U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

(Check One)

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

or

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

For the fiscal year ended December 31, 2003

Commission file number 1-15226

BRASCAN CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

þ Annual Information Form þ Audited Annual Financial Statements

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

Class A. Limited Voting Shares	170,661,953
Class B Limited Voting Shares	85,120

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

Yes o No þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during

the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

To the extent required, this Annual Report on Form 40-F or portions thereof shall be incorporated by reference as an exhibit into the registrant's Registration Statement on Form F-9 (File No. 333-110049) under the Securities Act of 1933. In addition, (i) the Material Change Report filed as Exhibit 99.1 to the Registrant's Form 6-K dated February 13, 2004 and (ii) the necessary portions of the Management Information Circular filed as Exhibit 2 to the Registrant's Form 6-K dated April 1, 2004, are hereby incorporated by reference as exhibits into such Registration Statement.

FORM 40-F

Principal Documents

The following documents, filed as Exhibits 99.1 through 99.3 hereto, are hereby incorporated by reference into this Annual Report on Form 40-F:

(a) Annual Information Form for the fiscal year ended December 31, 2003;

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2003; and

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2003 *(Note 23 to the Consolidated Financial Statements relates to United States Accounting Principles and Reporting (U.S. GAAP)).*

ADDITIONAL DISCLOSURE

Certifications and Disclosure Regarding Controls and Procedures.

(a) Certifications. See Exhibits 99.4 and 99.5 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of the registrant's fiscal year ended December 31, 2003, an evaluation of the effectiveness of the registrant's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the registrant's principal executive officer and principal financial officer. Based upon that evaluation, the registrant's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the registrant in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

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

(c) Changes in Internal Control Over Financial Reporting. During the fiscal year ended December 31, 2003, there were no changes in the registrant's internal

control over financial reporting that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Notices Pursuant to Regulation BTR.

None.

Audit Committee Financial Expert.

The registrant's board of directors has determined that Mr. George S. Taylor, a member of the registrant's audit committee qualifies as an "audit committee financial expert" (as such term is defined in Form 40-F).

Code of Ethics.

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

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

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

Principal Accountant Fees and Services.

The following table provides information about the fees billed to the registrant for professional services rendered by Deloitte & Touche LLP during fiscal 2003 and 2002:

(US$ millions)	**2003**	**2002**
Audit Fees	$ 3.5	$ 2.7
Audit-Related Fees	0.9	1.0
Tax Fees	0.7	0.6
All Other Fees	0.2	0.2
Total	$ 5.3	$ 4.5

Audit Fees. Audit fees include fees for services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements,

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

Audit-Related fees. Audit-related fees are for assurance and related services, such as due diligence services, that traditionally are performed by the external auditor. More specifically, these services include, among others: employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.

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

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

Pre-Approval Policies and Procedures.

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

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

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

Subject to the policy, the audit committee may establish fee thresholds for a group of pre-approved services, provided that such fees will, when combined with all

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

(b) Of the fees reported in this Annual Report on Form 40-F under the heading "Principal Accountant Fees and Services", none of the fees billed by Deloitte & Touche LLP were approved by the audit committee of the board of directors of the registrant pursuant to the *de minimis* exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Off-Balance Sheet Arrangements.

The registrant enters into derivative contracts in the normal course of its business, primarily to manage interest rate, currency and commodity price risks. The registrant also enters into financing commitments as part of its funds management business. These arrangements are disclosed in Note 14 to the registrant's financial statements. The registrant does not have any other off-balance sheet arrangements.

Tabular Disclosure of Contractual Obligations.

The following table presents contractual obligations of the company at December 31, 2003, due over the next five years:

		Payments Due by Period			
US$ Millions Contractual Obligations	**Total**	**Less than One Year**	**1—3 Years**	**4—5 Years**	**After 5 Years**
Long term debt					
Property specific mortgages	**$ 4,881**	$ 288	$ 1,281	$ 483	$ 2,829
Other debt of subsidiaries	**2,075**	710	825	6	534
Corporate borrowings	**1,213**	101	12	300	800
Other obligations	**586**	467	—	—	119

Other obligations include $467 million of commitments by the company and its subsidiaries in the normal course of business, including: commitments to provide bridge financing; and letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations. Other obligations also include $119 million of shareholder advances and obligations attributable to the residential property business that are included in other liabilities.

Identification of the Audit Committee.

The registrant has a separately-designated standing audit committee established in

accordance with section 3(a)(58)(A) of the Exchange Act. The members of the audit committee are: James K. Gray, Philip B. Lind, Dr. Jack M. Mintz (Chairman) and George S. Taylor.

Disclosure Pursuant to the Requirements of the New York Stock Exchange.

Independence of Directors

The registrant's board of directors has determined that 9 of the registrant's 16 directors, comprising a majority of the board, are independent directors in accordance with the director independence standards of the New York Stock Exchange, and that none of the directors has a material relationship with the registrant which would impair his or her independence from management or otherwise compromise his or her ability to act an as an independent director. The directors who have been determined to be independent on this basis are James J. Blanchard, Julia E. Foster, James K. Gray, Philip B. Lind, Roy MacLaren, G. Wallace McCain, Dr. Jack M. Mintz, Saul Shulman and George S. Taylor.

In making its determination with respect to Saul Shulman, the board considered the fact that he is a senior partner of Goodman & Carr LLP, one of several legal firms which provide legal services to the registrant and its affiliates, and determined that in light of the attributes the board believes need to be possessed by independent directors, it is satisfied that Mr. Shulman's relationship with Goodman & Carr LLP is consistent with the skills and experience he brings to his role as an independent board member.

Presiding Director at Meetings of Independent Directors

The registrant schedules regular executive sessions in which the registrant's "independent" directors (as that term is defined in the rules of the New York Stock Exchange) meet without management participation. Mr. Roy MacLaren serves as the lead director at such sessions (the "Lead Director").

Communication with Independent Directors

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

Corporate Governance Guidelines

The rules of the NYSE require listed companies to adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines are required to be posted on the listed company's website. The registrant operates under corporate governance principles that are consistent with the requirements of the NYSE rules, and which are summarized under the heading "Statement of Corporate Governance Practices"

in the registrant's Management Information Circular in connection with its 2004 Annual Meeting and are available for viewing on the registrant's website at www.brascancorp.com.

Board Committee Charters

The Mandates of the registrant's audit committee, management resources and compensation committee, and governance and nominating committee are each available for viewing on the registrant's website at www.brascancorp.com, and are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting: Alan V. Dean, Secretary, Brascan Corporation, Suite 300, BCE Place, 181 Bay Street, P.O. Box 762, Toronto, Ontario, Canada M5J 2T3, Telephone: (416) 363-9491. Alternatively, requests may be sent by email to CorporateGovernance@brascancorp.com.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking.

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

B. Consent to Service of Process.

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

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

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 19, 2004.

Brascan Corporation

By: /s/ Alan V. Dean
Name: Alan V. Dean
Title: Senior Vice-President,
Corporate Affairs and Secretary

EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form for the fiscal year ended December 31, 2003
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2003
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2003
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934
99.6	Section 1350 Certification of Chief Executive Officer
99.7	Section 1350 Certification of Chief Financial Officer
99.8	Consent of Deloitte & Touche LLP

Exhibit 99.1



RENEWAL
ANNUAL INFORMATION FORM

May 19, 2004

TABLE OF CONTENTS

The Corporation	1
Development of the Business	2
Business of the Corporation	7
Summary of Financial Position and Operating Results	8
Real Estate Operations	9
Power Generating Operations	17
Funds Management Operations	20
Investments	24
Capital Resources and Liquidity	27
Business Environment and Risks	33
Management's Discussion and Analysis	37
Directors and Officers	38
Principal Shareholder	40
Stock Exchange Listings	41
Dividends and Dividend Policy	41
Description of Capital Structure	42
Selected Consolidated Financial Information	64
Subsidiaries	67
Additional Information	67

THE CORPORATION

Brascan Corporation is an asset management company. With a focus on real estate and power generation, we have direct investments of $17 billion and a further $7 billion of assets under management. These include 55 premier office properties and 48 power generating plants. Brascan Corporation is listed on the New York and Toronto stock exchanges.

Brascan Corporation was formed pursuant to articles of amalgamation under the Business Corporations Act (*Ontario*) on August 1, 1997. References in this Renewal Annual Information Form to the "Corporation" refer to Brascan Corporation, including our predecessor companies. References to "Brascan" refer to the Corporation and our consolidated subsidiaries. Our registered office is Suite 300, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

The Corporation's functional currency is the United States dollar ("US dollar"), because most of our revenues are denominated in that currency. As a result, our financial results are reported in US dollars and all numbers stated herein are in US dollars unless otherwise noted.

