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 International Financial Reporting Standards as issued by the International Accounting Standards Board 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, 2017, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2017, Brookfield's internal control over financial reporting is effective. Management excluded from its assessment the internal control over financial reporting for Manufactured Housing, Houston Center, Mumbai Office Portfolio, BRK, Greenergy, NTS, TerraForm Power, and TerraForm Global which were acquired during 2017, and whose total assets, net assets, revenues and net income on a combined basis constitute approximately 13%, 11%, 37% and 12%, respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2017.

Brookfield's internal control over financial reporting as of December 31, 2017, has been audited by Deloitte LLP, the Independent Registered Public Accounting Firm, who also audited Brookfield's consolidated financial statements for the year ended December 31, 2017. As stated in the Report of Independent Registered Public Accounting Firm, Deloitte LLP expressed an unqualified opinion on the effectiveness of Brookfield's internal control over financial reporting as of December 31, 2017.

J. Bruce Flatt Chief Executive Officer	Brian D. Lawson Chief Financial Officer

March 29, 2018

Toronto, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brookfield Asset Management Inc. and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and Canadian generally accepted auditing standards, the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated March 29, 2018 expressed an unmodified/unqualified opinion on those consolidated financial statements.

As described in Management's Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Manufactured Housing, Houston Center, Mumbai Office Portfolio, BRK, Greenergy, NTS, TerraForm Power and TerraForm Global, which were acquired during 2017 and whose total assets, net assets, revenues and net income on a combined basis constitute approximately 13%, 11%, 37% and 12%, respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Accordingly, our audit did not include the internal control over financial reporting at Manufactured Housing, Houston Center, Mumbai Office Portfolio, BRK, Greenergy, NTS, TerraForm Power and TerraForm Global.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 29, 2018

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 is 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 LLP, the Independent Registered Public Accounting Firm appointed by the shareholders, have audited the consolidated financial statements set out on pages 115 through 192 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 board of directors and 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 neither officers nor 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.

J. Bruce Flatt
Chief Executive Officer

Brian D. Lawson
Chief Financial Officer

March 29, 2018

Toronto, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Brookfield Asset Management Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and December 31, 2016, the consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on Internal Control over Financial Reporting

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Those standards also require that we comply with ethical requirements. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. Further, we are required to be independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and to fulfill our other ethical responsibilities in accordance with these requirements.

An audit includes performing procedures to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

March 29, 2018
Toronto, Canada

We have served as the Company's auditor since 1971.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

AS AT DEC. 31 (MILLIONS)	Note	2017	2016
Assets			
Cash and cash equivalents	6	**$ 5,139**	$ 4,299
Other financial assets	6	**4,800**	4,700
Accounts receivable and other	7	**11,973**	9,133
Inventory	8	**6,311**	5,349
Assets classified as held for sale	9	**1,605**	432
Equity accounted investments	10	**31,994**	24,977
Investment properties	11	**56,870**	54,172
Property, plant and equipment	12	**53,005**	45,346
Intangible assets	13	**14,242**	6,073
Goodwill	14	**5,317**	3,783
Deferred income tax assets	15	**1,464**	1,562
Total Assets		**$ 192,720**	$ 159,826
Liabilities and Equity			
Accounts payable and other	16	**$ 17,965**	$ 11,915
Liabilities associated with assets classified as held for sale	9	**1,424**	127
Corporate borrowings	17	**5,659**	4,500
Non-recourse borrowings			
Property-specific borrowings	18	**63,721**	52,442
Subsidiary borrowings	18	**9,009**	7,949
Deferred income tax liabilities	15	**11,409**	9,640
Subsidiary equity obligations	19	**3,661**	3,565
Equity			
Preferred equity	21	**4,192**	3,954
Non-controlling interests	21	**51,628**	43,235
Common equity	21	**24,052**	22,499
Total equity		**79,872**	69,688
Total Liabilities and Equity		**$ 192,720**	$ 159,826

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DEC. 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Note	2017	2016
Revenues	22	**$ 40,786**	$ 24,411
Direct costs	23	**(32,388)**	(17,718)
Other income and gains		**1,180**	482
Equity accounted income	10	**1,213**	1,293
Expenses			
Interest		**(3,608)**	(3,233)
Corporate costs		**(95)**	(92)
Fair value changes	24	**421**	(130)
Depreciation and amortization		**(2,345)**	(2,020)
Income taxes	15	**(613)**	345
Net income		**$ 4,551**	$ 3,338
Net income attributable to:			
Shareholders		**$ 1,462**	$ 1,651
Non-controlling interests		**3,089**	1,687
		$ 4,551	$ 3,338
Net income per share:			
Diluted	21	**$ 1.34**	$ 1.55
Basic	21	**1.37**	1.58

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Note	2017	2016
Net income		**$ 4,551**	$ 3,338
Other comprehensive income (loss)			
Items that may be reclassified to net income			
Financial contracts and power sale agreements		**278**	(113)
Available-for-sale securities		**95**	649
Equity accounted investments	10	**6**	(52)
Foreign currency translation		**439**	1,236
Income taxes	15	**11**	(60)
		829	1,660
Items that will not be reclassified to net income			
Revaluations of property, plant and equipment		**934**	824
Revaluation of pension obligations	16	**4**	(40)
Equity accounted investments	10	**509**	482
Income taxes	15	**314**	(113)
		1,761	1,153
Other comprehensive income		**2,590**	2,813
Comprehensive income		**$ 7,141**	$ 6,151
Attributable to:			
Shareholders			
Net income		**$ 1,462**	$ 1,651
Other comprehensive income		**849**	821
Comprehensive income		**$ 2,311**	$ 2,472
Non-controlling interests			
Net income		**$ 3,089**	$ 1,687
Other comprehensive income		**1,741**	1,992
Comprehensive income		**$ 4,830**	$ 3,679

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DEC. 31, 2017 (MILLIONS)	Common Share Capital	Contributed Surplus	Retained Earnings	Ownership Changes[1]	Accumulated Other Comprehensive Income: Revaluation Surplus	Accumulated Other Comprehensive Income: Currency Translation	Accumulated Other Comprehensive Income: Other Reserves[2]	Common Equity	Preferred Equity	Non-controlling Interests	Total Equity
Balance as at December 31, 2016	$ 4,390	$ 234	$ 11,490	$ 1,199	$ 6,750	$ (1,256)	$ (308)	$ 22,499	$ 3,954	$ 43,235	$ 69,688
Changes in year:											
Net income	—	—	1,462	—	—	—	—	1,462	—	3,089	4,551
Other comprehensive income	—	—	—	—	237	280	332	849	—	1,741	2,590
Comprehensive income	—	—	1,462	—	237	280	332	2,311	—	4,830	7,141
Shareholder distributions											
Common equity	—	—	(642)	—	—	—	—	(642)	—	—	(642)
Preferred equity	—	—	(145)	—	—	—	—	(145)	—	—	(145)
Non-controlling interests	—	—	—	—	—	—	—	—	—	(4,907)	(4,907)
Other items											
Equity issuances, net of redemptions	38	(23)	(118)	—	—	—	—	(103)	238	7,193	7,328
Share-based compensation	—	52	(31)	—	—	—	—	21	—	4	25
Ownership changes	—	—	(152)	260	(106)	98	11	111	—	1,273	1,384
Total change in year	38	29	374	260	131	378	343	1,553	238	8,393	10,184
Balance as at December 31, 2017	$ 4,428	$ 263	$ 11,864	$ 1,459	$ 6,881	$ (878)	$ 35	$ 24,052	$ 4,192	$ 51,628	$ 79,872

1. Includes gains or losses on changes in ownership interests of consolidated subsidiaries
2. Includes available-for-sale securities, cash flow hedges, actuarial changes on pension plans and equity accounted other comprehensive income, net of associated income taxes

FOR THE YEAR ENDED DEC. 31, 2016 (MILLIONS)	Common Share Capital	Contributed Surplus	Retained Earnings	Ownership Changes[1]	Accumulated Other Comprehensive Income: Revaluation Surplus	Accumulated Other Comprehensive Income: Currency Translation	Accumulated Other Comprehensive Income: Other Reserves[2]	Common Equity	Preferred Equity	Non-controlling Interests	Total Equity
Balance as at December 31, 2015	$ 4,378	$ 192	$ 11,045	$ 1,500	$ 6,787	$ (1,796)	$ (538)	$ 21,568	$ 3,739	$ 31,920	$ 57,227
Changes in year:											
Net income	—	—	1,651	—	—	—	—	1,651	—	1,687	3,338
Other comprehensive income	—	—	—	—	157	405	259	821	—	1,992	2,813
Comprehensive income	—	—	1,651	—	157	405	259	2,472	—	3,679	6,151
Shareholder distributions											
Common equity	—	—	(997)	—	—	54	2	(941)	—	441	(500)
Preferred equity	—	—	(133)	—	—	—	—	(133)	—	—	(133)
Non-controlling interests	—	—	—	—	—	—	—	—	—	(2,163)	(2,163)
Other items											
Equity issuances, net of redemptions	12	(11)	(125)	—	—	—	—	(124)	215	7,649	7,740
Share-based compensation	—	53	(25)	—	—	—	—	28	—	7	35
Ownership changes	—	—	74	(301)	(194)	81	(31)	(371)	—	1,702	1,331
Total change in year	12	42	445	(301)	(37)	540	230	931	215	11,315	12,461
Balance as at December 31, 2016	$ 4,390	$ 234	$ 11,490	$ 1,199	$ 6,750	$ (1,256)	$ (308)	$ 22,499	$ 3,954	$ 43,235	$ 69,688

1. Includes gains or losses on changes in ownership interests of consolidated subsidiaries
2. Includes available-for-sale securities, cash flow hedges, actuarial changes on pension plans and equity accounted other comprehensive income, net of associated income taxes

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Note	2017	2016
Operating activities			
Net income		**$ 4,551**	$ 3,338
Other income and gains		**(1,180)**	(482)
Share of undistributed equity accounted earnings		**(481)**	(618)
Fair value changes	24	**(421)**	130
Depreciation and amortization		**2,345**	2,020
Deferred income taxes	15	**327**	(558)
Investments in residential inventory		**19**	(243)
Net change in non-cash working capital balances		**(1,155)**	(504)
		4,005	3,083
Financing activities			
Corporate borrowings arranged		**1,284**	869
Corporate borrowings repaid		**(434)**	(232)
Commercial paper and bank borrowings, net		**103**	(171)
Non-recourse borrowings arranged		**26,251**	23,826
Non-recourse borrowings repaid		**(21,636)**	(20,373)
Non-recourse credit facilities, net		**819**	(1,690)
Subsidiary equity obligations issued		**419**	9
Subsidiary equity obligations redeemed		**(347)**	(177)
Capital provided from non-controlling interests		**9,488**	10,554
Capital repaid to non-controlling interests		**(2,295)**	(2,905)
Preferred equity issuance		**241**	219
Preferred equity redemption		**(7)**	(6)
Common shares issued		**15**	14
Common shares repurchased		**(124)**	(148)
Distributions to non-controlling interests		**(4,907)**	(2,163)
Distributions to shareholders		**(685)**	(633)
		8,185	6,993
Investing activities			
Acquisitions			
Investment properties		**(2,114)**	(1,969)
Property, plant and equipment		**(1,690)**	(1,472)
Equity accounted investments		**(2,718)**	(1,237)
Financial assets and other		**(4,623)**	(3,747)
Acquisition of subsidiaries		**(10,336)**	(9,442)
Dispositions			
Investment properties		**2,906**	4,014
Property, plant and equipment		**66**	65
Equity accounted investments		**889**	1,050
Financial assets and other		**2,843**	3,955
Disposition of subsidiaries		**2,834**	360
Restricted cash and deposits		**549**	(134)
		(11,394)	(8,557)
Cash and cash equivalents			
Change in cash and cash equivalents		**796**	1,519
Net change in cash classified within assets held for sale		**(20)**	—
Foreign exchange revaluation		**64**	6
Balance, beginning of year		**4,299**	2,774
Balance, end of year		**$ 5,139**	$ 4,299
Supplemental cash flow disclosures			
Income taxes paid		**$ 402**	$ 371
Interest paid		**3,374**	3,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Brookfield Asset Management Inc. (the "corporation") is a global alternative asset management company. References in these financial statements to "Brookfield," "us," "we," "our" or "the company" refer to the corporation and its direct and indirect subsidiaries and consolidated entities. The company owns and operates assets with a focus on real estate, renewable power, infrastructure and private equity. The corporation is listed on the New York, Toronto and Euronext stock exchanges under the symbols BAM, BAM.A and BAMA, respectively. The corporation was formed by articles of amalgamation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada. The registered office of the corporation 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 29, 2018.

b) Adoption of Accounting Standards

The company has applied new and revised standards issued by the IASB that are effective for the period beginning on or after January 1, 2017 as follows:

i. Income Tax

The amendments to IAS 12, *Income Taxes* clarify the following aspects: (i) unrealized losses on debt instruments measured at fair value in the financial statements and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; (ii) the carrying amount of an asset does not limit the estimation of probable future taxable profits; (iii) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and (iv) an entity assesses a deferred tax asset in combination with other deferred tax assets. The company adopted the amendments on January 1, 2017, on a prospective basis; the adoption did not have a significant impact on the company's consolidated financial statements.

ii. Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* ("IAS 7"), effective for annual periods beginning January 1, 2017. The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. Since the amendments were issued less than one year before the effective date, the company was required to provide comparative information when it first applies the amendments. The company has determined that there are no material impacts on its consolidated financial statements as the existing disclosures already include the material information required by the amendments.

c) Future Changes in Accounting Standards

i. Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts* and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied for periods beginning on or after January 1, 2018 with early application permitted. An entity may adopt the standard on a fully retrospective basis or on a modified retrospective basis.

Management assessed the company's revenue streams and has substantially completed accumulating, identifying and inventorying detailed information on contracts that may be impacted by the changes at the transition date. Management has also nearly finalized the documented analysis and assessment of the potential impact to IT systems and internal controls. The key areas of focus within the context of the standard relate primarily to the identification of performance obligations and the evaluation of the appropriate period of recognition of revenue for each of these performance obligations.

IFRS 15 requires a higher threshold of probability to be achieved with regards to recognizing revenue arising from variable consideration and claims and variations resulting from contract modifications compared to the current standards. It will therefore give rise to a delay in the recognition of revenue, particularly in our construction services business, which often comes with recognition uncertainty depending on the progress of our construction projects and gives rise to contract modifications that require customers' approvals before revenue can be recognized. While revenue is currently recognized when it is probable that work performed will result in revenue, under the new standard revenue will be recognized when it is highly probable that a significant reversal of revenue will not occur as a result of these items. Significant judgments and estimates have been used to determine the impact, including the assessment of the probability of customer approval of variations and acceptance of claims and estimation of project completion dates. Despite this variability, a contract's cash flows and overall profitability at completion will be the same under the new method as under the current method.

We will adopt the new revenue guidance effective January 1, 2018, using the modified retrospective approach, by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance of consolidated retained earnings as if the standard had always been in effect – comparative periods will not be restated. We expect a reduction in opening consolidated retained earnings of approximately $250 million, net of taxes.

ii. Financial Instruments

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

A global team has evaluated the impact of adopting IFRS 9 on its consolidated financial statements and business processes. Management participated in a number of strategic planning and analysis sessions with its subsidiaries and associates in order to evaluate the impact of the standard primarily focusing on the appropriateness of financial asset classification and the consideration of the financial asset impairment requirements under the Standard. Changes resulting from the standard relating to hedge accounting have been evaluated centrally and we have determined that certain hedge accounting relationships relating to aggregated foreign currency exposures will qualify for hedge accounting and, consequently, management is in the process of finalizing the hedge documentation for these relationships with the view to apply hedge accounting to these relationships prospectively commencing on January 1, 2018.

The company is finalizing the documented analysis and assessment of potential impacts to IT systems and internal controls. We will adopt IFRS 9 effective January 1, 2018, by recognizing the cumulative effect of initially applying the new standard as an increase to the opening balance of retained earnings as if the standard had always been in effect and whereby comparative periods will not be restated. No material adjustments are expected, and we expect that the adoption of IFRS 9 will have an immaterial impact to our net income on an ongoing basis.

iii. Leases

In January 2016, the IASB published a new standard – IFRS 16 *Leases* ("IFRS 16"). The new standard brings most leases on balance sheet, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 *Leases* and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. The company is in the process of evaluating the impact of IFRS 16 on its consolidated financial statements.

iv. Foreign Currency Transactions and Advance Consideration

IFRIC 22, *Foreign Currency Transactions and Advance Consideration* ("IFRIC 22") clarifies that the date of foreign currency transactions for purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The interpretation is effective for periods beginning on or after January 1, 2018 and may be applied either retrospectively or prospectively. The company plans to adopt the standard using the prospective approach, and does not expect a material impact.

v. Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23"), effective for annual periods beginning on or after January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation may be applied on either a fully retrospective basis or a modified retrospective basis without restatement of comparative information. The company is currently evaluating the impact of IFRIC 23 on its consolidated financial statements.

d) Basis of Presentation

The consolidated financial statements are prepared on a going concern basis.

i. Subsidiaries

The consolidated financial statements include the accounts of the company and its subsidiaries, which are the entities over which the company exercises control. Control exists when the company has the power to direct the relevant activities, exposure or rights to variable returns from involvement with the investee, and the ability to use its power over the investee to affect the amount of its returns. Subsidiaries are consolidated from the date control is obtained and continue to be consolidated until the date when control is lost. The company continually reassesses whether or not it controls an investee, particularly if facts and circumstances indicate there is a change to one or more of the control criteria previously mentioned. In certain circumstances when the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights are sufficient to give it power.

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.

Certain of the company's subsidiaries are subject to profit sharing arrangements, such as carried interest, between the company and the non-controlling equity holders, whereby the company is entitled to a participation in profits, as determined under the agreements. The attribution of net income amongst equity holders in these subsidiaries reflects the impact of these profit sharing arrangements when the attribution of profits as determined in the agreement is no longer subject to adjustment based on future events and correspondingly reduces non-controlling interests' attributable share of those profits.

Gains or losses resulting from 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. When we dispose of all or part of a subsidiary, the difference between the carrying value of what is sold and the proceeds from disposition is recognized within other income and gains in the Consolidated Statements of Operations.

Transaction costs incurred in connection with the acquisition of control of a subsidiary are expensed immediately within fair value changes in the Consolidated Statements of Operations.

Refer to Note 4 for additional information on subsidiaries of the company with significant non-controlling interests.

ii. Associates and Joint Ventures

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 without control or joint control over those policies. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have the rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The company accounts for associates and joint ventures using the equity method of accounting within equity accounted investments on the Consolidated Balance Sheets.

Interests in associates and joint ventures accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate or joint venture is lower than the proportionate share of the investment's underlying fair value, 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 or joint venture is greater than the company's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture is included in the carrying amount of the investment. Subsequent to initial recognition, the carrying value of the company's interest in an associate or joint venture is adjusted for the company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate or joint venture are recognized in the consolidated financial statements based on the interests of unrelated investors in the investee. The carrying value of associates or joint ventures is assessed for impairment at each balance sheet date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on the impairment of long-lived assets is available in Note 2(j).

iii. Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, related to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of parties sharing control. The company recognizes only its assets, liabilities and share of the results of operations of the joint operation. The assets, liabilities and results of joint operations are included within the respective line items of the Consolidated Balance Sheets, Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income.

e) Foreign Currency Translation

The U.S. dollar is the functional and presentation currency of the company. Each of the company's subsidiaries, associates, joint ventures and joint operations determines its own functional currency and items included in the consolidated financial statements of each subsidiary, associate, joint venture and joint operation 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 the disposal of a foreign operation, or the loss of control, joint 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 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.

f) 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.

g) Related Party Transactions

In the normal course of operations, the company enters into various transactions on market terms with related parties. The majority of transactions with related parties are between consolidated entities and eliminate on consolidation. We consider key management personnel, the Board of Directors and material shareholders to be related parties. See additional details in Note 28. The company's subsidiaries with significant non-controlling interests are described in Note 4 and its associates and joint ventures are described in Note 10.

h) Operating Assets

i. Investment Properties

The company uses the fair value method to account for real estate classified as an investment property. A property is determined to be an investment property when it is principally held either to earn rental income or for capital appreciation, or both. Investment properties also include properties that are under development or redevelopment for future use as investment property. Investment property is initially measured at cost including transaction costs, or at fair values if acquired in a business combination. 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 completed by undertaking one of two accepted income approach methods, which include either: (i) discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows; or (ii) undertaking a direct capitalization approach whereby a capitalization rate is applied to estimated current year cash flows. 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.

Commercial developments are also measured using a discounted cash flow model, net of costs to complete, as of the balance sheet date. Development sites in the planning phases are measured using comparable market values for similar assets.

ii. Revaluation of 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, or at fair values if acquired in a business combination, 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 performed on an annual basis at the end of each fiscal year, commencing in the first year subsequent to the date of acquisition, unless there is an indication that assets are impaired. 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. On loss of control or partial disposition of an asset measured using the revaluation method, all accumulated revaluation surplus or the portion disposed of, respectively, is transferred into retained earnings or ownership changes, respectively.

iii. 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 discounted cash flow analysis, 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 uncontracted 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.

Depreciation on renewable 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
Hydroelectric generating units	Up to 115
Wind generating units	Up to 30
Solar generating units	Up to 30
Other assets	Up to 60

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

The depreciation of property, plant and equipment in our Brazilian renewable power operations is based on the duration of the authorization or the useful life of a concession. The weighted-average remaining duration at December 31, 2017 is 15 years (2016 – 15 years). Land rights are included as part of the concession or authorization and are subject to depreciation.

iv. Sustainable Resources

Sustainable resources consist of standing timber and other agricultural assets and are measured at fair value after deducting the estimated selling costs and are recorded in accounts receivable and other 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 using the present value of anticipated future cash flows for standing timber before tax and terminal dates of 30 years. Fair value is determined based on felling plans, 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 used in the production of standing timber, as well as bridges, roads and other equipment used in sustainable resources production are accounted for using the revaluation method and included in property, plant and equipment. Bridges, roads and equipment are depreciated over their useful lives, generally 3 to 30 years.

v. Infrastructure

Utilities, transport, communication and energy assets within our infrastructure operations as well as assets under development classified as property, plant and equipment on the Consolidated Balance Sheets are accounted for using the revaluation method. The company determines the fair value of its utilities, transport, communication and energy assets using discounted cash flow analysis, which includes estimates of forecasted revenue, operating costs, maintenance and other capital expenditures. Valuations are performed internally on an annual basis. Discount rates are selected for each asset, giving consideration to the volatility and geography of its revenue streams.

