Brookfield

Supplemental Information | Q4 2010

Statement Regarding Forward-Looking Statements

This Supplemental Information contains forward-looking information within the meaning of Canadian provincial securities laws and other "forward-looking statements" within the meaning of certain securities laws including Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. We may make such statements in the report, in other filings with Canadian regulators or the SEC or in other communications. See "Cautionary Statement Regarding Forward-Looking Statements" on page 53.

Basis of Presentation

Use of Non-IFRS Accounting Measures

This Supplemental Information makes reference to cash flow from operations on a total and per share basis. Management uses cash flow from operations as a key measure to evaluate performance and to determine the net asset value of its businesses. Brookfield's consolidated statements of cash flow from operations enables a full reconciliation between this measure and net income so that readers are able to consider both measures in assessing Brookfield's results. Operating cash flow is not a generally accepted accounting principle measure under International Financial Reporting Standards ("IFRS") and differs from net income, and may differ from definitions of operating cash flow used by other companies. We derive operating cash flow from the information contained in our consolidated financial statements, which are prepared in accordance with IFRS, and is reconciled to net income within the Supplemental Information. We define it as net income prior to such items as fair value changes, depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.

Information Regarding the Supplemental Information

Unless the context indicates otherwise, references in this Supplemental Information to the "Corporation" refer to Brookfield Asset Management Inc., and references to "Brookfield" or "the company" refer to the Corporation and its direct and indirect subsidiaries and consolidated entities.

We utilize operating cash flow and net asset values in the Report when assessing our operating results and financial position, and do this on a deconsolidated basis organized by operating platform. This is consistent with how we review performance internally and, in our view, represents the most straightforward approach.

We measure invested capital based on net asset value unless otherwise stated, using the procedures and assumptions that we intend to follow in preparing our financial statements under IFRS, which we believe provides a much better representation of our financial position than historical book values. These values are reported on a pre-tax basis, meaning that we have not reflected adjustments that we expect to make in our IFRS financial statements to reflect the difference between carrying values of assets and their tax basis. We do this because we do not expect to liquidate the business and, until any such taxes become payable, we have the ability to invest this capital to generate cash flow and value for shareholders.

The IFRS-related disclosures and values in this document have been prepared using the standards and interpretations currently issued and effective at December 31, 2010 which is the end of our first annual IFRS reporting period.

The U.S. dollar is our functional and reporting currency for purposes of preparing our consolidated financial statements, given that we conduct more of our operations in that currency than any other single currency. Accordingly, all figures are presented in U.S. dollars, unless otherwise noted.

The Report and additional information, including the Corporation's Annual Information Form, is available on the Corporation's web site at *www.brookfield.com* and on SEDAR's web site at *www.sedar.com*.

Q4 2010
SUPPLEMENTAL INFORMATION

CONTENTS

PART 1	Financial Review	3
PART 2	Review of Operations	11
PART 3	Analysis of Consolidated Financial Statements	41

SUMMARIZED FINANCIAL PROFILE

Statement of Affairs

The following table summarizes the assets that we manage for ourselves and our clients along with the intrinsic value of our invested capital and our share of net operating cash flows on a segmented basis:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Assets Under Management		Brookfield's Invested Capital		Net Operating Cash Flow[1]	
	2010	2009	**2010**	2009	**2010**	2009
Asset management and other services	**$ 22,999**	$ 25,386	**$ 1,800**	$ 1,053	**$ 348**	$ 298
Operating platforms						
Renewable power generation	**15,835**	15,866	**7,492**	8,468	**548**	720
Commercial properties	**46,392**	31,847	**6,909**	4,841	**364**	309
Infrastructure	**16,404**	15,388	**1,905**	1,646	**130**	62
Development activities	**9,351**	9,010	**3,184**	3,153	**192**	69
Private equity and finance	**7,528**	7,730	**2,155**	2,031	**181**	112
Cash and financial assets	**1,850**	1,996	**1,543**	1,607	**311**	370
Other assets	**1,199**	1,119	**919**	1,014	**—**	—
	$121,558	$ 108,342	**25,907**	23,813	**2,074**	1,940
Less: Corporate borrowings/interest			**(2,905)**	(2,593)	**(178)**	(151)
Contingent swap accruals			**(858)**	(779)	**(99)**	(84)
Accounts payable and other/expenses			**(1,556)**	(2,011)	**(298)**	(271)
Preferred shares and capital securities			**(2,327)**	(1,776)	**(36)[1]**	(32)[1]
Net tangible asset value of common equity			**18,261**	16,654	**1,463**	1,402
Asset management franchise value			**4,000**	3,500	**n/a**	n/a
Intrinsic value			**$ 22,261**	$ 20,154	**$ 1,463[1]**	$ 1,402[1]
– Per share			**$ 37.45**	$ 34.20	**$ 2.37**	$ 2.34

1. Shown prior to preferred share dividends of $75 million (2009 – $43 million) which have been deducted in per share results

Total Return and Intrinsic Value

The following table summarizes our intrinsic value by segment and the components of total return during 2010:

AS AT AND FOR THE YEAR ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Components of Total Return				Continuity of Intrinsic Values			
	Operating Cash Flow	Fair Value Changes	Recorded Gains[1]	Total Return	Opening Intrinsic Value	Total Return	Capital Allocation	Closing Intrinsic Value
Asset management and other services	$ 348	$ 450	$ —	$ 798	$ 2,247	$ 798	$ (326)	$ 2,719
Renewable power	548	(916)	(291)	(659)	8,468	(659)	(317)	7,492
Commercial Properties	364	1,087	(38)	1,413	4,841	1,413	655	6,909
Infrastructure	130	195	—	325	1,646	325	(66)	1,905
Development	192	156	—	348	3,153	348	(317)	3,184
Private equity and finance	181	59	(85)	155	2,031	155	(31)	2,155
Cash and financial assets	311	4	—	315	1,607	315	(379)	1,543
Total invested capital	2,074	1,035	(414)	2,695	23,993	2,695	(781)	25,907
Corporate obligations	(686)[2]	(104)	—	(790)	(7,339)	(790)	483	(7,646)
Net tangible asset value	1,388	931	(414)	1,905	16,654	1,905	(298)	18,261
Asset management franchise	—	500	—	500	3,500	500	—	4,000
Intrinsic value of common equity	$ 1,388	$ 1,431	$ (414)	$ 2,405	$ 20,154	$ 2,405	$ (298)[3]	$ 22,261
– Per share	$ 2.37	$ 2.21	$ (0.81)	$ 3.77	$ 34.20	$ 3.77	$ (0.52)	$ 37.45

1. Represents gains that are recorded in equity for IFRS purposes, as opposed to net income
2. Includes preferred share dividends of $75 million
3. Represents common share dividends

Note: The foregoing tables exclude accounting provisions for future tax liabilities and include management estimate of the value of items not otherwise carried at fair value in our financial statements.

OVERVIEW

Brookfield is a global asset manager, with a focus on property, renewable power and infrastructure. Our business model is simple: utilize our global reach to identify and acquire high quality real assets at favourable valuations, finance them on a long-term, low-risk basis, and enhance the cash flows and values of these assets through our leading operating platforms to earn reliable, attractive long-term total returns for the benefit of our partners and ourselves.

We create value for shareholders in the following ways:

- As an *owner-operator*, we aim to increase the value of the assets within our platforms and the cash flows they produce through our operating expertise, development capabilities and effective financing capabilities;
- As an *investor and capital allocator*, we strive to invest at attractive valuations, particularly in distress situations that create opportunities for superior valuation gains and cash flow returns, or by monetizing assets at appropriate times to realize value; and
- As an *asset manager*, by performing the foregoing activities not just with our own capital, but also with that of our clients. This enables us to increase the scale of our operations, which differentiates us from others, and enhances our financial returns through the receipt of base management fees, and performance-based income.

Our primary financial objective is to increase the intrinsic value of Brookfield, on a per share basis, at a rate in excess of 12% when measured over the longer term. Our intrinsic value has three main components:

- The net tangible asset value of our equity. This is based on the appraised value of our net tangible assets as reported in our audited financial statements, with adjustments to eliminate deferred income taxes and revalue the assets which are not otherwise carried at fair value in our financial statements. We refer to this as Net Tangible Asset Value and use this basis of presentation throughout the Supplemental Information;
- The value of our asset management franchise. Asset management franchises are typically valued using multiples of fees or assets under management. We have provided an assessment of this value, based on our current capital under management, associated fees and potential growth. We refer to this as Asset Management Franchise Value. This value, together with Net Tangible Asset Value, forms what we call Intrinsic Value. We provide a number of key metrics to assist in valuing this component of our intrinsic value; and
- The overall business franchise, which to us represents our ability to maximize values based on our extensive operating platforms and global presence, our execution capabilities, and relationships which have been established over decades. This value has not been quantified and is not reflected in any of our values but may be the most valuable of them all.

Cash flow from operations is another important metric for us, as it serves as an important benchmark for valuing many of our assets and our operational efficiency. We provide additional information on how we determine Intrinsic Value, Net Tangible Asset Value and Operating Cash Flow in the balance of this document. We provide a reconciliation between Operating Cash Flow and Net Income and both Intrinsic Value and Net Tangible Value to Common Equity in the Reconciliation Between Consolidated and Segmented Financial Information on pages 48 to 51.

PERFORMANCE HIGHLIGHTS

We recorded solid financial and operational performance during 2010, and achieved a number of important growth objectives. The following is a summary of the more important highlights from 2010, with a particular emphasis on those that impacted our financial results and which may be likely to influence our future performance:

- *Operating cash flow was $2.6 billion on a consolidated basis, of which $1.5 billion accrues to Brookfield common shareholders. This is nearly identical to the cash flow reported in 2009 and 2008 – illustrating the resiliency of our operations.*

  We achieved substantial growth in our commercial property, infrastructure and residential development cash flows, which more than offset the impact of unusually low water levels on our renewable power business and a lower level of investment gains. We also recorded a substantially higher contribution from our asset management activities.

- *We achieved a total return of $3.77 per share, or 11.9%, consistent with our objective of 12%+ growth.*

  This increase reflects the cash flow generated within the business, increases in the net tangible value of our assets, and appreciation in the value of our asset management business. We distributed $0.52 per share as common share dividends and the balance will continue to compound in the business for you.

- *We increased the value of our asset management franchise as measured by capital under management, base management fees and performance-based returns.*

  We secured over $4 billion of new commitments during the year, increasing capital under management for clients to $50 billion. Annualized base management fees exceeded $190 million at year-end, representing seven-fold growth over the past five years and we generated $249 million of performance-based income. The growth in the current year and the potential for future expansion resulted in an increase in our assessment of the value of this component of our business to $4.0 billion, or $6.49 per share.

- *We invested nearly $6 billion of our own capital, alongside clients, into new opportunities during 2010, including $1.7 billion in the first six weeks of 2011.*

  Capital investment during the year included approximately $1 billion of our capital as part of the $2.6 billion cornerstone investment by us and our clients into the restructuring of General Growth Properties ("GGP"). We invested an additional $1.7 billion in GGP common shares during early 2011, increasing our combined interest in GGP to nearly 40% and our direct interest to approximately 20%. We also acquired the remaining 60% of a global infrastructure portfolio for approximately $1.1 billion. This is in addition to $2.5 billion invested in a variety of other acquisitions and development activities during the year.

- *We completed $18 billion of capital raising initiatives, including $2 billion in the first six weeks of 2011.*

  These activities enhanced our liquidity, funded investment initiatives and enabled us to extend our debt maturity profile at a low cost of capital. One result is the extension of the corporate maturity profile at each of Brookfield Asset Management and our renewable power business to eight years and ten years, respectively, with an average rate on new debt issues of 5.2%.

- *We advanced several transactions to simplify our structure and better position key operating companies to create enhanced value for shareholders.*

  We established our flagship commercial office company, Brookfield Office Properties, as a global pure play office company by merging our interests in our Australian office portfolio. We are also in the process of merging our U.S. residential operations with Brookfield Office's Canadian residential business to create a unique North American residential company. In addition, the merger of Brookfield Infrastructure and its partially owned Australian infrastructure subsidiary (the "Prime Acquisition") simplifies the ownership structure and establishes Brookfield Infrastructure as a global leader in infrastructure with a $3.5 billion market capitalization.

- ***Our operating teams completed a number of important initiatives to increase the values and cash flows of our assets.***

  We signed 7.2 million square feet of new commercial office leases, secured long-term contracts for 900 gigawatt hours of annual power generation, received approval to increase the rate base of our Australian Coal Terminal and entered into contractual arrangements supporting $0.5 billion of infrastructure upgrades. We also completed $0.5 billion of renewable energy projects and launched $1.8 billion of new condominium projects in Brazil.

- ***We are working on a number of attractive growth opportunities, including expansion of our existing operations and potential acquisitions.***

  Our property, renewable power and infrastructure teams expect to expand their businesses and future cash flows with internal initiatives that include substantial extensions to our Australian rail network and a new wind farm in Ontario, while our financial strength allows us to consider a number of transactions that promise attractive long-term returns.

Cash Flow from Operations

The following table sets out our operating cash flows on a segmented basis:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**2010**	2009
Operating platforms		
Renewable power generation	**$ 548**	$ 720
Commercial properties	**364**	309
Infrastructure	**130**	62
Development activities	**192**	69
Private equity and finance	**181**	112
Investment and other income	**311**	370
Operating platforms and corporate assets	**1,726**	1,642
Asset management and other services	**348**	298
	2,074	1,940
Unallocated costs:		
Interest expense	**(313)**	(267)
Operating costs	**(277)**	(268)
Current income taxes	**(21)**	(3)
Operating cash flow	**$ 1,463**	$ 1,402
– Per share	**$ 2.37**	$ 2.34

Cash flow from operations was approximately $1.46 billion in 2010 compared to $1.40 billion in 2009. These results included realization gains of approximately $400 million in both years from sales of partial interests in our operations.

Asset management fees and the contribution from other services increased to $348 million. This excludes $224 million of performance-based income that accumulated during the year but is deferred for accounting purposes. Base management fees were higher as a result of new funds and increased third-party capital under management. Our construction services businesses expanded their operating margins and activity levels and new contract procurement is benefitting from increased economic activity. Unallocated interest and operating costs increased in line with the expansion of our operations.

Renewable power operations contributed net operating cash flow and realization gains of $548 million, compared to $720 million last year. We recorded realization gains of $291 million and $369 million, respectively, in 2010 and 2009 on the sale of interests in our Canadian renewable power business. Our reduced interest in these operations, together with low hydrology levels in Ontario, Quebec and New York, resulted in lower cash flows; however this was partially offset by higher price contracts and an increase in cash flow from new wind and other generating facilities. Reservoirs were 6% above average levels at year-end, reflecting stronger water flows in the fourth quarter. This positions us well going into 2011 and we have recently benefitted from higher electricity prices due to colder winter weather.

The contribution from our commercial office business reflects a 4% increase in rents on a "same property" basis and $12 million of additional cash flow from newly acquired or developed properties. We also received a $26 million dividend from our investment in Canary Wharf Group and recorded a higher level of realization gains. We leased 7.2 million square feet, maintaining our lease profile at 95% occupancy with a 7.2 year average term. The average rent in the portfolio increased to $28 per square foot, which continues to be approximately 10% below market rents.

Infrastructure cash flows more than doubled, due to a contribution of $74 million from the global portfolio acquired in the fourth quarter of 2009. Our other existing businesses, excluding timber, contributed $5 million more than last year. These businesses are largely regulated or contractual in nature, providing for stable operating results that increase with inflation and the investment of additional capital. Our timber business, which is more correlated with the economic cycle, contributed $23 million compared to $10 million last year, well below its potential, due to continued low level of economic activity in North America. Despite higher prices due to Asian shipments, we continue to harvest at reduced levels and are building standing timber inventories in expectation of improving lumber prices.

Our development activities include residential real estate and opportunistic property investments, both of which are focused primarily on the acquisition and then subsequent sale of assets, as opposed to our power, property and infrastructure businesses, which have a much longer ownership timeframe. The combined contribution from these activities increased by $123 million to $192 million. Residential development contributed $77 million of the increase and the other $46 million related to our opportunity property investments. Residential results benefitted from an increased number of project completions in Brazil and improved margins in North America.

Private equity and finance results benefitted from improved operating results at a number of the companies held within our distress investment and private equity portfolios, reflecting a better operating environment and restructuring initiatives carried out over the past several years. These results included $80 million of disposition gains.

Investment and other income totalled $311 million in the year compared to $370 million in 2009, reflecting a lower level of investment and currency gains in 2010. Unallocated costs, including corporate interest expense, increased by $73 million reflecting the impact of higher cost term debt issued during 2009 and an expanded operating base.

Total Return

We increased our intrinsic value by $2.4 billion, or $3.77 per share during 2010. The components of the increase are set forth in the following table and include operating cash flow, increases in the values of our net tangible assets and appreciation in the value of our asset management franchise based on continued growth in capital under management and associated fees.

	2010		2009	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**Total**	**Per Share**	Total	Per Share
Operating cash flow	**$ 1,463**	**$ 2.37[1]**	$ 1,402	$ 2.34[1]
Less: preferred shares	**(75)**	**n/a**	(43)	n/a
Operating cash flow for common shares	**1,388**	**2.37**	1,359	2.34
Fair value changes				
Recognized in IFRS statements	**(269)**	**(0.65)**	(46)	(0.06)
Unrecognized value	**1,200**	**2.06**	550	0.88
Asset management franchise	**500**	**0.80**	400	0.64
	1,431	**2.21**	904	1.46
Less: gains recorded in cash flow	**(414)**	**(0.81)**	(410)	(0.80)
Total return ($)	**$ 2,405**	**$ 3.77**	$ 1,853	$ 3.00
Total return (%)	**11.9%**	**11.0%**	10.0%	9.5%

1. Preferred share dividends are reflected in operating cash flow per share for consistency

The largest contributor to our total return was our operating cash flow of $1.5 billion, most of which was retained in the business.

Valuation and appraisal gains related to our net tangible assets totalled $1.0 billion during the year of which $414 million was included in operating cash flow. The valuation and appraisal gains are based on year-end appraisals and valuations and include the gains recorded in our IFRS financial statements as well as management estimates for certain assets that are not revalued in our financial statements. The increase reflects lower discount rates, and the impact of higher exchange rates on assets in Australia, Brazil and Canada, partly offset by a reduction in the energy prices that we expect to realize within our renewable power operations over the next few years.