The following table provides selected consolidated financial information with respect to the Corporation as at and for the five years ended December 31, 2003:

US$	2003	2002	2001 [2]	2000 [2]	1999 [2]
Per diluted Class A and Class B Limited Voting Share					
Book value [1]	**$ 17.54**	$ 14.85	$ 15.52	$ 16.27	$ 15.08
Cash flow from operations	**3.21**	2.38	2.06	1.71	1.34
Cash return on book equity	**18%**	16%	13%	11%	9%
Trailing cash flow multiple on closing share price	**9.5x**	8.5x	9.0x	8.6x	9.6x
Market trading price — NYSE [1]	**$ 30.54**	$ 20.50	$ 18.06	$ 14.56	$ 13.50
Market trading price — TSX [1]	**C$ 39.73**	C$ 31.75	C$ 28.75	C$ 21.95	C$ 19.10
Net income (basic)	**$ 2.03**	$ 0.21	$ 0.99	$ 2.33	$ 1.46
Dividends paid	**C$ 1.02**	C$ 1.00	C$ 1.00	C$ 0.99	C$ 0.98
Total *(millions)*					
Assets [1]	**$16,315**	$14,422	$13,792	$14,407	$14,010
Common equity [1]	**3,024**	2,625	2,668	2,805	2,704
Revenues	**3,370**	3,064	3,042	2,844	2,399
Operating income	**1,435**	1,214	1,163	1,074	934
Cash flow from operations	**624**	469	388	332	267
Net income	**408**	83	201	435	284
Number of Class A and Class B Limited Voting Shares outstanding [1]	**170.7**	174.1	169.8	169.4	173.8

1 *At the end of periods shown*

2 *All years reflect the consolidation of Brookfield Properties Corporation, including years prior to 2002 on a pro forma basis*

This Renewal Annual Information Form makes reference to cash flow from operations on a total and per share basis. We utilize cash flow from operations as a key measure to evaluate performance and to determine the underlying value of our businesses. The consolidated statements of cash flow from operations on page 65 of this Annual Information Form provide a full reconciliation between this measure and net income. Readers are encouraged to consider both measures in assessing our results.

Forward-Looking Statements

This Annual Information Form and the Corporation's 2003 Annual Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Corporation to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks detailed from time to time in the Corporation's continuous disclosure documents, including this Annual Information Form and its 40-F filed with the Securities and Exchange Commission. The Corporation undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

DEVELOPMENT OF THE BUSINESS

Background

The Corporation's oldest predecessor enterprise was founded in 1899 and incorporated as a public company in 1912 as Brazilian Traction, Light and Power Company, Limited. During the 1960s and 1970s, we sold our utility interests in Brazil and reinvested the proceeds into a diverse range of businesses located primarily in North America.

Over the past ten years, Brascan has evolved from a diversified holding company into an asset management company with a focus on real estate and power generation. These businesses operate principally in the United States and Canada. We also hold investments in the resource sector.

Recent Developments

The following is a summary of recent developments since January 2000 in each of our business units.

Real Estate Operations

During April 2004, our commercial real estate subsidiary, Brookfield Properties Corporation ("Brookfield Properties"), issued C$200 million of Class AAA Preference Shares, Series J.

Also in April 2004, our residential real estate subsidiary, Brookfield Homes Corporation ("Brookfield Homes"), declared a $278 million dividend comprised of cash and notes, of which the Corporation's share is $139 million.

In March 2004, Brascan acquired a second commercial property in Washington, D.C., Edison Place, for $167 million. This 10-storey 547,000 square foot property is fully leased to Potomac Electric Power Company.

During December 2003, Brookfield Properties issued C$200 million of Class AAA Preference Shares, Series I.

Also in December 2003, Brascan completed construction of the 300 Madison Avenue commercial office property in midtown Manhattan, New York. This 1.2 million square foot building is fully leased to PricewaterhouseCoopers and CIBC World Markets Inc. We also entered the Washington, D.C. office market with the acquisition of 1625 Eye Street, a 386,000 square foot property, from Union Labor Life Insurance Company for $158 million.

In October 2003, Brookfield Properties issued C$200 million of Class AAA Preference Shares, Series H.

In September 2003, Brookfield Homes completed a Dutch auction tender offer for up to 5,000,000 shares of its outstanding common stock. Approximately 1.1 million shares of common stock were repurchased of which approximately 45% were tendered by the Corporation. All of the shares were accepted for purchase at a price of $18.50 per share.

Also in September 2003, Brascan also agreed to sell a 49% interest in 245 Park Avenue, a 1.6 million square foot office property in New York, to New York State Teachers' Retirement System in a transaction valued at $438 million. Brookfield Properties has retained the management and leasing of the property.

In June 2003, Brookfield Properties issued $110 million of Class AAA Preference Shares, Series G.

During January 2003, Brookfield Properties completed the spin-off of its wholly-owned residential property subsidiary, Brookfield Homes, a Delaware corporation, through a distribution of its common shares on the New York Stock Exchange. The Corporation is now the principal shareholder of Brookfield Homes, holding approximately 50% of its outstanding common shares. Brookfield Homes is a residential homebuilder and land developer, which builds homes and develops land in master-planned communities and infill locations in the United States.

In September 2002, Brookfield Properties issued C$200 million of Class AAA, Series F preference shares. The net proceeds of the distribution were used to redeem C$200 million of its Class AAA preference shares, Series A, B and C, held by the Corporation.

Also in September 2002, Brascan acquired a 51% interest in Tower Three, a 2.1 million square foot office building in World Financial Center in lower Manhattan, New York, for $158 million. With this acquisition, Brascan has ownership interests in all four towers of this 8.0 million square foot office complex.

In August 2002, Brascan sold a 50% interest in the 2.7 million square foot Bankers Hall Complex in Calgary, Alberta. This transaction generated net proceeds of approximately $72 million, net of non-recourse debt on the property, based on a sale price of $193 million.

In March 2002, Brascan sold a 50% interest in Exchange Tower, a 1.1 million square foot office property in downtown Toronto, for C$155 million.

Power Generating Operations

In April 2004, Brascan announced that it had received approval for a C$85 million investment to upgrade its transmission lines in northern Ontario.

In January 2004, Brascan acquired two power stations in the State of Minas Gerais in central Brazil with a combined generating capacity of 40 megawatts ("MW"), and in March 2004 substantially completed the construction of a 25 MW cogeneration station in New Hampshire. These initiatives increased our aggregate power generating capacity to 1,827 MW.

In December 2003, Brascan acquired three hydroelectric power plants with a combined generating capacity of 17 MW located in Maine and New Hampshire from Hafslund, a Norwegian-based power company, for approximately $30 million, including working capital.

In November 2003, our power generating subsidiary, Great Lakes Hydro Income Fund, issued C$175 million of 17-year, 6.91% senior bond private placement financing, secured by its Mississagi River hydroelectric generating facilities in northern Ontario.

In June 2003, our wholly-owned power generating subsidiary, Great Lakes Power Limited, issued C$384 million of 6.6% senior bonds due June 16, 2023, secured by its hydroelectric power operations in northern Ontario. In July 2003, Great Lakes Power Limited issued an additional C$115 million in the form of 7.8% subordinated debt, also due June 16, 2023.

In May 2003, Brascan completed a $17 million transmission interconnection between its hydroelectric generating operations in Maine and the New England power grid, expanding this link from 20 MW to 130 MW.

In April and May 2003, Brascan completed the construction of two hydroelectric generating stations: a 45 MW facility in northern Ontario which replaced an older 27 MW station, and a 30 MW facility in south central British Columbia.

In November 2002, Brascan acquired the remaining 50% interest that it did not already own in the Lake Superior Power cogeneration plant in northern Ontario for C$67 million, comprised of approximately C$30 million in cash and the assumption of C$37 million of debt.

In May 2002, Brascan extended its power operations in the northeastern United States through the purchase of six hydroelectric generating stations in northern New Hampshire having a combined generating capacity of 31 MW for $32 million.

Also in May 2002, Brascan acquired four hydroelectric generating stations in northern Ontario with a combined generating capacity of 488 MW from Ontario Power Generation Inc. for C$346 million.

In February 2002, Brascan acquired six hydroelectric generating stations in northern Maine, with a combined generating capacity of 126 MW, and related transmission facilities for $156 million.

In February 2001, the Corporation increased its ownership of its power generating subsidiary, Great Lakes Power Inc., from 93% to 100% through the issuance of 3,900,494 Class A Limited Voting Shares of the Corporation and the payment of approximately C$250,000 in cash. Subsequently, the Corporation's power operations have been conducted under the name "Brascan Power".

Funds Management Operations

In March 2004, Brascan launched Brascan Strategic Asset Management, a specialist asset management group based in New York which currently manages $1.5 billion of investment assets.

In October 2003, our wholly-owned subsidiary Brascan Asset Management Inc. completed an initial public offering of trust units of the Brascan SoundVest Diversified Income Fund, generating proceeds of C$69 million.

In August 2003, Brascan completed the initial public offering of trust units in the Royal LePage Franchise Service Fund. This C$150 million fund generates cash flow from the franchise royalties and service fees of a national network of real estate franchisees and agents operating under the Royal LePage brand name.

In May 2003, Brascan established the Brascan Bridge Lending Fund, a C$500 million fund dedicated to providing bridge loans, primarily in Canada, to companies in need of access to short-term financing.

In January 2003, Brascan acquired through BREF, $44 million in common equity and subordinated debt of CRIIMI MAE as part of that company's recapitalization. CRIIMI MAE is a commercial mortgage company that holds a portfolio of commercial mortgage-related assets and provides mortgage servicing functions for $17.4 billion of commercial mortgage loans.

In September 2002, Brascan established the Brascan Real Estate Finance Fund ("BREF"), with committed capital of US$200 million to invest in high yield real estate finance investments, primarily in the United States. This New York-based fund finances the ownership of real estate properties on a basis which is senior to traditional equity but subordinate to traditional first mortgages.

In December 2001, Brascan launched the Tricap Restructuring Fund, a C$415 million restructuring fund which invests long-term capital in companies facing financial or operational difficulties in industries where we have expertise.

Investments

In March 2004, our forest products investee company, Nexfor Inc. ("Nexfor"), announced a plan to distribute its specialty papers business to its common shareholders under the name Fraser Papers Inc., subject to shareholder approval at its annual meeting in June 2004. If the plan is approved, Nexfor will concentrate on its wood-based panel-board business and change its name to Norbord Inc.

