the aforementioned financial instruments is estimated to result in a corresponding increase in net income of \$3 million (2010 – \$6 million) and an increase in other comprehensive income of \$52 million (2010 – \$21 million), before tax for the year ended December 31, 2011.

Currency Exchange Rate Risk

Changes in currency rates will impact the carrying value of financial instruments denominated in currencies other than the U.S. dollar.

The company holds financial instruments with net unmatched exposures in several currencies, changes in the translated value of which are recorded in net income. The impact of a 1% increase in the U.S. dollar against these currencies would have resulted in a \$3 million (2010 – \$7 million) increase in the value of these positions on a combined basis. The impact on cash flows from financial instruments would be insignificant. The company holds financial instruments to hedge the net investment in foreign operations whose functional and reporting currencies are other than the U.S. dollar. A 1% increase in the U.S. dollar would increase the value of these hedging instruments by \$42 million (2010 – \$52 million) as at December 31, 2011, which would be recorded in other comprehensive income and offset by changes in the U.S. dollar carrying value of the net investment being hedged.

Other Price Risk

Other price risk is the risk of variability in fair value due to movements in equity prices or other market prices such as commodity prices and credit spreads.

Financial instruments held by the company that are exposed to equity price risk include equity securities and equity derivatives. A 5% decrease in the market price of equity securities and equity derivatives held by the company, excluding equity derivatives in respect of compensation arrangements, would have decreased net income by \$63 million (2010 – \$55 million) and decreased other comprehensive income by \$7 million (2010 – \$5 million), prior to taxes. The company's liability in respect of equity compensation arrangements is subject to variability based on changes in the company's underlying common share price. The company holds equity derivatives to hedge almost all of the variability. A 5% change in the common equity price of the company in respect of compensation agreements would increase the compensation liability and compensation expense by \$22 million (2010 – \$24 million). This increase would be offset by a \$23 million (2010 – \$25 million) change in value of the associated equity derivatives of which \$22 million (2010 – \$24 million) would offset the above mentioned increase in compensation expense and the remaining \$1 million (2010 – \$1 million) would be recorded in other comprehensive income.

The company sells power and generation capacity under long-term agreements and financial contracts to stabilize future revenues. Certain of the contracts are considered financial instruments and are recorded at fair value in the financial statements, with changes in value being recorded in either net income or other comprehensive income as applicable. A 5% increase in energy prices would have increased net income for the year ended December 31, 2011 by approximately \$82 million (2010 – decrease of \$113 million)

and decreased other comprehensive income by \$141 million (2010 – \$6 million), prior to taxes. The corresponding increase in the value of the revenue or capacity being contracted, however, is not recorded in net income until subsequent periods.

The company held credit default swap contracts with a total notional amount of \$970 million (2010 – \$84 million) at December 31, 2011. The company is exposed to changes in the credit spread of the contracts' underlying reference asset. A 10 basis-point increase in the credit spread of the underlying reference assets would have increased net income by \$3 million (2010 – \$0.3 million) for the year ended December 31, 2011, prior to taxes.

b) Credit Risk

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

The company assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparties meet minimum credit quality requirements. Management evaluates and monitors counterparty credit risk for derivative financial instruments and endeavours to minimize counterparty credit risk through diversification, collateral arrangements, and other credit risk mitigation techniques. The credit risk of derivative financial instruments is generally limited to the positive fair value of the instruments, which, in general, tends to be a relatively small proportion of the notional value. Substantially all of the company's derivative financial instruments involve either counterparties that are banks or other financial institutions in North America, the United Kingdom and Australia, or arrangements that have embedded credit risk mitigation features. The company does not expect to incur credit losses in respect of any of these counterparties. The maximum exposure in respect of loans receivable and credit investments is equal to the carrying value.

c) Liquidity Risk

Liquidity risk is the risk that the company cannot meet a demand for cash or fund an obligation as it comes due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

To ensure the company is able to react to contingencies and investment opportunities quickly, the company maintains sources of liquidity at the corporate and subsidiary level. The primary source of liquidity consists of cash and other financial assets, net of deposits and other associated liabilities, and undrawn committed credit facilities.