Our assessment of the value of our asset management franchise increased by $0.5 billion to $4.0 billion at year-end. This value reflects the current capital under management for our clients and the associated fees as well as the potential growth in capital and fees over the next 10 years.

Intrinsic Value

The intrinsic value of our common equity totalled $22.3 billion at year-end, or $37.45 per share. The increase of $2.1 billion is due to the total return of $3.77 per share presented on the previous page, less dividends to common shareholders of $0.52 per share. The following table shows the components of intrinsic value:

	2010		2009	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**Total**	**Per Share**	Total	Per Share
Net tangible asset value	**$ 18,261**	**$ 30.96**	$ 16,654	$ 28.45
Asset management franchise value	**4,000**	**6.49**	3,500	5.75
Intrinsic value	**$ 22,261**	**$ 37.45**	$ 20,154	$ 34.20

The assumptions used in valuing our tangible assets are based on market conditions prevalent at the end of 2010 and assuming normal transaction circumstances. We believe that these values would be lower on a liquidation basis (which we have no intention of undertaking) and higher if assessed in the context of a strategic sale over a period of time. Furthermore, we believe that disciplined owners can extract additional value by selling assets primarily when market imbalances result in premium valuations and usually exceed appraisal valuations as a result of this.

We estimate that a 100-basis point decrease in the discount rates used to value our two largest asset classes, commercial office properties and renewable power generating facilities, would increase our values by $3.9 billion, in aggregate, or $6.33 per share. A corresponding 100-basis point increase would have the opposite effect on our values. Key valuation assumptions are presented in Section 2 of the Supplemental Information.

Asset Management and Other Services

The following table summarizes fee revenues earned from clients for our asset management and other service businesses:

	Operating Cash Flow	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009
Asset management and other fees[1]	**$ 452**	$ 238
Less: deferred perfomance-based income[2]	**(224)**	(29)
Asset management, net of deferred revenue	**228**	209
Property services and construction services[3]	**120**	89
	$ 348	$ 298

1. Revenues
2. Performance-based income that has been deferred until clawback periods expire
3. Net of direct expenses

We achieved significant growth in asset base management fees and performance-based income, in line with our objective of expanding our asset management operations. Base management fees increased to $167 million from $131 million in 2009 and now exceed $190 million on an annualized basis. This represents seven-fold growth over the past five years. In addition, we generated performance-based income of $249 million during the year, of which $25 million was recognized in our financial statements and $224 million is deferred until expiry of any clawback provisions. This income represents our participation in the value that we have created for our clients.

Capital Managed For Third Parties

The following table illustrates the capital managed for third parties which totalled $49.9 billion at December 31, 2010. This includes $41.7 billion of capital that is currently invested as well as allocations of capital to specific funds totalling $8.2 billion that have yet to be invested:

AS AT DECEMBER 31 (MILLIONS)	2010	2009	2008
Institutional real asset funds	**$ 16,859**	$ 13,934	$ 7,783
Managed listed issuers	**5,425**	4,196	2,255
	22,284	18,130	10,038
Public securities	**21,069**	23,787	18,040
Other listed entities	**6,580**	5,737	3,851
	$ 49,933	$ 47,654	$ 31,929

We increased the capital allocated by clients to our institutional real asset funds by $2.9 billion, which includes $2.2 billion additional commitments to our infrastructure funds and $0.6 billion to our real estate opportunity funds. We returned $0.5 billion of capital to our clients from our private equity and finance funds following the monetization of invested assets.

The growth in co-investor capital in our managed listed issuers increased by $1.2 billion due to the issuance of $1.1 of additional equity from our listed global infrastructure fund, our Canadian Renewable Power Fund and our Canadian listed REIT, along with increased valuations of all three entities.

We are currently working on a number of fundraising initiatives. We expect to have seven funds in the market over the next eighteen months for which we will be seeking more than $4 billion of third-party capital, in addition to our own commitment to these funds. This capital and the management arrangements give us the opportunity to generate additional performance returns and carried interests that we earn from our clients, typically once our returns exceed a pre-determined hurdle return.

Capital Deployed

We invested $7.9 billion of capital for ourselves and our clients through acquisitions and development activities during 2010 and early 2011. The major items are highlighted in the following table:

(MILLIONS)	Total	Brookfield
Commercial properties	$ 5,900	$ 4,200
Renewable energy	300	300
Infrastructure	1,200	1,200
Private equity	500	200
	$ 7,900	$ 5,900

We invested over $4.3 billion in General Growth Properties during 2010 and early 2011 as part of our sponsorship and recapitalization of the company. Our consortium partners contributed $1.7 billion with the balance provided by us. We invested $1.0 billion into office properties and development sites in America and the United Kingdom and bought debt previously issued by our U.S. Office Fund. In our renewable power business we are developing wind facilities in Canada and the United States and hydro facilities in Brazil. Our infrastructure operations have a significant development pipeline and expanded the business during the year by acquiring 100% of Prime Infrastructure for approximately $1.1 billion.

Invested Capital

Our capital continues to be invested primarily in (i) renewable hydroelectric power plants in North America and Brazil; (ii) commercial office properties in central business districts of major international centres; and (iii) a global portfolio of regulated infrastructure assets. These segments, together with cash and financial assets, represent approximately 70% of our invested capital and contribute to the strength and stability of our capitalization, operating cash flows and net asset values. Approximately 20% of our invested capital is deployed in more cyclical activities, such as residential development activities and our private equity and finance groups, with commensurately higher long-term return expectations. The remaining 10% of capital is deployed in working capital and carrying values associated with our service businesses.

The allocation of invested capital is shown in the following table:

AS AT DECEMBER 31 (MILLIONS)	Brookfield's Invested Capital[1]			% of Capital		
	2010	2009	2008	**2010**	2009	2008
Operating platforms						
Renewable power generation	**$ 7,492**	$ 8,468	$ 8,678	**29%**	36%	39%
Commercial properties	**6,909**	4,841	4,702	**27%**	20%	21%
Infrastructure	**1,905**	1,646	1,274	**7%**	7%	6%
Development activities	**3,184**	3,153	2,176	**12%**	13%	10%
Private equity and finance	**2,155**	2,031	1,722	**8%**	9%	8%
Asset management and other services	**1,800**	1,053	784	**7%**	4%	3%
Cash and financial assets	**1,543**	1,607	1,903	**6%**	7%	9%
Other assets	**919**	1,014	871	**4%**	4%	4%
Invested capital	**$ 25,907**	$ 23,813	$ 22,110	**100%**	100%	100%

1. At net tangible asset value

Invested capital increased by $2.1 billion to $25.9 billion representing a 9% increase. This is due to retained cash flow, increases in asset values and the impact of higher exchange rates on non-U.S. assets. Approximately $0.3 billion of the increase was funded by increases in corporate obligations while the balance of $1.6 billion accrued to our common equity.

The capital invested in commercial properties increased by $2.1 billion due to an investment of nearly $1 billion in General Growth Properties and increases in the appraised values of our commercial office portfolios. Renewable power operations declined by $1.0 billion due to a reduction in power prices impacting the revaluation of our portfolio and the monetization of a portion of our interests in our Canadian portfolio.

Financing Activities and Liquidity

We completed $16.1 billion of financings during 2010 and a further $2 billion in the first six weeks of 2011 to supplement our liquidity, finance growth activities and extend our maturity profile, as shown in the following table:

(MILLIONS)	Proceeds	Rate	Term
Borrowings			
Unsecured	$ 2,600	5.34%	5 years
Asset specific	5,900	6.59%	4 years
Construction	900	6.85%	2 years
Common shares	1,500	n/a	Perpetual
Preferred shares	1,500	5.30%	Perpetual
Equity/asset sales	2,800	n/a	Perpetual
Unlisted funds	2,900	n/a	12 years
	$ 18,100		

The refinancing activities have enabled us to extend or maintain our average maturity term at favourable rates. The current steepness in the yield curve and prepayment terms on existing debt continues to reduce the attractiveness of pre-financing a number of our maturities, however we are aggressively pursuing refinancing short dated maturities and longer-dated maturities when these are economical. Our objective is to lock-in the current lower yield interest rate environment and, more importantly, to extend term to match fund our long-life assets.

Core liquidity, which represents cash and financial assets and undrawn credit facilities at the Corporation and our principal operating subsidiaries, was approximately $4.3 billion at year-end, unchanged from the end of 2009. This includes $2.6 billion at the corporate level and $1.7 billion at our principal operating units. We maintained an elevated level of liquidity as we continue to see a substantial number of highly promising investment opportunities. We also have capital allocations from our clients of an additional $8.2 billion to finance acquisitions.

Capitalization

We continue to finance our operations on an investment-grade basis. The high quality and stable profile of our asset base and the strength of our financial relationships has enabled us to refinance maturities in the normal course even during the more difficult stages of the recent recession and credit crisis. The average term to maturity of our corporate debt is eight years and we have no maturities in 2011.

The following table summarizes our corporate capitalization at the end of the past three years, based on net tangible equity value:

	Corporate Capitalization			% of Capitalization		
AS AT DECEMBER 31 (MILLIONS)	**2010**	2009	2008	**2010**	2009	2008
Corporate borrowings	**$ 2,905**	$ 2,593	$ 2,284	**11%**	11%	10%
Contingent swap accruals	**858**	779	675	**3%**	3%	3%
	3,763	3,372	2,959	**14%**	14%	13%
Accounts payable and other	**1,556**	2,011	2,239			
Preferred shares and capital securities	**2,327**	1,776	1,413	**9%**	7%	7%
Common equity	**18,261**	16,654	15,499	**71%**	70%	70%
Net tangible equity	**20,588**	18,430	16,912	**80%**	77%	77%
	$ 25,907	$ 23,813	$ 22,110	**100%**	100%	100%

Corporate borrowings and contingent swap obligations represented a 14% debt-to-net tangible capital ratio while equity securities totalled nearly 80% of our deconsolidated capitalization, consistent with prior years. On a proportionately consolidated basis, reflecting our pro rata share of borrowing in our operating platforms, this ratio is 44% (2009 – 44%). We issued $1.7 billion of common and preferred equity in early 2011 in connection with the acquisition of a further $1.7 billion of General Growth Properties' common shares, which decreased our deconsolidated and proportionately-consolidated ratios to 14% and 43%, respectively.

Net Income

We do not utilize net income on its own as a key metric in assessing the performance of our business because, in our view, it does not provide a consistent measure of the ongoing performance of the underlying operations. For example, net income includes fair value adjustments in respect of our commercial properties, timber and financial assets but not our renewable power, utility and development assets which currently represent approximately 50% of our invested capital. Nevertheless we recognize that others may wish to utilize net income as a key measure and therefore provide a discussion of net income and a reconciliation to operating cash flow below and in Part 3 of our Supplemental Information. Furthermore, we incorporate most of the elements of net income that are not included in operating cash flow, along with components of other comprehensive income, in determining our intrinsic values and total return.

The following table reconciles operating cash flow and gains to net income for 2010 and 2009:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	**2010 IFRS**	2009 IFRS	2009 CGAAP
Revenues	**$ 13,623**	$ 11,218	$ 12,082
Operating cash flow gains	**1,463**	1,402	1,450
Less: realization and disposition gains[1]	**(414)**	(410)	(410)
	1,049	992	1,040
Other items			
Fair value changes	**1,129**	(1,502)	128
Depreciation and amortization	**(693)**	(573)	(693)
Deferred income taxes	**(31)**	247	(21)
Net income (loss) attributable to common shareholders	**$ 1,454**	$ (836)	$ 454
– Per share (diluted)	**$ 2.33**	$ (1.54)	$ 0.71

1. Represents gains that are recorded in equity for IFRS purposes, as opposed to net income

PART 2
REVIEW OF OPERATIONS

OUR BUSINESS

Strategy

We focus on "real assets" and businesses that form the critical backbone of economic activity, whether they generate reliable clean electricity, provide high quality office space in major urban markets, or transport goods and resources to or from key locations.

- These assets and businesses typically benefit from some form of barrier to entry, regulatory regime or other competitive advantage that provides stability in cash flows, strong operating margins and value appreciation over the longer term.

We operate as an asset manager, and raise capital from our clients that is invested in assets we own, alongside our own capital.

- This approach adds further value to the company by providing us with additional capital to grow the business and compete for larger transactions. This also generates an increasing stream of base management and performance-based income that adds incremental value to our franchise.

We are active managers of capital.

- We strive to add value by judiciously and opportunistically reallocating capital among our businesses to continuously increase returns.

We maintain leading operating platforms (with over 18,000 employees world-wide) in order to maximize the value and cash flows from our assets.

- Our track record shows that we can add meaningful value and cash flow through "hands-on" operational expertise, through the negotiation of property leases, energy contracts or regulatory agreements, asset development, operations and other activities.

We finance our operations on a long-term, investment-grade basis, with most of our operations financed on a stand-alone asset-by-asset basis with minimal recourse to other parts of the organization. We also strive to maintain excess liquidity at all times in order to be in a position to respond to opportunities.

- This provides us with considerable stability and enables our management teams to focus on operations and other growth initiatives. It also enables us to weather financial cycles and provides the strength and flexibility to react to opportunities.

We prefer to invest in times of distress and in situations which are time consuming.

- We believe these situations provide much more attractive valuations than competitive auctions and we have considerable experience in this specialized field.

We maintain a large pipeline of attractive development and expansion investment opportunities.

- This provides us flexibility in deploying growth capital, as we can invest in both acquisitions and organic development, depending on the relative attractiveness of returns.

Principal Business Activities

Asset Management and Other Service

We manage $50 billion of capital for clients that is invested alongside our own capital across all of our operations described below. We earn fees and performance income for managing this capital and, as noted on the previous page, we also receive other benefits that are reflected in our operating returns from our various platforms. We also provide a broad array of investment banking, construction and property services to our customers.

Renewable Power Generation

We have one of the largest privately owned hydroelectric power generating portfolios in the world, located on river systems in the U.S., Canada and Brazil. We have chosen to focus on hydroelectric generation because of the long-life, exceptional reliability and low operating costs of these facilities. As at December 31, 2010, we owned and managed 167 hydroelectric generating stations which generate on average approximately 14,500 gigawatt hours of electricity each year. We also own and operate two wind farms with 240 megawatts of capacity as well as two natural gas-fired plants. Overall, our assets have 4,306 megawatts of generating capacity, enough to power 1.4 million homes.

Office Properties

We own and manage one of the highest quality commercial office portfolios in the world located in major financial, energy and government centre cities in North America, Australasia and Europe. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets in order to maximize the value of our tenant relationships. At December 31, 2010, our portfolio consisted of 126 properties containing approximately 88 million square feet of commercial office space.

Retail Properties

We own interests in 213 retail shopping centres in the U.S., Canada, Australia, Brazil and the United Kingdom. These properties encompass approximately 178 million square feet of retail space. Our largest investment is a dominant portfolio of U.S. super-regional shopping mall properties held through our consortium's nearly 40% ownership of General Growth Properties, which we acquired during 2010 and in February 2011, subsequent to year-end.

Infrastructure

During 2010, we completed a transaction that significantly expanded the scale of our infrastructure operations. Our infrastructure group now manages approximately $16 billion of total assets in the following sectors: transportation (ports, rail lines); utilities (electrical and natural gas transmission); and timberlands. Our strategy is to acquire and operate high quality assets and operations that provide essential services or products and which generate cash flows that are supported by regulatory regimes or some form of barrier to entry.

Development Activities

We develop commercial properties on a selective basis, and are active in residential development throughout North America, Australasia, Brazil and the United Kingdom. We also develop agricultural lands in Brazil. These activities encompass 27 million square feet of developable commercial space, 81 million square feet of residential condominiums, 122,000 lots for residential land and 370,000 acres of agricultural land. We also conduct development activities within our renewable power generation and timberland activities.

Private Equity and Finance

We conduct a wide range of restructuring, real estate finance and bridge lending activities through investment funds with total committed capital of $4.4 billion. Total invested capital at year-end was $3.5 billion of which our share was $1.7 billion. We also hold a number of investments that are mostly temporary in nature and will be sold once value is maximized or integrated into our core operations or new fund strategies.

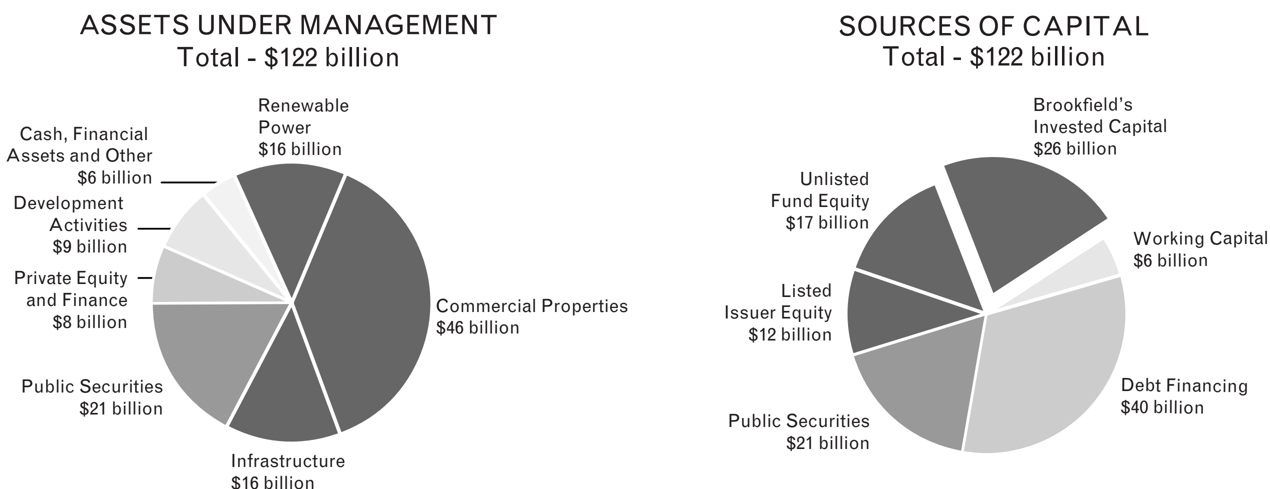
Organization Structure and Financial Profile

We organize our business into a number of specialized operating platforms that are responsible for managing the assets in each of our principal segments as set forth on the preceding page. Our Supplemental Information is organized by these segments. As an asset manager, we have established a number of listed and unlisted entities through which our clients can invest in these assets. These consist of unlisted institutional funds, listed entities that are externally managed by us, and listed internally managed entities in which we own major interests. We consolidate many of these entities and, accordingly, our financial statements include cash flows and net income that accrue to our capital as well as our clients, as well as assets in which we share ownership with others. The interests of our clients and co-investors are presented throughout the Supplemental Information as “co-investor interests” and are deducted in determining at the net invested capital and net operating cash flows that accrue to Brookfield.