In February 2004, CWG Acquisition Limited, a consortium of investors including Brascan, posted an offer to the shareholders of Canary Wharf Group, plc, ("Canary Wharf") to acquire the common shares of Canary Wharf for 275 pence

per share under an offer closing March 23, 2004. On April 16, 2004, CWG Acquisition Limited submitted a final tender offer which expires May 21, 2004. Canary Wharf owns an 86 acre commercial property development in London, England encompassing 8.8 million square feet of office properties, either completed or under construction, and land with an additional development potential of approximately 5.7 million square feet.

In November 2003, Brascan sold its 42% interest in Northgate Exploration Limited ("Northgate") to a syndicate of underwriters for net proceeds of C$219 million. Northgate owns a gold/copper mine in British Columbia, Canada, which was acquired in conjunction with a Brascan-led restructuring conducted by its asset management group.

In September 2003, our mining and metals investee company, Noranda Inc. ("Noranda"), sold $350 million of 6% Notes due on October 15, 2015.

In August 2003, Noranda completed a recapitalization plan involving, among other things, the reduction of its quarterly dividend from C$0.20 per share to C$0.12 per share, the issue of additional common shares, the issue of $300 million of debt, and the conversion to US dollar reporting of its financial results. In connection with this plan, Noranda completed a public offering of 28.5 million common shares at a price of C$12.65 per share for total gross proceeds of approximately C$361 million. Concurrent with the issue, Brascan purchased from Noranda, at the same price, 20 million common shares, increasing its interest in Noranda to 42%. Noranda also granted to the Corporation options to acquire any of the shares not acquired by the syndicate of underwriters. In addition, Noranda completed the sale of its remaining 11,984,900 Priority Units of Noranda Income Fund, at a price of C$9.85 per unit, to a syndicate of underwriters led by CIBC World Markets Inc. and Scotia Capital Inc.

In May 2003, Brascan announced the acquisition of 52.8 million common shares of Canary Wharf, representing an approximate 9% interest in that company. In February 2004, Brascan acquired an additional 1.0 million common shares in Canary Wharf.

In January 2003, Noranda announced a restructuring of its magnesium business to respond to major structural changes in the magnesium industry. An after-tax non-cash charge of C$630 million was reflected in Noranda's 2002 year-end financial results. Brascan's share of the writedown of Noranda's magnesium business represented a non-cash charge of approximately C$255 million or C$1.44 per share. In January 2003, Brascan extended its support to Noranda by agreeing to subscribe for up to C$300 million Noranda preferred shares. Pursuant to this undertaking, Brascan subscribed for C$150 million preferred shares of Noranda in April 2003, which also issued a further C$150 million preferred shares to the public.

During 2002, Brascan increased its ownership of Nexfor from 41% to 43% through normal course purchases.

During 2001, Brascan increased its ownership of Nexfor from 33% to 41% through normal course purchases.

Corporate and Other

In April 2004, the Corporation announced a change in the declaration currency for the dividend on our Class A and Class B Limited Voting Shares from Canadian dollars to US dollars, commencing with the dividend payable on August 31, 2004. The quarterly dividend payable on this date of US$0.14 per share, representing an annualized dividend of US$0.56 per share, has also been pro-rated to reflect the three-for-two share split to be implemented by way of a stock dividend payable on June 1, 2004.

Also in April 2004, the Corporation received approval for a normal course issuer bid to purchase up to 14,000,000 Class A Limited Voting Shares, representing approximately 10% of the public float of the Corporation's issued and outstanding Class A Limited Voting Shares, through open market purchase on the New York and Toronto Stock Exchange during the period from April 21, 2004 to April 20, 2005. As of the date of this Annual Information Form, the Corporation has purchased no shares under this bid.

In February 2004, the Corporation announced an increase in the quarterly dividend payable on our Class A and Class B Limited Voting Shares from C$0.26 per share to C$0.27 per share, representing an annualized dividend of C$1.08, commencing with the dividend payable on May 31, 2004. The Corporation also announced a three-for-two stock split

to be implemented by way of a stock dividend of one-half a Class A or Class B Limited Voting Share for each Class A of Class B Limited Voting Share held, payable on June 1, 2004 to shareholders of record at the close of business on May 21, 2004.

In April 2003, the Corporation announced a change in our reporting currency from Canadian dollars to US dollars, commencing with the financial results for the first quarter of 2003. The Corporation also announced an increase in the quarterly dividend payable on our Class A and Class B Limited Voting Shares from C$0.25 to C$0.26, representing an annualized dividend of C$1.04, commencing with the dividend paid on August 31, 2003.

Also in April 2003, the Corporation received approval for a normal course issuer bid to purchase up to 14,400,000 Class A Limited Voting Shares, representing approximately 8% of the issued and outstanding Class A Limited Voting Shares of the Corporation, through open market purchases on the New York and Toronto stock exchanges during the period from April 21, 2003 to April 20, 2004. Under this bid, the Corporation purchased 1,942,000 Class A Limited Voting Shares for C$73 million at an average price of C$37.44 per share.

In March 2003, the Corporation issued two Series of notes in the U.S.A.: $200 million of 5.75% notes due March 1, 2010 and $250 million of 7.375% debentures due March 1, 2033.

In February 2003, the Corporation issued C$175 million of 15 year 5.4% redeemable retractable Class A, Series 12 Preference Shares. The net proceeds of the distribution were used for general corporate purposes.

In August 2002, the Corporation completed the acquisition of all the outstanding Class A Shares and Class B Non-Voting Shares of its subsidiary, Brascan Financial Corporation (“Brascan Financial”) (formerly Trilon Financial Corporation) not already owned, for consideration of C$359 million in cash, 11.4 million Class A Limited Voting Shares of the Corporation and 1.1 million Class A Preference Shares, Series 11 of the Corporation.

In July 2002, the Corporation issued C$73.5 million of 10 year 5.5% non-cumulative redeemable retractable Class A, Series 11 preference shares. The net proceeds of the distribution were used for general corporate purposes.

In June 2002, the Corporation issued in the U.S.A. $350 million of 7.125% notes due June 15, 2012.

In April 2002, the Corporation issued C$125 million of 8.30% Preferred Securities due June 30, 2051.

Also in April 2002, the Corporation received approval for a normal course issuer bid to purchase up to 13,900,000 Class A Limited Voting Shares, representing approximately 10% of the public float of the issued and outstanding Class A Limited Voting Shares of the Corporation through open market purchases on the New York and Toronto Stock Exchanges during the period from April 19, 2002 to April 18, 2003. Under this bid, the Corporation purchased 6,544,700 Class A Limited Voting Shares for C$199 million at an average price of C$30.39 per share.

In December 2001, the Corporation issued C$125 million of 8.35% Preferred Securities due December 31, 2050, and issued in the U.S.A. $300 million of 8.125% senior notes due December 15, 2008.

In November 2001, holders of an aggregate of 6,950,208 of the Corporation’s Class A Preference Shares, Series 8 exchanged these shareholdings on a one-for-one basis into an equivalent number of the Corporation’s Class A Preference Shares, Series 9, paying a quarterly fixed-rate dividend based on a 5.63% annual rate. Effective on that date, the dividend on the Class A Preference Shares, Series 8 was reset, in accordance with their terms, from a quarterly fixed-rate dividend based on a 6.25% annual rate to a monthly floating-rate dividend based on the prime rate adjusted for the trading price of the Series 8 preference shares.

In September 2001, the Corporation issued 10,000,000 Class A Preference Shares, Series 10, paying a quarterly fixed-rate dividend based on a 5.75% annual rate, for gross offering proceeds of C$250 million.

In August 2001, the Corporation received rating upgrades for its long-term debt to “A(low)” from “BBB(high)” from Dominion Bond Rating Services Limited (“DBRS”), and to “A—” from “BBB” from Standard & Poor’s Rating Service (“S&P”). Also in August 2001, the Corporation’s preferred share ratings were increased to “Pfd-2(low)” and “P-2” by DBRS and S&P, respectively.

In April 2001, the Corporation received approval for a normal course issuer bid to purchase up to 8,652,276 Class A Limited Voting Shares, representing approximately 5% of the issued and outstanding Class A Limited Voting Shares of the Corporation. Under this issuer bid, which ran from April 19, 2001 until April 18, 2002, the Corporation purchased 6,731,000 Class A Limited Voting Shares through open market purchases for C$199 million at an average price per share of C$29.62.

In January 2001, the Corporation's interest in Brascan Financial was increased from 65% to 71% as a result of the repurchase by Brascan Financial of 14.5 million of its Class A Shares under a substantial issuer bid. In February 2002, the Corporation's interest in Brascan Financial was diluted to 70% as a result of the exercise of outstanding share purchase warrants issued by Brascan Financial which were to expire on February 28, 2002.

BUSINESS OF THE COMPANY

We are an asset management company, with a particular focus on real estate and power generation. As at the date of this Renewal Annual Information Form, we have direct investments of $17 billion and a further $7 billion of assets under management. These investments include 55 premier office properties and 48 power generating plants. At December 31, 2003, our operations employed approximately 6,000 people. In addition, we hold investments in companies in the natural resource sector and in Brazil, which together employ approximately 49,000 people. Brascan's market capitalization exceeds $6.0 billion and our common shares are listed on both the New York and Toronto stock exchanges. Operating cash flows and gains totalled $624 million in 2003 and the underlying value of our assets at year end was $22 billion.

A profile of Brascan along with a description of our principal businesses follows. In addition to the information provided on our businesses in this Annual Information Form, our operating units and investee companies which are also reporting issuers have filed their own Annual Information Forms and Annual Shareholder Reports containing information specific to their respective operations. Copies of these documents may be obtained from securities administrators in each province of Canada or from the Secretary of the Corporation.