The company is subject to the risks associated with debt financing, including the ability to refinance indebtedness at maturity. The company believes these risks are mitigated through the use of long-term debt secured by high quality assets, maintaining debt levels that are in management's opinion relatively conservative, and by diversifying maturities over an extended period of time. The company also seeks to include in its agreements terms that protect the company from liquidity issues of counterparties that might otherwise impact the company's liquidity.

24. CAPITAL MANAGEMENT

The capital of the company consists of the components of equity in the company's consolidated balance sheet (i.e., common and preferred equity) as well as the company's capital securities, which consist of corporate preferred shares that are convertible into common shares at the option of either the holder or the company. As at December 31, 2011, the recorded values of these items in the company's consolidated financial statements totalled \$19.5 billion (2010 – \$15.1 billion).

The company's objectives when managing this capital are to maintain an appropriate balance between holding a sufficient amount of capital to support its operations, which includes maintaining investment-grade ratings at the corporate level, and providing shareholders with a prudent amount of leverage to enhance returns. Corporate leverage, which consists of corporate debt as well as subsidiary obligations that are guaranteed by the company or are otherwise considered corporate in nature, totalled \$4.7 billion based on carrying values at December 31, 2011 (2010 – \$3.8 billion). The company monitors its capital base and leverage primarily in the context of its deconsolidated debt-to-total capitalization ratios based on the company's net tangible asset value, as defined and calculated in the Management's Discussion and Analysis. The ratio as at December 31, 2011 was 15% (2010 – 15%), which is within the company's target.

The consolidated capitalization of the company includes the capital and financial obligations of consolidated entities, including long-term property-specific financings, subsidiary borrowings, capital securities as well as common and preferred equity held by other investors in these entities. The capital in these entities is managed at the entity level with oversight by management of the company. The capital is managed with the objective of maintaining investment-grade levels in most circumstances and is, except in limited and carefully managed circumstances, without any recourse to the company. Management of the company also takes into consideration capital requirements of consolidated and non-consolidated entities that it has interests in when considering the appropriate level of capital and liquidity on a deconsolidated basis.

The company is subject to limited covenants in respect of its corporate debt and is in full compliance with all such covenants as at December 31, 2011 and 2010. The company and its consolidated entities are also in compliance with all covenants and other capital requirements related to regulatory or contractual obligations of material consequence to the company.

25. POST-EMPLOYMENT BENEFITS

The company offers pension and other post employment benefit plans to employees of certain of its subsidiaries. The company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. The benefit plans' expense for 2011 was \$2 million (2010 – \$13 million). The discount rate used was 5% (2010 – 6%) with an increase in the rate of compensation of 3% (2010 – 3%) and an investment rate of 6% (2010 – 7%).

(MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Plan assets.....	\$ 1,093	\$ 833
Less accrued benefit obligation:		
Defined benefit pension plan.....	(1,123)	(752)
Other post-employment benefits.....	(24)	(39)
Net (liability) asset.....	(54)	42
Less: net actuarial losses.....	29	27
Accrued benefit (liability) asset.....	\$ (25)	\$ 69

26. JOINT OPERATIONS

The following amounts represent the company's proportionate interest in jointly controlled assets that are proportionately consolidated in the company's accounts:

AS AT AND FOR THE YEARS ENDED (MILLIONS)	Dec. 31, 2011	Dec. 31, 2010
Current assets.....	\$ 60	\$ 53
Long-term assets.....	2,433	3,536
Total assets.....	2,493	3,589
Current liabilities.....	130	278
Long-term liabilities.....	697	768
Total liabilities.....	827	1,046
Revenues.....	227	465
Expenses.....	85	106
Net income.....	\$ 142	\$ 359

27. SEGMENTED INFORMATION

The company's presentation of reportable segments is based on how management has organized the business in making operating and capital allocation decisions and assessing performance. The company has five reportable segments:

- Property operations include office properties, retail properties, real estate finance, opportunistic investing and office developments located primarily in major North American, Australian, Brazilian and European cities;
- Renewable power operations, which are predominantly hydroelectric power generating facilities on river systems in North America and Brazil;
- Infrastructure operations, which are predominantly utilities, transport and energy and timberland operations located in Australia, North America, Europe and South America;
- Private equity operations include the company's special situations investments, residential development and agricultural development.
- Assets management services and other, corporate non-operating assets, liabilities and related revenues, cash flows and net income (loss) are presented as asset management services, corporate and other.