Total assets under management throughout our funds and operating platforms were $122 billion at year-end and represent assets managed on behalf of our clients, as well as on our own. These include the physical assets and working capital held by the various listed and unlisted entities and investees within our various operations as well as the debt and equity securities that we manage on an advisory basis through our public securities operations. This metric provides an indication of the scale of our operations, and while it is not a direct indicator of our profitability, we believe our global scale provides a valuable competitive advantage.

Approximately $76 billion of these assets are consolidated for accounting purposes and are therefore presented on our consolidated balance sheet. The balance of $46 billion includes $21 billion of public fixed income and equity securities managed for clients and $25 billion of assets that are held within equity accounted investees.

The $122 billion of assets are financed with a combination of debt, most of which is secured by specific assets or groups of assets on a stand-alone basis, and equity capital provided by Brookfield and by clients and other investors in our listed and unlisted funds. The following charts illustrate the composition of the total assets under management and the associated sources of capital:

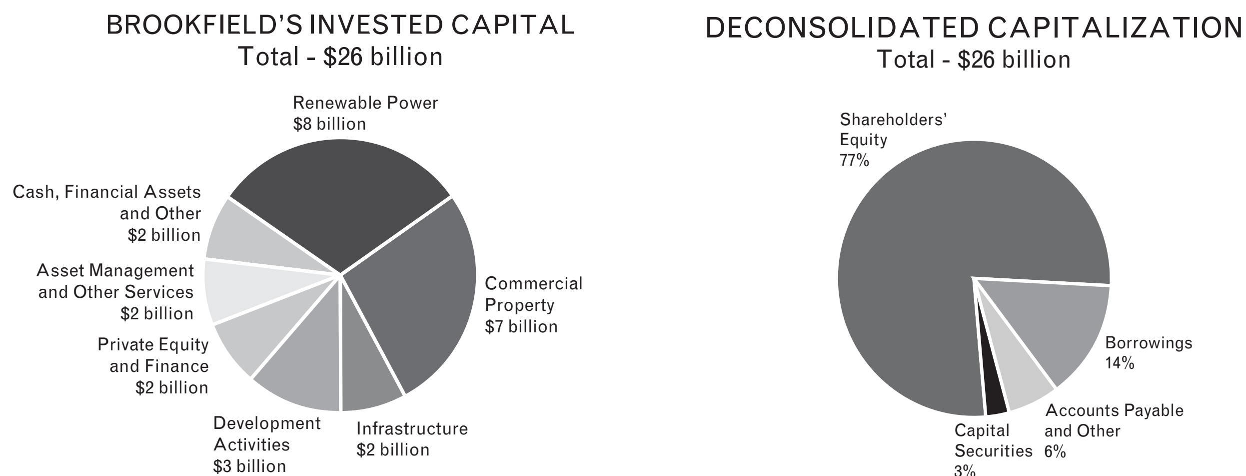


At year-end, approximately 70% of the assets consisted of real return assets such as renewable power generating facilities, commercial office properties and various other infrastructure assets. These assets provide relatively stable cash flows that tend to increase over time with economic growth as well as operational improvements and we target an unlevered pre-tax return that typically ranges between 10% and 14% and an average of 12%.

The remaining 20% was invested in higher return and more cyclical operations such as private equity and finance, and residential development. We target overall returns of 20% from the capital invested in these businesses.

We have smaller amounts of capital invested in our asset management and other service activities and maintain a portfolio of cash and financial assets. These balances, together with working capital, represent the remaining 10%.

In addition to operating cash flow, we also report the impact of fair value changes on our net invested capital. Together these two items make up Total Return on invested capital. Fair value changes include appraisal gains, foreign currency variances and other items that determine the intrinsic value of our common shares. The following charts illustrate the $26 billion capital invested by Brookfield in our operating platforms, as well as how we fund the capital that we have invested in the operations:



Over 70% of our capital is invested in our major real asset categories of renewable power, commercial properties and infrastructure. This capital is funded primarily with common and preferred equity, with a modest amount of financial leverage to enhance shareholder returns.

The value and composition of the capital invested in our operations, together with our share of the underlying cash flows, are important determinants of the intrinsic value of our company. Accordingly, throughout our Supplemental Information we focus primarily on "Net Invested Capital," which is the capital that we have invested in our operations and "Net Operating Cash Flow," which is our share of the underlying cash flow of these operations, after deducting liabilities and co-investor interests.

The following sections contain analysis and review of our net invested capital and net operating cash flows, as well as the operating results of our asset management activities. We reconcile net operating cash flow to net income as presented in our IFRS financial statements in Part 3. We also reconcile our consolidated balance sheet to our various segmented balance sheets in the same section.

Our intrinsic value consists of the pre-tax equity as presented in our IFRS balance sheet, together with adjustments to present balances at fair value that are not otherwise carried at fair value in our IFRS balance sheet (which we call "unrecognized values") and an assessment of the value of our asset management business. We provide an analysis of these values on a segmented basis in this section and a full reconciliation to our IFRS balance sheet in Part 3.

RENEWABLE POWER GENERATION

Highlights:

- Realized prices benefitted from long-term contracts signed in 2009, and increased 11% over the prior year from $73 per megawatt hour (MWh) to $81 per MWh as a result of a higher amount of contracted generation. This partially offset the impact of generation that was 10% below long-term average hydrology levels, and 9% below 2009 generation;
- Advanced development of five hydroelectric facilities and three wind facilities in North America and Brazil. The hydroelectric facilities are designed to have installed capacity of 117 megawatts (MW) and expected annual generation of 439 GWh for an estimated project cost of $489 million. The wind facilities are designed to have installed capacity of 370 MW, expected annual generation of 1,072 GWh and a total project cost of approximately $1 billion. The facilities are expected to be commissioned between 2011 and 2013;
- Commissioned a 26 MW hydroelectric facility in Brazil and a 51 MW wind project in southwestern Ontario, adding 300 gigawatt hours of expected annual generation. The facility in Brazil is protected from volume risk by virtue of the "assured energy" market in that region and our wind farm provides renewable energy to the province of Ontario through a 20-year power purchase agreement with the government of Ontario. We also acquired a 50% interest in a 30 MW hydroelectric facility located in California for $16 million;
- Secured contracts for 1,300 GWh of annual generation from new developments; arranged 6,700 GWh of financial contracts covering 2011 and 2012; and extended a power sale agreement covering 554 GWh per annum until 2016, increasing stability of revenues;
- Sold 17.2 million units of our Renewable Power Fund, in which we continue to own 34%, for gross proceeds of $341 million and a gain of $291 million; and
- Completed $1.1 billion of financings, including preferred equity, unsecured notes and secured project financings, extending our maturity profile and decreasing our average cost of debt.

The following table presents certain key metrics that we consider in assessing the performance of our power business:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	2010	2009	2008
Realized price (per MWh)	$ 81	$ 73	$ 77
Annual generation (GWh)	14,454	15,838	15,930
Long-term average generation (GWh)	16,130	15,599	14,993
% of contracted revenue for following year			
– Total	93%	84%	80%
– Long-term contracts only	70%	70%	50%
Duration of long-term contracts (years)	13	14	12
Debt to capitalization	40%	38%	34%

The following table summarizes the capital invested in our renewable power operations and our share of the operating cash flows:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2010	2009	2010	2009
Hydroelectric generation	$ 5,709	$ 6,709	$ 308	$ 417
Other forms of generation	231	145	44	19
Facilities under development	239	233	—	—
Corporate assets and capitalization	713	931	(95)	(85)
Realization gains	—	—	291	369
Brookfield's IFRS values	6,892	8,018	548	720
Values not recognized under IFRS	600	450	—	—
Brookfield's invested capital	$ 7,492	$ 8,468	$ 548	$ 720

We own a 100% majority of our U.S. and Brazil operations, with the exception of a few joint ventures. Our Canadian operations are owned through our 34% owned Brookfield Renewable Power Fund.

Operating Results

Variances in our cash flows are primarily the result of changes in the level of water flows, which determine the amount of electricity that we can generate from our hydroelectric facilities, and the prices we realize for power that is not sold under long-term contracts and ancillary revenues such as capacity payments. The following table sets out the variances in operating cash flows:

	2010				2009			
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Net Operating Income**	**Interest Expense and Other**	**Co-Investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense and Other	Co-Investor Interests	Net Operating Cash Flow
Hydroelectric generation								
United States	**$ 370**	**$ 138**	**$ 40**	**$ 192**	$ 411	$ 135	$ 39	$ 237
Canada	**134**	**64**	**63**	**7**	189	59	45	85
Brazil	**192**	**79**	**4**	**109**	153	53	5	95
	696	**281**	**107**	**308**	753	247	89	417
Wind energy	**40**	**17**	**14**	**9**	30	15	8	7
Pumped storage and co-generation	**35**	**—**	**—**	**35**	12	—	—	12
Corporate capitalization and cash taxes	**—**	**95**	**—**	**(95)**	—	85	—	(85)
	771	**393**	**121**	**257**	795	347	97	351
Realization gains	**291**	**—**	**—**	**291**	369	—	—	369
Operating cash flow	**$ 1,062**	**$ 393**	**$ 121**	**$ 548**	$ 1,164	$ 347	$ 97	$ 720

The principal operating variances included:

- A decline of $109 million in the net operating cash flow from hydroelectric facilities to $308 million, reflecting lower generation, primarily in Ontario and Québec, and a reduced interest in our Canadian operations. This was partially offset by higher realized prices;
- An increase of $23 million in the contribution from pumped storage and co-generation facilities, due primarily to the impact of lower gas prices on margins in our cogeneration facility; and
- Realization gains of $291 million on the sale of interests in our Canadian renewable power business compared to $369 million of similar gains in 2009.

Realized Prices – Hydroelectric Generation

The following table illustrates revenues and operating costs for our hydroelectric facilities:

	2010				2009			
FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS AND $ MILLIONS)	**Production (GWh)**	**Realized Revenues**	**Operating Costs**	**Net Operating Income**	Production (GWh)	Realized Revenues	Operating Costs	Net Operating Income
United States	**6,222**	**$ 513**	**$ 143**	**$ 370**	6,881	$ 544	$ 133	$ 411
Canada	**3,557**	**254**	**120**	**134**	4,723	283	94	189
Brazil	**3,143**	**278**	**86**	**192**	2,879	225	72	153
Total	**12,922**	**$ 1,045**	**$ 349**	**$ 696**	14,483	$ 1,052	$ 299	$ 753
Per MWh		**$ 81**	**$ 27**	**$ 54**		$ 73	$ 21	$ 52

Operating cash flow on a per MWh basis increased to $54 per MWh in 2010 from $52 per MWh in 2009. Per unit revenues benefitted from the higher prices realized under a long-term contract covering our Ontario generation that took effect in late 2009.

A higher proportion 72% of our generation occurred in the United States and Brazil, which are higher priced markets, compared to 67% during 2009. Realized prices also include revenues from selling capacity reserves and from re-contracting power sales into higher priced markets, which were higher in the current year on a per unit basis.

Operating costs are largely fixed in our hydro operations and accordingly increase on a per megawatt hour basis when generation levels are low, as was the case in the current year. This had a particularly notable effect in Ontario. Revenues and expenses in Canada and Brazil also reflected higher average currency exchange rates during the year.

Generation

The following table summarizes generation during 2010 and 2009:

	Actual Production		Long-Term Average		Variance of Results: Actual vs. Long-term Average		Variance of Results: Actual vs. Prior Year
FOR THE YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**
Hydroelectric generation							
United States	**6,222**	6,881	**6,178**	6,035	**44**	846	**(659)**
Canada	**3,557**	4,723	**5,077**	5,003	**(1,520)**	(280)	**(1,166)**
Brazil	**3,143**	2,879	**3,105**	2,791	**38**	88	**264**
Total hydroelectric operations	**12,922**	14,483	**14,360**	13,829	**(1,438)**	654	**(1,561)**
Wind energy	**499**	433	**506**	506	**(7)**	(73)	**66**
Co-generation and pump storage	**1,033**	922	**1,264**	1,264	**(231)**	(342)	**111**
Total generation	**14,454**	15,838	**16,130**	15,599	**(1,676)**	239	**(1,384)**
% variance					**10%**	2%	**9%**

Hydroelectric generation was 1,561 GWh or 11% below production levels in 2009 and 1,438 GWh or 10% below long-term averages. The decrease reflects below average rainfall in Ontario and Quebec. Precipitation levels have recovered in most regions with the result that reservoir levels are slightly above average levels for this time of year. U.S. generation was in line with long-term averages but 10% below the above average generation experienced in 2009.

Generation in Brazil is subject to a market stabilization feature that provides "assured" energy levels based on long-term average generation rather than actual generation produced, mitigating the impact of changing water levels.

Year-over-year variances benefitted from the completion and acquisition of new facilities which contributed an additional 390 GWh during 2010.

Invested Capital

The following table presents the capital invested in our renewable power operations by major geographic region and asset class based on net asset values:

	2010				2009			
AS AT DECEMBER 31 (MILLIONS)	**Consolidated Assets**	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
Hydroelectric								
United States	**$ 4,914**	**$ 1,873**	**$ 220**	**$ 2,821**	$ 5,845	$ 1,893	$ 158	$ 3,794
Canada	**5,194**	**2,318**	**1,560[1]**	**1,316**	5,011	2,593	878	1,540
Brazil	**2,319**	**677**	**70**	**1,572**	2,115	607	57	1,451
Other generation	**617**	**368**	**18**	**231**	411	266	7	138
Facilities under development	**239**	**—**	**—**	**239**	233	—	—	233
Working capital and other	**1,301**	**588**	**—**	**713**	1,402	540	—	862
Brookfield's IFRS values	**$ 14,584**	**$ 5,824**	**$ 1,868**	**6,892**	$ 15,017	$ 5,899	$ 1,100	8,018
Values not recognized under IFRS				**600**				450
Brookfield's invested capital				**$ 7,492**				$ 8,468

1. Includes $250 million of non-participating preferred shares issued by our Renewable Power Fund

Net invested capital declined by $1.0 billion during the year. This reflected operating cash flow, net of gains, a reduction in appraisal values and a net capital distribution of approximately $0.4 billion. Changes in consolidated assets and net invested capital since last year relate primarily to the revaluation of the assets at year-end as well as investments in additional capacity. Consolidated liabilities were unchanged overall while co-investor interests increased with the sale of common and preferred shares of our listed Renewable Power Fund.

Co-investor interests in our Canadian operations consist primarily of interests held by public investors in our 34%-owned Renewable Power Fund, including units sold during the year for proceeds of $341 million. We record the pro-rata interests of these investors as a reduction in our net operating cash flow and the market value of these interests as a reduction in our net invested capital, consistent with their treatment under IFRS. These interests also include $250 million of preferred shares issued by the Fund during 2010.

We reduced the value of our renewable power operations by $0.6 billion. This included: a $660 million reduction due to the impact of lower energy prices on uncontracted generation, offset by lower discount rates and currency appreciation; a $150 million increase in the value of development projects due to contract procurement and an increase in the market value of units held by investors in our listed Renewable Power Fund.

The key valuation metrics of our hydro and wind generating facilities at the end of 2010 and 2009 are summarized below. The valuations are impacted primarily by the discount rate and long-term power prices. A 100-basis point change in the discount and terminal capitalization rates and a 5% change in long-term power prices will impact the value of our net invested capital by $2.1 billion and $0.5 billion, respectively.

	United States		Canada		Brazil	
	Dec. 31, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Discount rate	**7.7%**	8.2%	**6.1%**	7.3%	**10.8%**	11.0%
Terminal capitalization rate	**7.9%**	8.4%	**7.1%**	7.9%	**11.0%**	11.0%
Exit date	**2030**	2029	**2030**	2029	**2029**	2029

The discount and terminal capitalization rate decreased in both the United States and Canada due to improved economic outlook and lower risk-free rates. The discount rate in Canada also benefitted from an increase in the proportion of power that is projected to be sold under existing long-term contracts.

Contract Profile

We increased the percentage of expected power generation sold under power sales agreements and financial contract in 2011 from 67% to 93%. Approximately 70% of the expected generation is hedged with long-term contracts that have an average term of 13 years while 23% of our revenue for 2011 is hedged with shorter-term financial contracts.

The following table sets out the profile of our contracts over the next five years for generation from our existing facilities, assuming long-term average hydrology:

	Years ended December 31				
	2011	2012	2013	2014	2015
Generation (GWh)					
Contracted					
Power sales agreements					
Hydro	10,172	9,113	8,900	8,272	7,709
Wind	782	1,196	1,196	1,196	1,196
Gas and other	396	398	398	134	—
	11,350	10,707	10,494	9,602	8,905
Financial contracts	3,758	2,946	—	—	—
Total contracted	15,108	13,653	10,494	9,602	8,905
Uncontracted	1,077	2,967	6,363	6,991	7,554
Long-term average generation	16,185	16,620	16,857	16,593	16,459
Contracted generation – as at December 31, 2010					
% of total generation	93%	82%	62%	58%	54%
Price ($/MWh)	77	78	88	85	86

The average contracted price fluctuates from period to period as existing contracts roll off and new contracts are entered into and as a result of changes in currency exchange rates for contracts in Brazil and Canada. We have been able to increase the overall contract level in the first two years of our contract profile because of the higher portion of long-term contracts, which do not typically expose us to any volume risk, while limiting financial contracts to less than 80% of our otherwise uncontracted generation.

COMMERCIAL PROPERTIES

Highlights:

- Sponsored the recapitalization of General Growth Properties ("GGP") with our consortium now owning close to 40% of the company;
- Merged our Australian commercial office properties into Brookfield Office Properties, creating a global pure-play office property group;
- Reorganized our directly held Canadian office portfolio into a public REIT and monetized a portion of the equity for proceeds of $150 million;
- Completed $4.6 billion of financings including preferred shares, corporate debt and secured mortgages;
- Leased 7.2 million square feet globally during 2010, almost three times the amount that was rolling over, maintaining overall occupancy at 95% and average term at 7.2 years;
- Advanced numerous development activities, including our premier City Square office development in Perth, Australia which is 72% pre-leased to BHP Billiton and scheduled for completion in 2012, and acquired an interest in a prime redevelopment site in the city of London;
- Acquired undervalued properties in Washington D.C. and Houston encompassing 2.1 million square feet for total consideration of $435 million; and
- Sold two properties in each of Washington and Edmonton for proceeds of $296 million.