We own and operate our operations directly as well as through partially owned companies, joint venture partnerships and investment funds that are co-owned with institutional and other partners. A list of our operating subsidiaries is set out on page 67 of this Annual Information Form. We currently manage over $7 billion of assets for an expanding group of institutional and retail investors, in addition to our own invested capital. We are continuing to broaden our joint venture and funds management relationships within our core areas of expertise.

We concentrate on businesses that generate sustainable, low-risk, growing streams of cash flow. Relatively low sustaining capital investment is required to maintain these operations, and the values of the assets typically appreciate as the associated cash flow streams grow, rather than depreciate over time as is common with many other types of operating assets.

For reporting purposes, we segregate our assets into operations, investments and working capital balances. Operations include the assets employed in our real estate, power generating and funds management operations, including the assets under development in each of those sectors. These assets represent 73% of total assets on an underlying value basis and generated approximately 85% of operating cash flows during 2003.

Our real estate assets include premier quality office properties, residential home building, development assets, income producing land, and associated services businesses. Our power generating plants are predominantly hydroelectric generating facilities located on North American river systems. The Corporation's funds management operations consist of bridge loan, mezzanine, restructuring and other alternative investment funds focused within our areas of expertise.

Investments represent assets that do not at this time constitute part of our operations, although they may become so at a later date. Alternatively they may be sold or restructured as opportunities arise, in order to capture appreciation in value.

We finance our operations with diversified sources of capital. Attractive low-risk financial leverage for common shares is obtained through the use of property specific mortgages that have no recourse to the Corporation and the issuance of low-rate non-participating equity securities such as preferred shares. At December 31, 2003, the Corporation's shareholders' interests totalled $6.4 billion at book value and $12.4 billion based on underlying value.

SUMMARY OF FINANCIAL POSITION AND OPERATING RESULTS

The following is a summarized statement of underlying values, book values and operating cash flows from our operations over the past three years:

YEARS ENDED DECEMBER 31		Underlying Value [3]	Return on Assets [1]	Book Value		Operating Cash Flow		
MILLIONS, EXCEPT PER SHARE AMOUNTS	**%**	**2003**	**2003**	**2003**	**2002**	**2003**	**2002**	**2001 [2]**
Assets								
Real estate	53%	**$11,789**	12%	**$ 8,311**	$ 7,912	**$ 941**	$ 805	$ 806
Power generation	13%	**2,990**	10%	**1,927**	1,587	**172**	153	92
Funds management	7%	**1,623**	14%	**1,215**	1,138	**166**	140	135
	73%	**16,402**	12%	**11,453**	10,637	**1,279**	1,098	1,033
Investments	14%	**3,085**	8%	**2,003**	1,464	**134**	84	80
Cash and financial assets	6%	**1,236**	7%	**1,236**	1,050	**80**	77	85
Accounts receivable and other	7%	**1,623**	1%	**1,623**	1,271	**9**	19	26
	100%	**$22,346**	9.5%	**$16,315**	$14,422	**$1,502**	$1,278	$1,224
Liabilities								
Non-recourse borrowings								
Property specific mortgages	22%	**$ 4,881**	6%	**$ 4,881**	$ 4,992	**$ 300**	$ 297	$ 303
Other debt of subsidiaries	9%	**2,075**	5%	**2,075**	1,867	**105**	106	128
Corporate borrowings	6%	**1,213**	6%	**1,213**	1,035	**66**	63	61
Accounts and other payables	8%	**1,745**	6%	**1,745**	1,262	**88**	56	51
Shareholders' interests								
Minority interests of others in assets	14%	**3,223**	20%	**1,516**	1,456	**294**	262	252
Preferred equity								
– corporate and subsidiaries	8%	**1,861**	6%	**1,861**	1,185	**83**	69	68
Common equity	33%	**7,348**	18%	**3,024**	2,625	**566**	425	361
Total shareholders' interests	55%	**12,432**	16%	**6,401**	5,266	**943**	756	681
	100%	**$22,346**	9.5%	**$16,315**	$14,422	**$1,502**	$1,278	$1,224
Per common share		**$ 41.45**	18%	**$ 17.54**	$ 14.85	**$ 3.21**	$ 2.38	$ 2.06

1 *Operating cash flow as a percentage of average book value*

2 *Pro forma to give effect to the consolidation of our real estate operations which occurred in December of 2001*

3 *Underlying value of liabilities represents the cost to retire on maturity*

Underlying Value

The underlying value for a common share of the Corporation was $41.45 at December 31, 2003 compared with $31.60 at the end of 2002, representing an increase in value of 31% including dividend distributions.

The following table summarizes the significant contributions to the growth in value during 2003:

MILLIONS, EXCEPT PER SHARE AMOUNTS	Total	Per Share
Underlying value,beginning of year	**$ 5,720**	**$ 31.60**
Operating cash flow for common equity	566	3.21
Repurchase of common shares	(102)	0.32
Increase in value of operations	380	2.02
Change in market value of resource investments	910	5.03
Increase in underlying value during the year	1,754	10.58
Less:common share dividends paid	(126)	(0.73)
	1,628	9.85
Underlying value, end of year	**$ 7,348**	**$ 41.45**

The largest contributors to the growth in underlying value were the operating cash flow generated during the year and the increase in value of our resource investments. Increases in the value of our business operations, in particular the expansion of our power generating business and increased returns in our residential property business,

added $2.02 per share. In addition, we were able to repurchase 4.6 million common shares during the course of the year at a cost of $102 million, adding $0.32 per share of underlying value.

Financial Profile

Total assets at book value increased to $16.3 billion as at December 31, 2003 from $14.4 billion at the end of the preceding year. The increase was due to a higher level of invested assets, as well as the impact of the higher Canadian dollar on the assets denominated in this currency.

Corporate borrowings increased by approximately $200 million due to net new debt issuances. In addition, shareholders' interests increased with the issuance of approximately $500 million of additional preferred equity, both directly and through our commercial real estate operations, as well as undistributed earnings during the year.

Operating Results

Operating results for the past three years are summarized as follows:

MILLIONS, EXCEPT PER SHARE AMOUNTS	2003	2002	2001
Operating cash flow and gains			
Total [1]	**$ 624**	$ 469	$ 388
For common equity	**566**	425	361
Per share	**3.21**	2.38	2.06
Net income before resource investments	**$ 343**	$ 264	$ 225
Per share	**1.61**	1.23	1.12
Net income	**$ 408**	$ 83	$ 201
Per share	**1.98**	0.21	0.98

1 Prior to preferred equity distributions

Operating cash flow in 2003, prior to corporate preferred equity distributions, was a record $624 million, an increase of 33% over 2002.

Each area of business recorded growth in operating cash flows, most notably the residential home building operations. In addition, Brascan recorded substantial gains on the sale of a partial interest in a commercial property and the successful completion of a major restructuring initiative.

Financing costs remained relatively consistent with prior years. Preferred equity and long-term debt were increased to finance growth initiatives; however this was offset by a lower interest rate environment. Our overall cost of capital declined slightly, to 9.5%.

Net income prior to resource investments increased in line with our operating cash flows. The major differences between these two measures are non-cash items such as depreciation and non-cash taxes.

Net income, including resource investments, increased significantly, reflecting the improved contribution from our resource investments which benefited from improved pricing and the completion of an operational restructuring in the metals business during 2002.

REAL ESTATE OPERATIONS

Our real estate operations consist of commercial properties, predominantly office properties, residential properties, income producing land, development properties and real estate services activities. We manage approximately 140 million square feet of real estate properties. This includes our own commercial properties and the approximate co-ownership interests of $2.2 billion held by institutional investors. These operations are located predominantly in North America, but also include operations in Brazil.

The composition of Brascan's real estate assets and associated operating cash flows at the end of 2003 and 2002 was as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Underlying Value 2003	Return on Assets [1] 2003	Book Value 2003	Book Value 2002	Operating Cash Flow 2003	Operating Cash Flow 2002	Operating Cash Flow 2001
Commercial properties	**$ 9,149**	9.9%	**$ 6,622**	$ 5,960	**$ 621**	$ 622	$ 642
Residential properties	**1,200**	18.9%	**738**	650	**131**	105	91
Income producing land	**205**	5.8%	**129**	78	**6**	4	5
Development properties	**1,019**	6.6%	**774**	1,195	**65**	—	—
Real estate services	**216**	46.8%	**48**	29	**18**	14	14
Lease termination income and property gains	**—**	—	**—**	—	**100**	60	54
	$ 11,789	11.6%	**$ 8,311**	$ 7,912	**$ 941**	$ 805	$ 806