Depreciation on utilities, transport, communication 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	Up to 70
Leasehold improvements	Up to 50
District energy systems and gas storage assets	Up to 50
Machinery, equipment, transmission stations and towers	Up to 40
Network systems	Up to 60
Rail and transport assets	Up to 40

The fair value and the estimated remaining service lives are reassessed annually.

Public service concessions that provide the right to charge users for a service in which the service and fee is regulated by the grantor are accounted for as intangible assets.

vi. Real Estate – Hospitality Assets

Hospitality operating assets within our real estate operations are classified as property, plant and equipment and are accounted for using the revaluation method. The company determines the fair value for these assets by using a depreciated replacement cost method based on the age, physical condition and the construction costs of the assets. Fair value of hospitality properties are also reviewed in reference to each hospitality asset's enterprise value which is determined using a discounted cash flow model.

Depreciation on hotel assets is calculated on a straight-line basis over the estimated useful lives of the components of the assets, which range from 5 to 50 years for buildings and building improvements, 13 to 15 years for land improvements and 2 to 15 years for other equipment.

vii. Private Equity

The company accounts for its private equity property, plant and equipment using the cost model. Costs include expenditures that are directly attributable to the acquisition of the asset. Depreciation of an asset commences when it is available for use. PP&E is depreciated on a straight-line basis over the estimated useful lives of each component of the asset as follows:

(YEARS)	Useful Lives
Buildings	Up to 50
Leasehold improvements	Up to 40
Machinery and equipment	Up to 20
Oil and gas related equipment	Up to 10

viii. 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.

Depreciation on 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.

Oil and natural gas pre-licensing costs incurred before the legal right to explore a specific area have been obtained are expensed in the period in which they are incurred. Once the legal right to explore has been acquired and development and exploration costs commence, attributable costs are capitalized. The net carrying value of oil and gas properties is depleted using the production method based on estimated proved plus probable oil and natural gas reserves.

ix. Inventory

Private Equity

Fuel inventories within our Private Equity segment are traded in active markets and are purchased with the view to resell in the near future, generating a profit from fluctuations in prices or margins. As a result, fuel inventories are carried at market value by reference to prices in a quoted active market, in accordance with the commodity broker-trader exemption granted by IAS 2, *Inventories*. Changes in fair value less costs to sell are recognized in direct costs. Fuel products that are held for extended periods in order to benefit from future anticipated increases in fuel prices or located in territories where no active market exists are recognized at the lower of cost and net realizable value. Products and chemicals used in the production of biofuels are valued at the lower of cost and net realizable value.

Real Estate

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

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.

Residential Development

Inventories consist of land held for development, land under development, homes under construction, completed homes and model homes. In addition to direct land acquisitions, land development and improvement costs and home construction costs, costs also include interest, real estate taxes and direct overhead related to development and construction, which are capitalized to inventory during the period beginning with the commencement of development and ending with the completion of construction or development. Indirect costs are allocated to homes or lots based on the number of units in a community.

Land and housing assets are recorded at the lower of cost and net realizable value, which the company determines as the estimated selling price of the inventory in the ordinary course of business in its completed state, less estimated expenses, including holding costs, costs to complete and costs to sell.

x. *Other Financial Assets*

Other financial assets are classified as fair value through profit or loss, available for sale or at amortized cost depending on their nature and use within the company's business. 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, when there is a significant or prolonged decline in fair value or when the company acquires a controlling or significant interest in the underlying investment and commences equity accounting or consolidating the investment. Other financial assets are recognized on their 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. Fair values of financial instruments 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.

The company assesses the carrying value of available-for-sale securities for impairment when there is objective evidence that the asset is impaired. When objective evidence of impairment exists, the cumulative loss in other comprehensive income is reclassified to net income.

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 recorded in net income in the period in which they arise.

i) Fair Value Measurement

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

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are directly based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:

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

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset or liability's anticipated life.

Level 3 – Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

Refer to the investment properties and revaluation of property, plant and equipment explanations for the approach taken to determine the fair value of these operating assets.

Further information on fair value measurements is available in Notes 6, 7, 11 and 12.

j) Impairment of Long-Lived Assets

At each balance sheet date or more often if events or circumstances indicate there may be impairment, the company assesses whether its assets, other than those measured at fair value with changes in value recorded in net income, have any indication of impairment. An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs of disposal and 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 fair value changes within the Consolidated Statements of Operations. 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 its recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

k) 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.

l) 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. Amortization is recorded within depreciation and amortization in the Consolidated Statements of Operations.

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 recoverable amount.

Indefinite life 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 indefinite life intangible assets is recorded in net income in the period in which the impairment is identified. Impairment losses on intangible assets may be subsequently reversed in net income.

m) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity 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 and 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 recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. On disposal of a subsidiary, any attributable amount of goodwill is included in determination of the gain or loss on disposal.

n) Subsidiary Equity Obligations

Subsidiary equity obligations include subsidiary preferred equity units, subsidiary preferred shares and capital securities, limited-life funds and redeemable fund units.

Subsidiary preferred equity units and capital securities are preferred shares that may be settled by a variable number of common equity units 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 or yield distributions on these instruments are recorded as interest expense. To the extent conversion features are not closely related to the underlying liability the instruments are bifurcated into debt and equity components.

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 fund partners 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.

Redeemable fund units represent interests of others in consolidated subsidiaries that have a redemption feature that requires the company to deliver cash or other financial assets to the holders of the units upon receiving a redemption notice.

Limited-life funds and redeemable fund units are classified as liabilities and recorded at fair value within subsidiary equity obligations on the Consolidated Balance Sheets. Changes in the fair value are recorded in net income in the period of the change.

o) Revenue Recognition

i. Asset Management

Asset management revenues consist of base management fees, advisory fees, incentive distributions and performance-based incentive fees which arise from the rendering of services. Revenues from base management fees, advisory fees and incentive distributions are recorded on an accrual basis based on the amounts receivable at the balance sheet date and are recorded within revenues in the Consolidated Statements of Operations.

Revenues from performance-based incentive fees and profit sharing arrangements are recorded on the accrual basis based on the amount that would be due under the formula established by the contract where it is no longer subject to adjustment based on future events. A significant portion of the asset management revenues are eliminated on consolidation, and that which survives is recorded as revenue in the Consolidated Statements of Operations.

ii. Real Estate Operations

Real estate revenues primarily consist of rental revenues from leasing activities and hospitality revenues and interest and dividends from unconsolidated real estate investments.

Real estate rental income 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 the sales of land and buildings not classified as investment properties is recognized at the time that the risks and rewards of ownership have been transferred, possession or title passes to the purchaser, all material conditions of the sales contract have been met and a significant cash down payment or appropriate security is received.

Revenue from hospitality operations are recognized when goods and services are provided, and collection is reasonably assured.

iii. Renewable Power Operations

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

iv. Sustainable Resources Operations

Revenue from timberland operations 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 collectability is reasonably assured. Revenue from agricultural development operations is recognized at the time that the risks and rewards of ownership have transferred.

v. Infrastructure Operations

Utilities Operations

Revenue from utilities operations 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 are 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.

Transport Operations

Revenue from transport operations consists primarily of freight and transportation services revenue. Freight and transportation services revenue is recognized at the time of the provision of services based primarily on usage or volume throughput during the period.

Energy Operations

Revenue from energy operations consists primarily of energy transmission, distribution and storage income. Energy revenue is recognized when services are provided and are rendered based upon usage or volume throughput during the period.

Communications Infrastructure

Revenue from communications infrastructure is derived from contracts with media broadcasting and telecommunication customers to access infrastructure. Customers pay upfront and recurring fees to lease space on towers to host their equipment. Recurring rental revenue is recognized on a straight-line basis based on lease agreements. Upfront payments which are separable from the recurring revenue under IFRIC 18 are recognized on a percentage of completion basis on the construction asset to which they relate.

vi. Private Equity Operations

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

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

Within our business services operations, revenue from the sale of goods in our U.K. road fuel service business represents net invoiced sales of fuel products and RTFO certificates, excluding value added taxes but including excise duty, which has been assessed to be a production tax and recorded as part of the consideration received. Revenue is recognized at the point that title passes to the customer.

vii. Residential Development Operations

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 collectability is reasonably assured.

viii. Investments in Financial Assets

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

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

xii. Other Income and Gains

Other income and gains represent the excess of proceeds over carrying values on the disposition of subsidiaries, investments or assets, or the settlement of liabilities for less than carrying values.

p) Derivative Financial Instruments and Hedge Accounting

The company selectively utilizes derivative financial instruments primarily to manage financial risks, including interest rate, commodity and foreign exchange risks. Derivative financial instruments are recorded at fair value within the company's consolidated financial statements. 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 values. 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 are 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 or an associate are included in equity. Gains or losses are reclassified into net income in the period in which the subsidiary or associate is disposed of or to the extent that the hedges are ineffective. Where a subsidiary is partially disposed, and control is retained, any associated gains or costs are reclassified within equity to ownership changes. 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 their 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 their estimated fair value, and gains and losses arising from changes in fair value are recognized in net income in the period in which the change occurs. Realized and unrealized gains and losses on equity derivatives used to offset changes in share prices in respect of vested Deferred Share Units and Restricted Share Units are recorded together with the corresponding compensation expense. Realized and unrealized gains on other derivatives not designated as hedges are recorded in revenues, direct costs or corporate costs, as applicable. 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.

q) 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 and for the 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 using 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.

r) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of a business 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.

When 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, other than amounts transferred directly to retained earnings. 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. Transaction costs are recorded as an expense within fair value changes in the Consolidated Statements of Operations.

s) 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. Share-based Payments

The company issues share-based awards to certain employees and non-employee directors. The cost of equity-settled share-based transactions, comprised of share options, restricted shares and escrowed shares, is determined as the fair value of the award on the grant date using a fair value model. The cost of equity-settled share-based transactions 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 ("DSUs") and Restricted Share Units ("RSUs"), 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 recorded as a provision within accounts payable and other and measured at each reporting date at fair value with changes in fair value recognized in net income.

iii. Provisions

A provision is a liability of uncertain timing that is recognized when the company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The company's significant provisions consist of pensions and other long-term and post-employment benefits, warranties on some products or services, obligations to retire or decommission tangible long-lived assets and the cost of legal claims arising in the normal course of operations.

a. Pensions and Other Post-Employment Benefits

The company offers pension and other post-employment benefit plans to employees of certain of its subsidiaries, with certain of these subsidiaries offering defined benefit plans. Defined benefit pension expenses, which include the current year's service cost, are included in direct costs. For each defined benefit plan, we recognize the present value of our defined benefit obligations less the fair value of the plan assets as a defined benefit liability reported in accounts payable and other on our Consolidated Balance Sheets. The company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations.

b. Other Long-Term Incentive Plans

The company provides long-term incentive plans to certain employees whereby the company allocates a portion of the amounts realized through subsidiary profit sharing agreements to its employees. The cost of these plans is recognized over the requisite service period, provided it is probable that the vesting conditions will be achieved, based on the underlying subsidiary profit sharing arrangement. The liability is recorded within accounts payable and other and measured at each reporting date with the corresponding expense recognized in direct costs.

c. Warranties, Asset Retirement, Legal and Other

Certain consolidated entities offer warranties on the sale of products or services. A provision is recorded to provide for future warranty costs based on management's best estimate of probable warranty claims.

Certain consolidated entities have legal obligations to retire tangible long-lived assets. A provision is recorded at each reporting date to provide for the estimated fair value of the asset retirement obligation upon decommissioning of the asset period.

In the normal course of operations, the company may become involved in legal proceedings. Management analyzes information about these legal matters and provides provisions for probable contingent losses, including estimated legal expenses to resolve the matters. Internal and external legal counsel are used in order to estimate the probability of an unfavorable outcome and the amount of loss.

t) Critical Estimates and Judgments

The preparation of financial statements requires management to make estimates and judgments that affect the carried amounts of certain assets and liabilities, disclosures 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 estimates and judgments in these consolidated financial statements.

i. Critical Estimates

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

a. 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 costs 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 11.

b. 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 associated expenses; 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 12.

c. Financial Instruments

Estimates and assumptions used in determining the fair value of financial instruments are: equity and commodity prices; future interest rates; the credit worthiness of the company relative to its counterparties; the credit risk of the company's counterparties; estimated future cash flows; the amount of the liability and equity components of compound financial instruments; 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 6, 25 and 26.

d. *Inventory*

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

e. *Sustainable Resources*

The fair value of standing timber and agricultural assets is based on the following estimates and assumptions: the timing of forecasted revenues and prices; estimated selling costs; sustainable felling plans; growth assumptions; silviculture costs; discount rates; terminal capitalization rates; and terminal valuation dates.

f. *Other*

Other estimates and assumptions utilized in the preparation of the company's consolidated financial statements are: the assessment or determination of net recoverable amount; oil and gas reserves; depreciation and amortization rates and useful lives; estimation of recoverable amounts of cash-generating units for impairment assessments of goodwill and intangible assets; ability to utilize tax losses and other tax measurements; fair value of assets held as collateral and the percentage of completion for construction contracts.

ii. *Critical Judgments*

Management is required to make critical judgments when applying its accounting policies. The following judgments have the most significant effect on the consolidated financial statements:

a. *Control or Level of Influence*

When determining the appropriate basis of accounting for the company's investees, the company makes judgments about the degree of influence that it exerts directly or through an arrangement over the investees' relevant activities. This may include the ability to elect investee directors or appoint management. Control is obtained when the company has the power to direct the relevant investing, financing and operating decisions of an entity and does so in its capacity as principal of the operations, rather than as an agent for other investors. Operating as a principal includes having sufficient capital at risk in any investee and exposure to the variability of the returns generated as a result of the decisions of the company as principal. Judgment is used in determining the sufficiency of the capital at risk or variability of returns. In making these judgments, the company considers the ability of other investors to remove the company as a manager or general partner in a controlled partnership.

b. *Investment Properties*

When applying the company's accounting policy for investment properties, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

c. *Property, Plant and Equipment*

The company's accounting policy for its property, plant and equipment requires critical judgments over the assessment of carrying value, whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance, and for assets under development the identification of when the asset is capable of being used as intended and identifying the directly attributable borrowing costs to be included in the asset's carrying value.

For assets that are measured using the revaluation method, judgment is required when estimating future prices, volumes, discount and capitalization rates. Judgment is applied when determining future electricity prices considering broker quotes for the years in which there is a liquid market available and, for the subsequent years, our best estimate of electricity prices from renewable sources that would allow new entrants into the market.

d. *Common Control Transactions*

The purchase and sale of businesses or subsidiaries between entities under common control are not specifically addressed in IFRS and accordingly, management uses judgment when determining a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The company's policy is to record assets and liabilities recognized as a result of transfers of businesses or subsidiaries between entities under common control at carrying value. Differences between the carrying amount of the consideration given or received and the carrying amount of the assets and liabilities transferred are recorded directly in equity.

e. Indicators of Impairment

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

f. Income Taxes

The company makes judgments when determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates. The company measures deferred income taxes associated with its investment properties based on its specific intention with respect to each asset at the end of the reporting period. Where the company has a specific intention to sell a property in the foreseeable future, deferred taxes on the building portion of an investment property are measured based on the tax consequences that would follow the disposition of the property. Otherwise, deferred taxes are measured on the basis the carrying value of the investment property will be recovered substantially through use.

g. Classification of Non-Controlling Interests in Limited-Life Funds

Non-controlling interests in limited-life funds are classified as liabilities (subsidiary equity obligations) or equity (non-controlling interests) depending on whether an obligation exists to distribute residual net assets to non-controlling interests on liquidation in the form of cash or another financial asset or assets delivered in kind. Judgment is required to determine what the governing documents of each entity require or permit in this regard.

h. Other

Other critical judgments include the determination of effectiveness of financial hedges for accounting purposes; the likelihood and timing of anticipated transactions for hedge accounting; and the determination of functional currency.

3. SEGMENTED INFORMATION

a) Operating Segments

Our operations are organized into five operating business groups in addition to our corporate and asset management activities, which collectively represent seven operating segments for internal and external reporting purposes. We measure performance primarily using Funds from Operations ("FFO") generated by each operating segment and the amount of capital invested by the corporation in each segment using common equity by segment.

Our operating segments are as follows:

i. *Asset management* operations include managing our listed partnerships, private funds and public securities on behalf of our investors and ourselves. We generate contractual base management fees for these activities as well as incentive distributions and performance income, including performance fees, transaction fees and carried interest. Common equity in our asset management segment is immaterial.

ii. *Real estate* operations include the ownership, operation and development of core office, core retail, opportunistic and other properties.

iii. *Renewable power* operations include the ownership, operation and development of hydroelectric, wind, solar, storage and other power generating facilities.

iv. *Infrastructure* operations include the ownership, operation and development of utilities, transport, energy, communications and sustainable resource assets.

v. *Private equity* operations include a broad range of industries, and are mostly focused on construction, other business services, energy, and industrial operations.

vi. *Residential development* operations consist of homebuilding, condominium development and land development.

vii. *Corporate activities* include the investment of cash and financial assets, as well as the management of our corporate capitalization, including corporate borrowings and preferred equity, which fund a portion of the capital invested in our other operations. Certain corporate costs such as technology and operations are incurred on behalf of our operating segments and allocated to each operating segment based on an internal pricing framework.

b) Segment Financial Measures

FFO is a key measure of our financial performance and our segment measure of profit and loss. It is utilized by our Chief Operating Decision Maker in assessing operating results and the performance of our businesses on a segmented basis. We define FFO as net income excluding fair value changes, depreciation and amortization and deferred income taxes, net of non-controlling interests. When determining FFO, we include our proportionate share of the FFO from equity accounted investments on a fully diluted basis. FFO also includes realized disposition gains and losses, which are gains or losses arising from transactions during the reporting period, adjusted to include associated fair value changes and revaluation surplus recorded in prior periods, taxes payable or receivable in connection with those transactions and amounts that are recorded directly in equity, such as ownership changes.

We use FFO to assess our performance as an asset manager and as an investor in our assets. FFO from our asset management segment includes fees, net of the associated costs, that we earn from managing capital in our listed partnerships, private funds and public securities accounts. We are also eligible to earn incentive payments in the form of incentive distributions, performance fees or carried interest. As an investor in our assets, our FFO represents the company's share of revenues less costs incurred within our operations, which include interest expenses and other costs. Specifically, it includes the impact of contracts that we enter into to generate revenues, including power sales agreements, contracts that our operating businesses enter into such as leases and take or pay contracts and sales of inventory. FFO includes the impact of changes in leverage or the cost of that financial leverage and other costs incurred to operate our business.

We use realized disposition gains and losses within FFO in order to provide additional insight regarding the performance of investments on a cumulative realized basis, including any unrealized fair value adjustments that were recorded in prior periods and not otherwise reflected in current period FFO, and believe it is useful to investors to better understand variances between reporting periods. We exclude depreciation and amortization from FFO, as we believe that the value of most of our assets typically increase over time, provided we make the necessary maintenance expenditures, the timing and magnitude of which may differ from the amount of depreciation recorded in any given period. In addition, the depreciated cost base of our assets is reflected in the ultimate realized disposition gain or loss on disposal. As noted above, unrealized fair value changes are excluded from FFO until the period in which the asset is sold. We also exclude deferred income taxes from FFO because the vast majority of the company's deferred income tax assets and liabilities are a result of the revaluation of our assets under IFRS.

Our definition of FFO may differ from the definition used by other organizations, as well as the definition of FFO used by the Real Property Association of Canada ("REALPAC") and the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"), in part because the NAREIT definition is based on U.S. GAAP, as opposed to IFRS. The key differences between our definition of FFO and the determination of FFO by REALPAC and/or NAREIT are that we include the following: realized disposition gains or losses and cash taxes payable or receivable on those gains or losses, if any; foreign exchange gains or losses on monetary items not forming part of our net investment in foreign operations; and foreign exchange gains or losses on the sale of an investment in a foreign operation. We do not use FFO as a measure of cash generated from our operations.

We illustrate how we derive FFO for each operating segment and reconcile total FFO to net income in Note 3(c)(v) of the consolidated financial statements. We do not use FFO as a measure of cash generated from our operations.

i. Segment Balance Sheet Information

We use common equity by segment as our measure of segment assets when reviewing our deconsolidated balance sheet because it is utilized by our Chief Operating Decision Maker for capital allocation decisions.

ii. Segment Allocation and Measurement

Segment measures include amounts earned from consolidated entities that are eliminated on consolidation. The principal adjustment is to include asset management revenues charged to consolidated entities as revenues within the company's Asset Management segment with the corresponding expense recorded as corporate costs within the relevant segment. These amounts are based on the in-place terms of the asset management contracts between the consolidated entities. Inter-segment revenues are determined under terms that approximate market value.