The following table summarizes the capital invested by us in our commercial properties operations and our proportional share of the operating cash flows:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED (MILLIONS)	**2010**	2009	**2010**	2009
Office properties	**$ 4,810**	$ 3,798	**$ 365**	$ 289
Office development properties	**168**	497	**—**	—
Retail properties	**1,606[1]**	546	**(1)**	20
Brookfield's invested capital	**6,584**	4,841	**364**	309
Values not recognized under IFRS	**325**	—	**—**	—
	$ 6,909	$ 4,841	**$ 364**	$ 309

1. Subsequent to year-end a further $1.7 billion was invested into retail properties

Office Properties

The following table presents key performance metrics relating to our commercial office properties operations:

AS AT DECEMBER 31	**2010**	2009	2008
Occupancy	**95%**	95%	97%
Average lease term (years)	**7.2**	7.2	7.2
Average "in-place" rental rate (per sq. ft.)	**$ 27.71**	$ 26.84	$ 23.42
Average financing term (years)	**4.3**	4.4	6.8
Debt to capitalization	**50%**	57%	62%

We own our U.S., Canadian and most of our Australian properties through 50%-owned Brookfield Office Properties. Brookfield Office in turn operates a number of unlisted and listed entities through which public and institutional investors participate in our portfolios. This gives rise to co-investor interests in the invested capital, operating cash flows and fair value changes that accrue to these investors.

Operating Cash Flows

The following table shows the sources of operating cash flow by geographic region, isolating the impact of currency exchange rates:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2010				2009			
	Net Operating Income	**Interest Expense and Other**	**Co-Investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense and Other	Co-Investor Interests	Net Operating Cash Flow
Existing properties								
United States - Direct	**$ 479**	**$ 222**	**$ 150**	**$ 107**	$ 476	$ 230	$ 138	$ 108
United States - U.S. Office Fund[1]	**170**	**—**	**85**	**85**	150	—	86	64
Canada	**210**	**63**	**80**	**67**	206	52	83	71
Australasia	**162**	**116**	**20**	**26**	156	84	19	53
United Kingdom	**32**	**29**	**—**	**3**	32	32	—	—
	1,053	**430**	**335**	**288**	1,020	398	326	296
Acquired, developed or sold properties	**114**	**42**	**37**	**35**	46	15	8	23
Dividend from Canary Wharf	**26**	**—**	**—**	**26**	—	—	—	—
Office property cash flows	**1,193**	**472**	**372**	**349**	1,066	413	334	319
Investment and other income	**124**	**—**	**55**	**69**	74	—	36	38
Corporate capitalization	**—**	**76**	**(33)**	**(43)**	—	88	(36)	(52)
Unallocated costs	**—**	**93**	**(34)**	**(59)**	—	107	(47)	(60)
Currency variance	**65**	**40**	**14**	**11**	—	—	—	—
	1,382	**681**	**374**	**327**	1,140	608	287	245
Realization gains	**38**	**—**	**—**	**38**	69	—	25	44
Operating cash flow	**$ 1,420**	**$ 681**	**$ 374**	**$ 365**	$ 1,209	$ 608	$ 312	$ 289

1. Equity accounted under IFRS

Net operating income generated by existing office properties over the past three years (i.e. those held throughout the period) is presented in the following table on a constant exchange rate, using the 2009 average exchange rate for all three years. This table illustrates the stability of these cash flows that arises from the high occupancy levels and long-term lease profile.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	2008
United States	**$ 479**	$ 476	$ 466
Canada	**210**	206	202
Australia	**162**	156	150
United Kingdom	**32**	32	32
	883	870	850
U.S. Office Fund[1]	**170**	150	147
	$ 1,053	$ 1,020	$ 997
% of occupancy	**95%**	95%	97%
Average per square foot	**$ 27.71**	$ 26.84	$ 23.42

1. Equity accounted under IFRS

Occupancy over the past three years has remained constant throughout our portfolio ensuring stable cash flows which have increased by 4% on a total basis. Rents in the United States increased by 3% reflecting inflationary increases in our primary markets. Rents in Canada increased by 4% as most of our leases contain contractual step-ups. Re-leasing efforts in our U.S. Office Fund have resulted in a strong performance of that portfolio.

Invested Capital

The following table presents the capital invested in our office properties by region:

AS AT DECEMBER 31 (MILLIONS)	2010 Consolidated Assets	2010 Consolidated Liabilities	2010 Co-Investor Interests	2010 Net Invested Capital	2009 Consolidated Assets	2009 Consolidated Liabilities	2009 Co-Investor Interests	2009 Net Invested Capital
North America								
United States	**$ 8,956**	**$ 5,640**	**$ 1,902**	**$ 1,414**	$ 8,214	$ 5,433	$ 1,641	$ 1,140
Canada	**4,185**	**1,672**	**1,456**	**1,057**	3,645	1,302	1,321	1,022
U.S. Office Fund	**1,805**	**—**	**903**	**902**	792	—	396	396
Australia	**4,883**	**2,861**	**1,335**	**687**	3,658	2,395	463	800
Europe	**1,385**	**635**	**—**	**750**	1,114	674	—	440
	$ 21,214	**$ 10,808**	**$ 5,596**	**$ 4,810**	$ 17,423	$ 9,804	$ 3,821	$ 3,798

Net invested capital increased by $1.0 billion during 2010, to $4.8 billion at year-end. The increase reflects operating cash flow net of gains of $0.3 billion, and fair value gains of $0.7 billion. The fair value gains reflect increases in the appraised values of properties due to a combination of higher projected cash flows, lower discount rates, as well as currency appreciation of our Australian and Canadian portfolios.

Specific major variances include the following:

- The carrying values of our North American operations increased during the year due primarily to increases in appraised values. In addition, we acquired buildings in Washington and Houston as well as benefitted from a strengthening Canadian dollar;
- The carrying value of the U.S. Office Fund, which is held through our 50%-owned office property subsidiary, and is equity accounted under IFRS, increased by $1 billion to $1.8 billion at December 31, 2010. Approximately $520 million of the increase relates to the purchase of debt issued by the Fund and the balance relates to increased valuations of the underlying properties. One half of the $1.0 billion increase accrues to the minority shareholders in our office property subsidiary;
- Total assets in our Australian operations increased by approximately $1.3 billion. Approximately $500 million relates to currency appreciation, $400 million to the consolidation of assets within a fund that we acquired control of during the year, and the balance relates to the transfer of a property from office development properties upon completion;
- We transferred a full ownership interest in 16 of our Australian properties with net invested capital of $1.65 billion to 50%-owned Brookfield Office Properties. This gave rise to an increase in co-investor interest of approximately $875 million, representing the 50% effective interest in these properties that now accrues to the minority shareholders in Brookfield Office Properties. The remaining increase in co-investor interest in Australian properties since year-end is due largely to currency appreciation and the consolidation of two property funds; and
- Total assets and net invested capital in Europe increased primarily due to the acquisition of an additional 7% ownership interest in Canary Wharf Group, increasing our ownership to 22%.

The key valuation metrics of our commercial office properties are presented in the following table. The valuations are most sensitive to changes in the discount rate. A 100-basis point change in the discount rate and terminal capitalization rate results in an aggregate $1.6 billion change in our common equity value after reflecting the interests of minority shareholders.

	United States		Canada		Australia	
	Dec. 31, 2010	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009	**Dec. 31, 2010**	Dec. 31, 2009
Discount rate	**8.1%**	8.8%	**6.9%**	7.4%	**9.1%**	9.3%
Terminal capitalization rate	**6.7%**	6.9%	**6.3%**	6.7%	**7.4%**	7.8%
Investment horizon (years)	**10**	10	**11**	10	**10**	10

Discount and capitalization rates declined meaningfully in all of our principal regions, giving rise to appraisal gains.

Leasing Profile

Our total worldwide portfolio occupancy rate in our office properties at the end of 2010 was 95% and the average term of the leases was seven years, both unchanged from the beginning of the year.

AS AT DECEMBER 31, 2010	% Leased	Average Term	Net Rental Area	Currently Available	Expiring Leases (000's sq. ft.) Remainder 2011	2012	2013	2014	2015	2016	2017 & Beyond
North America											
United States	94%	7.1	44,106	2,649	2,915	2,879	6,994	2,952	4,257	2,313	19,147
Canada	96%	7.6	17,161	687	572	925	3,266	452	2,480	1,561	7,218
Australia	98%	6.9	8,862	200	676	350	336	715	938	1,039	4,608
United Kingdom	100%	10.0	556	—	—	—	—	262	—	—	294
Total/Average	95%	7.2	70,685	3,536	4,163	4,154	10,596	4,381	7,675	4,913	31,267
Percentage of total			100%	5.0%	5.9%	5.9%	15.0%	6.2%	10.9%	6.9%	44.2%

Average in-place net rents across the North American portfolio approximate $25 per square foot compared to $24 per square foot at the end of 2009. We leased 6.9 million square feet in 2010 at rents 10% higher than expiring in-place leases and also benefitted from the higher Canadian dollar. Net rents continue to be at a discount of approximately 11% to the average market rent of $28 per square foot and are firming in several key markets. This gives us confidence that we will be able to maintain or increase our net rental income in the coming years and, together with our high overall occupancy, to exercise patience in signing new leases.

Average in-place rents in our Australian portfolio are A$47 per square foot, which approximate market rents. The occupancy rate across the portfolio remains high at 98% and the weighted average lease term is approximately seven years. Our twenty largest tenants have a weighted average lease life of eight years and account for approximately 75% of our leasable area. These tenants have an average rating profile of AA.

Office Development Properties

The following table presents capital invested in our office development activities by region:

(MILLIONS)	December 31, 2010 Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital	December 31, 2009 Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
Australia								
City Square, Perth	$ 597	$ 203	$ 197	$ 197	$ 247	$ 45	$ —	$ 202
Other	271	112	—	159	490	217	—	273
North America								
Manhattan West, New York	280	227	27	26	286	227	29	30
U.S. Office Fund	28	—	14	14	153	—	77	76
Other	181	—	90	91	183	—	92	91
United Kingdom	74	—	37	37	—	—	—	—
Unsecured development debt	—	356	—	(356)	—	175	—	(175)
	$ 1,431	$ 898	$ 365	$ 168	$ 1,359	$ 664	$ 198	$ 497

In Australia, we continued development of the City Square project in Perth, which has a total projected construction cost of approximately A$935 million, is 72% pre-leased to BHP Billiton with leases pending for the balance of the space. The project is scheduled for completion in August 2012. This project was merged into 50%-owned Brookfield Office Properties during the third quarter, giving rise to a 50% co-investor interest in the net capital invested in the project.

We own development rights on Ninth Avenue between 31st Street and 33rd Street in New York City which entitles 5.4 million square feet of commercial office space. We expect that this will be one of the first sites for office development in Manhattan once new office properties become economic to build.

In the United Kingdom, we acquired a 50% joint venture interest in 100 Bishopsgate, a development property in central London with approximately 0.8 million square feet of developable office space.

In addition to the foregoing, the decrease in net invested capital also reflects the completion of development projects in the United States and Australia which were then transferred to our office property portfolios.

Retail Properties

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
North America	**$ 982**	$ —	**$ —**	$ —
Brazil	**206**	200	**(7)**	20
Australia/UK	**418**	346	**6**	—
	1,606	546	**(1)**	20
Values not recognized under IFRS	**325**	—	**—**	—
Brookfield's invested capital	**$ 1,931**	$ 546	**$ (1)**	$ 20

In late 2010 we successfully led General Growth Properties ("GGP") out of Chapter 11 with a $2.6 billion cornerstone investment, which represented a 27% interest in GGP at that time. Our share of the investment was approximately $1 billion with the balance provided by partners in our Global Real Estate Turnaround Investment Protocol. In February 2011 we acquired a further 10% interest in GGP for approximately $1.7 billion, increasing our collective interest to approximately 40% with a stock market value of $5.5 billion. With the recent purchase, our direct interest consists of 191 million common shares and warrants to acquire a further 19 million common shares with an exercise price of $10.75 per share with an estimated market value of $3.1 billion ($1.3 billion at year-end).

GGP is the second largest retail mall owner in the United States with a portfolio of more than 180 properties that include some of the highest quality and most profitable malls in America. We have three seats on GGP's board of directors and our Chief Executive Officer serves as the Chair of GGP's board of directors. We look forward to working closely with GGP to further enhance the value of the company for all shareholders.

We equity-account our investment in GGP, which under IFRS requires us to recognize our pro rata share of the company's earnings and equity each quarter. In addition, we will disclose our share of the company's reported funds from operations each quarter and include it as a component of our cash flow from operations. We have included our share of the excess market value over book value as part of the "values not recognized under IFRS."

Our Brazil operations are conducted through the Brookfield Retail Real Estate Partners Fund ("BRREP"), which is an institutional fund with $800 million of capital. We have funded 25% of the capital and our partners have contributed the remaining 75%. BRREP owns a portfolio of 12 high quality retail malls comprising 3.6 million square feet. Retail sales increased by 20% within our portfolio during 2010, leading to an increase of 17% in our net operating income. The current high interest rates in Brazil have absorbed the increase in net operating income, such that the net operating cash flow is negative $7 million. Furthermore, a meaningful portion of the portfolio continues to be redeveloped and is not contributing cash flow. We expect, however, continued growth in net operating income and lower interest rates over time to result in favourable total returns for BRREP.

Net invested capital of our commercial retail interests increased by $1.4 billion during the year. This includes fair value changes in our share of GGP's common equity following the restructuring as well as the difference between the equity under IFRS and the stock market price of $15.48 per share at year-end.

INFRASTRUCTURE

Highlights:

- Completed a $1.1 billion merger with Prime Infrastructure, simplifying the ownership structure of Brookfield Infrastructure Partners and increasing third-party capital under management. As a result of the merger, our ownership interest in Brookfield Infrastructure decreased from 41% to 28% and Brookfield Infrastructure's interest in Prime increased from 40% to 100%, leading to an overall increase in our effective interest in the underlying operations of Prime;
- Completed fundraising for $3.1 billion of funds, including a $2.7 billion flagship Brookfield Americas Infrastructure Fund and a $440 million fund to invest in Peru;
- Received regulatory approval to increase the rate base of our Australian coal terminal, further enhancing the cash flows in the business and confirmed new agreements for our North American natural gas pipeline operations, providing greater certainty for future cash flows;
- Invested $0.4 billion into expansion projects during 2010 and advanced six significant capital projects in our Western Australian rail business to upgrade and expand the capacity of our network by 50% and deploy a further $600 million of capital at favourable returns; and
- Completed $2.2 billion of financings on our transmission, rail and ports assets.

The following table summarizes the capital we have invested in our infrastructure operations as well as our share of the operating cash flows:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Utilities	**$ 523**	$ 537	**$ 83**	$ 52
Transport and energy	**433**	196	**37**	5
Timber	**824**	813	**23**	10
Corporate and other costs	**—**	—	**(13)**	(5)
Brookfield's IFRS value	**1,780**	1,546	**130**	62
Values not recognized under IFRS	**125**	100	**—**	—
Brookfield's invested capital	**$ 1,905**	$ 1,646	**$ 130**	$ 62

We own our various infrastructure businesses through several managed investment funds, including our two flagship entities: Brookfield Infrastructure Partners LP, which is publicly listed; and the Brookfield Americas Infrastructure Fund, which is privately held by institutional investors. We also operate a number of smaller listed and unlisted funds with specialized investment strategies. We consolidate all of our managed entities and most of the underlying operating businesses, although some investments held by our funds are equity accounted.

Operating cash flow more than doubled, due largely to improved performance and increased ownership following the Prime Acquisition. Net invested capital increased by $0.3 billion, reflecting the operating cash flow of $130 million and fair value gains of $110 million.

Utilities

Our utilities business is comprised of regulated businesses which earn a pre-determined return on their asset base as well as businesses with long-term contracts designed to generate a specified return on capital over the life of the contract. They are generally uniquely positioned to provide critical backbone services in their respective markets which typically allows for stable cash flow and growth from capital expenditures.

The following table presents the cash flows associated with our utility operations:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2010				2009			
	Net Operating Income	**Interest Expense**	**Co-Investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense	Co-Investor Interests	Net Operating Cash Flow
South America	**$ 61**	**$ —**	**$ 22**	**$ 39**	$ 70	$ 11	$ 23	$ 36
Australasia/Europe	**98**	**10**	**51**	**37**	11	—	6	5
North America	**27**	**10**	**10**	**7**	29	8	10	11
	$ 186	**$ 20**	**$ 83**	**$ 83**	$ 110	$ 19	$ 39	$ 52

Utilities operations contributed $83 million of net operating cash flow in 2010, after deducting carrying charges and co-investor interests, compared with $52 million during 2009. This represents an 11% return on the rate base and a 16% yield on invested capital.

The contribution from our Chilean transmission operations, which we equity account, was $39 million in 2010, compared with $34 million in 2009. The increase is primarily due to the impact of ongoing inflation indexation and growth capital expenditures.

Net operating cash flows in Australasia and Europe includes $25 million from our Australian coal terminal operations. These operations have been equity accounted since their acquisition in late 2009 and consolidated since we acquired the remaining ownership interests in late 2010. The terminal charges a capacity toll on a take-or-pay basis to coal producers to transport coal onto ships destined for the export markets in Asia giving us certainty on revenue irrespective of the level of shipments.

Virtually 100% of the net operating income from these assets is supported by regulated or contractual revenues. Accordingly, we expect this segment to produce stable revenues and cash flows that should increase with inflation and operational improvements. We also expect to achieve continued growth by investing additional capital into our existing operations.

The following table presents the capital invested in our utilities segment:

AS AT DECEMBER 31 (MILLIONS)	2010				2009			
	Consolidated Assets	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
South America	**$ 372**	**$ —**	**$ 171**	**$ 201**	$ 360	$ —	$ 140	$ 220
Australasia/Europe	**3,641**	**2,372**	**992**	**277**	532	1	274	257
North America	**272**	**163**	**64**	**45**	228	124	44	60
	$4,285	**$2,535**	**$1,227**	**$ 523**	$ 1,120	$ 125	$ 458	$ 537

Following the Prime Acquisition in late 2010, we consolidated a number of the underlying operations, resulting in an increase in consolidated assets and liabilities compared to 2009.