1 *As a percentage of average book value*

Commercial Properties

The composition of our commercial property portfolio at the end of 2003 and 2002, together with the associated operating cash flows, was as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Total Leasable Area 2003 (000 SQ. FT.)	Effective Interest 2003 (000 SQ. FT.)	Return on Assets [1] 2003	Book Value 2003	Book Value 2002	Operating Cash Flow [2] 2003	Operating Cash Flow [2] 2002	Operating Cash Flow [2] 2001
New York, New York	**11,262**	**9,549**	9.2%	**$3,552**	$3,295	**$315**	$ 307	$ 300
World Financial Center	*6,214*	*5,331*						
One Liberty Plaza	*2,214*	*2,214*						
245 Park Avenue	*1,693*	*863*						
300 Madison Avenue	*1,141*	*1,141*						
Toronto, Ontario	**6,884**	**4,850**	8.9%	**928**	758	**75**	63	63
BCE Place	*3,429*	*2,616*						
Exchange Tower	*1,393*	*812*						
Other	*2,062*	*1,422*						
Calgary, Alberta	**7,454**	**3,391**	11.1%	**450**	380	**46**	37	34
Bankers Hall	*2,697*	*1,349*						
Petro-Canada Centre	*1,952*	*976*						
Fifth Avenue Place	*1,681*	*841*						
Other	*1,124*	*225*						
Boston, Massachusetts	**2,163**	**1,103**	9.9%	**333**	332	**33**	32	30
53 State Street	*1,161*	*592*						
75 State Street	*1,002*	*511*						
Denver, Colorado	**3,017**	**2,811**	8.6%	**372**	374	**32**	36	35
Minneapolis, Minnesota	**3,008**	**3,008**	5.5%	**400**	393	**22**	28	29
Other North America	**1,851**	**1,851**	21.3%	**284**	129	**44**	45	31
Brazil	**2,216**	**2,216**	9.3%	**303**	299	**28**	25	28
	37,855[3]	**28,779**[3]	9.5%	**6,622**	5,960	**595**	573	550
Operating income from properties sold	**—**	**—**		**—**	—	**26**	49	92
Total	**37,855**	**28,779**	11.5%	**$6,622**	$5,960	**$621**	$ 622	$ 642
Underlying value estimate				**$9,149**				

1 *As a percentage of average book value*

2 *Commercial property revenue less operating costs*

3 *Excludes development sites*

The book value of our portfolio increased during the year with the completion of our 300 Madison Avenue development in New York City, which will be named the PricewaterhouseCoopers Center, and the acquisition of a property in Washington, D.C., offset in part by the sale of a 49% interest in 245 Park Avenue. The sale of 245 Park Avenue in midtown Manhattan, which valued the property at $900 million, generated gross proceeds of $438 million and resulted in a gain of $100 million for the 49% interest. This gain is included in lease termination income and property gains.

The underlying value of our commercial properties at year end is based on a 7.4% capitalization rate applied to an estimated annualized 2004 net operating income for the current portfolio, prior to lease termination income and other

property gains, which is projected to total $677 million. This represents growth of 13.8% over the $595 million earned in 2003 on current properties owned, a substantial portion of which is due to the addition of the 300 Madison Avenue property in late 2003.

Commercial property operations, prior to lease termination income and property gains, contributed $621 million of operating cash flow in 2003, compared with $622 million in 2002 and $642 million in 2001. Operating income from current properties increased by approximately 4% during each year.

Components of Operating Cash Flow

The components of commercial property operating cash flow were as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002	2001
Operating income from current properties	**$ 595**	$ 573	$ 550
Operating income from properties sold	**26**	49	92
	$ 621	$ 622	$ 642

The components of the change in commercial property operating cash flow from year to year are contractual increas- es in rental rates, lease rollovers, lease-up of vacancies and acquisitions net of dispositions, as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2001 — 2003	2003	2002	2001
Prior year's net operating income before lease termination income and property gains	$ 620	**$ 622**	$ 642	$ 620
Changes due to:				
(i) Contractual increases on in-place leases	45	**16**	16	13
(ii) Rental increases achieved on in-place rents on re-leasing	35	**10**	8	17
(iii) Lease-up of vacancies	23	**3**	5	15
(iv) Acquisitions and dispositions, net	(102)	**(30)**	(49)	(23)
Current year's net operating income	$ 621	**$ 621**	$ 622	$ 642

(i) Contractual increases on in-place leases

During 2003, contractual increases in leases added $16 million to net operating income compared with $16 million in 2002 and $13 million in 2001. Our leases typically have clauses which provide for the collection of rental revenues in amounts that increase every five years. Given the high credit quality of tenants in our buildings, there is generally low-risk of not achieving these increases. It has been our policy to record rental revenues in accordance with the actual payments received under the terms of our leases, which typically increase over time. However, industry standards and accounting practices are moving to straight-line rent recognition commencing in 2004.

(ii) Rental increases achieved on in-place rents on re-leasing

During 2003, higher rental rates on the re-leasing of space in the portfolio contributed $10 million of increased cash flow and $8 million in 2002. At December 31, 2003, average in-place net rent throughout the portfolio was $22 per square foot, up slightly from December 31, 2002, despite challenging leasing environments across North America. The company achieved this increase largely as a result of re-leasing initiatives which were completed at an average rental uplift of $3 per square foot on space leased in 2002 and significant re-leasing initiatives in 2003 at equivalent rental rates. Average market rents remained unchanged overall during 2003 as decreases in New York and Boston were offset by increases in other markets. However, given the low expiry rate of leases in the next two years, any changes in market rents will not have a substantial impact on net operating income in the short-term.

(iii) Lease-up of vacancies

A total of approximately 6.5 million square feet of vacant space was leased in 2003 and 2002, contributing $3 million to net operating income during 2003 and $5 million in 2002. The larger increase in 2001 of $15 million, as well as rental increases of $17 million during that year (see Note (ii) above) was due to the more buoyant leasing environment in that year and major re-leasing completed in New York and Boston.

Our total portfolio occupancy rate at December 31, 2003 declined from 96% to 94%, primarily due to vacancy increases in Denver and Minneapolis. The leasing profiles for 2003 and 2002 are shown in the following table:

	2003		2002	
AS AT DECEMBER 31 THOUSANDS OF SQUARE FEET	**Leasable Area**	**Percentage Leased**	**Leasable Area**	**Percentage Leased**
New York, New York	**11,262**	**98%**	10,113	98%
Toronto, Ontario	**6,884**	**96%**	6,883	96%
Calgary, Alberta	**7,454**	**98%**	7,570	97%
Boston, Massachusetts	**2,163**	**98%**	2,163	97%
Denver, Colorado	**3,017**	**83%**	3,017	90%
Minneapolis, Minnesota	**3,008**	**74%**	3,008	85%
Other North America	**1,851**	**91%**	1,515	97%
Brazil	**2,216**	**93%**	2,216	92%
Total [1]	**37,855**	**94%**	36,485	96%

1 *Excludes development sites*

(iv) Acquisitions and dispositions, net

The sale of properties reduced operating cash flow by $30 million in 2003, $49 million in 2002 and $23 million in 2001. We continued our practice of actively managing our portfolio and selling partial interests in mature, well leased properties with the sale of a 49% interest in 245 Park Avenue during 2003, as well as a smaller property in Calgary. We completed the development of 300 Madison Avenue during the last quarter of 2003. This 1.2 million square foot property located in midtown Manhattan is fully leased for 30 years to CIBC World Markets and PricewaterhouseCoopers with a CIBC covenant on 100% of the property, and will begin contributing to rental revenue in 2004. In 2002, we sold partial interests in properties located in Toronto and Calgary, and acquired 1.2 million vacant square feet located in Tower Three of our World Financial Center complex in New York City, which is included as an asset under development pending re-leasing of the property and tenant buildout of premises.

Tenant Relationships and Lease Maturities

An important characteristic of our commercial property portfolio is the strong credit quality of our tenants. Special attention is directed at our tenants' credit quality in order to ensure the long-term sustainability of rental revenues through economic cycles. The tenant profile on average represents an "A" credit rating. Major tenants with over 400,000 square feet of space in the portfolio include Merrill Lynch, RBC Financial Group, CIBC, Petro-Canada, Imperial Oil and J.P. Morgan Chase.

Our strategy is to sign long-term leases with our tenants in order to mitigate risk and reduce overall re-tenanting costs in the portfolio. We typically commence discussions with our tenants regarding their space requirements well in advance of their contractual expiration, and while each market is different, the majority of our leases, when signed, have terms ranging from 10 to 20 years. As a result, the average amount of leasable area in the total portfolio maturing annually is approximately 5%. In New York, leases expiring prior to 2005 were aggressively re-leased in 2000 and 2001. As a result, scheduled maturities during the next two years combined represent less than 4% of our space in this major market.

Residential Properties

Our residential property activities consist primarily of single family home building across North America with a well established niche presence in the mid to upper-end of the home building industry. We are one of the 20 largest home builders in the United States, with a significant base of operations throughout California. We also build residential condominiums in Brazil, and have done so successfully for over 20 years. The composition of our residential property portfolio at December 31, 2003 and 2002, together with associated operating cash flows was as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Return on Assets [1] 2003	Book Value 2003	Book Value 2002	Operating Cash Flow [2] 2003	Operating Cash Flow [2] 2002	Operating Cash Flow [2] 2001
California	16.0%	**$ 361**	$ 351	**$ 57**	$ 50	$ 45
Virginia/Ontario/Florida	16.0%	**227**	174	**32**	21	21
Alberta/Colorado	33.1%	**93**	64	**26**	24	20
Brazil	27.1%	**57**	61	**16**	10	5
Total	18.9%	**$ 738**	$ 650	**$ 131**	$ 105	$ 91
Underlying value estimate		**$ 1,200**				

1 *As a percentage of average book value*

2 *Revenue less cost of sales*

The underlying value of our residential operations of $1.2 billion is based on an eight times multiple applied to normalized operating cash flow of $150 million. The book value of assets employed in our residential property business increased 14% to $738 million in 2003 due to the development of existing land to take advantage of increased market activity.

Operating Cash Flow

Operating cash flow from our residential operations increased to $131 million in 2003, up from $105 million in 2002. This substantial increase reflected both increased selling prices and improved margins. Home sales totalled 2,731 for the year compared with 2,892 in 2002. Lot sales in 2003, excluding the bulk sale of development lots to other builders, totalled 4,355 compared with 5,003 in 2002, as we continue our strategy of monetizing excess lots in this very positive housing environment.