The following table disaggregates revenue, net income (loss), assets and liabilities by reportable segments:

AS AT AND FOR THE YEARS ENDED (MILLIONS)	Dec. 31, 2011				Dec. 31, 2010			
	Net				Net			
	Revenue	Income	Assets	Liabilities	Revenue	Income	Assets	Liabilities
Property.....	\$ 2,760	\$ 3,682	\$ 40,497	\$ 19,757	\$ 2,589	\$ 1,870	\$ 31,572	\$ 16,211
Renewable power.....	1,140	(458)	16,826	9,213	1,161	406	14,738	9,902
Infrastructure.....	1,690	482	14,007	7,756	867	538	13,695	8,446
Private equity.....	6,770	(23)	13,284	8,241	6,011	276	13,029	7,258
Asset management services, corporate and other.....	3,561	(9)	6,416	8,656	2,995	105	5,097	7,122
	<u>\$ 15,921</u>	<u>\$ 3,674</u>	<u>\$ 91,030</u>	<u>\$ 53,623</u>	<u>\$ 13,623</u>	<u>\$ 3,195</u>	<u>\$ 78,131</u>	<u>\$ 48,939</u>

Revenues, assets and liabilities by geographic segments are as follows:

AS AT AND FOR THE YEARS ENDED (MILLIONS)	Dec. 31, 2011			Dec. 31, 2010		
	Revenue	Assets	Liabilities	Revenue	Assets	Liabilities
United States.....	\$ 4,715	\$ 38,192	\$ 24,442	\$ 5,069	\$ 28,122	\$ 18,100
Canada.....	2,809	19,848	11,453	2,607	17,440	12,053
Australia.....	3,470	15,066	9,308	2,034	16,813	10,028
Brazil.....	2,519	12,202	5,799	1,688	11,483	6,453
Europe.....	1,364	4,359	2,246	1,283	3,348	1,937
Other.....	1,044	1,363	375	942	925	368
	<u>\$ 15,921</u>	<u>\$ 91,030</u>	<u>\$ 53,623</u>	<u>\$ 13,623</u>	<u>\$ 78,131</u>	<u>\$ 48,939</u>

28. SUPPLEMENTAL CASH FLOW INFORMATION

YEARS ENDED DECEMBER 31 (MILLIONS)	2011	2010
Corporate borrowings		
Issuances.....	\$ —	\$ 630
Repayments.....	—	(203)
Commercial paper and bank borrowings issuances, net of repayments.....	851	(193)
Net.....	<u>\$ 851</u>	<u>\$ 234</u>
Property-specific mortgages		
Issuances.....	\$ 5,393	\$ 3,141
Repayments.....	(5,298)	(3,455)
Net.....	<u>\$ 95</u>	<u>\$ (314)</u>
Other debt of subsidiaries		
Issuances.....	\$ 2,373	\$ 744
Repayments.....	(1,645)	(1,104)
Net.....	<u>\$ 728</u>	<u>\$ (360)</u>
Common shares		
Issuances.....	\$ 592	\$ 45
Repurchases.....	(186)	—
Net.....	<u>\$ 406</u>	<u>\$ 45</u>
Investment properties		
Proceeds of dispositions.....	\$ 1,362	\$ 749
Investments.....	(1,423)	(1,370)
Net.....	<u>\$ (61)</u>	<u>\$ (621)</u>
Renewable power		
Proceeds of dispositions.....	\$ —	\$ —
Investments.....	(878)	(348)
Net.....	<u>\$ (878)</u>	<u>\$ (348)</u>
Infrastructure		
Proceeds of dispositions.....	\$ 4	\$ 69
Investments.....	(611)	(58)
Net.....	<u>\$ (607)</u>	<u>\$ 11</u>
Private equity		
Proceeds of dispositions.....	\$ 41	\$ 116
Investments.....	(463)	(247)
Net.....	<u>\$ (422)</u>	<u>\$ (131)</u>
Investments		
Proceeds of dispositions.....	\$ 121	\$ —
Investments.....	(1,511)	(442)
Net.....	<u>\$ (1,390)</u>	<u>\$ (442)</u>
Other financial assets		
Proceeds of disposition.....	\$ 1,287	\$ 1,328
Investments.....	(996)	(1,719)
Net.....	<u>\$ 291</u>	<u>\$ (391)</u>

Cash taxes paid were \$282 million (2010 – \$141 million). Cash interest paid totalled \$1,798 million (2010 – \$1,784 million). Sustaining capital expenditures in the company's renewable power generating operations were \$92 million (2010 – \$59 million), in its property operations were \$106 million (2010 – \$47 million) and in its infrastructure operations were \$92 million (2010 – \$49 million).