The company allocates the costs of shared functions that would otherwise be included within its corporate activities segment, such as information technology and internal audit, pursuant to formal policies.

c) Reportable Segment Measures

AS AT AND FOR THE YEAR ENDED DEC. 31, 2017 (MILLIONS)	Asset Management	Real Estate	Renewable Power	Infrastructure	Private Equity	Residential Development	Corporate Activities	Total Segments	Notes
External revenues	$ 286	$ 6,824	$ 2,788	$ 3,859	$ 24,220	$ 2,447	$ 362	$ 40,786	
Inter-segment revenues	1,181	38	—	12	357	—	—	1,588	i
Segmented revenues	1,467	6,862	2,788	3,871	24,577	2,447	362	42,374	
FFO from equity accounted investments	—	904	23	904	229	1	8	2,069	ii
Interest expense	—	(1,901)	(691)	(453)	(237)	(83)	(261)	(3,626)	iii
Current income taxes	—	(63)	(39)	(111)	(84)	(46)	57	(286)	iv
Funds from operations	970	2,004	270	345	333	34	(146)	3,810	v
Common equity	312	16,725	4,944	2,834	4,215	2,915	(7,893)	24,052	
Equity accounted investments	—	19,596	509	8,793	2,385	346	365	31,994	
Additions to non-current assets[1]	—	10,025	7,555	7,991	6,307	74	328	32,280	

1. Includes equity accounted investments, investment properties, property, plant and equipment, sustainable resources, intangible assets and goodwill

AS AT AND FOR THE YEAR ENDED DEC. 31, 2016 (MILLIONS)	Asset Management	Real Estate	Renewable Power	Infrastructure	Private Equity	Residential Development	Corporate Activities	Total Segments	Notes
External revenues	$ 348	$ 6,324	$ 2,474	$ 2,414	$ 9,603	$ 3,019	$ 229	$ 24,411	
Inter-segment revenues	972	14	—	—	359	—	6	1,351	i
Segmented revenues	1,320	6,338	2,474	2,414	9,962	3,019	235	25,762	
FFO from equity accounted investments	—	896	9	683	163	6	(6)	1,751	ii
Interest expense	—	(1,736)	(615)	(409)	(147)	(91)	(241)	(3,239)	iii
Current income taxes	—	(21)	(43)	(35)	(40)	(51)	(23)	(213)	iv
Funds from operations	866	1,561	180	374	405	63	(212)	3,237	v
Common equity	328	16,727	4,826	2,697	2,862	2,679	(7,620)	22,499	
Equity accounted investments	—	16,628	206	7,346	336	374	87	24,977	
Additions to non-current assets[1]	—	12,311	6,899	5,105	359	93	59	24,826	

1. Includes equity accounted investments, investment properties, property, plant and equipment, sustainable resources, intangible assets and goodwill

i. Inter-Segment Revenues

For the year ended December 31, 2017, the adjustment to external revenues when determining segmented revenues consists of asset management fee revenues and leasing revenues earned from consolidated entities totaling $1.2 billion (2016 – $986 million), revenues earned on construction projects between consolidated entities totaling $357 million (2016 – $359 million) and interest income on loans between consolidated entities totaling $19 million (2016 – $6 million), which were eliminated on consolidation to arrive at the company's consolidated revenues.

ii. FFO from Equity Accounted Investments

The company determines FFO from its equity accounted investments by applying the same methodology utilized in adjusting net income of consolidated entities. The following table reconciles the company's consolidated equity accounted income to FFO from equity accounted investments.

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017**	2016
Consolidated equity accounted income	**$ 1,213**	$ 1,293
Non-FFO items from equity accounted investments[1]	**856**	458
FFO from equity accounted investments	**$ 2,069**	$ 1,751

1. Adjustment to back out non-FFO expenses (income) that are included in consolidated equity accounted income including depreciation and amortization, deferred taxes and fair value changes from equity accounted investments

iii. Interest Expense

For the year ended December 31, 2017, the adjustment to interest expense consists of interest on loans between consolidated entities totaling $18 million (2016 – $6 million) that is eliminated on consolidation, along with the associated revenue.

iv. Current Income Taxes

Current income taxes are included in FFO but are aggregated with deferred income taxes in income tax expense on the company's Consolidated Statements of Operations. The following table reconciles consolidated income taxes to current income taxes by segment:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Current tax recovery (expense)	**$ (286)**	$ (213)
Deferred income tax recovery (expense)	**(327)**	558
Income tax recovery (expense)	**$ (613)**	$ 345

v. Reconciliation of Net Income to Total FFO

The following table reconciles net income to total FFO:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Note	2017	2016
Net income		**$ 4,551**	$ 3,338
Realized disposition gains in fair value changes or prior periods	vi	**1,116**	766
Non-controlling interests in FFO		**(4,964)**	(2,917)
Financial statement components not included in FFO			
Equity accounted fair value changes and other non-FFO items		**856**	458
Fair value changes		**(421)**	130
Depreciation and amortization		**2,345**	2,020
Deferred income taxes		**327**	(558)
Total FFO		**$ 3,810**	$ 3,237

vi. Realized Disposition Gains

Realized disposition gains include gains and losses recorded in net income arising from transactions during the current period adjusted to include fair value changes and revaluation surplus recorded in prior periods in connection with the assets disposed. Realized disposition gains also include amounts that are recorded directly in equity as changes in ownership, as opposed to net income, because they result from a change in ownership of a consolidated entity.

The realized disposition gains recorded in fair value changes or revaluation surplus were $1,116 million for the year ended December 31, 2017 (2016 – $766 million), of which $1,038 million relates to prior periods (2016 – $732 million). There were no realized disposition gains recorded directly in equity as changes in ownership.

d) Geographic Allocation

The company's revenues by location of operations are as follows:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
United States	**$ 8,284**	$ 8,073
Canada	**5,883**	4,427
United Kingdom	**15,106**	2,858
Other Europe	**617**	465
Australia	**4,405**	3,843
Brazil	**3,206**	1,737
Colombia	**970**	975
Other	**2,315**	2,033
	$ 40,786	$ 24,411

The company's consolidated assets by location are as follows:

AS AT DEC. 31 (MILLIONS)		2017		2016
United States	$	**84,860**	$	75,556
Canada		**21,897**		19,324
United Kingdom		**20,005**		15,740
Other Europe		**3,979**		4,460
Australia		**14,501**		12,920
Brazil		**23,931**		12,807
Colombia		**7,362**		7,296
Other		**16,185**		11,723
	$	**192,720**	$	159,826

e) Revenues Allocation

Total external revenues within our operating segments are as follows:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)		2017		2016
Asset management	$	**286**	$	348
Real estate				
Core office		**2,121**		2,170
Opportunistic and other		**4,703**		4,154
Renewable power				
Hydroelectric		**2,183**		2,055
Wind energy, solar, storage & other		**605**		419
Infrastructure				
Utilities		**1,785**		825
Transport		**1,290**		892
Energy		**460**		398
Sustainable resources and other		**324**		299
Private equity				
Construction services		**4,650**		4,028
Business services		**16,224**		2,006
Energy		**280**		441
Industrial and other operations		**3,066**		3,128
Residential development		**2,447**		3,019
Corporate activities		**362**		229
	$	**40,786**	$	24,411

4. SUBSIDIARIES

The following table presents the details of the company's subsidiaries with significant non-controlling interests:

AS AT DEC. 31	Jurisdiction of Formation	Ownership Interest Held by Non-Controlling Interests[1,2] 2017	2016
Brookfield Property Partners L.P. ("BPY")	Bermuda	**30.6%**	31.2%
Brookfield Renewable Partners L.P. ("BEP")	Bermuda	**39.8%**	38.7%
Brookfield Infrastructure Partners L.P. ("BIP")	Bermuda	**70.1%**	70.2%
Brookfield Business Partners L.P. ("BBU")[3]	Bermuda	**32.0%**	25.1%

1. Control and associated voting rights of the limited partnerships (BPY, BEP, BIP and BBU) resides with their respective general partners which are wholly owned subsidiaries of the company. The company's general partner interest is entitled to earn base management fees and incentive payments in the form of incentive distribution rights or performance fees
2. The company's ownership interest in BPY, BEP, BIP and BBU includes a combination of redemption-exchange units (REUs), Class A limited partnership units, special limited partnership units and general partnership units in each subsidiary, where applicable. Each of BPY, BEP, BIP and BBU's partnership capital includes its Class A limited partnership units whereas REUs and general partnership units are considered non-controlling interests for the respective partnerships. REUs share the same economic attributes in all respects except for the redemption right attached thereto. The REUs and general partnership units participate in earnings and distributions on a per unit basis equivalent to the per unit participation of the Class A limited partnership units of the subsidiary
3. BBU was formed during 2016 through a special dividend of approximately 19 million limited partnership units, equivalent to a 20.7% economic interest in BBU, to the shareholders of the company's Class A shares and Class B shares

During 2017, BBU and BEP completed equity issuances in which the company participated. The BBU and BEP issuances decreased the company's interest by 6.9% and 1.1%, respectively, as the company participated at a lower interest than its ownership prior to the issuances.

The table below presents the exchanges on which the company's subsidiaries with significant non-controlling interests were publicly listed as of December 31, 2017:

	TSX	NYSE	Nasdaq
BPY[1]	BPY.UN	N/A	BPY
BEP	BEP.UN	BEP	N/A
BIP	BIP.UN	BIP	N/A
BBU	BBU.UN	BBU	N/A

1. BPY voluntarily moved its U.S. stock exchange listing from the New York Stock Exchange to the Nasdaq Stock Market effective November 16, 2017

The following table outlines the composition of accumulated non-controlling interests presented within the company's consolidated financial statements:

AS AT DEC. 31 (MILLIONS)	2017	2016
BPY	**$ 19,736**	$ 18,790
BEP	**10,139**	8,879
BIP	**11,376**	7,710
BBU	**4,000**	2,173
Individually immaterial subsidiaries with non-controlling interests	**6,377**	5,683
	$ 51,628	$ 43,235

All publicly listed entities are subject to independent governance. Accordingly, the company has no direct access to the assets of these subsidiaries. Summarized financial information with respect to the company's subsidiaries with significant non-controlling interests are set out below. The summarized financial information represents amounts before intra-group eliminations:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	BPY		BEP		BIP		BBU	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Current assets	**$ 3,912**	$ 4,198	**$ 1,666**	$ 907	**$ 1,512**	$ 1,632	**$ 6,433**	$ 4,076
Non-current assets	**80,435**	73,929	**29,238**	26,830	**27,965**	19,643	**9,371**	4,117
Current liabilities	**(11,829)**	(8,276)	**(2,514)**	(1,733)	**(1,564)**	(1,515)	**(5,690)**	(2,556)
Non-current liabilities	**(37,394)**	(35,690)	**(14,108)**	(13,332)	**(14,439)**	(10,116)	**(4,050)**	(1,599)
Non-controlling interests	**(19,736)**	(18,790)	**(10,139)**	(8,879)	**(11,376)**	(7,710)	**(4,000)**	(2,173)
Equity attributable to Brookfield	**$ 15,388**	$ 15,371	**$ 4,143**	$ 3,793	**$ 2,098**	$ 1,934	**$ 2,064**	$ 1,865
Revenues	**$ 6,135**	$ 5,352	**$ 2,625**	$ 2,516	**$ 3,535**	$ 2,115	**$ 22,823**	$ 7,960
Net income attributable to:								
Non-controlling interests	**$ 2,234**	$ 1,501	**$ 103**	$ 97	**$ 569**	$ 408	**$ 296**	$ (170)
Shareholders	**234**	1,216	**(52)**	(57)	**5**	120	**(81)**	(32)
	$ 2,468	$ 2,717	**$ 51**	$ 40	**$ 574**	$ 528	**$ 215**	$ (202)
Other comprehensive income (loss) attributable to:								
Non-controlling interests	**$ 532**	$ (36)	**$ 786**	$ 915	**$ 269**	$ 426	**$ 64**	$ 101
Shareholders	**348**	(210)	**564**	414	**54**	150	**45**	32
	$ 880	$ (246)	**$ 1,350**	$ 1,329	**$ 323**	$ 576	**$ 109**	$ 133

The summarized cash flows of the company's subsidiaries with material non-controlling interests are as follows:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	BPY		BEP		BIP		BBU	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Cash flows from (used in):								
Operating activities	**$ 639**	$ 745	**$ 928**	$ 632	**$ 1,481**	$ 753	**$ 290**	$ 229
Financing activities	**1,248**	2,906	**(27)**	2,709	**3,814**	899	**1,353**	586
Investing activities	**(1,886)**	(3,234)	**(328)**	(3,191)	**(5,721)**	(1,058)	**(1,595)**	(96)
Distributions paid to non-controlling interests in common equity	**$ 255**	$ 250	**$ 227**	$ 201	**$ 489**	$ 383	**$ 9**	$ 2

5. ACQUISITIONS OF CONSOLIDATED ENTITIES

a) Completed During 2017

The following table summarizes the balance sheet impact as a result of business combinations that occurred in the year ended December 31, 2017. No material changes were made to the provisional allocations:

(MILLIONS)	Renewable Power	Private Equity	Infrastructure	Real Estate and Other	**Total**
Cash and cash equivalents	$ 762	$ 335	$ 89	$ 39	**$ 1,225**
Accounts receivable and other	980	2,393	345	134	**3,852**
Inventory	—	701	—	3	**704**
Equity accounted investments	—	231	—	—	**231**
Investment properties	—	—	—	5,851	**5,851**
Property, plant and equipment	6,923	501	100	281	**7,805**
Intangible assets	27	2,870	5,515	—	**8,412**
Goodwill	—	342	815	—	**1,157**
Deferred income tax assets	18	59	—	—	**77**
Total assets	8,710	7,432	6,864	6,308	**29,314**
Less:					
Accounts payable and other	(1,391)	(2,109)	(222)	(169)	**(3,891)**
Non-recourse borrowings	(4,902)	(1,678)	(30)	(1,955)	**(8,565)**
Deferred income tax liabilities	(59)	(806)	(957)	(45)	**(1,867)**
Non-controlling interests[1]	(830)	(826)	(477)	(123)	**(2,256)**
	(7,182)	(5,419)	(1,686)	(2,292)	**(16,579)**
Net assets acquired	$ 1,528	$ 2,013	$ 5,178	$ 4,016	**$ 12,735**
Consideration[2]	$ 1,528	$ 2,006	$ 5,178	$ 3,845	**$ 12,557**

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Total consideration, including amounts paid by non-controlling interests that participated in the acquisition as investors in Brookfield-sponsored private funds or as co-investors

Brookfield recorded $15.9 billion of revenue and $694 million of net income in 2017 from the acquired operations as a result of the acquisitions made during the year. If the acquisitions had occurred at the beginning of the year, they would have contributed $25.5 billion and $1 billion to total revenue and net income, respectively.

The following table summarizes the balance sheet impact as a result of significant business combinations that occurred in 2017:

	Renewable Power		Private Equity		Infrastructure	Real Estate		
(MILLIONS)	TerraForm Power	TerraForm Global	BRK	Greenergy	NTS	Manu-factured Housing	Houston Center	Mumbai Office Portfolio
Cash and cash equivalents	$ 149	$ 611	$ 296	$ 28	$ 89	$ 16	$ —	$ 11
Accounts receivable and other	707	266	1,043	1,290	317	79	22	12
Inventory	—	—	10	650	—	—	—	—
Equity accounted investments	—	—	109	114	—	—	—	—
Investment properties	—	—	—	—	—	2,107	825	679
Property, plant and equipment	5,678	1,208	200	154	—	—	—	—
Intangible assets	—	—	2,467	212	5,515	—	—	—
Goodwill	—	—	17	92	804	—	—	—
Deferred income tax assets	—	18	50	9	—	—	—	—
Total assets	6,534	2,103	4,192	2,549	6,725	2,202	847	702
Less:								
Accounts payable and other	(1,239)	(142)	(227)	(1,744)	(202)	(36)	(28)	(44)
Non-recourse borrowings	(3,714)	(1,188)	(1,468)	(210)	—	(1,261)	—	(511)
Deferred income tax liabilities	(33)	(15)	(746)	(52)	(946)	—	—	(45)
Non-controlling interests[1]	(829)	(1)	(745)	(81)	(477)	(30)	—	—
	(5,815)	(1,346)	(3,186)	(2,087)	(1,625)	(1,327)	(28)	(600)
Net assets acquired	$ 719	$ 757	$ 1,006	$ 462	$ 5,100	$ 875	$ 819	$ 102
Consideration[2]	$ 719	$ 757	$ 1,006	$ 462	$ 5,100	$ 768	$ 819	$ 102

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Total consideration, including amounts paid by non-controlling interests that participated in the acquisition as investors in Brookfield-sponsored private funds or as co-investors

Significant acquisitions completed in 2017 include:

On March 9, 2017, a subsidiary of the company acquired Manufactured Housing, a portfolio of manufactured housing communities in the U.S., for total consideration of $768 million, including $578 million cash consideration with the remainder funded through debt financing. The acquisition was made through a Brookfield-sponsored real estate fund and generated a bargain purchase gain of $107 million recorded in fair value changes as a result of changes in the underlying market conditions subsequent to signing the purchase and sale agreement in the second quarter of 2016. Excluding the impact of the bargain purchase gain, total revenues and net income that would have been recorded if the transaction had occurred at the beginning of the year are $237 million and $86 million, respectively.

On April 4, 2017, we acquired a 90% ownership interest in Nova Transportadora do Sudeste S.A. ("NTS"), a Brazilian regulated gas transmission business, alongside our institutional partners. Total consideration paid by the consortium was $5.1 billion, which consists of a cash consideration of $4.2 billion and deferred consideration of less than $1 billion payable five years from the close of the transaction. Upon acquisition of NTS, an additional deferred tax liability of $893 million was recorded. The deferred income tax liability arose as the tax bases of the net assets acquired were lower than their fair values. The inclusion of this liability in the net book value of the acquired business gave rise to goodwill of $804 million which is recoverable so long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred. None of the goodwill recognized is deductible for income tax purposes. Total revenues and net income that would have been recorded if the transaction had occurred at the beginning of the year are $1.3 billion and $660 million, respectively.

On April 25, 2017, a subsidiary of the company acquired a 70% interest in BRK Ambiental Participações S.A. ("BRK"), a Brazilian water treatment business, together with institutional investors, for total consideration of $1,006 million. BRK owns several other investments, all at different ownership levels. Total revenues and net income that would have been recorded if the transaction had occurred at the beginning of the year are $758 million and $64 million, respectively.

On May 10, 2017, a subsidiary of the company acquired an 85% ownership interest of Greenergy Fuels Holdings Ltd. (“Greenergy”), a U.K. road fuel provider, together with our institutional partners. The acquisition was made for total consideration of $462 million. Total revenues and net income that would have been recorded if the transaction had occurred at the beginning of the year are $19.8 billion and $26 million, respectively.

On October 16, 2017, a subsidiary of the company, along with its institutional partners, acquired a 51% interest in TerraForm Power, Inc., a large scale diversified portfolio of solar and wind assets located predominantly in the U.S., for total consideration of $719 million. Total revenues and net loss that would have been recorded if the transaction had occurred at the beginning of the year are $622 million and $46 million, respectively.

On December 1, 2017, a subsidiary of the company acquired Houston Center, a 4.2 million square foot mixed-use office and retail complex in Houston, Texas, for total consideration of $819 million, including $175 million cash consideration with the remainder funded through debt financing. As of December 31, 2017, the valuation of investment properties was still under evaluation. Accordingly, they have been accounted for on a provisional basis. Total revenues and net income that would have been recorded if the transaction had occurred at the beginning of the year are $120 million and $26 million, respectively.

On December 7, 2017, a subsidiary of the company acquired a portfolio of 14 office properties with 2.7 million square feet of office space in Mumbai, India (“Mumbai Office Portfolio”), for total consideration of $102 million. As of December 31, 2017, the valuations of investment properties acquired and debt obligations assumed were still under evaluation. Accordingly, they have been accounted for on a provisional basis. Total revenues and net income that would have been recorded if the transaction had occurred at the beginning of the year are $53 million and $1 million, respectively.

On December 28, 2017, a subsidiary of the company, along with its institutional partners, acquired a 100% interest in TerraForm Global, Inc., a large scale diversified portfolio of solar and wind assets located predominantly in Asia and South America, for total consideration of $757 million. Total revenues and net loss that would have been recorded if the transaction had occurred at the beginning of the year are $249 million and $33 million, respectively.

b) Completed During 2016

The following table summarizes the balance sheet impact as a result of business combinations that occurred in 2016. No material changes were made to the provisional allocations disclosed in the 2016 consolidated financial statements:

(MILLIONS)	Real Estate	Renewable Power	Infrastructure and Other	Total
Cash and cash equivalents	$ 119	$ 117	$ 155	$ 391
Accounts receivable and other	155	177	672	1,004
Inventory	10	15	39	64
Equity accounted investments	—	—	115	115
Investment properties	9,234	—	—	9,234
Property, plant and equipment	652	5,741	1,067	7,460
Intangible assets	2	—	1,225	1,227
Goodwill	17	799	470	1,286
Deferred income tax assets	2	—	12	14
Total assets	10,191	6,849	3,755	20,795
Less:				
Accounts payable and other	(413)	(385)	(318)	(1,116)
Non-recourse borrowings	(2,859)	(1,130)	(1,161)	(5,150)
Deferred income tax liabilities	(35)	(1,020)	(263)	(1,318)
Non-controlling interests[1]	(33)	(1,417)	(1,402)	(2,852)
	(3,340)	(3,952)	(3,144)	(10,436)
Net assets acquired	$ 6,851	$ 2,897	$ 611	$ 10,359
Consideration[2]	$ 6,824	$ 2,897	$ 611	$ 10,332

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Total consideration, including amounts paid by non-controlling interests

Brookfield recorded $1.7 billion of revenue and $223 million of net income from the acquired operations as a result of the acquisitions made during the year. If the acquisitions had occurred at the beginning of the year, they would have contributed $3.0 billion and $230 million to total revenue and net income, respectively.