Details of the home and lot sales by regional market excluding bulk sales of 4,700 lots are as follows:

YEARS ENDED DECEMBER 31 UNITS	Home Sales 2003	Home Sales 2002	Lot Sales 2003	Lot Sales 2002
California	**1,023**	1,093	**1,044**	1,420
Virginia	**505**	461	**745**	791
Colorado	**—**	—	**448**	277
Ontario	**318**	374	**—**	94
Alberta	**479**	382	**1,712**	1,839
Brazil	**406**	535	**406**	535
Florida	**—**	47	**—**	47
Total	**2,731**	2,892	**4,355**	5,003

Our home building operations generated an average home price in 2003 of $370,000 per unit, an increase of 7% over 2002 levels. The increase in the average home price was due to a higher-end mix of houses sold, and increased pricing on housing sales across virtually all markets in North America.

The following is a breakdown of average prices realized on home sales in the last two years:

YEARS ENDED DECEMBER 31	2003 Sales (MILLIONS)	2003 Average Price (THOUSANDS)	2002 Sales (MILLIONS)	2002 Average Price (THOUSANDS)
California	**$ 588**	**$ 575**	$ 624	$ 544
Virginia	**230**	**456**	193	411
Ontario	**63**	**198** [1]	51	136
Alberta	**56**	**116** [1]	38	99
Brazil	**74**	**183** [1]	65	121
Florida	**—**	**—**	28	596
Total	**$ 1,011**	**$ 370**	$ 999	$ 345

1 *Increases reflect higher value of the domestic currency compared to the US dollar*

The backlog of orders for delivery in 2004, as at the date of this report, represents in excess of 50% of expected 2004 closings, higher levels than ever experienced in our operations to date.

Income Producing Land

Income producing land consists of timberlands and agricultural lands, which generate current income as well as having the potential for capital appreciation.

The composition of our income producing land at December 31, 2003 and 2002 was as follows:

		Underlying Value	Return on Assets [1]	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)		2003	2003	2003	2002	2003	2002	2001
	# OF ACRES							
Timberlands								
Owned (direct)	440,000	**$ 125**	6.2%	**$ 89**	$ 40	**$ 4**	$ 2	$ 3
Owned (indirect)	1,003,000 [2]							
Managed	1,312,000 [2]							
Agricultural lands	135,000	**80**	5.1%	**40**	38	**2**	2	2
Total		**$ 205**	5.8%	**$129**	$ 78	**$ 6**	$ 4	$ 5

1 *As a percentage of average book value*

2 *The book value for our 43% share is included as a component of our investment in 43%-owned Nexfor Inc.*

The underlying value of our income producing land is based on comparable transactions in the markets where our assets are located.

Timberlands

We own 440,000 acres of timberlands located in Maine, U.S., and in the State of Paraná in Brazil. We also own, through our investment in Nexfor Inc., an indirect 43% interest in timberlands in Maine and New Brunswick, Canada, of which one million acres are owned outright and a further 1.3 million acres are managed under license. We believe that this business has attractive characteristics in that it generates sustainable long-term cash flows and requires little sustaining capital expenditures. Accordingly, we have recently hired executives with forestry experience to work specifically on acquiring and managing additional timberlands for ourselves and institutional partners.

Agricultural Lands

We own 135,000 acres of prime agricultural land in the States of São Paulo and Minas Gerais in Brazil. These properties have, until recently, been utilized primarily for beef production, but are also suitable to grow sugar cane from which alcohol is produced. The Kyoto protocol has led to a substantial increase in the amount of alcohol to be contained in gasoline in certain countries, resulting in a significant increase in the value of these lands which has been reflected in recent sales of similar properties. Accordingly, we are arranging long-term leases to operators of sugar cane production facilities. These 15 to 20 year leases are expected to generate sustainable and growing annual cash flows, while retaining for ourselves the value of the land once the leases expire.

Development Properties

Development properties consist predominantly of commercial development land and density rights, and residential land owned and under option, pending future development into housing lots. These assets are owned for capital appreciation or for conversion into cash flow generating real estate.

The composition of our development properties at December 31, 2003 was as follows:

			Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)		Potential Development	2003	2002	2003	2002	2001
Commercial development properties		19.6 million sq. ft.	**$ 509**	$ 826	**$ —**	$ —	$ —
Residential lots	– owned	34,714 lots	**246**	345	**65** [1]	—	—
	– optioned	10,601 lots	**19**	24	**—**	—	—
Total			**$ 774**	$ 1,195	**$ 65**	$ —	$ —
Underlying value estimate			**$ 1,019**				

1 *Realized gain on sale of lots*

The underlying value of our development properties is assumed for these purposes to be equal to either book value or an estimate of sale value under reasonable circumstances at their current stage of development. These assets do not generate current cash flows and as a result are not valued within the parameters of a normal cash flow multiple analysis for the Company.

Commercial Development Properties

Commercial development properties at December 31, 2003 and 2002, included the following projects:

	Projected Office Density		Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	**% owned**	**# of sq. ft.** [1]	**2003**	**2002**	**2003**	**2002**	**2001**
Commercial Office Projects					**$ —**	$ —	$ —
Manhattan							
Three World Financial Center	100%	1,200,000	**$ 212**	$ 170			
300 Madison Avenue	—	—	**—**	437			
Penn Station development	100%	2,500,000	**21**	21			
Toronto	25% to 65%	3,692,000	**116**	92			
São Paulo	100%	7,500,000	**33**	16			
		14,892,000	**382**	736			
Condominium Projects					**—**	—	—
São Paulo	100%	884,000	**30**	20			
Rio de Janeiro	100%	3,855,000	**97**	70			
		4,739,000	**127**	90			
Total		19,631,000	**$ 509**	$ 826	**$ —**	$ —	$ —
Underlying value estimate			**$ 609**				

1 *Effective interest excluding partner*

Manhattan

We completed the development of a 1.2 million square foot office tower at 300 Madison Avenue, located at 42nd Street and Madison Avenue in Manhattan in midtown New York, in the fourth quarter of 2003, on time and under budget. Accordingly, the book value was transferred to commercial properties at that time.

Currently our largest development property is a 50% interest in Three World Financial Center, the 2.1 million square foot third tower of our flagship World Financial Center complex in downtown Manhattan. We acquired the property in 2002 at a substantial discount to replacement value and are currently in the process of securing tenants for the portion owned by us, which is currently vacant.

Our proposed Penn Station development at West 31st Street and 9th Avenue in midtown New York, which is currently in the permitting process, is expected to eventually encompass 2.5 million square feet of office and related space.

Toronto

We own a 50% interest in the Bay-Adelaide Centre development property, located in Toronto's downtown financial district, which includes full in-ground infrastructure for 1.8 million square feet of office and residential space and a fully operational revenue-generating parking facility.

We also own expansion rights for a third office tower at BCE Place, our flagship Toronto office complex, which entails approximately 800,000 square feet of density.

Brazil

In São Paulo, Brazil, we own the Green Valley Office Park, which currently encompasses 300,000 square feet of built office space. We also own density to build commercial office space of up to a further 7.5 million square feet, and condominium density of a further 884,000 square feet, to be developed over the next fifteen years. In Rio de Janeiro, we own 3.9 million square feet of condominium density in Barra da Tijucca which will be built over the next 10 years.

Residential Development Properties

Residential development properties include land, both owned and optioned, which is in the process of being converted to residential lots, but not expected to enter the home building process for three years.

		Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	**# of Lots**	**2003**	**2002**	**2003**	**2002**	**2001**
Residential lots — owned		**$ 246**	$ 345	**$ 65**	$ —	$ —
California	3,841					
Northern Virginia	225					
Denver, Colorado	3,266					
Alberta	24,847					
Ontario	2,535					
	34,714					
Residential lots — optioned		**19**	24	**—**	—	—
California	8,490					
Northern Virginia	2,111					
	10,601					
Total	45,315	**$ 265**	$ 369	**$ 65**	$ —	$ —
Underlying value estimate		**$ 410**				

Our residential lands are acquired and developed for future use in our home building operations or for sale to other builders. We own substantial land holdings across North America, most purchased in the mid-1990's, and as a result have an embedded cost advantage over many companies which are acquiring land today at much higher prices.

Over the past year, with strong markets we have chosen to sell lots to other home builders, rather than continue to hold these lots for capital appreciation or for future conversion into homes for sale. We recorded gains of $65 million during 2003 on sales of this nature. We have optioned lots for future years in our most active markets to ensure that we have low-risk access to lots to support our future home building activities. To that end, we hold options on over 10,000 lots in our U.S. markets in return for option payments and the provision of our entitlement and planning expertise.

Real Estate Services

We operate a broad array of real estate services which leverage our real estate presence across North America. These services include commercial brokerage and investment banking services, residential property services and the management of 140 million square feet, including our own assets. Our scale provides us with the platform to deliver superior services offered to our tenants and clients. The composition of the real estate services operations at December 31, 2003 and 2002 was as follows:

	Return on Assets [1]	Book Value		Operating Cash Flow [2]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Royal LePage Commercial Brokerage Services	53.3%	**$ 8**	$ 7	**$ 4**	$ 2	$ 1
Centract Residential Property Services	54.1%	**27**	10	**10**	9	10
Brookfield LePage Facilities Management	37.5%	**9**	7	**3**	2	2
Brookfield Residential Management Services	22.2%	**4**	5	**1**	1	1
Total	46.8%	**$ 48**	$ 29	**$ 18**	$ 14	$ 14
Underlying value estimate		**$ 216**				

1 As a percentage of average book value

2 Revenue less operating cost

The underlying value of our real estate services operations for these purposes is based on a 12 times multiple of net fee income, a conservative valuation when comparing to U.S. trading multiples for similar operations.