The valuation of our transmission operations is based on an independent valuation of our Chilean transmission business and an internal valuation of our Northern Ontario operations. The valuation of our Chilean transmission business is based on a weighted average real discount rate of 11.2% and terminal capitalization rate of 9.2% (2009 – 8.1%) and a terminal valuation date of 2025. Our Australasian and European operations were valued based on fair values attributed in connection with the Prime merger.

Transport and Energy

The following table presents the cash flows associated with our transport and energy operations:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2010				2009			
	Consolidated Assets	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
North America	**$ 35**	**$ —**	**$ 21**	**$ 14**	$ 4	$ —	$ 2	$ 2
Australia	**30**	**3**	**17**	**10**	2	—	1	1
Europe	**67**	**26**	**28**	**13**	9	2	5	2
	$ 132	**$ 29**	**$ 66**	**$ 37**	$ 15	$ 2	$ 8	$ 5

Our transport and energy businesses are capital intensive businesses that provide transportation, storage and handling of energy, freight and bulk commodities. These businesses typically benefit from high barriers to entry, such as locational advantages and regulatory restrictions, which enables us to negotiate long-term contracts with customers that are subject in many cases to a regulatory framework. Approximately 70% of our expected cash flows are subject to long-term contracts that govern price but not volume. As a result, any operating variances that arise are usually due more to fluctuations in volume and, to a lesser degree, changes in prices on uncontracted revenues. We believe these operations are well positioned to benefit from increases in commodity demand and the global movement of goods.

Our North American operations include a gas transmission business which is the largest natural gas pipeline servicing the Chicago and Northern Indiana area, which we include as an equity accounted investment. Our Australian operations is comprised predominantly of our railroad operations, which is the sole provider of rail services in the south west area of Western Australia, the operations of which are consolidated. We also operate 20 ports across the UK, Europe and in China.

These operations contributed $37 million of net operating cash flow which represents our proportionate share of the underlying cash flow, after deducting carrying charges and co-investor interests, representing a 15% return on our invested capital. These operations were acquired in late 2009 and accordingly contribution to cash flow during 2009 was limited. Results in the latter part of 2010 were negatively impacted by lower volumes in our railroad operations due to the impact of a drought on grain harvest, as well as a decrease in permitted revenues at our North American gas transmission business, offset by improved volumes in our port operations.

The capital invested in these operations is as described in this table:

AS AT DECEMBER 31 (MILLIONS)	2010				2009			
	Consolidated Assets	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
North America	**$ 382**	**$ —**	**$ 274**	**$ 108**	$ 185	$ —	$ 110	$ 75
Australia	**1,429**	**637**	**561**	**231**	140	—	83	57
Europe	**1,030**	**632**	**304**	**94**	865	608	193	64
	$2,841	**$1,269**	**$1,139**	**$ 433**	$1,190	$ 608	$ 386	$ 196

We began consolidating our interests in most of these operations following the Prime Acquisition in late 2010, which increased consolidated assets and liabilities. The increase in net invested capital reflects the increased interest as well as valuation gains. The carrying values are based on fair values attributed in connection with the Prime merger.

Timber

The following table sets out the cash flows in our timber operations over the past two years:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2010				2009			
	Net Operating Income	**Interest Expense**	**Co-Investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense	Co-Investor Interests	Net Operating Cash Flow
North America								
Western	**$ 113**	**$ 86**	**$ 13**	**$ 14**	$ 66	$ 85	$ (16)	$ (3)
Eastern	**8**	**—**	**—**	**8**	6	—	—	6
Brazil	**2**	**1**	**—**	**1**	11	1	3	7
	$ 123	**$ 87**	**$ 13**	**$ 23**	$ 83	$ 86	$ (13)	$ 10

Net operating cash flow remains below expected long-term results because we continue to operate at reduced harvest levels until prices recover. In particular, domestic North American demand remains weak given the depressed levels of U.S. homebuilding activity. We have increased our shipments to Asia in response to more attractive pricing in these markets, which received nearly 40% of our sales for the year, up from 11% in 2009.

We sold 5.8 million cubic metres during 2010, which was consistent with 2009 levels as an increase in our Western North American operations was offset by a decline in sales in Brazil. In our Western North American operations we sold 4.0 million cubic metres during 2010, which was an increase of 20% over 2009, reflecting an improvement in market conditions which enabled us to realize a 10% increase in average log prices.

The following table sets out the assets and liabilities deployed in our timber segment:

AS AT DECEMBER 31 (MILLIONS)	2010				2009			
	Consolidated Assets	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
North America								
Western	**$ 3,119**	**$ 1,471**	**$ 1,118**	**$ 530**	$ 3,092	$ 1,468	$ 992	$ 632
Eastern	**123**	**—**	**—**	**123**	115	—	—	115
Brazil	**288**	**18**	**207**	**63**	161	7	122	32
Working capital	**749**	**641**	**—**	**108**	701	667	—	34
	$ 4,279	**$ 2,130**	**$ 1,325**	**$ 824**	$ 4,069	$ 2,142	$ 1,114	$ 813

Consolidated assets and net invested capital held within our timber operations were relatively unchanged during the year. Co-investor interests reflect direct interests of others in our timber operations as well as in Brookfield Infrastructure, through which a portion of these businesses are held.

The increase in co-investor interests arose on the issuance of equity from Brookfield Infrastructure, through which we invest in most of these operations, as part of the Prime Acquisition.

The carrying values are based on external appraisals that are completed annually. Key valuation assumptions include a weighted average discount and terminal capitalization rate of 6.6% (2009 – 6.5%) and an average terminal valuation date of 75 years. Timber prices were based on a combination of forward prices available in the market and the price forecasts of each appraisal firm.

DEVELOPMENT ACTIVITIES

Highlights:

- Contracted sales in our Brazilian residential business increased by over 60%;
- A merger between our Canadian and U.S. homebuilding and development businesses to simplify ownership and create a pure-play North American residential development company was announced, and is expected to be completed in early 2011; and
- Opportunity Fund sold 26 properties at returns exceeding our underwritten returns.

The following table summarizes the capital we have invested in our development activities as well as our share of the operating cash flows:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Residential development	**$ 921**	$ 1,296	**$ 116**	$ 26
Opportunity investments	**244**	262	**79**	33
Development land	**1,144**	845	**(3)**	10
Brookfield's IFRS value	**2,309**	2,403	**192**	69
Values not recognized under IFRS	**875**	750	**—**	—
Brookfield's invested capital	**$ 3,184**	$ 3,153	**$ 192**	$ 69

Residential Development

The net operating cash flows attributable to each of these business units are as follows:

	2010				2009			
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**Net Operating Income**	**Interest Expense**	**Co-Investor Interests**	**Net Operating Cash Flow**	Net Operating Income	Interest Expense	Co-Investor Interests	Net Operating Cash Flow
Brazil	**$ 180**	**$ 106**	**$ 44**	**$ 30**	$ 15	$ 45	$ (7)	$ (23)
Canada	**140**	**—**	**70**	**70**	114	—	57	57
United States	**17**	**(3)**	**(4)**	**24**	(17)	(22)	(9)	14
Australia and UK	**13**	**21**	**—**	**(8)**	2	20	—	(18)
Revaluation items	**—**	**—**	**—**	**—**	(28)	(11)	(13)	(4)
	$ 350	**$ 124**	**$ 110**	**$ 116**	$ 86	$ 32	$ 28	$ 26

The majority of Brazil sales and associated profits in this business are not recorded until substantial completion of a residential or office project. Accordingly, reported results are highly dependent on how many condominium and office projects reach substantial completion in a particular period and individual project completions have a larger impact on results than our development businesses in other regions which involve a greater number of discrete single family unit sales.

There were a relatively small number of closings compared to ongoing sales volumes, in both 2010 and 2009. As a result, the operating cash flow after deducting general and administrative and interest expenses was $31 million. The operating margin on condominium projects, prior to unallocated costs, averaged 30% during 2010 compared to 26% in 2009.

Two important operating metrics in our opinion are launches, which represent the opening of new projects for sale and future construction, and contracted sales which will give rise to closings once the project is completed and the units can be delivered to the purchasers. Contracted sales increased to R$3,621 million in 2010 representing a 60% increase in local currency terms from R$ 2,260 million in 2009 and combined launches of new projects totalled R$2,981 million (2009 – R$2,675 million), up 11%.

The Canadian operations contributed $70 million of net operating cash flow in 2010, compared to $57 million in 2009. The increase in cash flows is due primarily to increased home sales from 648 units in 2009 to 1,025 units in 2010.

Our U.S. operations generated $24 million of cash flows during 2010, compared with $14 million in 2009. The gross margin from housing sales increased to approximately 17%, compared with 13% last year, however, closings declined to 575 units during 2010 (2009 – 703 units). The average selling price was $511,000 (2009 – $488,000) and the backlog at the end of 2010 was 85 units compared to 187 units in 2009.

The Australian and UK operations recorded $8 million of net cash outflow in 2010 compared with $18 million in 2009, due to improved sales and margins in the UK.

The following is a breakout of our invested capital in residential development:

AS AT DECEMBER 31 (MILLIONS)	2010				2009			
	Consolidated Assets	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
Brazil	**$ 3,679**	**$ 2,849**	**$ 476**	**$ 354**	$ 2,819	$ 1,996	$ 434	$ 389
Canada	**773**	**609**	**82**	**82**	789	327	233	229
United States	**798**	**283**	**137**	**378**	850	335	146	369
Australia	**145**	**75**	**—**	**70**	459	232	—	227
United Kingdom	**37**	**—**	**—**	**37**	192	110	—	82
	$ 5,432	**$ 3,816**	**$ 695**	**$ 921**	$ 5,109	$ 3,000	$ 813	$ 1,296

The capital deployed in these activities was relatively unchanged since the end of 2009. We have continued to reduce the level of capital deployed in Australia and the United Kingdom through increased sales activity. We recently announced a transaction whereby we will merge our Canadian and United States operations into a single publicly listed entity, whereas they are currently held through two separate public companies. This will simplify our ownership structure and create a well positioned North American residential business.

Opportunity Investments

We operate two niche real estate opportunity funds with $535 million of invested capital. Our current investment in the funds is $244 million and our share of the underlying cash flow during 2010 was $79 million (2009 – $33 million). Cash flows included $44 million of gains from the sale of 26 properties during the year.

Development Land

The following table presents the capital invested by us in longer-term development land. The values of residential lots in this table are based on historical book values consistent with both IFRS and Canadian GAAP, whereas rural development lands held for agricultural purposes are carried at net asset values under IFRS.

AS AT DECEMBER 31 (MILLIONS)	2010				2009			
	Consolidated Assets	**Consolidated Liabilities**	**Co-Investor Interests**	**Net Invested Capital**	Consolidated Assets	Consolidated Liabilities	Co-Investor Interests	Net Invested Capital
Residential lots								
North America	**$ 799**	**$ —**	**$ 403**	**$ 396**	$ 797	$ —	$ 399	$ 398
Brazil	**805**	**279**	**411**	**115**	691	277	351	63
Australia and UK	**477**	**275**	**—**	**202**	371	369	—	2
Rural development lands								
Brazil	**433**	**2**	**—**	**431**	384	2	—	382
	$ 2,514	**$ 556**	**$ 814**	**$ 1,144**	$ 2,243	$ 648	$ 750	$ 845

PRIVATE EQUITY AND FINANCE

Summarized Financial Results

The following table presents the net asset value of the capital invested in our Private Equity and Finance activities, together with our share of the operating cash flows:

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED (MILLIONS)	**2010**	2009	**2010**	2009
Restructuring	**$ 681**	$ 613	**$ 109**	$ 32
Real estate finance and lending	**435**	436	**52**	33
Other investments	**589**	582	**20**	47
Brookfield's IFRS value	**1,705**	1,631	**181**	112
Values not recognized under IFRS	**450**	400	**—**	—
Brookfield's invested capital	**$ 2,155**	$ 2,031	**$ 181**	$ 112

Net invested capital was largely unchanged. Carrying values are based on the amortized cost for loans and fair value for owned properties. A number of investments are carried at historical book value and depreciated for IFRS purposes, and have an incremental unrecognized value as reflected by publicly available share prices and comparable valuations. We include these incremental amounts as "values not recognized under IFRS."

Restructuring

We operate three restructuring funds with total invested capital of $1.4 billion and uninvested capital commitments from clients of $370 million. Our share of the net invested capital is $681 million.

The portfolio consists of nine investments in a diverse range of industries. Our average investment is $62 million and our largest single exposure is $225 million. We concentrate our investing activities on businesses with tangible assets and cash flow streams in order to better protect our capital. We sold our investment in Concert Industries ("Concert") in the first quarter of 2010 to a strategic purchaser and recognized a $36 million gain.

Our share of the operating cash flow produced by these businesses during 2010 excluding the Concert disposition gain was $73 million, compared to $32 million in 2009. Profitability improved within our portfolio companies due to restructuring initiatives and improved economic circumstances which have led to higher volumes. In particular, we have made significant efforts to improve the cost structure and optimize inventory levels in these businesses and we are seeing the benefit of that in the results.

These operating improvements, combined with increased acquisition activity and comparable transaction values imply unrealized fair value gains of approximately $275 million above carried costs, which in most cases reflect depreciated historical book values and distress acquisition prices. These values are consistent with those presented to our investors and included in the financial statements of our funds.

Real Estate Finance and Bridge Lending

We operate two real estate finance funds with total committed capital of approximately $1.3 billion. We also originate and manage bridge loans in a variety of industries for institutional clients and ourselves. Our share of capital invested in these operations was $435 million at December 31, 2010 (December 31, 2009 – $436 million).

These activities contributed $52 million of net operating cash flow and gains during 2010 compared to $33 million during 2009. We recorded net disposition and revaluation gains of $14 million during the year.

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Total real estate finance investments	**$ 2,709**	$ 2,790	**$ 162**	$ 67
Less: borrowings	**(1,507)**	(1,699)	**(55)**	(25)
Less: co-investor interests	**(828)**	(755)	**(75)**	(22)
	374	336	**32**	20
Bridge lending	**61**	100	**20**	13
Net investment in real estate finance funds	**$ 435**	$ 436	**$ 52**	$ 33

We have been careful to structure our financing arrangements to provide sufficient duration and flexibility to manage our investments with a longer-term horizon. We have matched terms in respect of asset and liability positions with an overall asset and liability duration of two years. In addition, both our asset returns and net corresponding liabilities are subject to changes in short-term floating rates.

Other Investments

We own a number of investments which will be sold once value has been maximized or integrated into our core operations. Although not core to our broader strategy, we occasionally make investments of this nature while divesting more mature assets.

The net operating cash flow and gains from these investments in 2010 totalled $20 million, compared to $47 million for 2009. The 2010 results include an $85 million gain related to the disposition of 8.7 million common shares of Norbord Inc. ("Norbord") offset by operating losses and a restructuring charge in respect of under-performing industrial businesses. The 2009 results reflect a $65 million gain related to the disposition of 10 million common shares of Norbord.

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Industrial and forest products	**$ 265**	$ 256	**$ 17**	$ 40
Infrastructure	**83**	81	**6**	6
Business services	**173**	174	**(6)**	6
Property and other	**68**	71	**3**	(5)
	$ 589	$ 582	**$ 20**	$ 47

Our largest industrial investment is a 63% fully diluted interest in Norbord, which is the lowest cost manufacturer of oriented strand board in North America. The market value of our investment in Norbord at year-end was approximately $465 million based on stock market prices, exceeding our carrying value of $237 million by approximately $230 million (2009 – $280 million).

ASSET MANAGEMENT AND OTHER SERVICES

Highlights:

- Increased third-party capital under management to $50 billion;
- Raised $4 billion of new capital commitments for our unlisted and listed funds;
- Increased annualized base management fees to $190 million annually; and
- Generated $249 million of performance-based income.

Capital Under Management

The following table summarizes capital managed for clients and co-investors at the end of the past two years:

	2010			2009		
AS AT DECEMBER 31 (MILLIONS)	**Core and Value Added**	**Opportunity and Private Equity**	**Total**	Core and Value Added	Opportunity and Private Equity	Total
Unlisted funds and managed listed issuers						
Renewable power generation	**$ 1,428**	**$ —**	**$ 1,428**	$ 995	$ —	$ 995
Commercial properties	**3,704**	**5,176**	**8,880**	3,479	4,600	8,079
Infrastructure	**8,292**	**229**	**8,521**	4,937	69	5,006
Development	**—**	**281**	**281**	—	291	291
Private equity and finance	**2,244**	**930**	**3,174**	3,098	661	3,759
	15,668	**6,616**	**22,284**	12,509	5,621	18,130
Public securities	**—**	**—**	**21,069**	—	—	23,787
Other listed entities	**—**	**—**	**6,580**	—	—	5,737
	$ 15,668	**$ 6,616**	**$ 49,933**	$ 12,509	$ 5,621	$ 47,654

Unlisted Funds and Managed Listed Issuers

Third-party capital commitments to these funds increased by $4.2 billion during the year to $22.3 billion, reflecting $2.9 billion of additional capital committed to unlisted infrastructure funds, real estate turnaround opportunities and to our private equity and finance funds and increased valuations. We added $1.1 billion of listed capital in December with the merger of Brookfield Infrastructure and Prime Infrastructure and $0.6 billion on the issuance of capital in renewable energy and property funds.

The amounts in the table above include $8.2 billion of capital (2009 – $6.7 billion) that has not been invested to date but which is available to pursue acquisitions pursuant to each fund's specific mandate. Of the total uninvested capital, $3.1 billion relates to our global real estate turnaround consortium and $3.1 billion relates to our infrastructure funds.

Public Securities

We specialize in fixed income and equity securities with a particular focus on real estate and infrastructure, including high yield and distress securities. Our clients are predominantly pension funds and insurance companies throughout North America and Australia.

The following table summarizes client assets under management within these operations. We typically do not invest our own capital in these strategies as the assets under management tend to be securities rather than physical assets.

AS AT DECEMBER 31 (MILLIONS)	**2010**	2009
Public securities		
Fixed income	**$ 13,862**	$ 17,589
Equity	**7,207**	6,198
	$ 21,069	$ 23,787

Other Listed Entities

We have established a number of our business units as listed public companies to allow other investors to participate and provide us with additional capital to expand these operations. This includes common equity held by others in Brookfield Office Properties, Brookfield Homes and Brookfield Incorporações among others.