The following table summarizes the balance sheet impact as a result of significant business combinations that occurred in 2016:

	Real Estate					Renewable Power		Infrastructure		
(MILLIONS)	Rouse	IFC Seoul	Simply Storage	City Point	Student Housing	Isagen	Holtwood	Rutas	Niska	Linx
Cash and cash equivalents	$ 32	$ 25	$ 16	$ 1	$ 33	$ 113	$ —	$ 115	$ 15	$ 12
Accounts receivable and other	94	13	28	5	3	174	1	121	99	232
Inventory	—	—	2	—	—	15	—	—	39	—
Equity accounted investments	—	—	—	—	—	—	—	—	—	115
Investment properties	3,010	1,911	1,044	742	608	—	—	—	—	—
Property, plant and equipment	13	303	—	—	—	4,772	859	6	825	229
Intangible assets	—	2	—	—	1	—	—	973	—	69
Goodwill	—	—	—	12	5	799	—	139	82	210
Deferred income tax assets	—	2	—	—	—	—	—	—	—	—
Total assets	3,149	2,256	1,090	760	650	5,873	860	1,354	1,060	867
Less:										
Accounts payable and other	(231)	(107)	(12)	(6)	(49)	(381)	(1)	(7)	(71)	(148)
Non-recourse borrowings	(1,840)	—	(592)	—	(202)	(1,130)	—	(441)	(337)	(181)
Deferred income tax liabilities	—	(35)	—	—	—	(1,019)	—	(153)	(77)	(33)
Non-controlling interests[1]	(15)	—	(15)	—	(2)	(1,417)	—	(626)	(348)	(360)
	(2,086)	(142)	(619)	(6)	(253)	(3,947)	(1)	(1,227)	(833)	(722)
Net assets acquired	$ 1,063	$ 2,114	$ 471	$ 754	$ 397	$ 1,926	$ 859	$ 127	$ 227	$ 145
Consideration[2]	$ 1,063	$ 2,114	$ 471	$ 754	$ 397	$ 1,926	$ 859	$ 127	$ 227	$ 145

1. Includes non-controlling interests recognized on business combinations measured as the proportionate share of fair value of the assets and liabilities on the date of acquisition
2. Total consideration, including amounts paid by non-controlling interests

In January 2016, a subsidiary of the company acquired an initial 57.6% interest in Isagen S.A. E.S.P. ("Isagen") from the Colombian government for total consideration of $1.9 billion with a cash contribution of $510 million funded by non-recourse borrowings and $1.2 billion from the subsidiary's institutional partners. Isagen is Colombia's third-largest power generation company which owns and operates a 3,032-megawatt ("MW") portfolio, consisting predominantly of six, largely reservoir-based, hydroelectric facilities.

Following the acquisition, the subsidiary of the company was required to conduct two mandatory tender offers (the "MTOs") for the remaining publicly held shares at the same price per share paid for the 57.6% controlling interest. The first MTO closed in May 2016, in which the subsidiary acquired an additional 26% of economic interest for $929 million. The second MTO closed in September 2016 with total consideration of $605 million, and the subsidiary effectively owns 99.64% of Isagen as of September 30, 2016 after giving effect to the initial acquisition and the two MTOs. The company is accounting for the initial acquisition of the 57.6% controlling interest and the MTOs as separate transactions. The acquisition resulted in $799 million of goodwill due to the recognition of a deferred tax liability because the tax bases of the Isagen net assets are significantly lower than their acquisition date fair value. Total revenue and net income that would have been recorded if the transaction had occurred at the beginning of the year would have been $886 million and $120 million, respectively.

In March 2016, a subsidiary of the company completed the acquisition of a self-storage ("Simply Storage") operation for total consideration of $471 million with a cash contribution of $372 million. Total revenue and net income that would have been recorded if the transaction had occurred at the beginning of the year would have been $105 million and $71 million, respectively.

In April 2016, a subsidiary of the company completed the acquisition of a portfolio of student housing assets ("Student Housing") for total consideration of $397 million with a cash contribution of $209 million. Total revenue and net income that would have been recorded if the transaction had occurred at the beginning of the year would have been $42 million and $5 million, respectively.

In April 2016, a subsidiary of the company completed the acquisition of hydroelectric facilities in Pennsylvania ("Holtwood") for total cash consideration of $859 million. Total revenue and net loss that would have been recorded if the transaction had occurred at the beginning of the year would have been $46 million and $1 million, respectively.

In June 2016, a subsidiary of the company completed the acquisition of a portfolio of toll roads in Peru ("Rutas") for total consideration of $127 million with a cash contribution of $118 million. Total revenue and net loss that would have been recorded if the transaction had occurred at the beginning of the year would have been $122 million and $6 million, respectively.

In July 2016, a subsidiary of the company completed the acquisition of a North American gas storage business ("Niska") for total consideration of $227 million with a cash contribution of $67 million and senior notes already owned by the subsidiary. The subsidiary remeasured its existing senior notes to fair value of $141 million at the acquisition date with a remeasurement gain of $24 million recorded in the income. Total revenue and net income that would have been recorded if the transaction had occurred at the beginning of the year would have been $136 million and $29 million, respectively.

In July 2016, a subsidiary of the company completed the acquisition of a retail mall business ("Rouse") for total consideration of $1.1 billion with a cash contribution of $587 million. The subsidiary accounted for the acquisition as a step acquisition, and remeasured its existing 33% equity interest in Rouse to fair value of $354 million at the acquisition date with no material remeasurement gain or loss. Total revenue and net loss that would have been recorded if the transaction had occurred at the beginning of the year would have been $335 million and $58 million, respectively.

In August 2016, a subsidiary of the company completed the acquisition of an Australia port business ("Linx") for total consideration of $145 million, comprising $13 million in cash and a portion of the subsidiary's previously existing interest with an acquisition date fair value of $132 million. Total revenue and net income that would have been recorded if the transaction had occurred at the beginning of the year would have been $504 million and $12 million, respectively.

In December 2016, a subsidiary of the company completed the acquisition of a mixed-use property in South Korea ("IFC Seoul") and an office tower in U.K. ("City Point") for total consideration of $2.1 billion with a cash contribution of $875 million and $754 million with a cash contribution of $147 million, respectively. The subsidiary accounts for the City Point acquisition as a step acquisition and remeasured its existing loan interest to fair value at acquisition date of $93 million with a remeasurement loss of $34 million. If the transactions had occurred at the beginning of the year, total revenue and net loss for IFC Seoul would have been $170 million and $18 million, whereas total revenue and net loss for City Point would have been $49 million and $35 million.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables list the company's financial instruments by their respective classification as at December 31, 2017 and 2016:

a) Financial Instrument Classification

AS AT DEC. 31, 2017 (MILLIONS)	Fair Value Through Profit or Loss	Available for Sale	Loans and Receivables/Other Financial Liabilities	Total
MEASUREMENT BASIS	(Fair Value)	(Fair Value)	(Amortized Cost)	
Financial assets[1]				
Cash and cash equivalents	$ —	$ —	$ 5,139	**$ 5,139**
Other financial assets				
Government bonds	34	15	—	**49**
Corporate bonds	382	253	8	**643**
Fixed income securities and other	230	432	—	**662**
Common shares and warrants	585	1,247	—	**1,832**
Loans and notes receivable	63	—	1,551	**1,614**
	1,294	1,947	1,559	**4,800**
Accounts receivable and other[2]	1,383	—	8,233	**9,616**
	$ 2,677	$ 1,947	$ 14,931	**$ 19,555**
Financial liabilities				
Corporate borrowings	$ —	$ —	$ 5,659	**$ 5,659**
Property-specific borrowings	—	—	63,721	**63,721**
Subsidiary borrowings	—	—	9,009	**9,009**
Accounts payable and other[2]	3,841	—	14,124	**17,965**
Subsidiary equity obligations	1,559	—	2,102	**3,661**
	$ 5,400	$ —	$ 94,615	**$ 100,015**

1. Financial assets include $4.1 billion of assets pledged as collateral
2. Includes derivative instruments which are elected for hedge accounting, totaling $630 million included in accounts receivable and other and $950 million included in accounts payable and other, for which changes in fair value are recorded in other comprehensive income

AS AT DEC. 31, 2016 (MILLIONS) MEASUREMENT BASIS	Fair Value Through Profit or Loss (Fair Value)	Available for Sale (Fair Value)	Loans and Receivables/Other Financial Liabilities (Amortized Cost)	Total
Financial assets[1]				
Cash and cash equivalents	$ —	$ —	$ 4,299	$ 4,299
Other financial assets				
Government bonds	22	32	—	54
Corporate bonds	13	342	—	355
Fixed income securities and other	170	335	—	505
Common shares and warrants	1,630	952	—	2,582
Loans and notes receivable	62	—	1,142	1,204
	1,897	1,661	1,142	4,700
Accounts receivable and other[2]	1,501	—	5,298	6,799
	$ 3,398	$ 1,661	$ 10,739	$ 15,798
Financial liabilities				
Corporate borrowings	$ —	$ —	$ 4,500	$ 4,500
Property-specific borrowings	—	—	52,442	52,442
Subsidiary borrowings	—	—	7,949	7,949
Accounts payable and other[2]	2,019	—	9,896	11,915
Subsidiary equity obligations	1,439	—	2,126	3,565
	$ 3,458	$ —	$ 76,913	$ 80,371

1. Total financial assets include $2.5 billion of assets pledged as collateral
2. Includes derivative instruments which are elected for hedge accounting, totaling $1 billion included in accounts receivable and other and $528 million included in accounts payable and other, for which changes in fair value are recorded in other comprehensive income

Gains or losses arising from changes in the fair value of fair value through profit or loss ("FVTPL") financial assets are presented in the Consolidated Statements of Operations in the period in which they arise. Dividends from FVTPL and available-for-sale financial assets are recognized in the Consolidated Statements of Operations 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 reported in our Consolidated Statements of Operations.

Available-for-sale securities are recorded on the balance sheet at fair value with changes in fair value recorded through other comprehensive income. These securities are assessed for impairment at each reporting date, with any impairment charges reported in our Consolidated Statements of Operations. As at December 31, 2017, the unrealized gains and losses relating to the fair value of available-for-sale securities amounted to $26 million (2016 – $286 million) and $nil (2016 – $28 million), respectively.

During the year ended December 31, 2017, $69 million of net deferred losses (2016 – $391 million) previously recognized in accumulated other comprehensive income were reclassified to net income as a result of the disposition or impairment of available-for-sale financial assets.

Included in cash and cash equivalents is $4.5 billion (2016 – $3.8 billion) of cash and $635 million (2016 – $454 million) of short-term deposits as at December 31, 2017.

b) Carrying and Fair Value

The following table provides the carrying values and fair values of financial instruments as at December 31, 2017 and 2016:

AS AT DEC. 31 (MILLIONS)	2017 Carrying Value	2017 Fair Value	2016 Carrying Value	2016 Fair Value
Financial assets				
Cash and cash equivalents	**$ 5,139**	**$ 5,139**	$ 4,299	$ 4,299
Other financial assets				
Government bonds	**49**	**49**	54	54
Corporate bonds	**643**	**643**	355	355
Fixed income securities and other	**662**	**662**	505	505
Common shares and warrants	**1,832**	**1,832**	2,582	2,582
Loans and notes receivable	**1,614**	**1,657**	1,204	1,204
	4,800	**4,843**	4,700	4,700
Accounts receivable and other	**9,616**	**9,616**	6,799	6,799
	$ 19,555	**$ 19,598**	$ 15,798	$ 15,798
Financial liabilities				
Corporate borrowings	**$ 5,659**	**$ 6,087**	$ 4,500	$ 4,771
Property-specific borrowings	**63,721**	**65,399**	52,442	53,512
Subsidiary borrowings	**9,009**	**9,172**	7,949	8,103
Accounts payable and other	**17,965**	**17,965**	11,915	11,915
Subsidiary equity obligations	**3,661**	**3,661**	3,565	3,567
	$ 100,015	**$ 102,284**	$ 80,371	$ 81,868

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

AS AT DEC. 31 (MILLIONS)	2017	2016
Current	**$ 2,568**	$ 3,229
Non-current	**2,232**	1,471
Total	**$ 4,800**	$ 4,700

c) Fair Value Hierarchy Levels

The following table categorizes financial assets and liabilities, which are carried at fair value, based upon the fair value hierarchy levels:

AS AT DEC. 31 (MILLIONS)	2017 Level 1	2017 Level 2	2017 Level 3	2016 Level 1	2016 Level 2	2016 Level 3
Financial assets						
Other financial assets						
Government bonds	$ —	$ 49	$ —	$ 11	$ 43	$ —
Corporate bonds	127	508	—	175	173	7
Fixed income securities and other	20	233	409	36	178	291
Common shares and warrants	1,586	—	246	1,309	—	1,273
Loans and notes receivables	—	62	1	—	51	11
Accounts receivable and other	15	1,155	213	2	1,342	157
	$ 1,748	$ 2,007	$ 869	$ 1,533	$ 1,787	$ 1,739
Financial liabilities						
Accounts payable and other	$ 134	$ 3,003	$ 704	$ 98	$ 1,859	$ 62
Subsidiary equity obligations	—	—	1,559	—	52	1,387
	$ 134	$ 3,003	$ 2,263	$ 98	$ 1,911	$ 1,449

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1, 2 or 3.

Fair values of financial instruments are determined by reference to quoted bid or ask prices, as appropriate. If 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.

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

(MILLIONS) Type of Asset/Liability	Carrying Value Dec. 31, 2017	Valuation Techniques and Key Inputs
Derivative assets/Derivative liabilities (accounts receivable/ accounts payable)	$ 1,155/ (3,003)	Foreign currency forward contracts – discounted cash flow model – forward exchange rates (from observable forward exchange rates at the end of the reporting period) and discounted at credit adjusted rate Interest rate contracts – discounted cash flow model – forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate Energy derivatives – quoted market prices, or in their absence internal valuation models, corroborated with observable market data
Other financial assets	852	Valuation models based on observable market data

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

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

(MILLIONS) Type of Asset/Liability	Carrying Value Dec. 31, 2017	Valuation Techniques	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Fixed income securities and other	$ 409	Discounted cash flows	• Future cash flows	• Increases (decreases) in future cash flows increase (decrease) fair value
			• Discount rate	• Increases (decreases) in discount rate decrease (increase) fair value
Warrants (common shares and warrants)	246	Black-Scholes model	• Volatility	• Increases (decreases) in volatility increase (decreases) fair value
			• Term to maturity	• Increases (decreases) in term to maturity increase (decrease) fair value
			• Risk free interest rate	• Increases (decreases) in the risk-free interest rate increase (decrease) fair value
Limited-life funds (subsidiary equity obligations)	(1,559)	Discounted cash flows	• Future cash flows	• Increases (decreases) in future cash flows increase (decrease) fair value
			• Discount rate	• Increases (decreases) in discount rate decrease (increase) fair value
			• Terminal capitalization rate	• Increases (decreases) in terminal capitalization rate decrease (increase) fair value
			• Investment horizon	• Increases (decreases) in the investment horizon decrease (increase) fair value
Derivative assets/Derivative liabilities (accounts receivable/payable)	213/	Discounted cash flows	• Future cash flows	• Increases (decreases) in future cash flows increase (decrease) fair value
	(704)		• Forward exchange rates (from observable forward exchange rates at the end of the reporting period)	• Increases (decreases) in the forward exchange rate increase (decrease) fair value
			• Discount rate	• Increases (decreases) in discount rate decrease (increase) fair value

The following table presents the change in the balance of financial assets and liabilities classified as Level 3 as at December 31, 2017 and 2016:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Financial Assets		Financial Liabilities	
	2017	2016	**2017**	2016
Balance, beginning of year	**$ 1,739**	$ 1,691	**$ 1,449**	$ 1,261
Fair value changes in net income	**(313)**	(102)	**(2)**	48
Fair value changes in other comprehensive income[1]	**5**	(12)	**67**	35
Additions, net of disposals	**(562)**	162	**749**	105
Balance, end of year	**$ 869**	$ 1,739	**$ 2,263**	$ 1,449

1. Includes foreign currency translation

The following table categorizes liabilities measured at amortized cost, but for which fair values are disclosed based upon the fair value hierarchy levels:

AS AT DEC. 31 (MILLIONS)	2017			2016		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Corporate borrowings	**$ 6,087**	**$ —**	**$ —**	$ 4,771	$ —	$ —
Property-specific borrowings	**2,123**	**24,502**	**38,774**	1,360	16,724	35,428
Subsidiary borrowings	**3,825**	**2,030**	**3,317**	2,872	2,451	2,780
Subsidiary equity obligations	**—**	**—**	**2,102**	—	—	2,128

Fair values of Level 2 and Level 3 liabilities measured at amortized cost but for which fair values are disclosed are determined using valuation techniques such as adjusted public pricing and discounted cash flows.

d) 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 may be applied, a hedge relationship may 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.

i. 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 long-term compensation arrangements. For the year ended December 31, 2017, pre-tax net unrealized gains of $42 million (2016 – net unrealized gains of $149 million) were recorded in other comprehensive income for the effective portion of the cash flow hedges. As at December 31, 2017, there was an unrealized derivative asset balance of $349 million relating to derivative contracts designated as cash flow hedges (2016 – $260 million asset).

ii. 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, 2017, unrealized pre-tax net losses of $748 million (2016 – net unrealized gains of $129 million) were recorded in other comprehensive income for the effective portion of hedges of net investments in foreign operations. As at December 31, 2017, there was an unrealized derivative liability balance of $676 million relating to derivative contracts designated as net investment hedges (2016 – asset balance of $236 million).

e) Netting of Financial Instruments

Financial assets and liabilities are offset with the net amount reported in the Consolidated Balance Sheets where the company currently has a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The company enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day are aggregated into a single net amount that is payable by one party to the other. The agreements provide the company with the legal and enforceable right to offset these amounts and accordingly the following balances are presented net in the consolidated financial statements:

AS AT DEC. 31 (MILLIONS)	Accounts Receivable and Other		Accounts Payable and Other	
	2017	2016	**2017**	2016
Gross amounts of financial instruments before netting	**$ 1,605**	$ 1,625	**$ 2,124**	$ 1,186
Gross amounts of financial instruments set-off in Consolidated Balance Sheets	**(223)**	(124)	**(267)**	(154)
Net amount of financial instruments in Consolidated Balance Sheets	**$ 1,382**	$ 1,501	**$ 1,857**	$ 1,032

No financial instruments that were subject to master netting agreements or for which collateral has been posted were not set off in the Consolidated Balance Sheets.

7. ACCOUNTS RECEIVABLE AND OTHER

AS AT DEC. 31 (MILLIONS)	Note	**2017**	2016
Accounts receivable	(a)	**$ 7,209**	$ 4,294
Prepaid expenses and other assets	(a)	**3,350**	3,448
Restricted cash	(b)	**1,024**	1,004
Sustainable resources	(c)	**390**	387
Total		**$ 11,973**	$ 9,133

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

AS AT DEC. 31 (MILLIONS)	**2017**	2016
Current	**$ 8,492**	$ 6,490
Non-current	**3,481**	2,643
Total	**$ 11,973**	$ 9,133

a) Accounts Receivable and Other Assets

We acquired $3.9 billion of accounts receivable during 2017 through business combinations (2016 – $1.0 billion), with significant contributions from BRK and Greenergy in our Private Equity segment and TERP in our Renewable Power segment. Increases from new acquisitions were partially offset by decreases in our Brazilian residential business, in which the balance decreased by approximately $240 million primarily due to lower sales volume in the current year. Accounts receivable includes $209 million (2016 – $302 million) of unrealized mark-to-market gains on energy sales contracts and $433 million (2016 – $663 million) of completed contracts and work-in-progress related to contracted sales from the company's residential development operations.

b) Restricted Cash

Restricted cash primarily relates to the company's real estate, renewable power and private equity financing arrangements including defeasement of debt obligations, debt service accounts and deposits held by the company's insurance operations.

c) Sustainable Resources

The company held 1.7 million acres of consumable freehold timberlands at December 31, 2017 (2016 – 1.7 million), representing 40.6 million cubic meters (2016 – 40.8 million) of mature timber and timber available for harvest. Additionally, the company provides management services to approximately 1.3 million acres (2016 – 1.3 million) of licensed timberlands.

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

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Balance, beginning of year	**$ 387**	$ 355
Additions, net of disposals	**78**	58
Fair value adjustments	**21**	30
Decrease due to harvest	**(103)**	(76)
Foreign currency changes	**7**	20
Balance, end of year	**$ 390**	$ 387

The carrying values are based on external appraisals completed annually as at December 31. The appraisals utilize a combination of the discounted cash flow and sales comparison approaches to arrive at the estimated value. The significant unobservable inputs (Level 3) included in the discounted cash flow models used when determining the fair value of standing timber and agricultural assets include:

Valuation Techniques	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value	Mitigating Factors
Discounted cash flow analysis	• Future cash flows	• Increases (decreases) in future cash flows increase (decrease) fair value	• Increases (decreases) in cash flows tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value from cash flows
	• Timber / agricultural prices	• Increases (decreases) in price increase (decrease) fair value	• Increases (decreases) in price tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value from price
	• Discount rate/ terminal capitalization rate	• Increases (decreases) in discount rate or terminal capitalization rate decrease (increase) fair value	• Decreases (increases) in discount rates or terminal capitalization rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from rates
	• Exit Date	• Increases (decreases) in exit date decrease (increase) fair value	• Increases (decreases) in the exit date tend to be the result of changing cash flow profiles that may result in higher (lower) growth in cash flows prior to stabilizing in the terminal year

Key valuation assumptions include a weighted-average discount and terminal capitalization rate of 5.7% (2016 – 5.9%), and terminal valuation dates of 30 years (2016 – 30 years). Timber and agricultural asset prices were based on a combination of forward prices available in the market and price forecasts.

8. INVENTORY

AS AT DEC. 31 (MILLIONS)	2017	2016
Residential properties under development	**$ 2,245**	$ 2,215
Land held for development	**1,922**	1,609
Completed residential properties	**917**	952
Industrial products and other	**1,227**	573
Total	**$ 6,311**	$ 5,349

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

AS AT DEC. 31 (MILLIONS)	2017	2016
Current	**$ 3,585**	$ 2,987
Non-current	**2,726**	2,362
Total	**$ 6,311**	$ 5,349

During the year ended December 31, 2017, the company recognized $15.2 billion (2016 – $4.7 billion) of inventory relating to cost of goods sold and $37 million (2016 – $85 million) relating to impairments of inventory as expenses. The carrying amount of inventory pledged as collateral at December 31, 2017 was $2.9 billion (2016 – $2.4 billion).