Royal LePage Commercial Brokerage Services

Royal LePage Commercial provides commercial leasing, sales, appraisal and brokerage services across Canada. This operation has the largest share of many major markets across Canada and we continue to look at consolidation opportunities. Our advisory services group leverages our commercial brokerage, bridge lending and asset management operations to earn fees and also assists in developing opportunities for our other operations. We invested significant time and effort in expanding this business during 2003 and hired a number of key people to build this operation further.

Centract Residential Property Services

Through Centract, we provide a wide array of services to homeowners, corporations and institutions, such as mortgage settlement, home appraisal, relocation and move-in services. We also provide services to the Royal LePage real estate franchise network, a residential property brokerage organization with 8,000 agents across Canada. Royal LePage completed 21% of all home sales in Canada in 2003. We successfully established a public royalty trust during the year to surface the value and finance the ownership of the franchise contracts associated with this business. This enabled us to reduce our capital committed to the business by C$121 million and establish a valuable platform for future growth.

Brookfield LePage Facilities Management

We own 40% of the largest facilities management operation in Canada in partnership with Johnson Controls, the largest facilities management operator in the world. Our joint venture manages close to 100 million square feet of premises for major corporations and governments, and continues to benefit from the outsourcing of facilities worldwide. During 2003, new contracts included the management of 20 million square feet of premises for British Columbia Buildings Corporation.

Brookfield Residential Management Services

We own 100% of one of the premier condominium and apartment management operations in Toronto, Canada, providing upscale management services to approximately 35,000 residential units.

Lease Termination Income and Property Gains

Property gains during 2003 of $100 million relate to the sale of a 49% interest in 245 Park Avenue as described above. During 2002, we generated $60 million of gains on the sale of partial interests in office properties for proceeds of $290 million. There were no significant lease termination payments during either 2003 or 2002. While these events are opportunistic and difficult to predict, the dynamic tenant base which is typical of our buildings should produce similar opportunities in the future.

POWER GENERATING OPERATIONS

Our power generating operations are predominantly hydroelectric facilities located on river systems mainly in North America, most of which contain reservoirs that enable us to generate increased revenues through the sale of power during periods of high demand. These operations are predominantly wholly-owned, although we do share ownership of some operations with retail partners in an income trust, and we anticipate sharing the ownership of additional assets with institutional partners once we have achieved sufficient scale in this business, similar to our strategy for our commercial property portfolio. The composition of our power generating operations at December 31, 2003 and 2002 and the associated operating cash flows were as follows:

	Capacity (MW) [1]		Return on Assets [2]	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2002**	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Ontario, Canada	**957**	939	11.7%	**$ 977**	$ 770	**$102**	$ 83	$ 54
Quebec, Canada	**266**	266	10.9%	**328**	272	**33**	40	29
Northeast United States	**174**	157	7.6%	**228**	192	**16**	15	—
Other North America	**304**	274	7.7%	**299**	246	**21**	15	9
Brazil	**60**	—	—	**50**	—	**—**	—	—
	1,761	1,636	10.2%	**1,882**	1,480	**172**	153	92
Under development	**25**	135	—	**45**	107	**—**	—	—
Total	**1,786**	1,771	9.8%	**$1,927**	$1,587	**$172**	$ 153	$ 92
Underlying value estimate				**$2,990**				

1 *Megawatts ("MW")*

2 *As a percentage of average book value*

During the first quarter of 2004, Brascan acquired two hydroelectric generating stations in Brazil with 41 MW of capacity and substantially completed a 25 MW cogeneration station in New Hampshire, increasing our total generating capacity to 1,827 MW.

The book value of our power generating assets increased principally due to the acquisition during the year of additional operations, the completion of projects under construction, including the recent completion of three plants in Brazil, and the increased carrying value of our Canadian operations due to currency appreciation.

The underlying value of our power generating operations is based on a 12 times multiple of normalized net operating cash flows, assuming long-term average precipitation levels and an average selling price of 4.34 cents per kilowatt hour ("KWh").

Power generating operations contributed $172 million to operating cash flow in 2003, compared with $153 million in 2002. The increase reflected capacity added during 2003 and 2002, which was offset in part by low precipitation levels.

Power Generating Facilities

As of April 30, 2004, we own operating interests in 48 power generating stations with a combined generating capacity of 1,801 megawatts. Of these stations, 41 are hydroelectric facilities located on river systems in six geographic regions within North America, specifically Ontario, Quebec, British Columbia, Maine, New Hampshire and Louisiana. We also own five hydroelectric stations in southern Brazil, and two cogeneration facilities in Ontario and New Hampshire. These facilities are capable of producing approximately 7,500 gigawatt hours of electricity annually.

Our power operations are strategically located with transmission interconnections between Ontario and Quebec. These interconnections allow us to sell surplus power into the highest-priced regions as opportunities arise.

Our power generating operations in North America are located on 15 river systems in nine different watersheds which provides important diversification of water flows to minimize the overall impact of fluctuating hydrology. Our storage reservoirs contain sufficient water to produce 25% of our total annual generation and provide additional protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods.

Our total power generation capacity at April 30, 2004 is summarized in the following table:

	Ownership	Generating Stations	Generating Units	Installed Capacity (MW)	Long-term Average Generation (GWh)
Ontario, Canada					
Great Lakes Power Limited	100%	12	21	349	1,610
Mississagi Power	100%	4	8	488	750
Valerie Falls Power	100%	1	2	10	52
Lake Superior Power [1]	100%	1	3	110	850
		18	34	957	3,262
Quebec, Canada					
Lièvre River Power	100%	3	10	238	1,428
Pontiac Power	100%	2	7	28	210
		5	17	266	1,638
Northeast United States					
Maine Power	100%	7	32	129	747
New Hampshire Power	100%	8	25	45	263
White Mountain Power [1]	100%	1	1	25	184
		16	58	199	1,194
Other North American					
Louisiana HydroElectric Power	75%	1	8	192	677
Powell River Energy	50%	2	7	82	261
Pingston Power	50%	1	2	30	78
		4	17	304	1,016
Brazil	68%	5	12	101	411
Total		48	138	1,827	7,521

1 *Cogeneration stations*

We completed the construction of five hydroelectric power generating plants during 2003. Three of these plants were in Brazil, one in British Columbia and one in Ontario. During the first four months of 2004, we purchased two more hydroelectric power stations in Brazil and completed construction of one cogeneration station in New Hampshire. We are also examining a number of opportunities to acquire additional hydroelectric power plants in North America with the objective of continuing to expand our generating base.

Operating Margins

Our power generating operations are among the lowest cost producers of electricity in North America, with cash operating costs of approximately one cent per kilowatt hour. This compares extremely favourably with other forms of power generation. Our low cost structure results from the high quality of our assets, the continued application of new technology and the recent re-turbining of many of our facilities. Our power plants are also environmentally preferable to most other forms of electricity generation and produce virtually no harmful emissions.

The revenue, costs and operating margins of our power generating operations are as follows:

AS AT DECEMBER 31, 2003 CENTS PER KWH	Revenue	Cash Costs	Operating Margins
Ontario, Canada	4.8	1.3	3.5
Quebec, Canada	4.4	0.8	3.6
Northeast United States	4.6	1.5	3.1
Other North America	2.7	0.6	2.1
Brazil	4.0	0.8	3.2
Weighted Average	4.3	1.1	3.2

Cash Flow Growth

Operating cash flow from our power generating business increased in 2003 to $172 million, up from $153 million in 2002. The following table illustrates the change in operating cash flows from the Company's power generating business during the past three years:

YEARS ENDED DECEMBER 31 (MILLIONS)		2001 – 2003	2003	2002	2001
Prior year's net operating income		$ 84	**$ 153**	$ 92	$ 84
(i)	Hydrology variations within existing capacity	—	**(10)**	15	(5)
(ii)	Variation in prices and operational improvements	15	**(8)**	13	10
(iii)	Acquisitions	73	**37**	33	3
Current year operating cash flow		$ 172	**$ 172**	$ 153	$ 92

(i) Hydrology variations within existing capacity

Generation from existing capacity decreased to 4,231 gigawatt hours during the year, down from 4,356 gigawatt hours in 2002, due to unusually dry conditions in northern Ontario and western Quebec during the first half of 2003. This reduced cash flow from our power generating operations by $10 million in 2003 compared to an increase of $15 million in 2002.

The impact of regional dry conditions was offset by improved hydrology results in Louisiana. The continued expansion of our operating base into different watersheds and river systems should reduce the relative significance of hydrology variances in the future.

Water levels improved significantly towards the end of 2003 and results in the fourth quarter exceeded long-term averages. The favourable conditions have continued into 2004 and all facilities are currently operating at above average generation levels.

(ii) Variation in prices and operational improvements

We experienced lower prices during 2003, relative to the higher price environment experienced during the weather extremes in 2002. As a result, we did not benefit as much from our ability to use our reservoirs to capture peak pricing as in the prior years. We increased our base level of revenue pricing due to our power sales contracts which have clauses to provide for price increases every year, primarily linked to inflation. We expect to improve our performance with respect to capturing peak pricing during 2004.

(iii) Acquisitions

The acquisition of 19 hydroelectric stations in Ontario, Maine and New Hampshire totalling 662 megawatts during the past three years contributed an incremental 2,016 gigawatt hours of production and an additional $37 million of operating cash flow during 2003. This new capacity, much of which was acquired in the first half of 2002, contributed $33 million in that year and $3 million in 2001. The additional facilities also further diversify our watersheds, thereby reducing hydrology risk, and position us as a leading generator in Ontario and an important participant in the New England electricity markets.

Contract Profile

We endeavour to maximize the stability and predictability of power generating revenues through the use of fixed-price contracts to minimize the impact of price fluctuations, and the diversification of watersheds and the use of water storage reservoirs to minimize fluctuation in total generation levels.