Operating Results

The following table summarizes fee revenues earned from clients for our asset management services as well as the net contribution (i.e. net of direct expenses) earned from our construction and property services businesses:

	Net Operating Cash Flow	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009
Base management fees[1]	**$ 167**	$ 131
Performance-based income[1]	**249**	(7)
Less: deferred recognition[2]	**(224)**	29
Investment banking and transaction fees[1]	**36**	56
Asset management and other fees	**228**	209
Construction and property services[3]	**120**	89
	$ 348	$ 298

1. Revenues
2. Deferred into future years or from prior years, until clawback periods expire
3. Net of direct expenses

Asset Management Fees

We are typically compensated with base management fees and performance-based fees consistent with the parameters outlined in the following table:

AVERAGE FEE STRUCTURE	Base Fee (bps)[1]	Carried Interest	Return Hurdle
Core and value added	100-150	17%	9%
Opportunistic and private equity	150-200	20%	12%
Weighted average	125-150	18%	10%

1. Basis points

Base management fees increased to $167 million, reflecting the contribution from new funds launched during the past two years and an increase in the capital committed to existing mandates. Annualized base management fees on existing funds and assets under management increased to $190 million at year-end (December 31, 2009 – $140 million) due principally to increases in the capital managed within our infrastructure funds. The weighted average term of these fees is eight years, and our goal is to increase the level of base management fees as we continue to expand our asset management activities.

The following table includes performance returns from third parties that have accumulated based on performance to date and year-end valuations, but are not included in our reported results:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009
Accumulated-beginning of year	**$ 36**	$ 65
Net accumulation/(reduction) during the year	**249**	(7)
Less: recorded in operating cash flow	**(25)**	(22)
Accumulated-end of year	**$ 260**	$ 36

We generated $249 million of performance-based income during the year based on 2010 activity; however, accounting guidelines require us to defer recognition of $224 million of this amount until any clawback periods have expired.

We estimate that approximately $11 million of direct expenses will arise on the realization of the returns that have accumulated to date. The average period of time over which these accumulated returns may be realized is five years, based on the terms of the relevant contracts. We expect that the ultimate receipt of these amounts will not result in any meaningful cash taxes.

Our investment banking services are provided by teams located in the United States, Canada, Australia and Brazil. The group advised on merging and acquisitions, financing and other transactions totalling $7.5 billion in value during 2010, and secured a number of prominent mandates.

Transaction fees include investment fees earned in respect of financing activities and include commitment fees, work fees and exit fees. The 2009 results included $25 million in fees from the expansion of our real estate brokerage network.

Construction and Property Services

The following table summarizes the operating results from our construction and property services operations during the past two years:

	Net Operating Cash Flow	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009
Construction services		
Australia	**$ 43**	$ 18
Middle East	**49**	46
United Kingdom	**10**	7
	102	71
Property services	**18**	18
	$ 120	$ 89

The results from our Australian business increased significantly due to a higher level of activity and the release of contingency reserves following the completion of several projects on or under budget. Operating margins in these regions averaged 9% in 2010, prior to 10% of unallocated general and administrative costs.

The remaining work-in-hand totalled $4.3 billion at the end of December 31, 2010 (December 31, 2009 – $3.3 billion) and represented approximately three years of scheduled activity. We secured over $2.9 billion of new projects in Australia and the UK, including hospitals, hotels and commercial office towers which is more than work performed and project completions during the year, whereas the work-in-hand declined in the Middle East due to a number of completions. We continue to pursue a number of new projects which should position us well for future growth.

The following table summarizes the work-in-hand at the end of the year:

AS AT DECEMBER 31 (MILLIONS)	**2010**	2009
Australia	**$ 2,681**	$ 1,167
Middle East	**677**	1,075
United Kingdom	**960**	1,081
	$ 4,318	$ 3,323

Property services fees include property and facilities management, leasing and project management and a range of real estate services. Results were consistent between 2010 and 2009.

Asset Management Franchise Value

Over the past ten years we have globalized our asset management operations to the point where we have substantial capital for investment from clients. The value of this franchise is derived from both the cash flows it generates, and the scale of capital it allows us to operate with. This size enables us to compete where few others can, and therefore offers us a competitive advantage in generating greater returns for our clients. On the other hand, global asset management franchises are generally valued at very high multiples of income, in particular those in areas where substantial growth in assets under management is expected to be achieved.

As we provide valuations of our tangible assets through our financial statements, and given the growing value of this "intangible" business, we felt that we should also attempt to produce an estimate of the current value of our operation based on the existing capital under management and the franchise we have. Our estimate is approximately $4 billion, or approximately $7 per share, and we have included this value in our estimate of the intrinsic value of our common equity.

While we have specific assumptions and plans on how we derive this value in each of our operations, the following is a high level analysis:

- Growth in capital under management in our unlisted funds and managed listed issuers growing at a 10% growth rate over the next 10 years;
- Annualized gross margin of 150 basis points, as we can add meaningfully to managed capital without a commensurate increase in expenses; and
- Capitalizing the resultant annualized return at a 15 times multiple.

We will continue to provide information to enable readers to assess our progress and consider these values and assumptions.

CORPORATE CAPITALIZATION AND LIQUIDITY

We continue to maintain elevated liquidity levels because we believe that there will continue to be attractive opportunities to invest. As at December 31, 2010, our consolidated core liquidity was approximately $4.3 billion, consisting of $2.6 billion at the corporate level and $1.7 billion within our principal operating subsidiaries. Core liquidity consists of cash, financial assets and undrawn committed credit facilities. In addition to our core liquidity, we have $8.2 billion of uninvested capital allocations from our investment partners that is available to fund qualifying investments. These levels are very similar to the end of 2009.

Cash and Financial Assets

	Net Invested Capital		Net Operating Cash Flow	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Financial assets				
Government bonds	**$ 628**	$ 547		
Corporate bonds	**194**	290		
Other fixed income	**66**	115		
High-yield bonds and distressed debt	**98**	694		
Preferred shares	**267**	282		
Common shares	**328**	167		
Loans receivable/deposits	**212**	(167)		
Total financial assets	**1,793**	1,928	**$ 369**	$ 409
Cash and cash equivalents	**57**	30	**—**	—
Deposits and other liabilities	**(307)**	(351)	**(58)**	(39)
Net investment	**$ 1,543**	$ 1,607	**$ 311**	$ 370

Net cash and financial asset balances declined by $64 million to $1.5 billion since the end of 2009 with most of the decrease occurring during the fourth quarter of 2010. We tendered our holdings of General Growth Properties debt at par value as part of the restructuring of that company, resulting in a lower balance of high yield bond and distressed debt positions at year-end. Government and corporate bonds include short duration securities for liquidity purposes and longer dated securities that match fund insurance liabilities.

In addition to the carrying values of financial assets, we hold total return swaps and credit default swaps with a notional value of $75 million (December 31, 2009 – $440 million). The carrying value of these derivative instruments reflected in our financial statements at December 31, 2010 was negligible (December 31, 2009 – gain of $3 million). Deposits and other liabilities include broker deposits and a small number of borrowed securities that have been sold short.

Operating cash flow includes disposition gains, mark to market gains on our GGP warrants and realized and unrealized gains or losses on other capital markets positions including fixed income, and equity, securities, credit investments, foreign currency and interest rates.

Corporate Capitalization

We endeavour to maintain a strong, flexible and conservative capitalization that provides stable support for our operations. Our overall capitalization is characterized by: investment-grade financings that have minimal recourse to the Corporation; an emphasis on match funding our long-term assets with long-term, fixed rate, local currency financings; broad access to a diverse range of capital markets; and relatively low levels of corporate debt.

Our objective is to enhance returns for common shareholders while maintaining a prudent leverage profile. The weighted average cost of our corporate borrowings, capital securities and preferred shares during 2010 was 5.17%.

Our corporate capitalization consists of financial obligations issued or guaranteed by the Corporation, and is set forth in the following table:

	Net Invested Capital		Net Operating Cash Flow[2]	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Corporate borrowings				
Bank borrowing and commercial paper	**$ 199**	$ 388	**$ 17**	$ 21
Term debt	**2,706**	2,205	**161**	130
	2,905	2,593	**178**	151
Contingent swap accruals	**858**	779	**99**	84
Accounts payable and other accruals/expenses	**1,556**	2,011	**298**	271
Capital securities	**669**	632	**36**	32
Shareholders' equity				
Preferred equity	**1,658**	1,144	**75**	43
Common equity[1]	**18,261**	16,654	**1,388**	1,359
	19,919	17,798	**1,463**	1,402
Total corporate capitalization	**$ 25,907**	$ 23,813	**$ 2,074**	$ 1,940
Debt to capitalization	**14%**	14%		
Interest coverage			**6x**	7x
Fixed charge coverage			**5x**	5x

1. Includes unrecognized values under IFRS
2. Includes $413 million realization gains in 2010 (2009 - $410 million)

Our deconsolidation capitalization increased by $2.1 billion to $25.9 billion at year-end. Shareholders' equity increased by $2.1 billion due to operating cash flow and valuation gains, corporate debt increased by $0.3 billion due to the issuance of long-term bonds and other liabilities decreased by $0.3 billion due to the settlement of liabilities related to our insurance operations.

Corporate Borrowings

Corporate debt levels increased due to the issuance of long-term debt to capitalize on low interest rates and changes in foreign exchange on Canadian dollar-denominated borrowings, offset by lower short-term commercial paper borrowings.

Commercial paper and bank borrowings represent shorter-term borrowings pursuant to or backed by $1,445 million of committed revolving term credit facilities. Approximately $174 million (December 31, 2009 – $125 million) of the facilities were also utilized for letters of credit issued to support various business initiatives at quarter-end. The facilities are periodically renewed and extended for three to four-year periods. Currently, $325 million of the facilities are scheduled to expire in 2011 and $1,120 million of the facilities are scheduled to expire in 2012.

Term debt consists of public bonds and private placements, all of which are fixed rate and have maturities ranging from 2012 until 2035. These financings provide an important source of long-term capital and an appropriate match to our long-term asset profile. During October, we issued C$350 million ($340 million) of 10-year notes with a coupon of 5.30%.

Our corporate borrowings have an average term of eight years (December 31, 2009 – eight years) and all of the maturities extend into 2012 and beyond. The average interest rate on our corporate borrowings was 6% at December 31, 2010, consistent with the end of 2009.

		Maturity				
AS AT DECEMBER 31, 2010 (MILLIONS)	Average Term	2011	2012	2013	2014 & After	Total
Commercial paper and bank borrowings	1	$ —	$ 199	$ —	$ —	$ 199
Term debt	9	—	425	75	2,206	2,706
	8	$ —	$ 624	$ 75	$ 2,206	$ 2,905

Contingent Swap Accruals

We entered into interest rate swap arrangements with AIG Financial Products ("AIG-FP") in 1990, which include a zero coupon swap that was originally intended to mature in 2015. Our financial statements include an accrual of $858 million in respect of these contracts, which represents the compounding of amounts based on interest rates from the inception of the contracts. We have also recorded an amount of $214 million in accounts payable and other liabilities which represents the difference between the present value of any future payments under the swaps and the current accrual. We believe that the financial collapse of American International Group ("AIG") and AIG-FP triggered a default under the swap agreements, thereby terminating the contracts with the effect that we are not required to make any further payments under the agreements, including the amounts which might, depending on various events and interest rates, otherwise be payable in 2015. AIG disputes our assertions and therefore we have commenced legal proceedings seeking a declaration from the court confirming our position. We recognize this may not be determined for a considerable period of time, and therefore will continue to account for the contracts as we have in prior years until we receive clarification.

Capital Securities

Capital securities are preferred shares that are classified as liabilities because the holders of the preferred shares have the right, after a fixed date, to convert the shares into common equity based on the market price of our common shares at that time unless previously redeemed by us. The dividends paid on these securities are recorded in interest expense.

The carrying values of capital securities increased to $669 million from $632 million at the end of 2009 due to an increase in the value of the Canadian dollar, in which most of these securities are denominated. The average distribution yield on the capital securities at December 31, 2010 was 6% (December 31, 2009 – 6%) and the average term to the holders' conversion date was three years as at December 31, 2010 (December 31, 2009 – four years).

Shareholders' Equity

	Net Invested Capital[1]		Book Value[2]	
AS AT DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Preferred equity	**$ 1,658**	$ 1,144	**$ 1,658**	$ 1,144
Common equity	**18,261**	16,654	**12,796**	11,809
	$ 19,919	$ 17,798	**$ 14,454**	$ 12,953

1. Pre-tax basis, including unrecognized values under IFRS
2. Based on IFRS financial statements

Preferred equity consists of perpetual preferred shares representing an attractive form of leverage for common shareholders and increased by $0.5 billion due to new issues. We issued C$275 million ($269 million) of perpetual preferred shares during the first quarter of 2010 with an initial coupon of 5.40% that resets after 6.5 years and at a predetermined credit spread every five years thereafter unless previously redeemed by the Corporation. During October, we issued a further C$250 million ($245 million) of similar preferred shares with an initial coupon of 4.50%. In February 2011, we issued C$235 million ($238 million) of similar preferred shares with an initial coupon of 4.60%.

Common equity increased by $1.7 billion due to operating cash flow and fair value gains, offset in part by dividend payments.

The intrinsic value of our common shares as comprised of the following:

AS AT DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2010		2009	
	Total	**Per Share**	Total	Per Share
Common equity per IFRS financial statements	**$ 12,795**	**$ 22.09**	$ 11,809	$ 20.47
Add back: deferred income taxes	**2,216**	**3.60**	2,795	4.60
Values not recognized in IFRS	**3,250**	**5.27**	2,050	3.38
Net tangible asset value	**18,261**	**30.96**	16,654	28.45
Asset management franchise value	**4,000**	**6.49**	3,500	5.75
Total intrinsic value	**$ 22,261**	**$ 37.45**	$ 20,154	$ 34.20

Unrecognized Values

Certain assets and cash flows under IFRS are not reflected at fair value and as a result, we have provided an estimate of the incremental value of these items over their carried values to arrive at a more complete and consistent determination of net asset value. These items include items carried at historical book values such as the values for our property services businesses, renewable power and infrastructure development projects, assets acquired at distressed values that are not otherwise revalued and development land carried at the lower of cost or market.

We do not include the incremental value attributable to our asset management and business franchise in this analysis, even though we believe these activities will contribute to additional cash flow growth and enhancement of our existing and future business activities.

The following table presents the unrecognized values by operating platform:

AS AT DECEMBER 31 (MILLIONS)	**2010**	2009	2008
Asset management and other services	**$ 775**	$ 250	$ 250
Operating platforms			
Renewable power generation	**600**	450	200
Commercial properties	**325**	—	—
Infrastructure	**125**	100	—
Development activities	**875**	750	750
Private equity and finance	**450**	400	200
Cash and financial assets	**—**	—	—
Other assets	**100**	100	100
	$ 3,250	$ 2,050	$ 1,500

The additional value attributed to our service businesses includes a value of $230 million for our property and construction services businesses, based on a multiple of cash flows, and $260 million of accrued performance-based income that we would be entitled to based on current valuations, but which will not be recorded in our financial statements until the applicable clawback or determination period has expired.

Renewable power generation includes increases in valuation of development projects that are carried at historical cost until completion. The incremental value typically arises at key stages of the development process such as regulatory approvals and, in particular, the procurement of long-term power sales agreements.

Our development businesses are carried primarily at historical cost, or the lower of cost and market, notwithstanding the length of time that some of our assets have been held and the value created through the development process. Accordingly, we look to metrics such as stock market valuations and financing appraisals to determine a more current value for these businesses and reflect any excess value as “unrecognized values.”

Our private equity and finance investments include a number of investments in industrial businesses that are carried at depreciated cost because they are consolidated or equity-accounted. In circumstances where the investment is in a publicly listed entity we will typically record the difference between the carried value and the market value as “unrecognized value.”

Asset Management Franchise Value

The value of our asset management franchise is discussed on pages 34 and 35.

Interest Rates and Currencies

Interest Rates

The majority of our borrowings are fixed rate long-term financings. Accordingly, changes in interest rates have minimal short-term impact on our cash flows. We do not record changes in the value of our long-term financings, with very limited exceptions. Changes in short-term interest rates will, however, impact the cash flows required to pay interest on floating rate borrowings.

As at December 31, 2010, our net floating rate liability position on a proportionate basis was $4.1 billion (2009 – liability position of $4.1 billion). As a result, a 10-basis point increase in interest rates would decrease operating cash flow by $4 million. We utilize interest rate contracts to manage our overall interest rate profile.

We are required to record certain financial instruments at market value and any changes in value recorded as current income, with the result that a 10-basis point increase in long-term interest rates will result in a corresponding increase in income of $1 million before tax and vice versa, based on our year-end positions.

Currencies

The global scale of our operations means that we deploy capital in multiple currencies, the largest being the United States dollar, which is our functional and reporting currency, with most of the remaining capital denominated in Australian, Brazilian and Canadian currencies. We hedge most of our assets through match funding with local borrowings. Our risk management policies do not require us to hedge the remaining net capital invested in non-U.S. operations, due to the long-term ownership profile of our assets. We will, however, enter into hedging arrangements from time-to-time if we believe currency valuations are misaligned and to protect shorter-term capital flows.

As at December 31, 2010, the major components of net tangible asset value invested in non-U.S. currencies consisted of: Australia – $2.7 billion (15%); Brazil – $3.9 billion (21%); and Canada – $2.3 billion (13%). The impact of changes in the value of these currencies is typically recorded through Other Comprehensive Income and included in the Fair Value Change component of our Total Return calculations.

Working Capital

Other Assets

The following is a summary of Other Assets:

	Net Invested Capital	
AS AT DECEMBER 31 (MILLIONS)	**2010**	2009
Accounts receivable	**$ 222**	$ 260
Restricted cash	**132**	207
Intangible assets	**28**	45
Goodwill	**194**	181
Prepaid and other assets	**343**	321
	$ 919	$ 1,014

Other assets include working capital balances employed in our business that are not directly attributable to specific operating units, and are relatively unchanged from the prior year.