9. HELD FOR SALE

The following is a summary of the assets and liabilities classified as held for sale as at December 31, 2017 and December 31, 2016:

AS AT DEC. 31 (MILLIONS)	Real Estate	Other	2017 Total	2016 Total
Assets				
Cash and cash equivalents	$ 20	$ —	**$ 20**	$ 8
Accounts receivables and other	44	—	**44**	134
Investment properties	1,007	—	**1,007**	165
Property, plant and equipment	475	15	**490**	58
Other long-term assets	44	—	**44**	67
Assets classified as held for sale	$ 1,590	$ 15	**$ 1,605**	$ 432
Liabilities				
Accounts payable and other	$ 212	$ —	**$ 212**	$ 67
Property-specific borrowings	1,212	—	**1,212**	60
Liabilities associated with assets classified as held for sale	$ 1,424	$ —	**$ 1,424**	$ 127

As at December 31, 2017, assets held for sale within the company's Real Estate segment include interests in two office properties located in Toronto, a hotel and casino located in Las Vegas and thirteen other real estate assets. The company intends to sell controlling interests in these properties to third parties in the next 12 months.

During the year, the company sold certain assets and subsidiaries. Within our real estate business, a New York office property was sold for net proceeds of approximately $680 million in the second quarter of 2017, a U.K. office property was sold for approximately $152 million in the third quarter of 2017 and our European logistics business was sold for net proceeds of approximately $1.9 billion in the fourth quarter of 2017. Additionally, within our private equity business, our bath and shower products manufacturing business was sold for proceeds of approximately $357 million in the first quarter of 2017.

10. EQUITY ACCOUNTED INVESTMENTS

The following table presents the ownership interests and carrying values of the company's investments in associates and joint ventures, all of which are accounted for using the equity method:

AS AT DEC. 31 (MILLIONS)	Investment Type	Ownership Interest		Carrying Value	
		2017	2016	**2017**	2016
Real estate					
GGP Inc. ("GGP")	Associate	**34%**	29%	**$ 8,844**	$ 7,453
Canary Wharf Group plc ("Canary Wharf")	Joint Venture	**50%**	50%	**3,284**	2,866
Manhattan West, New York[1]	Joint Venture	**56%**	56%	**1,439**	1,214
Other real estate joint ventures[1]	Joint Venture	**12 – 90%**	12 – 90%	**4,565**	3,651
Other real estate investments[1]	Associate	**10 – 90%**	19 – 90%	**1,465**	1,444
				19,597	16,628
Renewable power					
Renewable power investments	Associate	**14 – 50%**	14 – 50%	**509**	206
Infrastructure					
Brazilian toll road[1]	Associate	**60%**	57%	**2,109**	1,703
North American natural gas transmission operations	Joint Venture	**50%**	50%	**1,013**	806
South American transmission operations	Associate	**28%**	28%	**930**	699
Brazilian rail and port operations	Associate	**27%**	27%	**1,046**	901
European communications business	Associate	**45%**	45%	**1,607**	1,313
Australian ports operation	Associate	**50%**	50%	**740**	693
Other infrastructure investments	Associate	**11 – 50%**	11 – 50%	**1,348**	1,231
				8,793	7,346
Private equity					
Norbord[2]	Associate	**40%**	n/a	**1,364**	n/a
Other private equity investments[1]	Associate	**14 – 89%**	14 – 89%	**1,023**	339
				2,387	339
Other joint ventures[1]	Joint Venture	**20 – 85%**	20 – 85%	**346**	374
Other investments[1]	Associate	**12 – 33%**	12 – 33%	**362**	84
Total				**$ 31,994**	$ 24,977

1. Joint ventures or associates in which the ownership interest is greater than 50% represent investments for which control is either shared or does not exist resulting in the investment being equity accounted
2. Our investment in Norbord has been deconsolidated upon distribution of Norbord shares to fund investors, reducing our ownership share to 40%. As a result, we now equity account for this investment. We recognized a non-cash gain of $790 million on deconsolidation

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

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017**	2016
Balance, beginning of year	**$ 24,977**	$ 23,216
Additions, net of disposals	**5,063**	660
Acquisitions through business combinations	**231**	115
Share of net income	**1,213**	1,293
Share of other comprehensive income	**515**	430
Distributions received	**(732)**	(675)
Foreign exchange	**727**	(62)
Balance, end of year	**$ 31,994**	$ 24,977

The following table presents current and non-current assets, as well as current and non-current liabilities of the company's investments in associates and joint ventures:

AS AT DEC. 31 (MILLIONS)	2017 Current Assets	2017 Non-Current Assets	2017 Current Liabilities	2017 Non-Current Liabilities	2016 Current Assets	2016 Non-Current Assets	2016 Current Liabilities	2016 Non-Current Liabilities
Real estate								
GGP	**$ 1,029**	**$ 37,841**	**$ 947**	**$ 13,062**	$ 1,547	$ 38,460	$ 2,540	$ 12,656
Canary Wharf	**844**	**13,092**	**703**	**6,759**	776	11,641	461	6,224
Manhattan West, New York	**74**	**4,248**	**816**	**941**	244	3,374	733	718
Other real estate joint ventures and investments	**1,206**	**25,547**	**1,268**	**10,110**	657	20,986	2,119	6,908
Renewable power								
Renewable power investments	**153**	**2,536**	**115**	**1,080**	45	934	42	532
Infrastructure								
Brazilian toll road	**304**	**5,769**	**602**	**2,102**	263	4,977	823	1,665
North American natural gas transmission operations	**139**	**4,741**	**139**	**2,716**	122	5,767	1,353	2,925
South American transmission operations	**280**	**7,122**	**181**	**3,874**	221	5,519	142	3,234
Brazilian rail and port operations	**743**	**6,131**	**515**	**2,405**	460	5,265	674	1,645
European communications business	**464**	**6,281**	**561**	**2,968**	328	5,437	443	2,528
Australian ports operation	**198**	**2,281**	**24**	**1,332**	171	2,166	66	1,229
Other infrastructure investments	**695**	**5,240**	**865**	**2,301**	360	4,378	515	1,827
Private equity								
Norbord	**709**	**2,374**	**356**	**728**	n/a	n/a	n/a	n/a
Other private equity investments	**2,001**	**18,122**	**3,124**	**13,192**	616	3,901	694	3,458
Other	**800**	**60**	**90**	**100**	1,024	8	81	113
	$ 9,639	**$141,385**	**$ 10,306**	**$ 63,670**	$ 6,834	$112,813	$ 10,686	$ 45,662

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

The following table presents total revenues, net income and other comprehensive income ("OCI") of the company's investments in associates and joint ventures.

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017** Revenue			2016 Revenue		
	Revenue	**Net Income**	**OCI**	Revenue	Net Income	OCI
Real estate						
GGP	**$ 2,405**	**$ (591)**	**$ 12**	$ 2,427	$ 1,735	$ 4
Canary Wharf	**581**	**183**	**5**	654	19	(4)
Manhattan West, New York	**81**	**319**	**—**	78	188	—
Other real estate joint ventures and investments	**1,564**	**1,222**	**119**	1,727	1,110	34
Renewable power						
Renewable power investments	**65**	**11**	**59**	74	—	18
Infrastructure						
Brazilian toll road	**928**	**95**	**(39)**	766	185	382
North American natural gas transmission operations	**681**	**15**	**(1)**	573	133	5
South American transmission operations	**441**	**37**	**806**	433	38	217
Brazilian rail and port operations	**1,409**	**56**	**490**	1,024	70	976
European communications business	**783**	**58**	**435**	767	121	376
Australian ports operation	**418**	**19**	**78**	164	(31)	(81)
Other infrastructure investments	**1,809**	**98**	**(19)**	1,091	54	280
Private equity						
Norbord	**498**	**(8)**	**5**	n/a	n/a	n/a
Other private equity investments	**2,548**	**710**	**(76)**	1,343	148	(138)
Other	**194**	**23**	**4**	252	26	2
Total	**$ 14,405**	**$ 2,247**	**$ 1,878**	$ 11,373	$ 3,796	$ 2,071

The following table presents distributions from equity accounted investments by operating segment:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017**	2016
Real estate	**$ 353**	$ 508
Renewable power	**31**	6
Infrastructure	**121**	85
Private equity and other	**227**	76
	$ 732	$ 675

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

AS AT DEC. 31 (MILLIONS)	**2017**		2016	
	Public Price	**Carrying Value**	Public Price	Carrying Value
GGP	**$ 7,570**	**$ 8,844**	$ 6,379	$ 7,453
Norbord[1]	**1,176**	**1,364**	n/a	n/a
Other	**286**	**201**	44	—
	$ 9,032	**$ 10,409**	$ 6,423	$ 7,453

1. Our investment in Norbord was consolidated as at December 31, 2016 and therefore has not been included in prior year figures

At December 31, 2017, the company determined that the prolonged and significant decline in GGP's share price indicated that the company's investment in GGP may be impaired. The company estimated the recoverable amount of its investment in GGP and determined that the recoverable amount, as represented by the value-in-use, is greater than the current carrying value. Therefore, no impairment was recognized for the period ended December 31, 2017.

Additionally, at December 31, 2017, the company performed a review to determine if there is any objective evidence that its investment in Norbord was impaired. As a result of this review, management determined there is no objective evidence of impairment of Norbord at December 31, 2017

11. INVESTMENT PROPERTIES

The following table presents the change in the fair value of the company's investment properties:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Fair value, beginning of year	$ 54,172	$ 47,164
Additions	593	1,576
Acquisitions through business combinations	5,851	9,234
Disposals and reclassifications to assets held for sale	(6,169)	(4,612)
Fair value changes	1,021	960
Foreign currency translation	1,402	(150)
Fair value, end of year	$ 56,870	$ 54,172

Investment properties include the company's office, retail, multifamily, industrial and other properties as well as higher-and-better-use land within the company's sustainable resources operations. Acquisitions and additions of $6.4 billion (2016 – $10.8 billion) relate mainly to business combinations completed during the year, including a portfolio of manufactured housing communities in the U.S., office portfolios in the U.S., an office building in San Francisco, a student housing portfolio in the U.K., and an office portfolio in Mumbai. Refer to Note 5 for details of acquisitions through business combinations.

Disposals and reclassifications to assets held for sale of $6.2 billion include the sale of two properties in London, the disposal of a European logistics business, the sale of a 49% interest in a property located in New York, the reclassification of a 50% interest in a property located in Toronto to assets classified as held for sale and the deconsolidation of a Brazilian retail investment.

Investment properties generated $4.4 billion (2016 – $4.1 billion) in rental income and incurred $1.6 billion (2016 – $1.6 billion) in direct operating expenses. Our investment properties are pledged as collateral for the non-recourse borrowings at their respective properties.

The following table presents our investment properties measured at fair value:

AS AT DEC. 31 (MILLIONS)	2017	2016
Core office		
United States	$ 14,827	$ 16,529
Canada	4,597	4,613
Australia	2,480	2,112
Europe	1,040	1,830
Brazil	327	315
Opportunistic and other		
Opportunistic office	8,590	5,853
Opportunistic retail	3,412	4,217
Industrial	1,942	2,678
Multifamily	3,925	3,574
Triple net lease	4,804	4,790
Self-storage	1,854	1,624
Student housing	1,353	649
Manufactured housing	2,206	—
Other investment properties	5,513	5,388
	$ 56,870	$ 54,172

Significant unobservable inputs (Level 3) are utilized when determining the fair value of investment properties. The significant Level 3 inputs include:

Valuation Technique	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value	Mitigating Factors
Discounted cash flow analysis	• Future cash flows – primarily driven by net operating income	• Increases (decreases) in future cash flows increase (decrease) fair value	• Increases (decreases) in cash flows tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value from cash flows
	• Discount rate	• Increases (decreases) in discount rate decrease (increase) fair value	• Increases (decreases) in discount rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from discount rates
	• Terminal capitalization rate	• Increases (decreases) in terminal capitalization rate decrease (increase) fair value	• Decreases (increases) in terminal capitalization rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from terminal capitalization rates

The company's investment properties are diversified by asset type, asset class, geography and markets. Therefore, there may be mitigating factors in addition to those noted above such as changes to assumptions that vary in direction and magnitude across different geographies and markets.

The following table summarizes the key valuation metrics of the company's investment properties:

	2017			2016		
AS AT DEC. 31	**Discount Rate**	**Terminal Capitalization Rate**	**Investment Horizon (years)**	Discount Rate	Terminal Capitalization Rate	Investment Horizon (years)
Core office						
United States	**7.0%**	**5.8%**	**13**	6.8%	5.6%	12
Canada	**6.1%**	**5.5%**	**10**	6.2%	5.5%	10
Australia	**7.0%**	**6.1%**	**10**	7.3%	6.1%	10
Europe	**n/a**	**n/a**	**n/a**	6.0%	5.0%	12
Brazil	**9.7%**	**7.6%**	**7**	9.3%	7.5%	10
Opportunistic and other						
Opportunistic office	**9.7%**	**6.9%**	**8**	9.9%	7.6%	7
Opportunistic retail	**9.0%**	**8.0%**	**10**	10.2%	8.1%	12
Industrial	**6.8%**	**6.2%**	**10**	7.4%	6.6%	10
Multifamily	**4.8%**	**n/a**	**n/a**	4.9%	n/a	n/a
Triple net lease	**6.4%**	**n/a**	**n/a**	6.1%	n/a	n/a
Self-storage	**5.8%**	**n/a**	**n/a**	6.2%	n/a	n/a
Student housing	**5.8%**	**n/a**	**n/a**	5.9%	n/a	n/a
Manufactured housing	**5.8%**	**n/a**	**n/a**	n/a	n/a	n/a
Other investment properties	**5.8%**	**n/a**	**n/a**	5.4%	n/a	n/a

12. PROPERTY, PLANT AND EQUIPMENT

The company's property, plant and equipment relates to the operating segments as shown below:

AS AT DEC. 31 (MILLIONS)	Renewable Power (a)		Infrastructure (b)		Real Estate (c)		Private Equity and Other (d)		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Costs	**$ 24,991**	$ 18,031	**$ 9,253**	$ 8,045	**$ 5,854**	$ 5,783	**$ 4,050**	$ 5,268	**$ 44,148**	$ 37,127
Accumulated fair value changes[1]	**13,280**	12,298	**3,272**	2,690	**798**	694	**(231)**	(243)	**17,119**	15,439
Accumulated depreciation	**(4,681)**	(3,776)	**(1,622)**	(1,190)	**(873)**	(825)	**(1,086)**	(1,429)	**(8,262)**	(7,220)
Total	**$ 33,590**	$ 26,553	**$ 10,903**	$ 9,545	**$ 5,779**	$ 5,652	**$ 2,733**	$ 3,596	**$ 53,005**	$ 45,346

1. The accumulated fair value changes for private equity and other represent accumulated impairment charges, as assets in these segments are carried at amortized cost

Renewable Power, Infrastructure and Real Estate segments carry property, plant and equipment assets at fair value, classified as Level 3 in the fair value hierarchy due to the use of significant unobservable inputs when determining fair value. Private Equity and other segments carry property, plant and equipment assets at amortized cost. As at December 31, 2017, $38.3 billion (2016 – $29.6 billion) of property, plant and equipment, at cost, were pledged as collateral for the property debt at their respective properties.

a) Renewable Power

Our renewable power property, plant and equipment consists of the following:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Hydroelectric		Wind Energy, Solar and Other		Total	
	2017	2016	**2017**	2016	**2017**	2016
Cost, beginning of year	**$ 14,382**	$ 7,441	**$ 3,649**	$ 3,509	**$ 18,031**	$ 10,950
Additions, net of disposals and assets reclassified as held for sale	**256**	253	**(273)**	80	**(17)**	333
Acquisitions through business combinations	**—**	5,731	**6,923**	10	**6,923**	5,741
Foreign currency translation	**29**	957	**25**	50	**54**	1,007
Cost, end of year	**14,667**	14,382	**10,324**	3,649	**24,991**	18,031
Accumulated fair value changes, beginning of year	**11,440**	11,035	**858**	615	**12,298**	11,650
Fair value changes	**341**	100	**33**	216	**374**	316
Dispositions and assets reclassified as held for sale	**(8)**	—	**—**	—	**(8)**	—
Foreign currency translation and other	**403**	305	**213**	27	**616**	332
Accumulated fair value changes, end of year	**12,176**	11,440	**1,104**	858	**13,280**	12,298
Accumulated depreciation, beginning of year	**(2,947)**	(2,248)	**(829)**	(614)	**(3,776)**	(2,862)
Depreciation expenses	**(579)**	(586)	**(287)**	(217)	**(866)**	(803)
Dispositions and assets reclassified as held for sale	**—**	9	**51**	5	**51**	14
Foreign currency translation and other	**(38)**	(122)	**(52)**	(3)	**(90)**	(125)
Accumulated depreciation, end of year	**(3,564)**	(2,947)	**(1,117)**	(829)	**(4,681)**	(3,776)
Balance, end of year	**$ 23,279**	$ 22,875	**$ 10,311**	$ 3,678	**$ 33,590**	$ 26,553

The following table presents our renewable power property, plant and equipment measured at fair value by geography:

AS AT DEC. 31 (MILLIONS)	**2017**	2016
North America	**$ 22,832**	$ 17,132
Brazil	**3,443**	2,893
Colombia	**5,401**	5,275
Europe	**1,088**	1,253
Other[1]	**826**	—
	$ 33,590	$ 26,553

1. Other refers primarily to South Africa, China, India, Malaysia and Thailand

Renewable power assets are accounted for under the revaluation model and the most recent date of revaluation was December 31, 2017. Valuations utilize significant unobservable inputs (Level 3) when determining the fair value of renewable power assets. The significant Level 3 inputs include:

Valuation Technique	**Significant Unobservable Inputs**	**Relationship of Unobservable Inputs to Fair Value**	**Mitigating Factors**
Discounted cash flow analysis	• Future cash flows – primarily driven by future electricity price assumptions	• Increases (decreases) in future cash flows increase (decrease) fair value	• Increases (decreases) in cash flows tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value from cash flows
	• Discount rate	• Increases (decreases) in discount rate decrease (increase) fair value	• Increases (decreases) in discount rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from discount rates
	• Terminal capitalization rate	• Increases (decreases) in terminal capitalization rate decrease (increase) fair value	• Increases (decreases) in terminal capitalization rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from terminal capitalization rates
	• Exit date	• Increases (decreases) in the exit date decrease (increase) fair value	• Increases (decreases) in the exit date tend to be the result of changing cash flow profiles that may result in higher (lower) growth in cash flows prior to stabilizing in the terminal year

Key valuation metrics of the company's hydro, wind and solar generating facilities at the end of 2017 and 2016 are summarized below.

	North America		Brazil		Colombia		Europe	
AS AT DEC. 31	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Discount rate								
Contracted	**4.9 – 6.0%**	4.8 – 5.5%	**8.9%**	9.2%	**11.3%**	n/a	**4.1 – 4.5%**	4.1 – 5.0%
Uncontracted	**6.5 – 7.6%**	6.6 – 7.2%	**10.2%**	10.5%	**12.6%**	n/a	**5.9 – 6.3%**	5.9 – 6.8%
Terminal capitalization rate[1]	**6.2 – 7.5%**	6.3 – 6.9%	**n/a**	n/a	**12.6%**	n/a	**n/a**	n/a
Exit date	**2037**	2036	**2032**	2031	**2037**	n/a	**2031**	2031

1. Terminal capitalization rate applies only to hydroelectric assets in in North America and Colombia

Terminal values are included in the valuation of hydroelectric assets in the United States, Canada and Colombia. For the hydroelectric assets in Brazil, cash flows have been included based on the duration of the authorization or useful life of a concession asset without consideration of potential renewal value. The weighted-average remaining duration at December 31, 2017 is 15 years (2016 – 15 years). Consequently, there is no terminal value attributed to the hydroelectric assets in Brazil. The terminal value of hydroelectric assets in Europe is based on a percentage of replacement cost and consequently there is no terminal capitalization rate attributed to the hydroelectric assets in Europe.

Key assumptions on contracted generation and future power pricing are summarized below:

AS AT DEC. 31, 2017	Total Generation Contracted under Power Purchase Agreements		Power Prices from Long-Term Power Purchase Agreements (weighted average)		Estimates of Future Electricity Prices (weighted average)	
	1 – 10 years	11 – 20 years	1 – 10 years	11 – 20 years	1 – 10 years	11 – 20 years
North America (prices in US$/MWh)	**35%**	**15%**	**95**	**100**	**60**	**114**
Brazil (prices in R$/MWh)	**66%**	**57%**	**274**	**407**	**309**	**458**
Colombia (prices in COP$/MWh)	**17%**	**—%**	**211,000**	**—**	**238,000**	**339,000**
Europe (prices in €/MWh)	**78%**	**35%**	**90**	**107**	**78**	**95**

The company's estimate of future renewable power pricing is based on management's estimate of the cost of securing new energy from renewable sources to meet future demand between 2021 and 2025 (2016 – 2023), which will maintain system reliability and provide adequate levels of reserve generations.

b) Infrastructure

Our infrastructure property, plant and equipment consists of the following:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Utilities (i)		Transport (i)		Energy (i)		Sustainable Resources (ii)		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Cost, beginning of year	**$2,894**	$2,945	**$2,361**	$1,953	**$2,382**	$1,487	**$ 408**	$ 340	**$ 8,045**	$6,725
Additions, net of disposals and assets reclassified as held for sale	**350**	367	**103**	78	**81**	89	**93**	5	**627**	539
Acquisitions through business combinations	**—**	—	**—**	242	**100**	825	**—**	—	**100**	1,067
Foreign currency translation	**229**	(418)	**191**	88	**67**	(19)	**(6)**	63	**481**	(286)
Cost, end of year	**3,473**	2,894	**2,655**	2,361	**2,630**	2,382	**495**	408	**9,253**	8,045
Accumulated fair value changes, beginning of year	**1,044**	946	**782**	973	**351**	209	**513**	385	**2,690**	2,513
Fair value changes	**136**	184	**24**	25	**257**	123	**13**	56	**430**	388
Foreign currency translation and other	**76**	(86)	**67**	(216)	**21**	19	**(12)**	72	**152**	(211)
Accumulated fair value changes, end of year	**1,256**	1,044	**873**	782	**629**	351	**514**	513	**3,272**	2,690
Accumulated depreciation, beginning of year	**(384)**	(291)	**(517)**	(418)	**(258)**	(172)	**(31)**	(19)	**(1,190)**	(900)
Depreciation expenses	**(113)**	(128)	**(147)**	(126)	**(117)**	(99)	**(10)**	(19)	**(387)**	(372)
Dispositions and assets reclassified as held for sale	**16**	1	**22**	1	**4**	—	**3**	1	**45**	3
Foreign currency translation and other	**(28)**	34	**(45)**	26	**(12)**	13	**(5)**	6	**(90)**	79
Accumulated depreciation, end of year	**(509)**	(384)	**(687)**	(517)	**(383)**	(258)	**(43)**	(31)	**(1,622)**	(1,190)
Balance, end of year	**$4,220**	$3,554	**$2,841**	$2,626	**$2,876**	$2,475	**$ 966**	$ 890	**$10,903**	$9,545

i. Infrastructure – Utilities, Transport and Energy

Infrastructure's PP&E assets are accounted for under the revaluation model, and the most recent date of revaluation was December 31, 2017. The company's utilities assets consist of regulated transmission and regulated distribution networks, which are operated primarily under regulated rate base arrangements. In the company's transport operations, the PP&E assets consist of railroads, toll roads and ports. PP&E assets in the energy operations are comprised of energy transmission, distribution and storage and district energy assets.