Included in cash and cash equivalents is \$1,396 million (December 31, 2010 – \$1,188 million) of cash and \$631 million of short-term deposits at December 31, 2011 (December 31, 2010 – \$525 million).

29. OTHER INFORMATION

a) Commitments, Guarantees and Contingencies

In the normal course of business, the company and its subsidiaries enter into contractual obligations which include commitments to provide bridge financing, letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations. At the end of 2011, the company and its subsidiaries had \$1,363 million (2010 – \$1,338 million) of such commitments outstanding of which \$300 million (2010 – \$147 million) is included in accounts payable and other liabilities in the consolidated balance sheets.

In addition, the company and its consolidated subsidiaries execute agreements that provide for indemnifications and guarantees to third parties in transactions or dealings such as business dispositions, business acquisitions, sales of assets, provision of services, securitization agreements, and underwriting and agency agreements. The company has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents the company from making a reasonable estimate of the maximum potential amount the company could be required to pay third parties, as in most cases, the agreements do not specify a maximum amount, and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Neither the company nor its consolidated subsidiaries have made significant payments in the past nor do they expect at this time to make any significant payments under such indemnification agreements in the future.

The company periodically enters into joint ventures, consortium or other arrangements that have contingent liquidity rights in favour of the company or its counterparties. These include buy-sell arrangements, registration rights and other customary arrangements. These agreements generally have embedded protective terms that mitigate the risk to us. The amount, timing and likelihood of any payments by the company under these arrangements is, in most cases, dependent on either further contingent events or circumstances applicable to the counterparty and therefore cannot be determined at this time.

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

The company has up to \$3.5 billion of insurance for damage and business interruption costs sustained as a result of an act of terrorism. However, a terrorist act could have a material effect on the company's assets to the extent damages exceed the coverage.

The company, through its subsidiaries within the residential properties operations, is contingently liable for obligations of its associates in its land development joint ventures. In each case, all of the assets of the joint venture are available first for the purpose of satisfying these obligations, with the balance shared among the participants in accordance with predetermined joint venture arrangements.

b) Insurance

The company conducts insurance operations as part of its activities. As at December 31, 2011, the company held insurance assets of \$393 million (2010 – \$473 million) in respect of insurance contracts that are accounted for using the deposit method which were offset in each year by an equal amount of reserves and other liabilities. During 2011, net underwriting losses on reinsurance operations were \$7 million (2010 – gains of \$3 million) representing \$22 million (2010 – \$59 million) of premium and other revenues offset by \$29 million (2010 – \$56 million) of reserves and other expenses.

c) Compensation of Key Management Personnel

The remuneration of directors and other key management personnel of the company during the years ended December 31, 2011 and 2010 was as follows:

(MILLIONS)	2011	2010
Salaries, incentives and short-term benefits.....	\$ 4	\$ 4
Share-based payments.....	13	14
	<u>\$ 17</u>	<u>\$ 18</u>

The remuneration of directors and key executives is determined by the Compensation Committee having regard to the performance of individuals and market funds.

d) Related Party Transactions

On November 28, 2011, the company completed the combination of its indirectly held wholly-owned renewable power assets and its 34% owned Brookfield Renewable Power Fund ("Power Fund"), to launch Brookfield Renewable Energy Partners ("BREP"). Public unitholders of the Power Fund received one non-voting limited partnership unit of BREP in exchange for each trust unit of the Power Fund held. Following the combination, the company held a 73% ownership interest in BREP.