Other Liabilities

The following is a summary of Other Liabilities:

AS AT DECEMBER 31 (MILLIONS)	Net Invested Capital	
	2010	2009
Accounts payable	**$ 163**	$ 71
Insurance liabilities	**482**	721
Other liabilities	**911**	1,219
	$ 1,556	$ 2,011

Other liabilities include $214 million of fair value adjustments in respect of contingent swap accruals. We continue to reduce the level of activity in our insurance business resulting in lower liabilities. Other liabilities include a lower level of forward currency agreement liabilities than the prior year.

Unallocated Operating Costs

Operating costs include the costs of our asset management activities as well as corporate costs which are not directly attributable to specific business units.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Net		
	2010	2009	Variance
Operating costs	**$ 277**	$ 268	$ 9
Cash income taxes	**21**	3	18
	$ 298	$ 271	$ 27

PART 3
ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

This section contains a review of our consolidated financial statements which are prepared in accordance with IFRS. It contains information to assist the reader in reconciling the basis of presentation in our consolidated financial statements to that employed in the Supplemental Information, as well as a review of certain balances that are not reviewed elsewhere in the Supplemental Information.

CONSOLIDATED STATEMENTS OF INCOME

The following table summarizes the major components of net income on a total basis and also the proportionate amounts that accrue to Brookfield:

	Total		Net[1]		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009	Variance
Operating cash flow	**$ 1,463**	$ 1,402	**$ 1,463**	$ 1,402	$ 61
Less: deferred gains[2]	**(414)**	(410)	**(414)**	(410)	(4)
	1,049	992	**1,049**	992	57
Other items					
Fair value changes	**1,865**	(2,268)	**1,129**	(1,502)	2,631
Depreciation and amortization	**(795)**	(656)	**(693)**	(573)	(120)
Deferred income taxes	**(43)**	287	**(31)**	247	(278)
Non-controlling interests	**(622)**	809	**—**	—	—
Net income (loss) attributable to Brookfield shareholders	**1,454**	(836)	**1,454**	(836)	2,290
Non-controlling interests in net income					
– operating cash flow	**1,119**	669	**—**	—	—
– other items	**622**	(809)	**—**	—	—
Net income (loss) attributable to non-controlling interests	**1,741**	(140)	**—**	—	—
Net income (loss) as presented in consolidated financial statements	**$ 3,195**	$ (976)	**$ 1,454**	$ (836)	$ 2,290

1. Net of non-controlling interests
2. Disposition gains that are recorded in equity for IFRS purposes, as opposed to net income

Consolidated net income for 2010 was $3.2 billion, of which $1.45 billion was attributable to our shareholders and $1.74 billion was attributable to clients and co-investors in consolidated funds and subsidiary operations, which is presented as "non-controlling interests."

Deferred Gains

IFRS generally precludes the recognition of disposition gains on the sale of interests in controlled subsidiaries if we continue to consolidate the investment after the sale; the gains are recorded directly into equity as opposed to the statement of operations. We consider these gains to be an important component of performance measurement and accordingly include them in the determination of operating cash flow and gains. As such, they become a reconciling item between net income and operating cash flow.

Fair Value Changes

Fair value changes for each principal operating segment is summarized in the following table:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Operating Segment	Total 2010	Total 2009	Net[1] 2010	Net[1] 2009	Variance
Operating assets						
Investment property	Commercial Properties	**$ 1,199**	$ (1,707)	**$ 624**	$ (1,128)	$ 1,752
Standing timber and agriculture	Infrastructure and Development	**11**	(143)	**(8)**	(53)	45
Infrastructure	Infrastructure	**405**	—	**113**	—	113
		1,615	(1,850)	**729**	(1,181)	1,910
Other items						
Interest rate contracts	Corporate	**(58)**	74	**(58)**	74	(132)
Power contracts	Renewable Power	**588**	3	**588**	3	585
Redeemable units	Renewable Power	**(159)**	(244)	**(159)**	(244)	85
Other	Various	**41**	(201)	**115**	(129)	244
		412	(368)	**486**	(296)	782
		2,027	(2,218)	**1,215**	(1,477)	2,692
Less: Recognized in operating cash flow		**(162)**	(50)	**(86)**	(25)	(61)
		$ 1,865	$ (2,268)	**$ 1,129**	$ (1,502)	$ 2,631

1. Net of non-controlling interests

The net impact of fair value gains in the year totalled $1.1 billion versus a loss of $1.5 billion in 2009 due principally to changes during each year in the value of operating assets.

Investment property values, which include our commercial office and retail properties, improved due to lower discount rates as discussed in the Commercial Property Review in Part 2. The prior year's loss was primarily the result of a decline in the valuation of our commercial office properties due to decreased rent assumptions and higher discount rates attributed to future cash flows.

The fair value gain for infrastructure represents a one-time revaluation of the underlying assets on completion of the Prime Acquisition.

Changes in the value of the property, plant and equipment employed in our renewable power and infrastructure business are recorded annually through equity, as opposed to net income. Aggregate fair value changes through both net income and equity are summarized on pages 49, 51 and 52.

Interest rate contracts are intended to provide an economic hedge against the impact of increases in long-term interest rates on the values of our long duration interest sensitive physical assets but which are revalued through earnings even if the corresponding assets are not. The U.S. 10-year treasury rate declined from 3.84% to 3.29% during 2010, which led to a $58 million decrease in the net value of these contracts.

The revaluation of certain contracts for the sale of power is recorded through income. The decline in power prices has increased the value of these contracts and partially offset the downward adjustment to the carrying value of the associated facilities which are recorded through equity.

The carrying value of units held by minority shareholders in our renewable power fund are recorded at their quoted stock market value and changes are recorded as fair value changes through net income.

Depreciation and Amortization

Depreciation and amortization for each principal operating segment is summarized in the following table:

	Total		Net[1]		
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009	Variance
Renewable power generation	**$ 488**	$ 379	**$ 488**	$ 379	$ 109
Infrastructure	**31**	16	**12**	7	5
Development activities	**7**	2	**4**	2	2
Private equity and finance	**185**	183	**115**	118	(3)
Asset management and other	**84**	76	**74**	67	7
	$ 795	$ 656	**$ 693**	$ 573	$ 120

1. Net of non-controlling and minority interests

Depreciation relates mostly to our renewable power generating operations, with smaller amounts arising from infrastructure operations and industrial businesses held within our private equity and finance operations. We do not recognize depreciation or depletion on our commercial office and retail properties, standing timber, and agricultural assets respectively, as each of these asset classes are revalued on a quarterly basis in net income as part of "fair value changes."

The increase in depreciation expense compared to 2009 is due to a higher valuation of our renewable power business at the beginning of 2010, the impact of higher exchange rates on our Brazilian and Canadian operations and the development of new facilities. Depreciation in our other operating segments was largely unchanged.

Liabilities and Shareholders' Equity

The following analysis of our liabilities and shareholders' equity is based on our consolidated balance sheet, and therefore includes the obligations of consolidated entities, including partially owned funds and subsidiaries.

We note, however, that in many cases our consolidated capitalization includes 100% of the debt of the consolidated entities, even though in most cases we only own a portion of the entity and therefore our pro rata exposure to this debt is much lower. For example, we have access to the capital of our clients and co-investors through public market issuance and, in some cases, contractual obligations to contribute additional equity. In other cases, this basis of presentation excludes some or all of the debt of partially owned entities that are equity accounted or proportionately consolidated such as our U.S. Office Fund and several of our infrastructure businesses.

Accordingly, we believe that the two most meaningful bases of presentation to use in assessing our capitalization are proportionate consolidation and deconsolidation. The following table depicts the composition of our capitalization on these bases, along with our consolidated capitalization, all based on the net asset value of our equity and the interests of other investors:

	Deconsolidated		Proportionate		Consolidated	
AS AT DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009	**2010**	2009
Corporate borrowings	**$ 2,905**	$ 2,593	**$ 2,905**	$ 2,593	**$ 2,905**	$ 2,593
Non-recourse borrowings						
Property-specific mortgages	**—**	—	**15,956**	14,747	**23,454**	19,712
Subsidiary borrowings[1]	**858**	779	**3,610**	3,550	**4,007**	3,800
Accounts payable and other	**1,556**	2,011	**7,577**	7,931	**13,088**	10,264
Capital securities	**669**	632	**1,188**	1,136	**1,707**	1,641
Non-controlling interests	**—**	—	**—**	—	**16,301**	11,207
Shareholders' equity[2]	**19,919**	17,798	**19,919**	17,798	**19,919**	17,798
	$ 25,907	$ 23,813	**$ 51,155**	$ 47,755	**$ 81,381**	$ 67,015
Debt to capitalization	**15%**	14%	**44%**	44%	**37%**	39%

1. Includes $858 million (December 31, 2009 – $779 million) of contingent swap accruals which are guaranteed by the Corporation and are accordingly included in Corporate Capitalization
2. Pre-tax basis, including unrecognized values under IFRS

Our deconsolidated capitalization depicts the amount of debt that is recourse to the Corporation, and the extent to which it is supported by our deconsolidated invested capital and remitted cash flows. At year-end, our deconsolidated debt to capitalization was 15% (December 31, 2009 – 14%) which is a prudent level in our opinion. This reflects our strategy of having a relatively low level of debt at the parent company level and financing our operations primarily at the asset or operating unit level with no recourse to the Corporation.

Proportionate consolidation which reflects our proportionate interest in the underlying entities, depicts the extent to which our underlying assets are leveraged, which is an important component of enhancing shareholder returns. We believe the 44% debt-to-capitalization ratio at year-end (December 31, 2009 – 44%) is appropriate given the high quality of the assets, the stability of the associated cash flows and the level of financings that assets of this nature typically support, as well as our liquidity profile.

Our consolidated debt-to-capitalization ratio is 37% (December 31, 2009 – 39%). This reflects the full consolidation of partially-owned entities, notwithstanding that our capital exposure to these entities is limited. As noted above, it also excludes the debt of equity accounted investees, which results in a lower debt-to-capitalization than the proportionally consolidated numbers.

The table above illustrates our use of subsidiary and property-specific financings to minimize risk. As at December 31, 2010 only 12% of our consolidated debt capitalization is issued or guaranteed by the Corporation, whereas 77% is recourse only to specific assets or groups of assets and 11% is issued by subsidiaries and has no recourse to the Corporation.

We issued $1.7 billion of common and preferred equity in February 2011. On a proforma basis our deconsolidated and proportionately consolidated debt to capitalization levels decline to 14% and 43%, respectively.

The cash flows generated within our operations provides favourable interest and fixed charge coverage ratios, as shown in the following table:

	Deconsolidated		Consolidated	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Corporate borrowings	**$ 178**	$ 151	**$ 178**	$ 151
Contingent swap accruals	**99**	84	**99**	84
Property-specific borrowings	**—**	—	**1,266**	967
Subsidiary borrowings	**—**	—	**192**	193
Operating expenses	**298**	271	**514**	447
Capital securities	**36**	32	**94**	85
Non-controlling interest	**—**	—	**1,113**	669
Shareholders' equity				
Preferred equity	**75**	43	**75**	43
Common equity	**1,388**	1,359	**1,388**	1,359
	1,463	1,402	**1,463**	1,402
Total cash flows	**$ 2,074**	$ 1,940	**$ 4,919**	$ 3,998
Interest coverage[1]	**6x**	7x	**3x**	3x
Fixed charge coverage[2]	**5x**	5x	**2x**	2x

1. Total cash flows divided by interest on borrowings and swap accruals
2. Total cash flows divided by interest on borrowings, swap accruals and distributions on capital securities and preferred equity

Corporate Borrowings

We discuss corporate borrowings on pages 36 and 37.

Subsidiary Borrowings

We capitalize our subsidiary entities to enable continuous access to the debt capital markets, usually on an investment-grade basis, thereby reducing the demand for capital from the Corporation and sharing the cost of financing equally among other equity holders in partially owned subsidiaries.

		Proportionate		Consolidated	
AS AT DECEMBER 31 (MILLIONS)	Average Term	**2010**	2009	**2010**	2009
Subsidiary borrowings					
Renewable power generation	10	**$ 1,152**	$ 1,144	**$ 1,152**	$ 1,144
Commercial properties	1	**757**	500	**579**	551
Infrastructure	2	**40**	—	**148**	—
Development activities	3	**278**	475	**278**	475
Private equity and finance	4	**488**	541	**955**	739
Other	1	**37**	111	**37**	112
Contingent swap accruals [1]	5	**858**	779	**858**	779
Total	5	**$ 3,610**	$ 3,550	**$ 4,007**	$ 3,800

1. Guaranteed by the Corporation

Subsidiary borrowings were relatively unchanged on both a consolidated and proportionate basis from year-end. The reduction in borrowings on bank lines in our Canadian residential development business was offset by higher borrowing within our commercial property development operations.

Subsidiary borrowings have no recourse to the Corporation with only a limited number of exceptions. As at December 31, 2010, subsidiary borrowings included $858 million (December 31, 2009 – $779 million) of contingent swap accruals that are guaranteed by the Corporation (see page 37).

The following table presents our proportionate share of subsidiary borrowing maturities, based on our ownership interest in the borrowing entity:

AS AT DECEMBER 31, 2010 (MILLIONS)	2011	2012	2013	2014 & After	Proportionate Total
Renewable power generation	$ 56	$ —	$ —	$ 1,096	$ 1,152
Commercial properties	314	35	340	68	757
Infrastructure	1	32	5	2	40
Development activities	2	—	88	188	278
Private equity and finance	4	155	87	242	488
Other	37	—	—	—	37
Contingent swap accruals	—	—	—	858	858
	$ 414	$ 222	$ 520	$ 2,454	$ 3,610

Maturities prior to 2014 consist primarily of shorter-term bank facilities that are renewed in the normal course.

Property-Specific Borrowings

As part of our financing strategy, the majority of our debt capital is in the form of property-specific mortgages that have recourse only to the assets being financed and have no recourse to the Corporation.

		Proportionate		Consolidated	
AS AT DECEMBER 31 (MILLIONS)	Average Term	**2010**	2009	**2010**	2009
Renewable power generation	11	**$ 2,818**	$ 3,179	**$ 3,834**	$ 3,861
Commercial properties	4	**9,014**	7,468	**10,689**	9,481
Infrastructure	6	**1,995**	2,063	**4,463**	1,978
Development activities	2	**1,309**	1,337	**2,632**	2,377
Private equity and finance	7	**820**	700	**1,836**	2,015
Total	5	**$ 15,956**	$ 14,747	**$ 23,454**	$ 19,712

Property-specific borrowings did not significantly change on a proportionate basis and increased on a consolidated basis compared to December 2009 due to currency appreciation, the consolidation of commercial property funds and infrastructure assets due to increases in our ownership levels during the year.

The following table presents our proportionate share of property-specific borrowings maturities, based on our ownership interests in the borrowing entity:

AS AT DECEMBER 31, 2010 (MILLIONS)	2011	2012	2013	2014 & After	Proportionate Total
Renewable power generation	$ 106	$ 504	$ 333	$ 1,875	$ 2,818
Commercial properties	1,847	1,496	1,578	4,093	9,014
Infrastructure	173	128	503	1,191	1,995
Development activities	695	248	199	167	1,309
Private equity and finance	56	196	31	537	820
	$ 2,877	$ 2,572	$ 2,644	$ 7,863	$ 15,956

Renewable power generation and commercial properties borrowings are modest in relation to the overall scale of the operations and continue to be refinanced on a long-term basis in the normal course of our operations. Development activities include borrowings within our Brazilian, Canadian and U.S. residential businesses that are largely of a working capital nature, financing the ongoing development and construction activities, and are typically repaid as the projects, lots or homes being financed are completed and sold, and then re-drawn against any new projects that we elect to pursue.

Capital Securities

Capital securities are discussed on page 37.

		Proportionate		Consolidated	
AS AT DECEMBER 31 (MILLIONS)	Average Term to Conversion	**2010**	2009	**2010**	2009
Issued by the Corporation	3	**$ 669**	$ 632	**$ 669**	$ 632
Issued by Brookfield Office Properties	3	**519**	504	**1,038**	1,009
	3	**$ 1,188**	$ 1,136	**$ 1,707**	$ 1,641

Basic and Diluted Earnings Per Share

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

	Operating Cash Flow		Net Income	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009	**2010**	2009
Operating cash flow/net income (loss)	**$ 1,463**	$ 1,402	**$ 1,454**	$ (836)
Preferred share dividends	**(75)**	(43)	**(75)**	(43)
	1,388	1,359	**1,379**	(879)
Capital securities dividends[1]	**—**	—	**36**	—
Operating cash flow/net income (loss) available for common shareholders	**$ 1,388**	$ 1,359	**$ 1,415**	$ (879)
Weighted average – common shares	**574.9**	572.2	**574.9**	572.2
Dilutive effect of the conversion of options using treasury stock method	**9.6**	7.7	**9.6**	—
Dilutive effect of the conversion of capital securities[1,2]	**—**	—	**23.0**	—
Common shares and common share equivalents	**584.5**	579.9	**607.5**	572.2

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

Issued and Outstanding Common Shares

The number of issued and outstanding common shares changed as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2010**	2009
Outstanding at beginning of year	**572.9**	572.6
Issued (repurchased)		
Dividend reinvestment plan	**0.1**	0.2
Management share option plan	**4.7**	1.6
Issuer bid purchases	**—**	(1.5)
Outstanding at end of year	**577.7**	572.9
Unexercised options	**38.4**	34.9
Total diluted common shares at end of year	**616.1**	607.8

In calculating our book value per common share, the cash value of our unexercised options of $813 million (December 31, 2009 – $634 million) is added to the book value of our common share equity of $12,795 million (December 31, 2009 – $11,867 million) prior to dividing by the total diluted common shares presented above.