Valuations utilize significant unobservable inputs (Level 3) when determining the fair value of infrastructure's utilities, transport and energy assets. The significant Level 3 inputs include:

Valuation Technique	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value	Mitigating Factors
Discounted cash flow analysis	• Future cash flows	• Increases (decreases) in future cash flows increase (decrease) fair value	• Increases (decreases) in cash flows tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value from cash flows
	• Discount rate	• Increases (decreases) in discount rate decrease (increase) fair value	• Increases (decreases) in discount rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from discount rates
	• Terminal capitalization multiple	• Increases (decreases) in terminal capitalization multiple increases (decreases) fair value	• Increases (decreases) in terminal capitalization multiple tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from terminal capitalization multiple
	• Investment horizon	• Increases (decreases) in the investment horizon decrease (increase) fair value	• Increases (decreases) in the investment horizon tend to be the result of changing cash flow profiles that may result in higher (lower) growth in cash flows prior to stabilizing in the terminal year

ii. Infrastructure – Sustainable Resources

Sustainable resources assets represent timberlands and other agricultural land. PP&E within our sustainable resource operations is accounted for under the revaluation model and the most recent date of revaluation was December 31, 2017.

Valuations utilize significant unobservable inputs (Level 3) when determining the fair value of sustainable resources assets. The significant Level 3 inputs include:

Valuation Technique	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value	Mitigating Factors
Discounted cash flow analysis	• Future cash flows – primarily driven by avoided cost or future replacement value	• Increases (decreases) in future cash flows increase (decrease) fair value	• Increases (decreases) in cash flows tend to be accompanied by increases (decreases) in discount rates that may offset changes in fair value from cash flows
	• Discount rate	• Increases (decreases) in discount rate decrease (increase) fair value	• Increases (decreases) in discount rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in fair value from discount rates
	• Investment horizon	• Increases (decreases) in the investment horizon decrease (increase) fair value	• Increases (decreases) in the investment horizon tend to be the result of changing cash flow profiles that may result in higher (lower) growth in cash flows prior to stabilizing in the terminal year

Key valuation metrics of the company's utilities, transport, energy and sustainable resources assets at the end of 2017 and 2016 are summarized below.

	Utilities		Transport		Energy		Sustainable Resources	
AS AT DEC. 31	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Discount rates	**7 – 12%**	7 – 12%	**10 – 15%**	10 – 17%	**12 – 15%**	9 – 14%	**5 – 8%**	6%
Terminal capitalization multiples	**7x – 21x**	7x – 18x	**9x – 14x**	8x – 14x	**8x – 13x**	10x – 12x	**n/a**	n/a
Investment horizon / Exit date(years)	**10 – 20**	10 – 20	**10 – 20**	10 – 20	**10**	10	**3 – 30**	3 – 30

c) Real Estate

	Cost		Accumulated Fair Value Changes		Accumulated Depreciation		Total	
AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Balance, beginning of year	**$ 5,783**	$ 5,300	**$ 694**	$ 612	**$ (825)**	$ (596)	**$ 5,652**	$ 5,316
Additions/(dispositions)[1], net of assets reclassified as held for sale	**(502)**	254	**44**	—	**246**	(6)	**(212)**	248
Acquisitions through business combinations	**281**	652	**—**	—	**—**	—	**281**	652
Foreign currency translation	**292**	(423)	**1**	—	**(13)**	21	**280**	(402)
Fair value changes	**—**	—	**59**	82	**—**	—	**59**	82
Depreciation expenses	**—**	—	**—**	—	**(281)**	(244)	**(281)**	(244)
Balance, end of year	**$ 5,854**	$ 5,783	**$ 798**	$ 694	**$ (873)**	$ (825)	**$ 5,779**	$ 5,652

1. For accumulated depreciation, (additions)/dispositions

The company's real estate PP&E assets include hospitality assets accounted for under the revaluation model, with the most recent revaluation as at December 31, 2017. The company determined fair value for these assets by using the depreciated replacement cost method. Valuations utilize significant unobservable inputs (Level 3) when determining the fair value of real estate assets. The significant Level 3 inputs include estimates of assets' replacement cost and remaining economic life.

d) Private Equity and Other

Private Equity and other PP&E includes assets owned by the company's private equity and residential development operations. These assets are accounted for under the cost model, which requires the assets to be carried at cost less 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 these operations:

	Cost		Accumulated Impairment		Accumulated Depreciation		Total	
AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Balance, beginning of year	**$ 5,268**	$ 5,309	**$ (243)**	$ (231)	**$ (1,429)**	$ (1,197)	**$ 3,596**	$ 3,881
Additions/(dispositions)[1], net of assets reclassified as held for sale	**(1,966)**	(101)	**36**	4	**752**	125	**(1,178)**	28
Acquisitions through business combinations	**501**	—	**—**	—		—	**501**	—
Foreign currency translation	**247**	60	**(16)**	(16)	**(51)**	(14)	**180**	30
Depreciation expenses	**—**	—	**—**	—	**(358)**	(343)	**(358)**	(343)
Impairment charges	**—**	—	**(8)**	—	**—**	—	**(8)**	—
Balance, end of year	**$ 4,050**	$ 5,268	**$ (231)**	$ (243)	**$ (1,086)**	$ (1,429)	**$ 2,733**	$ 3,596

1. For accumulated depreciation, (additions)/dispositions

13. INTANGIBLE ASSETS

The following table presents the breakdown of, and changes to, the balance of the company's intangible assets:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Cost		Accumulated Amortization and Impairment		Total	
	2017	2016	**2017**	2016	**2017**	2016
Balance, beginning of year	**$ 6,733**	$ 5,764	**$ (660)**	$ (594)	**$ 6,073**	$ 5,170
Additions, net of disposals	**(25)**	(36)	**121**	91	**96**	55
Acquisitions through business combinations	**8,412**	1,227	**—**	—	**8,412**	1,227
Amortization	**—**	—	**(442)**	(166)	**(442)**	(166)
Foreign currency translation	**131**	(222)	**(28)**	9	**103**	(213)
Balance, end of year	**$ 15,251**	$ 6,733	**$ (1,009)**	$ (660)	**$ 14,242**	$ 6,073

The following table presents intangible assets by geography:

AS AT DEC. 31 (MILLIONS)	**2017**	2016
United States	**$ 73**	$ 340
Canada	**364**	230
Australia	**2,078**	1,945
Europe	**1,594**	1,273
India	**130**	130
Chile	**1,100**	1,054
Peru	**1,144**	1,050
Brazil	**7,537**	28
Other	**222**	23
	$ 14,242	$ 6,073

Intangible assets are allocated to the following operating segments:

AS AT DEC. 31 (MILLIONS)	Note	**2017**	2016
Infrastructure – Utilities	(a)	**$ 7,091**	$ 1,817
Infrastructure – Transport	(b)	**2,663**	2,504
Real estate	(c)	**1,188**	1,141
Private equity	(d)	**3,094**	426
Other		**206**	185
		$ 14,242	$ 6,073

a) Infrastructure – Utilities

The company's Brazilian regulated gas transmission operation has concession agreements that provide the right to charge a tariff over the term of the agreements. The agreements have an expiration date between 2039 and 2041, which is the basis for the company's determination of its remaining useful life. Upon expiry of the agreements, the asset shall be returned to the government and subject to concession upon public bidding.

Access agreements with the users of the company's Australian regulated terminal are 100% take-or-pay contracts at a designated tariff rate based on the asset value. The concession arrangement has an expiration date of 2051 and the company has an option to extend the arrangement an additional 49 years. The aggregate duration of the arrangement and the extension option represents the remaining useful life of the concession.

b) Infrastructure – Transport

The company's toll road concessions provide the right to charge a tariff to users of the roads over the term of the concessions. The Chilean, Peruvian and Indian concession arrangements have expiration dates of 2033, 2043 and 2027, respectively, which are the base for the company's determination of the assets' remaining useful lives. Also included within the company's transport operations is $289 million (2016 – $265 million) of indefinite life intangible assets which represent perpetual conservancy rights associated with the company's U.K. port operation.

c) Real Estate

The company's intangible assets in its Real Estate segment are attributable to indefinite life trademarks associated with its hospitality assets, primarily Center Parcs and Atlantis. The Center Parcs and Atlantis trademark assets have been determined to have an indefinite useful life as the company has the legal right to operate these trademarks exclusively in certain territories and in perpetuity. The business models of Center Parcs and Atlantis are not subject to technological obsolescence or commercial innovations in any material way.

d) Private Equity

The company's intangible assets in its Private Equity segment are primarily attributable to water and sewage concession agreements. The concession agreements provide the company the right to charge fees to users over the terms of the concessions in exchange for water treatment services, ongoing and regular maintenance work on water distribution assets and improvements to the water treatment and distribution systems. The concession agreements have expiration dates that range from 2037 to 2055 at which point the underlying concession assets will be returned to the grantors.

Intangible Asset Impairment Testing

Intangible assets, including trademarks, concession agreements and conservancy rights, are recorded at amortized cost and are tested for impairment using a discounted cash flow valuation annually or when an indicator of impairment is identified. This valuation utilizes the following significant unobservable inputs:

Valuation Technique	Significant Unobservable Input(s)	Relationship of Unobservable Input(s) to Fair Value	Mitigating Factor(s)
Discounted cash flow models	• Future cash flows	• Increases (decreases) in future cash flows increase (decrease) the recoverable amount	• Increases (decreases) in cash flows tend to be accompanied by increases (decreases) in discount rates that may offset changes in recoverable amounts from cash flows
	• Discount rate	• Increases (decreases) in discount rate decrease (increase) the recoverable amount	• Increases (decreases) in discount rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in recoverable amounts from discount rates
	• Terminal capitalization rate	• Increases (decreases) in terminal capitalization rate decrease (increase) the recoverable amount	• Increases (decreases) in terminal capitalization rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in recoverable amounts from terminal capitalization rates
	• Exit date	• Increases (decreases) in the exit date decrease (increase) the recoverable amount	• Increases (decreases) in the exit date tend to be the result of changing cash flow profiles that may result in higher (lower) growth in cash flows prior to stabilizing in the terminal year

14. GOODWILL

The following table presents the breakdown of, and changes to, the balance of goodwill:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	Cost		Accumulated Impairment		Total	
	2017	2016	**2017**	2016	**2017**	2016
Balance, beginning of year	**$ 4,162**	$ 2,806	**$ (379)**	$ (263)	**$ 3,783**	$ 2,543
Acquisitions through business combinations	**1,157**	1,286	**—**	—	**1,157**	1,286
Impairment losses	**—**	—	**(5)**	(65)	**(5)**	(65)
Foreign currency translation and other[1]	**388**	70	**(6)**	(51)	**382**	19
Balance, end of year	**$ 5,707**	$ 4,162	**$ (390)**	$ (379)	**$ 5,317**	$ 3,783

1. Includes adjustment to goodwill based on final purchase price allocation

The following table presents goodwill by geography:

AS AT DEC. 31 (MILLIONS)	**2017**	2016
United States	**$ 400**	$ 388
Canada	**432**	192
Australia	**1,026**	950
Colombia	**912**	907
Brazil	**905**	123
Europe	**1,257**	894
Other	**385**	329
	$ 5,317	$ 3,783

Goodwill is allocated to the following operating segments:

AS AT DEC. 31 (MILLIONS)	Note	**2017**	2016
Private equity	(a)	**$ 1,555**	$ 1,155
Infrastructure	(b)	**1,301**	502
Real estate	(c)	**1,127**	780
Renewable power	(d)	**901**	896
Asset management		**312**	328
Other		**121**	122
Total		**$ 5,317**	$ 3,783

a) Private Equity

Goodwill in our Private Equity segment is primarily attributable to our construction business. Goodwill in our construction business is tested for impairment using a discounted cash flow analysis to determine the recoverable amount. The recoverable amounts for the years ended 2017 and 2016 were determined to be in excess of their carrying values. The valuation assumptions used to determine the recoverable amount are a discount rate of 9.7% (2016 – 12.0%), terminal growth rate of 2.9% (2016 – 4.0%) and terminal year of 2022 for cash flows included in the assumptions (2016 – 2021). The discount rate represents the market-based weighted-average cost of capital adjusted for risks specific to each operating region and the terminal growth rate represents the regional five-year forecasted average growth rate from leading industry organizations, weighted by our geographic exposure which can vary year over year.

Additionally, in 2017, a subsidiary of Brookfield completed several acquisitions, including a U.K. road fuel business, and allocated $342 million of the purchase price of these acquisitions to goodwill. The purchase price allocations for these acquisitions have been completed on a preliminary basis.

b) Infrastructure

Goodwill in our Infrastructure segment is primarily attributable to a Brazilian regulated gas transmission business, which we acquired in the current year and allocated $804 million of the purchase price to goodwill. The purchase price allocation for this acquisition has been completed on a preliminary basis. Excluding the acquisition made in 2017, the remainder of the goodwill is primarily attributable to an Australian port business acquired in 2016. The valuation assumptions used to determine the recoverable amount are a discount rate of 15.0%, terminal capitalization multiple of 8.9x and a cash flow period of 10 years. The carrying amount of the cash-generating was determined to not exceed its recoverable amount.

c) Real Estate

Goodwill in our Real Estate segment is primarily attributable to Center Parcs and IFC Seoul. We acquired IFC Seoul in 2016 and allocated $221 million of goodwill to the property in 2017 upon finalizing the purchase price allocation. Goodwill is tested annually for impairment by assessing if the carrying value of the 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. The recoverable amounts for the years ended 2017 and 2016 were determined to be in excess of their carrying values. The valuation assumptions used to determine the recoverable amount are a discount rate of 7.7% (2016 – 8.3%) based on a market-based-weighted-average cost of capital, and a long-term growth rate of 2.3% (2016 – 2.3%).

d) Renewable Power

Goodwill in our Renewable Power segment is primarily attributable to Isagen, which arose from the inclusion of a deferred tax liability as the tax bases of the net assets acquired were lower than their fair values. The goodwill is recoverable as long as the tax circumstances that gave rise to the goodwill do not change. To date, no such changes have occurred.

The recoverable amounts used in goodwill impairment testing are calculated using discounted cash flow models based on the following significant unobservable inputs:

Valuation Technique	Significant Unobservable Input(s)	Relationship of Unobservable Input(s) to Fair Value	Mitigating Factor(s)
Discounted cash flow models	• Future cash flows	• Increases (decreases) in future cash flows increase (decrease) the recoverable amount	• Increases (decreases) in cash flows tend to be accompanied by increases (decreases) in discount rates that may offset changes in recoverable amounts from cash flows
	• Discount rate	• Increases (decreases) in discount rate decrease (increase) the recoverable amount	• Increases (decreases) in discount rates tend to be accompanied by increases (decreases) in cash flows that may offset changes in recoverable amounts from discount rates
	• Terminal capitalization rate/multiple	• Increases (decreases) in terminal capitalization rate/multiple decrease (increase) the recoverable amount	• Increases (decreases) in terminal capitalization rates/multiple tend to be accompanied by increases (decreases) in cash flows that may offset changes in recoverable amounts from terminal capitalization rates
	• Exit date/terminal year of cash flows	• Increases (decreases) in the exit date/terminal year of cash flows decrease (increase) the recoverable amount	• Increases (decreases) in the exit date/terminal year of cash flows tend to be the result of changing cash flow profiles that may result in higher (lower) growth in cash flows prior to stabilizing in the terminal year

15. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2017 and 2016 are set out below:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Current income taxes	$ 286	$ 213
Deferred income tax expense/(recovery)		
Origination and reversal of temporary differences	499	384
Recovery arising from previously unrecognized tax assets	3	27
Change of tax rates and new legislation	(175)	(969)
Total deferred income taxes	327	(558)
Income taxes	$ 613	$ (345)

The company's Canadian domestic statutory income tax rate has remained consistent at 26% throughout both of 2017 and 2016. The company's effective income tax rate is different from the company's domestic statutory income tax rate due to the following differences set out below:

FOR THE YEARS ENDED DEC. 31	2017	2016
Statutory income tax rate	26%	26 %
Increase (reduction) in rate resulting from:		
Change in tax rates and new legislation	(3)	(35)
International operations subject to different tax rates	3	(5)
Taxable income attributable to non-controlling interests	(9)	(2)
Portion of gains subject to different tax rates	(5)	(1)..
(Recognition) derecognition of deferred tax assets	(2)	1
Non-recognition of the benefit of current year's tax losses	3	6
Other	(1)	(2)
Effective income tax rate	12%	(12)%

Deferred income tax assets and liabilities as at December 31, 2017 and 2016 relate to the following:

AS AT DEC. 31 (MILLIONS)	2017	2016
Non-capital losses (Canada)	$ 657	$ 814
Capital losses (Canada)	171	100
Losses (U.S.)	590	492
Losses (International)	861	481
Difference in basis	(12,224)	(9,965)
Total net deferred tax liabilities	$ (9,945)	$ (8,078)

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized as at December 31, 2017 is approximately $5 billion (2016 – approximately $5 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 in Canada and the company obtaining a deduction based on the amount of these taxes.

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

AS AT DEC. 31 (MILLIONS)	2017	2016
One year from reporting date	$ —	$ 26
Two years from reporting date	—	—
Three years from reporting date	6	59
After three years from reporting date	530	555
Do not expire	990	845
Total	$ 1,526	$ 1,485

The components of the income taxes in other comprehensive income for the years ended December 31, 2017 and 2016 are set out below:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Revaluation of property, plant and equipment	$ (315)	$ 120
Financial contracts and power sale agreements	27	(37)
Available-for-sale securities	5	38
Foreign currency translation	(43)	59
Revaluation of pension obligation	1	(7)
Total deferred tax in other comprehensive income	$ (325)	$ 173

16. ACCOUNTS PAYABLE AND OTHER

AS AT DEC. 31 (MILLIONS)	2017	2016
Accounts payable	$ 5,158	$ 6,028
Provisions	1,651	1,427
Other liabilities	11,156	4,460
Total	$ 17,965	$ 11,915

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

AS AT DEC. 31 (MILLIONS)	2017	2016
Current	$ 11,148	$ 7,721
Non-current	6,817	4,194
Total	$ 17,965	$ 11,915

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' in-year valuation change was an increase of $4 million (2016 – decrease of $40 million). The discount rate used was 4% (2016 – 4%) with an increase in the rate of compensation of 3% (2016 – 3%), and an investment rate of 5% (2016 – 4%).

AS AT DEC. 31 (MILLIONS)	2017	2016
Plan assets	$ 516	$ 592
Less accrued benefit obligation:		
Defined benefit pension plan	(685)	(790)
Other post-employment benefits	(90)	(88)
Net liability	(259)	(286)
Less: net actuarial gains (losses)	(2)	2
Accrued benefit liability	$ (261)	$ (284)

17. CORPORATE BORROWINGS

AS AT DEC. 31 (MILLIONS)	Maturity	Annual Rate	Currency	2017	2016
Term debt					
Public – U.S.	Apr. 25, 2017	5.80%	US$	**$ —**	$ 239
Public – Canadian	Apr. 25, 2017	5.29%	C$	**—**	186
Public – Canadian	Apr. 9, 2019	3.95%	C$	**478**	447
Public – Canadian	Mar. 1, 2021	5.30%	C$	**278**	260
Public – Canadian	Mar. 31, 2023	4.54%	C$	**479**	448
Public – Canadian	Mar. 8, 2024	5.04%	C$	**398**	372
Public – U.S.	Apr. 1, 2024	4.00%	US$	**748**	—
Public – U.S.	Jan. 15, 2025	4.00%	US$	**500**	500
Public – Canadian	Jan. 28, 2026	4.82%	C$	**689**	646
Public – U.S.	Jun. 2, 2026	4.25%	US$	**496**	495
Public – Canadian	Mar. 16, 2027	3.80%	C$	**397**	372
Public – U.S.	Mar. 1, 2033	7.38%	US$	**250**	250
Public – Canadian	Jun. 14, 2035	5.95%	C$	**335**	313
Public – U.S.	Sep. 20, 2047	4.70%	US$	**546**	—
				5,594	4,528
Commercial paper and bank borrowings		1.62%	C$	**103**	—
Deferred financing costs[1]				**(38)**	(28)
Total				**$ 5,659**	$ 4,500

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

Corporate borrowings have a weighted-average interest rate of 4.6% (2016 – 4.8%) and include $3.2 billion (2016 – $3.0 billion) repayable in Canadian dollars of C$4.0 billion (2016 – C$4.1 billion).