As part of the combination, the company amended certain power purchase and sale agreements between itself and the Power Fund to adjust the price of electricity purchased. Additionally, a wholly-owned subsidiary of the company entered into an Energy Revenue Agreement with BREP, whereby the company indirectly guarantees the price for energy delivered by certain power generating facilities in the United States at \$75 per MWh, adjusted annually by an inflation factor.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking information within the meaning of Canadian provincial securities laws and applicable regulations and “forward-looking statements” within the meaning of the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995. The words, “potential,” “intend,” “approach,” “future,” “grow,” “plan,” “seek,” “expect,” “believe,” “estimate,” “anticipate,” “objective,” “continue,” “enable,” “expand,” “likely,” “focus,” “think,” “commit,” “strive,” “pursue,” “endeavour,” “future,” “generate,” “maintain,” “see,” “position,” “target,” “tend,” “bode,” and derivations thereof and other expressions, including conditional verbs such as “will,” “can,” “may,” “might,” “could,” “would,” and “should” are predictions of or indicate future events, trends or prospects or identify forward-looking statements. Forward-looking statements in this Annual Report include statements with respect to the following: our business and operating strategies and approach to investing; our belief that 2012 will be a good year to invest capital and our focus on deploying the capital we manage and raising additional capital; the growth of our results as the global economy recovers; the growth rates in the developed world and their effect on our strategy; the potential for capital appreciation of real assets; the future recognition in our share price of currently unrecognized value; our expectation of increasing the cash we generate and the value of our assets through organic expansion and new initiatives; our targeted rates of return for our various investments; our ability to continue to compound our long-term returns at attractive levels; the ability of our development properties to generate cash in the future; the completion and acquisition of renewable energy projects in North America and Brazil; the future growth of Brookfield Renewable Energy Partners; the expansion of our rail lines in Western Australia and resulting increased cash flow; the expansion of our Australian coal terminal and our UK port operations; the construction of our electricity transmission project in Texas; the performance of our flagship private infrastructure fund; our belief that our business strategies should enable our shares to compound at a rate of between 12% and 15%; our distribution policy; our belief that reinvestment back into our four major businesses is more accretive to long-term returns than payment of substantially higher dividends; the continuation of the low level of interest rates; our focus on real assets and our belief that real assets which generate increasing cash flows over time will protect against long-term interest rate increases; the potential launch of a flagship public entity for our property group; our objective of generating increased cash flows on a per share basis and a higher intrinsic value of the Corporation over the longer term; our objective of earning in excess of a 12% annualized total return on the intrinsic value of our common equity; the future performance of the residential homebuilding, lumber and natural gas sectors; our commercial office development activities in North America, Australia and UK; the improvement in the U.S. private equity market; the refinancing of our debt; our ability to achieve long-term generation targets based on water conditions; our expectations that the price for renewable hydroelectric generation will increase; our ability to sell our power at increasing rates and secure long-term contracts on favourable terms; the stability and resiliency of our cash flows from our utilities, transport and energy businesses; the impact of supply constraints and ongoing demand from Asian markets on our timber operations and our expectation that market conditions will remain comparable and that market supply may increase in 2012, which could lead to lower prices; leasing discussions with potential tenants; the scheduled completion of the City Square office development in Australia; our ability to maintain or increase our net rental income in the coming years; our expectation for office development in Manhattan; the completion of department stores by GGP; opportunities to purchase infrastructure assets from European and other investors seeking to deleverage their balance sheets; our ability to achieve attractive returns within our Brazilian agricultural operations; our investments in Brazilian agricultural property; our level of liquidity; our intention to pursue growth opportunities in international markets; harvest plans for our timberlands operations; the seasonality of our operations; our goal of increasing capital under management and the associated fees substantially in the coming years; our assumption that capital under management in our unlisted funds and managed listed issuers will grow at a rate of 10% over the next 10 years; our fund raising activity; our assumption that our annualized gross margin migrates to 150 basis points in our asset management operations, and our belief that we can add meaningfully to managed capital without a commensurate increase in expenses; future determination of our legal proceedings with AIG Financial Products; our environmental, safety, sustainability and corporate governance policies and practices; and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions. Although we believe that our 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 our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements 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 the following: economic and financial conditions in the countries in which we do business; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing and refinancing; strategic actions including our ability to acquire and develop high quality assets; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; our ability to attract and retain suitable management; adverse hydrology conditions; the ability to continue to attract institutional investors to our funds; regulatory and political factors within the countries in which we operate; tenant renewal rates; availability of new tenants to fill office property vacancies; default or bankruptcy of counterparties to our contracts and leases; 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 our Form 40-F filed with the Securities and Exchange Commission, as well as other documents filed by us with the securities regulators in Canada and the United States including Management's Discussion and Analysis of Financial Results 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 us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, we undertake 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.