RECONCILIATION BETWEEN CONSOLIDATED AND SEGMENTED FINANCIAL INFORMATION

Balance Sheet

AS AT DECEMBER 31, 2010

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Cash and Financial Assets	Asset Management and Other	Corporate Capitalization	Consolidated Financial Statements
Assets									
Operating assets									
Property, plant and equipment	$ 12,443	$ 8	$ 3,138	$ 1	$ 2,497	$ —	$ 61	$ —	$ 18,148
Investment properties	—	19,709	222	1,071	1,161	—	—	—	22,163
Timber	—	—	2,726	399	81	—	—	—	3,206
Inventory	8	2	46	5,333	460	—	—	—	5,849
Investments	267	4,811	1,271	188	45	26	21	—	6,629
Cash and cash equivalents	192	349	154	390	481	57	90	—	1,713
Financial assets	55	1,219	(4)	(161)	194	1,542	—	—	2,845
Loans and notes receivable	—	—	—	12	1,337	225	—	—	1,574
Accounts receivable and other	1,477	818	2,216	1,400	833	—	1,125	—	7,869
Intangible assets	125	62	2,904	23	314	—	377	—	3,805
Goodwill	17	347	591	474	42	—	1,075	—	2,546
	14,584	27,325	13,264	9,130	7,445	1,850	2,749	—	76,347
Deferred tax asset	154	329	431	263	109	—	498	—	1,784
Total assets	**$ 14,738**	**$ 27,654**	**$ 13,695**	**$ 9,393**	**$ 7,554**	**$ 1,850**	**$ 3,247**	**$ —**	**$ 78,131**
Liabilities									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,905	$ 2,905
Non-recourse borrowings									
Property specific mortgages	3,834	10,689	4,463	2,626	1,712	130	—	—	23,454
Subsidiary borrowings	1,152	579	148	278	955	35	2	858	4,007
Accounts payable and other liabilities	838	1,191	2,530	2,149	1,168	4	897	1,557	10,334
Deferred tax liability	2,723	558	1,098	283	243	—	—	65	4,970
Interests of others in funds	1,355	—	207	—	—	—	—	—	1,562
Capital securities	—	1,038	—	—	—	—	—	669	1,707
Equity									
Non-controlling interests	513	7,003	3,484	1,800	1,795	138	6	—	14,739
Preferred equity	—	—	—	—	—	—	—	1,658	1,658
Common equity	4,323	6,596	1,765	2,257	1,681	1,543	2,342	(7,712)	12,795
Total liabilities and equity	**$ 14,738**	**$ 27,654**	**$ 13,695**	**$ 9,393**	**$ 7,554**	**$ 1,850**	**$ 3,247**	**$ —**	**$ 78,131**
Common equity	$ 4,323	$ 6,596	$ 1,765	$ 2,257	$ 1,681	$ 1,543	$ 2,342	$ (7,712)	$ 12,795
Deferred income taxes[1]	2,569	(12)	15	52	24	—	(498)	66	2,216
Unrecognized values	600	325	125	875	450	—	875	—	3,250
Net tangible asset value	7,492	6,909	1,905	3,184	2,155	1,543	2,719	(7,646)	18,261
Asset management franchise value	—	—	—	—	—	—	4,000	—	4,000
Intrinsic value	**$ 7,492**	**$ 6,909**	**$ 1,905**	**$ 3,184**	**$ 2,155**	**$ 1,543**	**$ 6,719**	**$ (7,646)**	**$ 22,261**

1. Net of non-controlling interests

Results from Operations

FOR THE YEAR ENDED DECEMBER 31, 2010

(MILLIONS)	Asset Management	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Investment Income Gains	Corporate Financing Charges	Consolidated Financial Statements
Asset management and other services	$ 365	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 365
Revenues less direct operating costs									
Renewable power generation	—	748	—	—	—	—	—	—	748
Commercial properties	—	—	1,182	—	—	100	—	—	1,282
Infrastructure	—	—	—	220	—	1	—	—	221
Development activities	—	—	—	—	527	—	—	—	527
Private equity and finance	—	—	—	—	—	281	—	—	281
Equity accounted investments	—	23	256	204	8	1	2	—	494
Investment and other income	—	—	91	6	8	115	373	—	593
	365	771	1,529	430	543	498	375	—	4,511
Expenses									
Interest	—	375	727	141	109	145	19	313	1,829
Other operating costs	—	—	96	27	—	17	—	148	288
Asset management expenses	—	—	—	—	—	—	—	129	129
Current income taxes	—	18	8	3	39	5	3	21	97
Non-controlling interests	17	121	372	129	203	235	42	—	1,119
Operating cash flow	348	257	326	130	192	96	311	(611)	1,049
Disposition gains	—	291	38	—	—	85	—	—	414
Cash flow from operations	**348**	**548**	**364**	**130**	**192**	**181**	**311**	**(611)**	**1,463**
Less: disposition gains	—	(291)	(38)	—	—	(85)	—	—	(414)
Net income before the following	348	257	326	130	192	96	311	(611)	1,049
Depreciation and amortization	—	(488)	(57)	(33)	(8)	(189)	—	(20)	(795)
Fair value changes	—	577	1,031	296	(94)	37	—	18	1,865
Future income taxes	—	(61)	(70)	16	6	(6)	—	72	(43)
Non-controlling interests	—	20	(534)	(244)	19	114	—	3	(622)
Net income	**$ 348**	**$ 305**	**$ 696**	**$ 165**	**$ 115**	**$ 52**	**$ 311**	**$ (538)**	**$ 1,454**

Total Return and Change in Intrinsic Value

FOR THE YEAR ENDED DECEMBER 31, 2010

(MILLIONS)	Asset Management/ Other	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Cash and Financial Assets	Corporate	Total
Cash flow from operations	$ 348	$ 548	$ 364	$ 130	$ 192	$ 181	$ 311	$ (611)	$ 1,463
Less: preferred share dividends	—	—	—	—	—	—	—	(75)	(75)
Cash flow from common shares	348	548	364	130	192	181	311	(686)	1,388
Fair value changes									
Recorded in IFRS statements									
Revaluation gains/losses	(51)	(626)	583	139	(15)	133	(7)	(58)	98
Depreciation and amortization	(65)	(488)	(9)	(12)	(4)	(115)	—	—	(693)
Foreign currency	41	48	216	43	94	5	11	(107)	351
Other	—	—	(28)	—	(44)	(14)	—	61	(25)
Unrecognized values	525	150	325	25	125	50	—	—	1,200
Asset management franchise	500	—	—	—	—	—	—	—	500
Total fair value changes	950	(916)	1,087	195	156	59	4	(104)	1,431
Less: gains recorded in operating cash flow	—	(291)	(38)	—	—	(85)	—	—	(414)
Total return	1,298	(659)	1,413	325	348	155	315	(790)	2,405
Capital invested/distributed[1]	(326)	(317)	655	(66)	(317)	(31)	(379)	483	(298)
Net change in intrinsic value	$ 972	$ (976)	$ 2,068	$ 259	$ 31	$ 124	$ (64)	$ (307)	$ 2,107

1. Represents common share dividends

Balance Sheet

AS AT DECEMBER 31, 2009

(MILLIONS)	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Cash and Financial Assets	Asset Management and Other	Corporate Capitalization	Consolidated Financial Statements
Assets									
Operating assets									
Property, plant and equipment	$ 13,166	$ 60	$ 1,244	$ 2	$ 2,114	$ —	$ 137	$ —	$ 16,723
Investment properties	—	16,730	225	1,240	1,024	—	—	—	19,219
Timber	—	—	2,529	358	81	—	—	—	2,968
Inventory	7	3	32	5,115	403	—	—	—	5,560
Investments	276	2,620	1,295	151	51	54	19	—	4,466
Cash and cash equivalents	185	307	56	316	324	30	91	—	1,309
Financial assets	(37)	1,390	54	(148)	375	1,703	—	—	3,337
Loans and notes receivable	—	—	—	—	1,638	171	—	—	1,809
Accounts receivable and other	1,285	461	47	1,285	620	—	1,011	—	4,709
Intangible assets	119	62	306	—	201	—	360	—	1,048
Goodwill	16	340	591	446	34	—	936	—	2,363
	15,017	21,973	6,379	8,765	6,865	1,958	2,554	—	63,511
Deferred tax asset	64	627	16	222	134	—	391	—	1,454
Total assets	**$ 15,081**	**$ 22,600**	**$ 6,395**	**$ 8,987**	**$ 6,999**	**$ 1,958**	**$ 2,945**	**$ —**	**$ 64,965**
Liabilities									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,593	$ 2,593
Non-recourse borrowings									
Property specific mortgages	3,861	9,481	1,978	2,377	1,889	126	—	—	19,712
Subsidiary borrowings	1,144	551	—	475	739	110	2	779	3,800
Accounts payable and other liabilities	741	1,084	240	1,859	974	60	835	2,034	7,827
Deferred tax liability	3,126	999	699	109	184	—	—	115	5,232
Interests of others in funds	899	—	122	—	—	—	—	—	1,021
Capital securities	—	1,009	—	—	—	—	—	632	1,641
Equity									
Non-controlling interests	201	4,698	1,836	1,814	1,582	55	—	—	10,186
Preferred equity	—	—	—	—	—	—	—	1,144	1,144
Common equity	5,109	4,778	1,520	2,353	1,631	1,607	2,108	(7,297)	11,809
Total liabilities and equity	**$ 15,081**	**$ 22,600**	**$ 6,395**	**$ 8,987**	**$ 6,999**	**$ 1,958**	**$ 2,945**	**$ —**	**$ 64,965**
Common equity	$ 5,109	$ 4,778	$ 1,520	$ 2,353	$ 1,631	$ 1,607	$ 2,108	$ (7,297)	$ 11,809
Deferred income taxes[1]	2,909	63	26	50	—	—	(391)	138	2,795
Unrecognized values	450	—	100	750	400	—	350	—	2,050
Net tangible asset value	8,468	4,841	1,646	3,153	2,031	1,607	2,067	(7,159)	16,654
Asset management franchise value	—	—	—	—	—	—	3,500	—	3,500
Intrinsic value	**$ 8,468**	**$ 4,841**	**$ 1,646**	**$ 3,153**	**$ 2,031**	**$1,607**	**$ 5,567**	**$ (7,159)**	**$ 20,154**

1. Net of non-controlling interests

Results from Operations

FOR THE YEAR ENDED DECEMBER 31, 2009

(MILLIONS)	Asset Management and Other Services	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Investment and Other Income	Corporate Financing Charges	Consolidated Financial Statements
Asset management and other services	$ 298	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 298
Revenues less direct operating costs									
Renewable power generation	—	777	—	—	—	—	—	—	777
Commercial properties	—	—	1,059	—	—	—	—	—	1,059
Infrastructure	—	—	—	95	—	—	—	—	95
Development activities	—	—	—	9	147	—	—	—	156
Private equity and finance	—	—	—	—	—	111	—	—	111
Equity accounted investments	—	18	256	73	3	(1)	4	—	353
Investment and other income	—	—	47	24	6	189	417	—	683
	298	795	1,362	201	156	299	421	—	3,532
Expenses									
Interest	—	323	607	100	70	86	27	267	1,480
Operating costs	—	—	112	9	—	7	—	123	251
Asset management expenses	—	—	—	—	—	—	—	145	145
Current income taxes	—	24	13	12	(15)	(43)	1	3	(5)
Non-controlling interests	—	97	340	25	59	137	11	—	669
Operating cash flow	298	351	290	55	42	112	382	(538)	992
Disposition gains	—	369	19	7	27	—	(12)	—	410
Cash flow from operations	**298**	**720**	**309**	**62**	**69**	**112**	**370**	**(538)**	**1,402**
Less: disposition gains	—	(369)	(19)	(7)	(27)	—	12	—	(410)
Net income before the following	298	351	290	55	42	112	382	(538)	992
Depreciation and amortization	—	(378)	(42)	(24)	2	(189)	—	(25)	(656)
Fair value changes	—	(243)	(1,543)	(196)	(150)	(68)	—	(68)	(2,268)
Future income taxes	—	133	268	34	(6)	(39)	—	(103)	287
Non-controlling interests	—	5	519	100	9	174	—	2	809
Net income (loss)	**$ 298**	**$ (132)**	**$ (508)**	**$ (31)**	**$ (103)**	**$ (10)**	**$ 382**	**$ (732)**	**$ (836)**

Total Return and Change in Intrinsic Value

FOR THE YEAR ENDED DECEMBER 31, 2009

(MILLIONS)	Asset Management/ Other	Renewable Power	Commercial Properties	Infrastructure	Development Activities	Private Equity and Finance	Cash and Financial Assets	Corporate	Total
Cash flow from operations	$ 298	$ 720	$ 309	$ 62	$ 69	$ 112	$ 370	$ (538)	$ 1,402
Less: preferred share dividends	—	—	—	—	—	—	—	(43)	(43)
Cash flow from common shares	298	720	309	62	69	112	370	(581)	1,359
Fair value changes									
Recorded in IFRS statements									
Revaluation gains/losses	(23)	(281)	(841)	(142)	13	(61)	113	1	(1,221)
Depreciation and amortization	(61)	(379)	(6)	(7)	(2)	(118)	—	—	(573)
Foreign currency	91	876	408	119	271	144	—	(167)	1,742
Other	—	—	—	—	—	—	—	6	6
Unrecognized values	—	250	—	100	—	200	—	—	550
Asset management franchise	400	—	—	—	—	—	—	—	400
Total fair value changes	407	466	(439)	70	282	165	113	(160)	904
Less: gains recorded in operating cash flow	—	(369)	(19)	(7)	(27)	—	12	—	(410)
Total return	705	817	(149)	125	324	277	495	(741)	1,853
Capital invested/distributed[1]	287	(1,027)	288	347	653	(68)	(791)	13	(298)
Net change in intrinsic value	$ 992	$ (210)	$ 139	$ 472	$ 977	$ 209	$ (296)	$ (728)	$ 1,555

1. Represents common share dividends

Change in Intrinsic Value

The following table provides an analysis of the change in our intrinsic value during the year and reconciles this amount to Net Income, Other Comprehensive Income and other items in our Consolidated Statement of Changes in Equity:

	Intrinsic Value	Financial Statement Allocation				Intrinsic Value
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2010: (MILLIONS, EXCEPT PER SHARE AMOUNTS)	Total	Net Income	Other Comprehensive Income	Shareholder Distributions	Other Items[1]	Per Share
Operating cash flow	$ 1,463	$ 1,049	$ —	$ —	$ 414	$ 2.37[5]
Less: preferred share dividends	(75)	—	—	(75)		n/a[5]
Operating cash flow for common shares	1,388	1,049	—	(75)	414	2.37
Fair value changes						
Revaluation gains/(losses)	98	1,215	(955)	—	(162)	0.16
Depreciation and amortization	(693)	(693)	—	—	—	(1.31)
Foreign currency revaluation	351	—	276	—	75	0.54
Other	(25)	(86)	—	—	61	(0.04)
	(269)	436	(679)	—	(26)	(0.65)
Unrecognized values[3]	1,200	n/a	n/a	—	n/a	2.06
Asset management franchise[2]	500	n/a	n/a	—	n/a	0.80
Total fair value changes	1,431	436	(679)	—	(26)	2.21
Less: gains recorded in cash flow[3]	(414)	—	—	—	(414)	(0.81)
Total return – pre-tax[4]	2,405	1,485	(679)	(75)	(26)	3.77
Common share dividends	(298)	—	—	(298)	—	(0.52)
Deferred income taxes[4]	n/a	(31)	453	—	157	n/a
Total change in intrinsic value[4]	$ 2,107	$ 1,454	$ (226)	$ (373)	$ 131	$ 3.25

1. Other items included in shareholders' equity
2. Revaluation of items not reflected at fair value under IFRS
3. Represents the portion of realization gains not included in equity under IFRS
4. Values presented on a pre-tax basis
5. Operating cash flow per share shown net of preferred share dividends

Cautionary Statement Regarding Forward-Looking Statements

This Supplemental Information contains forward-looking information within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words, "potential," "intend," "grow," "plan," "seek," "expect," "believe," "objective," "continue," "enable," "expand," "likely," and derivations thereof and other expressions, including conditional verbs such as "will," "can," "may," "would" and "should" are predictions of or indicate future events, trends or prospects or identify forward-looking statements. Forward-looking statements in this Supplemental Information include statements with respect to: our objective to increase the intrinsic value of Brookfield, on a per share basis, at a rate in excess of 12% when measured over the longer term; our expectation to expand our property, renewable power and infrastructure businesses and future cash flows with internal initiatives and new acquisitions; our expectation of a reduction in energy prices within our renewable power operations over the next few years; the potential growth in capital and fees over the next 10 years as reflected in our assessment of the value of our asset management franchise; our assumptions in valuing our tangible assets, including projected cash flows and discount rates; our unrecognized and deferred performance-based income in our asset management business; our expectation for having seven funds in the market over the next eighteen months for which we will be seeking more than $4 billion of third party capital; our development activities, including wind facilities in Canada and the United States and hydro facilities in Brazil; our objective to lock in the current lower yield interest rate environment and extend term to match fund our long-life assets; our ability to complete highly promising investment opportunities; our targeted returns; our expectation on when our development hydroelectric facilities and wind facilities will be commissioned; the scheduled completion of City Square office development in Australia; our ability to maintain or increase our net rental income in the coming years; our expectation for office development in Manhattan; our expectation of continued growth in net operating income and lower interest rates over time to result in favorable total returns for BRREP; our belief that our utilities business allows for stable growth and margin expansion; our expectation of stable revenues and margins that should increase with inflation and operational improvements, and continued growth, in our regulated utilities business; our belief that our transport and energy businesses are well positioned to benefit from increases in commodity demand and the global movement of goods; the completion of the merger of our Canadian and U.S. homebuilding and development businesses; our ability to structure our financing arrangements to provide sufficient duration and flexibility to manage our investments with a longer term horizon; our ability to expand our asset management activities and increase the level of base management fees; our expectation that the receipt of performance-based income from our funds business will not result in any meaningful cash taxes; our expectation that the amount of capital managed in our unlisted and listed funds, and the corresponding fees, will grow meaningfully over the next ten years; our belief that margins will expand for our asset management fees as capital under management increases; growth in third party capital in our asset management business; future determination of our legal proceedings with AIG Financial Products; hedging of currency risks if we believe currency valuations are misaligned and to protect shorter term capital flows; our belief that our asset management activities and business franchise will contribute to additional cash flow growth and enhancement of existing and future business activities; and other statements with respect to our beliefs, outlooks, plans, expectations, and intentions. Although Brookfield Asset Management believes that its anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include: economic and financial conditions in the countries in which we do business; rate of recovery of the current financial crisis; the behaviour of financial markets, including fluctuations in interest and exchange rates; availability of equity and debt financing and refinancing; strategic actions including dispositions; the ability to complete and effectively integrate acquisitions into existing operations and the ability to attain expected benefits; adverse hydrology conditions; regulatory and political factors within the countries in which the company operates; tenant renewal rates; availability of new tenants to fill office property vacancies; tenant bankruptcies; acts of God, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and factors detailed from time to time in the company's form 40-F filed with the Securities and Exchange Commission as well as other documents filed by the company with the securities regulators in Canada and the United States including Management's Discussion and Analysis of Financial Results under the heading "Business Environment and Risks."

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