18. NON-RECOURSE BORROWINGS

a) Property-Specific Borrowings

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

(MILLIONS)	Real Estate	Renewable Power	Infrastructure	Private Equity	Residential Development	**Total**
2018	$ 5,602	$ 1,918	$ 653	$ 550	$ 77	**$ 8,800**
2019	5,569	1,220	772	720	163	**8,444**
2020	3,960	1,216	933	540	82	**6,731**
2021	6,842	1,034	774	155	17	**8,822**
2022	3,194	1,031	765	410	6	**5,406**
Thereafter	12,068	7,811	5,113	523	3	**25,518**
Total – Dec. 31, 2017	**$ 37,235**	**$ 14,230**	**$ 9,010**	**$ 2,898**	**$ 348**	**$ 63,721**
Total – Dec. 31, 2016	$ 34,322	$ 7,963	$ 7,901	$ 1,837	$ 419	$ 52,442

The weighted-average interest rate on property-specific borrowings as at December 31, 2017 was 4.9% (2016 – 4.9%).

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

AS AT DEC. 31 (MILLIONS)	2017	2016
Current	$ 8,800	$ 7,655
Non-current	54,921	44,787
Total	$ 63,721	$ 52,442

Property-specific borrowings by currency include the following:

(MILLIONS)	2017	Local Currency		2016	Local Currency	
U.S. dollars	$ 39,164	US$	39,164	$ 31,804	US$	31,804
British pounds	6,117	£	4,525	5,251	£	4,250
Canadian dollars	5,272	C$	6,627	4,427	C$	5,951
Australian dollars	3,518	A$	4,506	3,066	A$	4,260
Brazilian reais	2,677	R$	8,856	1,569	R$	5,117
Korean won	1,682	₩	1,795,518	1,317	₩	1,589,450
Colombian pesos	1,556	COP$	4,645,648	1,693	COP$	5,086,971
Indian rupees	1,346	Rs	85,720	715	Rs	48,603
Chilean unidades de fomento	976	UF	22	901	UF	23
European Union euros	766	€	638	1,217	€	1,157
Peruvian nuevo soles	450	S	1,459	435	S	1,459
South African rand	154	ZAR	1,909	—	ZAR	—
New Zealand dollars	43	NZD$	60	47	NZD$	60
Total	$ 63,721			$ 52,442		

b) Subsidiary Borrowings

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

(MILLIONS)	Real Estate	Renewable Power	Infrastructure	Private Equity	Residential Development	Total
2018	$ 1,414	$ 159	$ 99	$ 284	$ —	$ 1,956
2019	158	—	—	38	—	196
2020	1,365	358	—	—	601	2,324
2021	277	—	298	—	—	575
2022	—	318	1,147	—	496	1,961
Thereafter	—	830	558	58	551	1,997
Total – Dec. 31, 2017	**$ 3,214**	**$ 1,665**	**$ 2,102**	**$ 380**	**$ 1,648**	**$ 9,009**
Total – Dec. 31, 2016	$ 2,765	$ 2,030	$ 1,002	$ 536	$ 1,616	$ 7,949

The weighted-average interest rate on subsidiary borrowings as at December 31, 2017 was 4.1% (2016 – 4.1%).

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

AS AT DEC. 31 (MILLIONS)	2017	2016
Current	$ 1,956	$ 866
Non-current	7,053	7,083
Total	$ 9,009	$ 7,949

Subsidiary borrowings by currency include the following:

AS AT DEC. 31 (MILLIONS)		2017	Local Currency			2016	Local Currency	
U.S. dollars	**$**	**5,305**	**US$**	**5,305**	$	4,441	US$	4,441
Canadian dollars		**3,547**	**C$**	**4,460**		3,364	C$	4,525
Australian dollars		**156**	**A$**	**199**		143	A$	200
British pounds		**1**	**£**	**1**		—	£	—
European Union euros		**—**	**€**	**—**		1	€	1
Total	**$**	**9,009**			$	7,949		

19. SUBSIDIARY EQUITY OBLIGATIONS

Subsidiary equity obligations consist of the following:

AS AT DEC. 31 (MILLIONS)	Note		2017		2016
Subsidiary preferred equity units	(a)	**$**	**1,597**	$	1,574
Limited-life funds and redeemable fund units	(b)		**1,559**		1,439
Subsidiary preferred shares and capital	(c)		**505**		552
Total		**$**	**3,661**	$	3,565

a) Subsidiary Preferred Equity Units

In 2014, BPY issued $1.8 billion of exchangeable preferred equity units in three $600 million tranches redeemable in 2021, 2024 and 2026, respectively. The preferred equity units are exchangeable into equity units of BPY at $25.70 per unit, at the option of the holder, at any time up to and including the maturity date. BPY may redeem the preferred equity units after specified periods if the BPY equity unit price exceeds predetermined amounts. At maturity, the preferred equity units that remain outstanding will be converted into BPY equity units at the lower of $25.70 or the then market price of a BPY equity unit. The preferred equity units represent a compound financial instrument comprised of the financial liability representing the company's obligations to redeem the preferred equity units at maturity for a variable number of BPY units and an equity instrument representing the holder's right to convert the preferred equity units to a fixed number of BPY units. The corporation is required under certain circumstances to purchase the preferred equity units at their redemption value in equal amounts in 2021 and 2024 and may be required to purchase the 2026 tranche, as further described in Note 29(a).

AS AT DEC. 31 (MILLIONS, EXCEPT PER SHARE INFORMATION)	Shares Outstanding	Cumulative Dividend Rate	Local Currency		2017		2016
Series 1	24,000,000	6.25%	US$	**$**	**551**	$	541
Series 2	24,000,000	6.50%	US$		**529**		522
Series 3	24,000,000	6.75%	US$		**517**		511
Total				**$**	**1,597**	$	1,574

b) Limited-Life Funds and Redeemable Fund Units

Limited-life funds and redeemable fund units represent interests held in our consolidated funds by third-party investors that have been classified as a liability rather than as non-controlling interest, as holders of these interests can cause our funds to redeem their interest in the fund for cash equivalents at a specified time. As at December 31, 2017, we have $1.6 billion of subsidiary equity obligations arising from limited-life funds (2016 – $1.4 billion arising from limited-life funds and redeemable fund units).

In our real estate business, limited-life fund obligations include $813 million (2016 – $795 million) of equity interests held by third-party investors in two consolidated funds that have been classified as a liability, instead of non-controlling interest, as holders of these interests can cause the funds to redeem their interests in the fund for cash equivalents at the fair value of the interest at a set date.

As at December 31, 2017, we have $746 million (2016 – $592 million) of subsidiary equity obligations arising from limited-life fund units in our infrastructure business. These obligations are primarily composed of the portion of the equity interest held by third-party investors in our timberland and agriculture funds that are attributed to the value of the land held in the fund. The value of this equity interest has been classified as a liability, instead of non-controlling interest, as we are obligated to purchase the land from the third-party investors on maturity of the fund.

As at December 31, 2016, we had $52 million of redeemable fund unit obligations in our public securities business which were settled during 2017.

c) Subsidiary Preferred Shares and Capital

Preferred shares are classified as liabilities if the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity of the issuer based on the market price of the common equity of the issuer at that time unless they are previously redeemed by the issuer. The dividends paid on these securities are recorded in interest expense. As at December 31, 2017 and 2016, the balance related to obligations of BPY and its subsidiaries.

AS AT DEC. 31 (MILLIONS, EXCEPT PER SHARE INFORMATION)	Shares Outstanding	Cumulative Dividend Rate	Local Currency	2017	2016
BPO Class AAA preferred shares					
Series G	—	5.25%	US$	$ —	$ 81
Series J	—	5.00%	C$	—	122
Series K	—	5.20%	C$	—	93
Brookfield Property Split Corp (“BOP Split”) senior preferred shares					
Series 1	924,390	5.25%	US$	**23**	24
Series 2	699,165	5.75%	C$	**14**	14
Series 3	909,994	5.00%	C$	**18**	17
Series 4	940,486	5.20%	C$	**19**	18
BSREP II RH B LLC (“Manufactured Housing”) preferred capital	—	9.00%	US$	**249**	—
Rouse Series A preferred shares	5,600,000	5.00%	US$	**142**	143
BSREP II Vintage Estate Partners LLC (“Vintage Estates”) preferred shares	10,000	5.00%	US$	**40**	40
Total				**$ 505**	$ 552

The BPO Class AAA preferred shares, Series G, J and K were redeemed during the year.

Each series of the BOP Split senior preferred shares are redeemable at the option of either the issuer or the holder as the redemption and conversion option dates have passed.

Subsidiary preferred capital includes $249 million at December 31, 2017 (2016 – $nil) of preferred equity interests held by a third-party investor in Manufactured Housing which has been classified as a liability, rather than as non-controlling interest, due to the fact the holders are only entitled to distributions equal to their capital balance plus 9% annual return payable in monthly distributions until maturity in December 2025. The preferred capital was issued to partially fund the acquisition of the Manufactured Housing portfolio during the first quarter of 2017.

Subsidiary preferred shares include $142 million at December 31, 2017 (2016 – $143 million) of preferred equity interests held by a third-party investor in Rouse Properties, L.P., which have been classified as a liability, rather than as non-controlling interests, due to the fact that the interests have no voting rights and are mandatorily redeemable on or after November 12, 2025 for a set price per unit plus any accrued but unpaid distributions; distributions are capped and accrue regardless of available cash generated.

Subsidiary preferred shares also include $40 million at December 31, 2017 (2016 – $40 million) of preferred equity interests held by a co-investor in Vintage Estates, which have been classified as a liability, rather than as non-controlling interests, due to the fact that the preferred equity interests are mandatorily redeemable on April 26, 2023 for cash at an amount equal to the outstanding principal balance of the preferred equity plus any accrued but unpaid dividends.

20. SUBSIDIARY PUBLIC ISSUERS AND FINANCE SUBSIDIARY

Brookfield Finance Inc. (“BFI”) is an indirect 100% owned subsidiary of the corporation that may offer and sell debt securities. Any debt securities issued by BFI are fully and unconditionally guaranteed by the company. BFI issued $500 million of 4.25% notes due in 2026 and $550 million of 4.70% notes due in 2047 on May 25, 2016 and September 14, 2017, respectively.

Brookfield Finance LLC (“BFL”) is a Delaware limited liability company formed on February 6, 2017 and an indirect 100% owned subsidiary of the corporation. BFL is a “finance subsidiary,” as defined in Rule 3-10 of Regulation S-X. Any debt securities issued by BFL are fully and unconditionally guaranteed by the corporation. On March 10, 2017, BFL issued $750 million of 4.00%

notes due 2024. BFL has no independent activities, assets or operations other than in connection with any debt securities it may issue.

Brookfield Investments Corporation ("BIC") is an investment company that holds investments in the property and forest products sectors, as well as a portfolio of preferred shares issued by the corporation's subsidiaries. The corporation provided a full and unconditional guarantee of the Class 1 Senior Preferred Shares, Series A issued by BIC. As at December 31, 2017, C$42 million of these senior preferred shares were held by third-party shareholders and are retractable at the option of the holder.

The following tables contain summarized financial information of the corporation, BFI, BFL, BIC and non-guarantor subsidiaries:

AS AT AND FOR THE YEAR ENDED DEC. 31, 2017 (MILLIONS)	The corporation[1]	BFI	BFL	BIC	Subsidiaries of the corporation other than BFI, BFL and BIC[2]	Consolidating Adjustments[3]	The Company Consolidated
Revenues	**$ 168**	**$ 30**	**$ 43**	**$ 22**	**$ 44,908**	**$ (4,385)**	**$ 40,786**
Net income attributable to shareholders	**1,462**	**—**	**—**	**59**	**2,019**	**(2,078)**	**1,462**
Total assets	**53,688**	**1,060**	**757**	**3,761**	**206,907**	**(73,453)**	**192,720**
Total liabilities	**25,444**	**1,042**	**756**	**2,309**	**113,336**	**(30,039)**	**112,848**

AS AT AND FOR THE YEAR ENDED DEC. 31, 2016 (MILLIONS)	The corporation[1]	BFI	BFL	BIC	Subsidiaries of the corporation other than BFI, BFL and BIC[2]	Consolidating Adjustments[3]	The Company Consolidated
Revenues	$ 148	$ 13	$ —	$ 3	$ 27,968	$ (3,721)	$ 24,411
Net income attributable to shareholders	1,651	—	—	66	1,854	(1,920)	1,651
Total assets	47,505	507	—	2,974	169,033	(60,193)	159,826
Total liabilities	21,052	497	—	1,411	87,252	(20,074)	90,138

1. This column accounts for investments in all subsidiaries of the corporation under the equity method
2. This column accounts for investments in all subsidiaries of the corporation other than BFI, BFL and BIC on a combined basis
3. This column includes the necessary amounts to present the company on a consolidated basis

21. EQUITY

Equity consists of the following:

AS AT DEC. 31 (MILLIONS)	2017	2016
Preferred equity	**$ 4,192**	$ 3,954
Non-controlling interests	**51,628**	43,235
Common equity	**24,052**	22,499
	$ 79,872	$ 69,688

a) Preferred Equity

Preferred equity includes perpetual preferred shares and rate-reset preferred shares and consists of the following:

AS AT DEC. 31 (MILLIONS)	Average Rate 2017	Average Rate 2016	2017	2016
Perpetual preferred shares				
Floating rate	**2.33%**	1.97%	**$ 531**	$ 532
Fixed rate	**4.82%**	4.82%	**749**	753
	3.78%	3.65%	**1,280**	1,285
Fixed rate-reset preferred shares	**4.21%**	4.42%	**2,912**	2,669
	4.08%	4.17%	**$ 4,192**	$ 3,954

Further details on each series of preferred shares are as follows:

AS AT DEC. 31 (MILLIONS, EXCEPT PER SHARE INFORMATION)	Rate	Issued and Outstanding 2017	2016	2017	2016
Class A preferred shares					
Perpetual 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**	**2,479,585**	2,479,585	**43**	43
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%**	**7,950,756**	8,000,000	**173**	174
Series 18	**4.75%**	**7,966,158**	8,000,000	**180**	181
Series 25	**T-Bill + 230 b.p.[1]**	**1,533,133**	1,533,133	**38**	38
Series 36	**4.85%**	**7,949,024**	8,000,000	**200**	201
Series 37	**4.90%**	**7,949,083**	8,000,000	**195**	197
				1,280	1,285
Rate-reset preferred shares[2]					
Series 9	**3.80%**	**1,519,115**	1,519,115	**21**	21
Series 24	**3.01%**	**9,394,250**	9,394,250	**230**	230
Series 26	**3.47%**	**9,903,348**	9,903,348	**243**	243
Series 28	**2.73%**	**9,359,387**	9,394,373	**235**	235
Series 30	**4.80%**	**9,934,050**	9,950,452	**245**	245
Series 32	**4.50%**	**11,982,568**	11,982,568	**303**	303
Series 34	**4.20%**	**9,977,889**	9,977,889	**255**	255
Series 38	**4.40%**	**8,000,000**	8,000,000	**181**	181
Series 40	**4.50%**	**12,000,000**	12,000,000	**275**	275
Series 42	**4.50%**	**12,000,000**	12,000,000	**269**	269
Series 44	**5.00%**	**9,945,189**	10,000,000	**189**	190
Series 46	**4.80%**	**11,895,790**	12,000,000	**220**	222
Series 48[3]	**4.75%**	**12,000,000**	—	**246**	—
				2,912	2,669
Total				**$ 4,192**	$ 3,954

1. Rate determined quarterly
2. Dividend rates are fixed for five to six years from the quarter end dates after issuance, June 30, 2011, March 31, 2012, June 30, 2012, December 31, 2012, September 30, 2013, March 31, 2014, June 30, 2014, December 31, 2014, December 31, 2015, December 31, 2016 and December 31, 2017, respectively and reset after five to six years to the 5-year Government of Canada bond rate plus between 180 and 417 basis points
3. Issued on September 13, 2017

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 are entitled to preference over the Class A and Class B Limited Voting Shares ("Class A and B shares") on the declaration of dividends and other distributions to shareholders. All series of the outstanding preferred shares have a par value of C$25.00 per share.

b) Non-controlling Interests

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

AS AT DEC. 31 (MILLIONS)	2017	2016
Common equity	$ 47,281	$ 39,974
Preferred equity	4,347	3,261
Total	$ 51,628	$ 43,235

Further information on non-controlling interests is provided in Note 4 – Subsidiaries.

c) Common Equity

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

AS AT DEC. 31 (MILLIONS)	2017	2016
Common shares	$ 4,428	$ 4,390
Contributed surplus	263	234
Retained earnings	11,864	11,490
Ownership changes	1,459	1,199
Accumulated other comprehensive income	6,038	5,186
Common equity	$ 24,052	$ 22,499

The company is authorized to issue an unlimited number of Class A shares and 85,120 Class B shares, together referred to as common shares. The company's common shares have no stated par value. The holders of Class A shares and Class B shares rank on par 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 shares are entitled to elect half of the Board of Directors of the company and holders of the Class B shares are entitled to elect the other half of the Board of Directors. With respect to the Class A and Class B 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 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 shares is diluted.

Total cash dividends paid to Class A shareholders during 2017 amounted to $540 million (2016 – $500 million) or $0.56 per share (2016 – $0.52 per share).

On June 22, 2017, the company completed the spin-off of Trisura Group Ltd. by paying a special dividend to the holders of the company's Class A and Class B Shares. The special dividend of $102 million recorded in equity was based on the fair value of the assets distributed.

On June 20, 2016, the company paid a special dividend of approximately 19 million limited partnership units of a newly created subsidiary, Brookfield Business Partners L.P. ("BBU"), to the holders of the company's Class A and B shares. This was a common control transaction and as such the special dividend of $441 million reflected in equity was based on the IFRS carrying value of the 21% interest in BBU distributed to shareholders on June 20, 2016.

The number of issued and outstanding common shares and unexercised options are as follows:

AS AT DEC. 31	2017	2016
Class A shares[1]	958,688,000	958,083,297
Class B shares	85,120	85,120
Shares outstanding[1]	958,773,120	958,168,417
Unexercised options and other share-based plans[2]	47,474,284	43,798,733
Total diluted shares	1,006,247,404	1,001,967,150

1. Net of 30,569,215 (2016 – 27,846,452) Class A shares held by the company in respect of long-term compensation agreements
2. Includes management share option plan and escrowed stock plan

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

FOR THE YEARS ENDED DEC. 31	2017	2016
Outstanding, beginning of year[1]	**958,168,417**	961,290,839
Issued (repurchased)		
Repurchases	**(3,448,665)**	(4,707,132)
Long-term share ownership plans[2]	**3,826,248**	1,312,463
Dividend reinvestment plan and others	**227,120**	272,247
Outstanding, end of year[1]	**958,773,120**	958,168,417

1. Net of 30,569,215 (2016 – 27,846,452) Class A shares held by the company in respect of long-term compensation agreements
2. Includes management share option plan and restricted stock plan

Earnings Per Share

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

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Net income attributable to shareholders	**$ 1,462**	$ 1,651
Preferred share dividends	**(145)**	(133)
Net income available to shareholders	**$ 1,317**	$ 1,518
Weighted average – common shares	**958.8**	959.0
Dilutive effect of the conversion of options and escrowed shares using treasury stock method	**21.2**	17.6
Common shares and common share equivalents	**980.0**	976.6

Share-Based Compensation

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

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Expense arising from equity-settled share-based payment transactions	**$ 69**	$ 64
Expense arising from cash-settled share-based payment transactions	**281**	32
Total expense arising from share-based payment transactions	**350**	96
Effect of hedging program	**(275)**	(27)
Total expense included in consolidated income	**$ 75**	$ 69

The share-based payment plans are described below. There were no cancellations or modifications to any of the plans during 2017 and 2016.

Equity-settled Share-based Awards

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 shares. The exercise price is equal to the market price at the grant date.

The change in the number of options during 2017 and 2016 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, 2017	**7,684**	**C$ 15.63**	**$**	**31,483**	**US$ 25.77**
Granted	**—**	**—**		**6,331**	**36.92**
Exercised	**(4,887)**	**17.50**		**(2,149)**	**24.36**
Canceled	**—**	**—**		**(772)**	**33.28**
Outstanding at December 31, 2017	**2,797**	**C$ 12.35**		**34,893**	**US$ 27.71**

1. Options to acquire TSX listed Class A shares
2. Options to acquire NYSE listed Class A 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, 2016	9,427	C$ 17.07	$	28,488	US$ 24.98
Granted	—	—		4,363	30.59
Exercised	(1,743)	23.44		(970)	22.00
Canceled	—	—		(398)	31.25
Outstanding at December 31, 2016	7,684	C$ 15.63		31,483	US$ 25.77

1. Options to acquire TSX listed Class A shares
2. Options to acquire NYSE listed Class A shares

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

YEARS ENDED DEC. 31	Unit	2017	2016
Weighted-average share price	US$	**36.92**	30.59
Weighted-average fair value per option	US$	**4.92**	5.29
Average term to exercise	Years	**7.5**	7.5
Share price volatility[1]	%	**18.9**	28.0
Liquidity discount	%	**25.0**	25.0
Weighted-average annual dividend yield	%	**2.1**	1.6
Risk-free rate	%	**2.3**	1.6

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

At December 31, 2017, the following options to purchase Class A shares were outstanding:

		Options Outstanding (000's)		
Exercise Price	**Weighted-Average Remaining Life**	**Vested**	**Unvested**	**Total**
C$11.77	**1.2 years**	**2,620**	**—**	**2,620**
C$21.08	**0.1 years**	**177**	**—**	**177**
US$15.45	**2.2 years**	**4,772**	**—**	**4,772**
US$16.83 – US$23.37	**3.8 years**	**5,834**	**—**	**5,834**
US$25.21 – US$30.59	**6.5 years**	**6,858**	**5,967**	**12,825**
US$33.75 – US$36.32	**7.1 years**	**2,049**	**3,191**	**5,240**
US$36.88 – US$37.75	**9.1 years**	**—**	**6,222**	**6,222**
		22,310	**15,380**	**37,690**

At December 31, 2016, the following options to purchase Class A shares were outstanding:

Exercise Price	Weighted-Average Remaining Life	Options Outstanding (000's)		
		Vested	Unvested	Total
C$11.77	2.2 years	4,885	—	4,885
C$18.20 – C$23.63	1.1 years	2,159	—	2,159
C$26.02	0.1 years	640	—	640
US$15.45	3.2 years	5,153	—	5,153
US$16.83 – US$23.37	4.8 years	5,626	890	6,516
US$25.21 – US$30.59	7.5 years	4,692	9,143	13,835
US$33.75 – US$36.32	8.1 years	949	5,030	5,979
		24,104	15,063	39,167

Escrowed Stock Plan

The Escrowed Stock Plan (the "ES Plan") provides executives with indirect ownership of Class A shares. Under the ES Plan, executives are granted common shares (the "ES Shares") in one or more private companies that own Class A shares. The Class A shares are purchased on the open market with the purchase cost funded by the company. The ES shares vest over one to five years 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 outstanding ES shares will be exchanged for Class A shares issued by the company based on the market value of Class A shares at the time of the exchange. The number of Class A shares issued on exchange will be less than the Class A shares purchased under the ES Plan resulting in a net reduction in the number of Class A shares issued by the company.

During 2017, 3.7 million Class A shares were purchased in respect of ES shares granted to executives under the ES Plan (2016 – 3.3 million Class A shares) during the year. For the year ended December 31, 2017, the total expense incurred with respect to the ES Plan totaled $26 million (2016 – $26 million).

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

YEARS ENDED DEC. 31	Unit	**2017**	2016
Weighted-average share price	US$	**36.88**	30.59
Weighted-average fair value per share	US$	**4.92**	5.29
Average term to exercise	Years	**7.5**	7.5
Share price volatility[1]	%	**18.9**	28.0
Liquidity discount	%	**25.0**	25.0
Weighted-average annual dividend yield	%	**2.1**	1.6
Risk-free rate	%	**2.3**	1.6

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

The change in the number of ES shares during 2017 and 2016 was as follows:

	Number of Units (000's)	Weighted-Average Exercise Price
Outstanding at January 1, 2017	**24,167**	**$ 27.77**
Granted	**3,700**	**36.88**
Exercised	**(95)**	**21.74**
Outstanding at December 31, 2017	**27,772**	**$ 29.01**

	Number of Units (000's)	Weighted-Average Exercise Price
Outstanding at January 1, 2016	20,938	$ 27.33
Granted	3,250	30.59
Exercised	(21)	21.74
Outstanding at December 31, 2016	24,167	$ 27.77

Restricted Stock Plan

The Restricted Stock Plan awards executives with Class A shares purchased on the open market ("Restricted Shares"). Under the Restricted Stock Plan, Restricted Shares awarded vest over a period of up to five years, except for Restricted Shares awarded in lieu of a cash bonus, which may vest immediately. Vested and unvested Restricted Shares are subject to a hold period of up to five years. Holders of Restricted Shares are entitled to vote Restricted Shares and to receive associated dividends. Employee compensation expense for the Restricted Stock Plan is charged against income over the vesting period.

During 2017, Brookfield granted 760,754 Class A shares (2016 – 449,110) pursuant to the terms and conditions of the Restricted Stock Plan, resulting in the recognition of $18 million (2016 – $11 million) of compensation expense.

Cash-settled Share-based Awards

Deferred Share Unit Plan and Restricted Share Unit Plan

The Deferred Share Unit Plan and Restricted Share Unit Plan provide for the issuance of DSUs and RSUs, respectively. Under these plans, qualifying employees and directors receive varying percentages of their annual incentive bonus or directors' fees in the form of DSUs and RSUs. 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, 2017 was $1.0 billion (2016 – $777 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. For the year ended December 31, 2017, employee compensation expense totaled $7 million (2016 – $5 million), net of the impact of hedging arrangements.

The change in the number of DSUs and RSUs during 2017 and 2016 was as follows:

	DSUs	**RSUs**		
	Number of Units (000's)	**Number of Units (000's)**		**Weighted-Average Exercise Price**
Outstanding at January 1, 2017	**14,986**	**10,920**	**C$**	**9.09**
Granted and reinvested	**661**	**—**		**—**
Exercised and canceled	**(703)**	**—**		**—**
Outstanding at December 31, 2017	**14,944**	**10,920**	**C$**	**9.09**

	DSUs	RSUs		
	Number of Units (000's)	Number of Units (000's)		Weighted-Average Exercise Price
Outstanding at January 1, 2016	13,793	10,920	C$	9.09
Granted and reinvested	1,264	—		—
Exercised and canceled	(71)	—		—
Outstanding at December 31, 2016	14,986	10,920	C$	9.09

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

	Unit	**Dec. 31, 2017**	Dec. 31, 2016
Share price on date of measurement	C$	**54.72**	44.30
Share price on date of measurement	US$	**43.54**	33.01

The fair value of RSUs was determined primarily using the following inputs:

	Unit	**Dec. 31, 2017**	Dec. 31, 2016
Share price on date of measurement	C$	**54.72**	44.30
Weighted-average fair value of a unit	C$	**45.63**	35.21

22. REVENUES

Revenues include $14.5 billion (2016 – $14.7 billion) from the sale of goods, $25.1 billion (2016 – $8.4 billion) from the rendering of services and $1.2 billion (2016 – $1.3 billion) from other activities.

23. DIRECT COSTS

Direct costs include all attributable expenses except interest, depreciation and amortization, taxes and fair value changes and primarily relate to cost of sales and compensation. The following table lists direct costs for 2017 and 2016 by nature:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)		**2017**		2016
Cost of sales	**$**	**26,461**	$	12,487
Compensation		**2,795**		2,039
Selling, general and administrative expenses		**1,339**		1,544
Property taxes, sales taxes and other		**1,793**		1,648
	$	**32,388**	$	17,718

24. FAIR VALUE CHANGES

Fair value changes recorded in net income represent gains or losses arising from changes in the fair value of assets and liabilities, including derivative financial instruments, accounted for using the fair value method and are comprised of the following:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017**	2016
Investment properties	**$ 1,021**	$ 960
GGP warrants	**(268)**	(110)
Impairment	**(98)**	(771)
Provisions	**(246)**	(99)
Transaction related gains (losses), net of deal costs	**637**	(148)
Financial contracts	**(600)**	65
Other fair value changes	**(25)**	(27)
	$ 421	$ (130)

25. 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 selectively uses derivative financial instruments principally to manage these risks.

The aggregate notional amount of the company's derivative positions at December 31, 2017 and 2016 is as follows:

AS AT DEC. 31 ($ MILLIONS)	Note	**2017**	2016
Foreign exchange	(a)	**$ 28,573**	$ 21,782
Interest rates	(b)	**18,433**	17,092
Credit default swaps	(c)	**43**	182
Equity derivatives	(d)	**1,384**	2,583

Commodity instruments	(e)	**2017**	2016
Energy (GWh)		**28,808**	15,904
Natural gas (MMBtu – 000's)		**48,163**	9,150

a) Foreign Exchange

The company held the following foreign exchange contracts with notional amounts at December 31, 2017 and December 31, 2016:

	Notional Amount (U.S. Dollars)		Average Exchange Rate	
(MILLIONS)	**2017**	2016	**2017**	2016
Foreign exchange contracts				
British pounds	**$ 7,312**	$ 6,231	**$ 1.29**	$ 1.26
Australian dollars	**3,610**	5,022	**0.75**	0.74
European Union euros	**2,754**	1,855	**1.15**	1.11
Canadian dollars	**2,619**	1,405	**0.78**	0.75
Korean won	**578**	485	**1,100**	1,153
Chinese yuan	**346**	252	**6.72**	7.06
Brazilian reais	**62**	511	**0.27**	0.32
Japanese yen	**14**	203	**110.17**	116.39
Other currencies	**256**	186	**various**	various
Cross currency interest rate swaps				
Canadian dollars	**2,442**	2,269	**0.76**	0.82
European Union euros	**1,914**	530	**1.06**	1.06
Australian dollars	**1,610**	1,484	**0.98**	0.99
Japanese yen	**750**	—	**113.33**	—
Colombian pesos	**299**	125	**3,056**	3,056
British pounds	**272**	249	**1.45**	1.49
Foreign exchange options				
European Union euros	**1,801**	—	**1.21**	—
Canadian dollars	**1,000**	—	**0.76**	—
British pounds	**534**	—	**1.19**	—
Japanese yen	**400**	975	**118.00**	118.00

Included in net income are unrealized net losses on foreign currency derivative contracts amounting to $364 million (2016 – $62 million) and included in the cumulative translation adjustment account in other comprehensive income are losses in respect of foreign currency contracts entered into for hedging purposes amounting to $1,491 million (2016 – gain of $893 million).

b) Interest Rates

At December 31, 2017, the company held interest rate swap and forward starting swap contracts having an aggregate notional amount of $8.8 billion (2016 – $6.6 billion), interest rate swaptions with an aggregate notional amount of $0.9 billion (2016 – $4.1 billion) and interest rate cap contracts with an aggregate notional amount of $8.7 billion (2016 – $6.4 billion).

c) Credit Default Swaps

As at December 31, 2017, the company held credit default swap contracts with an aggregate notional amount of $43 million (2016 – $182 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 $43 (2016 – $100 million) of the notional amount and could be required to make payments in respect of $nil (2016 – $82 million) of the notional amount.

d) Equity Derivatives

At December 31, 2017, the company held equity derivatives with a notional amount of $1,384 million (2016 – $2,583 million) which includes $1.1 billion (2016 – $988 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 endeavors 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. The company has financial contracts outstanding on 48,163,000 MMBtu's of natural gas as part of its electricity sale price risk mitigation strategy.

Other Information Regarding Derivative Financial Instruments

The following table classifies derivatives elected for hedge accounting during the years ended December 31, 2017 and 2016 as either cash flow hedges or net investment 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:

	2017			2016		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Notional**	**Effective Portion**	**Ineffective Portion**	Notional	Effective Portion	Ineffective Portion
Cash flow hedges[1]	**$ 10,254**	**$ 42**	**$ (16)**	$ 11,998	$ 149	$ (13)
Net investment hedges	**14,587**	**(748)**	**—**	13,973	129	—
	$ 24,841	**$ (706)**	**$ (16)**	$ 25,971	$ 278	$ (13)

1. Notional amount does not include 15,586 GWh, 45,014 MMBtu and 3,087 bbls and 8,561 GWh of commodity derivatives at December 31, 2017 and December 31, 2016, respectively

The following table presents the change in fair values of the company's derivative positions during the years ended December 31, 2017 and 2016, for derivatives that are fair valued through profit or loss, and derivatives that qualify for hedge accounting:

(MILLIONS)	**Unrealized Gains During 2017**	**Unrealized Losses During 2017**	**Net Change During 2017**	Net Change During 2016
Foreign exchange derivatives	**$ 119**	**$ (483)**	**$ (364)**	$ (62)
Interest rate derivatives	**20**	**(35)**	**(15)**	110
Credit default swaps	**2**	**—**	**2**	(5)
Equity derivatives	**204**	**(35)**	**169**	(9)
Commodity derivatives	**69**	**(103)**	**(34)**	9
	$ 414	**$ (656)**	**$ (242)**	$ 43

The following table presents the notional amounts underlying the company's derivative instruments by term to maturity as at December 31, 2017 and the comparative notional amounts at December 31, 2016, for derivatives that are classified as fair value through profit or loss, and derivatives that qualify for hedge accounting:

AS AT DEC. 31 ($ MILLIONS)	2017 <1 Year	2017 1 to 5 Years	2017 >5 Years	2017 Total Notional Amount	2016 Total Notional Amount
Fair value through profit or loss					
Foreign exchange derivatives	**$ 5,516**	**$ 4,074**	**$ 1,042**	**$ 10,632**	$ 5,065
Interest rate derivatives	**7,287**	**4,034**	**211**	**11,532**	7,838
Credit default swaps	**—**	**43**	**—**	**43**	182
Equity derivatives	**680**	**682**	**—**	**1,362**	2,560
Commodity instruments					
Energy (GWh)	**5,328**	**7,894**	**—**	**13,222**	7,343
Natural gas (MMBtu – 000's)	**2,459**	**690**	**—**	**3,149**	9,150
Elected for hedge accounting					
Foreign exchange derivatives	**$ 12,674**	**$ 3,391**	**$ 1,876**	**$ 17,941**	$ 16,717
Interest rate derivatives	**607**	**5,184**	**1,110**	**6,901**	9,254
Equity derivatives	**10**	**12**	**—**	**22**	24
Commodity instruments					
Energy (GWh)	**1,412**	**11,494**	**2,680**	**15,586**	8,561
Natural gas (MMBtu – 000's)	**37,052**	**7,962**	**—**	**45,014**	—

26. 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 exchange risk and other price risk that impact the fair value 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 by 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.

i. 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 changes in value 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 financial assets and liabilities would have resulted in a corresponding decrease in net income before tax of $80 million (2016 – $45 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 are recorded in other comprehensive income. The impact of a 50 basis-point parallel increase in the yield curve on the aforementioned financial instruments is estimated to result in a corresponding increase in net income before tax of $53 million (2016 – $26 million) and an increase in other comprehensive income of $98 million (2016 – $72 million), for the years ended December 31, 2017 and 2016.

ii. 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 $44 million (2016 – $38 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 limit its exposure to the impact of foreign currencies on its net investments 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 $142 million (2016 – $133 million) as at December 31, 2017, 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.

iii. 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 that hedge compensation arrangements, would have decreased net income by $45 million (2016 – $161 million) and decreased other comprehensive income by $62 million (2016 – $48 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 $65 million (2016 – $52 million). This increase would be offset by a $65 million (2016 – $52 million) change in value of the associated equity derivatives of which $64 million (2016 – $51 million) would offset the above-mentioned increase in compensation expense and the remaining $1 million (2016 – $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 consolidated 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 decreased net income for the year ended December 31, 2017 by approximately $11 million (2016 – $15 million) and decreased other comprehensive income by $4 million (2016 – $16 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 $43 million (2016 – $182 million) at December 31, 2017. The company is exposed to changes in the credit spread of the contracts' underlying reference assets. A 50 basis-point increase in the credit spread of the underlying reference assets would have increased net income by $1 million (2016 – $2 million) for the year ended December 31, 2017, 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 creditworthiness of each counterparty before entering into contracts with a view to ensuring that counterparties meet minimum credit quality requirements. Management evaluates and monitors counterparty credit risk for derivative financial instruments and endeavors 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 help ensure the company is able to react to contingencies and investment opportunities quickly, the company maintains sources of liquidity at the corporate and subsidiary levels. 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.

The following tables present the contractual maturities of the company's financial liabilities at December 31, 2017 and 2016:

	Payments Due by Period				
AS AT DECEMBER 31, 2017 (MILLIONS)	**<1 Year**	**1 to 3 Years**	**4 to 5 Years**	**After 5 Years**	**Total**
Principal repayments					
Corporate borrowings	**$ —**	**$ 478**	**$ 278**	**$ 4,903**	**$ 5,659**
Property-specific borrowings	**8,800**	**15,175**	**14,228**	**25,518**	**63,721**
Other debt of subsidiaries	**1,956**	**2,520**	**2,536**	**1,997**	**9,009**
Subsidiary equity obligations	**76**	**53**	**1,001**	**2,531**	**3,661**
Interest expense[1]					
Corporate borrowings	**259**	**494**	**462**	**1,433**	**2,648**
Non-recourse borrowings	**3,248**	**5,024**	**3,575**	**5,314**	**17,161**
Subsidiary equity obligations	**226**	**428**	**340**	**322**	**1,316**

1. Represents the aggregated interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates

	Payments Due by Period				
AS AT DECEMBER 31, 2016 (MILLIONS)	<1 Year	1 to 3 Years	4 to 5 Years	After 5 Years	Total
Principal repayments					
Corporate borrowings	$ 425	$ 447	$ 260	$ 3,368	$ 4,500
Property-specific borrowings	7,655	13,965	13,467	17,355	52,442
Other debt of subsidiaries	866	2,699	1,955	2,429	7,949
Subsidiary equity obligations	421	143	1,217	1,784	3,565
Interest expense[1]					
Corporate borrowings	201	375	342	878	1,796
Non-recourse borrowings	2,776	4,549	3,219	4,378	14,922
Subsidiary equity obligations	198	376	318	378	1,270

1. Represents the aggregated interest expense expected to be paid over the term of the obligations. Variable interest rate payments have been calculated based on current rates

27. 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 at December 31, 2017, the recorded values of these items in the company's consolidated financial statements totaled $28.2 billion (2016 – $26.5 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, totaled $5.7 billion based on carrying values at December 31, 2017 (2016 – $4.5 billion). The company monitors its capital base and leverage primarily in the context of its deconsolidated debt-to-total capitalization ratios. The ratio as at December 31, 2017 was 16% (2016 – 14%).

The consolidated capitalization of the company includes the capital and financial obligations of consolidated entities, including long-term property-specific borrowings, 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 in which 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, 2017 and 2016. The company is also in compliance with all covenants and other capital requirements related to regulatory or contractual obligations of material consequence to the company.

28. RELATED PARTY TRANSACTIONS

a) Related Parties

Related parties include subsidiaries, associates, joint arrangements, key management personnel, the Board of Directors ("Directors"), immediate family members of key management personnel and Directors and entities which are directly or indirectly controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

b) Key Management Personnel and Directors

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the company's activities, directly or indirectly, and consist of the company's Senior Executives. The company's Directors do not plan, direct or control the activities of the company directly; they provide oversight over the business.

The remuneration of key management personnel and Directors of the company during the years ended December 31, 2017 and 2016 was as follows:

FOR THE YEARS ENDED DEC. 31 (MILLIONS)	**2017**	2016
Salaries, incentives and short-term benefits	**$ 18**	$ 19
Share-based payments	**54**	50
	$ 72	$ 69

The remuneration of key management personnel and Directors is determined by the Management Resources and Compensation Committee of the Board of Directors having regard to the performance of individuals and market funds.

c) Related Party Transactions

In the normal course of operations, the company executes transactions on market terms with related parties that have been measured at exchange value and are recognized in the consolidated financial statements, including, but not limited to: base management fees, performance fees and incentive distributions; loans, interest and non-interest bearing deposits; power purchase and sale agreements; capital commitments to private funds; the acquisition and disposition of assets and businesses; derivative contracts; and the construction and development of assets. Transactions and balances between consolidated entities are fully eliminated upon consolidation.

The following table lists the related party balances included within the consolidated financial statements as at and for the years ended December 31, 2017 and 2016:

AS AT AND FOR THE YEARS ENDED DEC. 31 (MILLIONS)	2017	2016
Investment and other losses	**$ (268)**	$ (110)
Financial assets	**—**	1,254
Management fees received	**47**	56

Prior year's balance of $1.3 billion represents warrants that BPY holds which are convertible into common shares of GGP. As at December 31, 2017, as a result of the conversion of the warrants to common shares of the company, we no longer hold any related party financial assets.

In connection with our open-ended real estate fund launched in 2016, BPY contributed certain operating buildings and development projects for net proceeds of approximately $500 million, which was received in the form of cash and limited partner interest in the fund. The company is the general partner of the fund and will earn fees for the management of this fund. This fund is equity accounted for in the consolidated financial statements of the company.

29. OTHER INFORMATION

a) Guarantees and Contingencies

In the normal course of business, the company enters into contractual obligations which include commitments to provide bridge financing, letters of credit, guarantees and reinsurance obligations. As at December 31, 2017, the company had $2.6 billion (2016 – $2.6 billion) of such commitments outstanding. The company also had $3.8 billion of future operating lease obligations at December 31, 2017, of which $1.9 billion relates to land leases with agreements largely expiring after the year 2065.

In addition, the company executes 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 favor of the company or its counterparties. These include buy sell arrangements, registration rights and other customary arrangements that 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 is contingently liable with respect to litigation and claims that arise in the normal course of business. It is not reasonably possible that any of the ongoing litigation as at December 31, 2017 could result in a material settlement liability.

The company has up to $4 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.

The corporation has entered into arrangements with respect to the $1.8 billion of exchangeable preferred equity units issued by BPY discussed in Note 19, which are redeemable in equal tranches of $600 million in 2021, 2024 and 2026, respectively.

The preferred equity units are exchangeable into equity units of BPY at $25.70 per unit, at the option of the holder, at any time up to and including the maturity date. BPY may redeem the preferred equity units after specified periods if the BPY equity unit price exceeds predetermined amounts. At maturity, the preferred equity units will be converted into BPY equity units at the lower of $25.70 or the then market price of a BPY equity unit. In order to provide the purchaser with enhanced liquidity, the corporation has agreed to purchase the preferred equity units for cash at the option of the holder, for the initial purchase price plus accrued and unpaid dividends. In order to decrease dilution risk to BPY, the corporation has agreed with the holder and BPY that if the price of a BPY equity unit is less than 80% of the exchange price of $25.70 at the redemption date of the 2021 and 2024 tranches, the corporation will acquire the preferred equity units subject to redemption, at the redemption price, and to exchange these preferred equity units for preferred equity units with similar terms and conditions, including redemption date, as the 2026 tranche.

b) Supplemental Cash Flow Information

Sustaining capital expenditures in the company's renewable power operations were $140 million (2016 – $67 million), in its real estate operations were $223 million (2016 – $300 million) and in its infrastructure operations were $927 million (2016 – $390 million).

During the year, the company capitalized $203 million (2016 – $229 million) of interest primarily to investment properties and residential inventory under development.

30. SUBSEQUENT EVENTS

In the first quarter of 2018, BPY signed a definitive agreement to acquire the common shares of GGP that it does not already own. The purchase price is comprised of a fixed amount of $9.25 billion of cash and approximately 254 million units of BPY or an equivalent equity instrument that will be issued on the close of the transaction. The cash component of the transaction is expected to be funded through approximately $4 billion of asset sales, with the balance funded through debt at the GGP level, that will be non-recourse to the corporation or BPY. We expect our ownership of BPY to be approximately 50% following this transaction.