Approximately 82% of our projected 2004 revenue is subject to long-term bilateral and fixed-price power sales contracts or regulated rate-base arrangements. The remaining revenue is generated through the sale of power on a wholesale basis. Due to the low variable cost of hydroelectric power and the ability to concentrate generation during peak pricing periods, we are able to generate attractive margins on uncommitted capacity. Our long-term sales contracts have an average term of 13 years and counterparties are almost exclusively customers with long- standing credit history or investment grade ratings. Our policy is to use financial contracts which typically have a term of between one and three years to lock in the future price of uncommitted power generation such that between 15% and 20% of total revenues is based on spot pricing. This approach provides an appropriate level of revenue stability, without exposing the Company to undue risk of contractual shortfalls and provides the flexibility to enhance profitability through the production of power during peak price periods.

The following table illustrates our expected revenue profile over the next five years:

YEARS ENDED DECEMBER 31	2004	2005	2006	2007	2008
Long-term bilateral contracts	54%	54%	55%	55%	55%
Financial contracts [1]	18%	20%	20%	20%	20%
Total fixed-price power sales contracts	72%	74%	75%	75%	75%
Regulated transmission and distribution revenue	10%	10%	10%	10%	10%
	82%	84%	85%	85%	85%
Uncommitted wholesale generation	18%	16%	15%	15%	15%
Total	100%	100%	100%	100%	100%

1 *Largely expire prior to 2006, however, our policy is to forward-sell sufficient wholesale production to maintain a locked-in position on 80% to 85% of expected revenues*

FUNDS MANAGEMENT OPERATIONS

We manage dedicated investment funds for ourselves and on behalf of institutional and other investors. These funds are currently concentrated in five areas of activity: Bridge Lending, Mezzanine Finance, Restructuring, Opportunistic Investments and Structured Product activities. Our current industry focus is in real estate, power generation and resources.

We believe that the combination of our strong operating experience and presence in a variety of industries, together with our financial expertise, enables us to earn superior risk-adjusted returns in our selected areas. This performance, combined with our willingness and ability to invest significant capital alongside our co-investors, makes us an attractive investment partner.

We typically commit a significant amount of our own capital to the funds that we manage. Accordingly, the $5 billion which we manage in this business includes $1.2 billion of our own capital. We expect that the amounts managed on behalf of partners will grow substantially over time. This should result in increased returns on our capital as we will not only earn our proportionate share of the investment returns for each fund, but we will also be entitled to earn management and performance based incentive fees.

In addition, we continue to own certain financial assets directly, which we acquired prior to establishing our investment funds or because they do not fit the specific mandate of any one of our current funds. As many of these funds have only recently been launched, performance fees earned to date have been modest, although we expect these to grow over time.

The following table shows the composition of the book values and funds under management at December 31, 2003 and 2002, together with the associated operating cash flows:

	Assets Under Management [1]	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2003	2002	2003	2002	2001
Bridge Lending Fund	$ 675	**$ 318**	$ 538	**$ 21**	$ 37	$ 61
Real Estate Finance Fund	600	**157**	—	**8**	—	—
Restructuring Fund	353	**64**	89	**8**	9	9
Real Estate Opportunity Fund	190	**—**	—	**—**	—	—
Structured Products and Capital Markets	1,850	**561**	441	**95**	84	48
Traditional assets under management	1,215	**—**	—	**—**	—	—
Other	115	**115**	70	**34**	10	17
Total	$ 4,998	**$ 1,215**	$ 1,138	**$ 166**	$ 140	$ 135
Underlying value estimate		**$ 1,623**				

1 Includes committed capital

The underlying value of our funds management operations is based on the book value of the assets together with a value attributed to the associated fee streams on a 12-times multiple.

Bridge Lending Fund

The Brascan Bridge Lending Fund is a C$500 million fund dedicated to providing bridge loans, primarily in Canada. Established in 2003, the Fund leverages our 20-year history of bridge lending, offering tailored lending solutions to companies in need of access to short-term financing. We have committed C$225 million of capital and four institutional partners, including Sun Life of Canada and a major government financial institution, have committed the balance of C$275 million of capital. For larger transactions, we may invest directly and have granted co-investment rights to our partners to allow them to participate.

	Assets Under Management	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2003	2002	2003	2002	2001
Brascan Bridge Lending Fund	$ 385	**$ 28**	$ —	**$ 2**	$ —	$ —
Directly held bridge and corporate loans	290	**290**	538	**19**	37	61
Total	$ 675	**$ 318**	$ 538	**$ 21**	$ 37	$ 61

Loans advanced during the year include a C$30 million loan to a commercial real estate investor on a mezzanine basis to acquire a C$200 million real estate portfolio, a C$80 million working capital facility to a Canadian manufacturing company and C$35 million of debtor-in-possession financing to a manufacturing company. We also hold $290 million of bridge and corporate loans which were advanced prior to the establishment of the Fund, although we expect that most of our future bridge lending activity will be conducted through this Fund.

Real Estate Finance Fund

The Brascan Real Estate Finance Fund ("BREF") is a $600 million fund which finances the ownership of real estate properties on a basis which is senior to traditional equity, but subordinate to traditional first mortgages or investment grade debt. Established in 2002, the Fund combines our own 35-year established track record in real estate and finance with one of the more experienced New York-based management teams in the business. We provided $200 million of initial capital and are in the process of raising $400 million from institutional investors.

YEARS ENDED DECEMBER 31 (MILLIONS)	Assets Under Management 2003	Book Value 2003	Book Value 2002	Operating Cash Flow 2003	Operating Cash Flow 2002	Operating Cash Flow 2001
Real Estate Finance Fund	$ 600	**$ 157**	$ —	**$ 8**	$ —	$ —
Office property loans		**56**	—			
Retail property loans		**56**	—			
CMBS REIT		**45**	—			
Total	$ 600	**$ 157**	$ —	**$ 8**	$ —	$ —

BREF is focused on three main areas of real estate finance: mezzanine financing for property owners; real estate related corporate finance transactions; and real estate structured finance products.

During 2003, we acquired a $50 million mezzanine loan on the 900,000 square foot Woolworth office property in downtown Manhattan; a $10 million junior first mortgage on the 1,250,000 square foot Colonie Center Mall in Albany, New York; and a $20 million cross-collateralized loan on four shopping centres in the northeast U.S. We also acquired a $30 million subordinated debenture and 10% of the common equity interest in Criimi Mae, a public CMBS REIT.

Restructuring Fund

The Tricap Restructuring Fund is a C$415 million restructuring fund, which invests long-term capital in companies facing financial or operational difficulties in industries where we have expertise. Established in 2002 with a dedicated management team, the Fund benefits from our 20 years of experience in restructuring companies. We have committed C$200 million of the capital and institutional investors, including Canada Pension Plan Investment Board and others, have provided the other C$215 million.

YEARS ENDED DECEMBER 31 (MILLIONS)	Assets Under Management 2003	Book Value 2003	Book Value 2002	Operating Cash Flow 2003	Operating Cash Flow 2002	Operating Cash Flow 2001
Tricap Restructuring Fund	$ 320			**$ 6**	$ 4	$ 3
Doman Industries		**$ 31**	$ 31			
Other		**—**	17			
Directly held restructuring assets	33	**33**	41	**2**	5	6
Total	$ 353	**$ 64**	$ 89	**$ 8**	$ 9	$ 9

During the year we continued to work on the restructuring of Doman Industries, a western Canadian forest products company with a total fund investment of $62 million; and in late 2002 advanced C$55 million to a manufacturing company, which was repaid after six months following the sale of a division.

Directly held restructuring assets relate to initiatives commenced prior to the establishment of the Fund. Similar to our bridge lending business, we expect that most of our future restructuring assignments will be conducted through Tricap.

During the year, we disposed of our investment in Northgate Exploration for a $57 million gain, included in Investments on page 23 of this Annual Information Form, completing the restructuring which was commenced in 1998. The Northgate restructuring involved successfully completing a major gold/copper mine in British Columbia and bringing it into production.

Real Estate Opportunity Fund

The Brascan Real Estate Opportunity Fund is a C$250 million real estate fund established late in 2003 to invest in underperforming commercial real estate, other than premier office properties which will continue to be pursued through our direct real estate operations. The Fund leverages our 35 years of real estate experience, our other real estate platforms and has a dedicated management team which had previously been pursuing these types of activities within our commercial property operations for over ten years. We provided the initial capital and will begin raising funds from other investors in late 2004 after the completion of a number of initial investments.

Our objective is to acquire underperforming real estate which, through our management, leasing and capital investment expertise, can be enhanced to provide a superior return on capital.

Structured Products and Capital Market Investments

We have developed a number of structured products directed towards both retail and institutional investors. In addition we maintain portfolios of public securities such as high yield bonds, preferred shares and common equities. The capital invested in these activities at year end was $561 million, with a total of nearly $1.9 billion under management.

	Assets Under Management	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2003	2002	2003	2002	2001
Imagine Reinsurance	$ 1,200	**$ 288**	$ 191	**$ 23**	$ 23	$ 10
Brascan SoundVest Diversified Income Fund	50	**—**	—	**—**	—	—
Titanium Asset Backed Trust	100	**—**	—	**—**	—	—
Securities portfolios	500			**72**	61	38
High yield bonds		**86**	107			
Equity securities		**187**	143			
Total	$ 1,850	**$ 561**	$ 441	**$ 95**	$ 84	$ 48

During the year, wholly-owned Imagine Reinsurance continued to expand its reinsurance operations and reported increases in operating cash flow. We also launched a retail product offering under the name of Brascan SoundVest Diversified Income Fund, a fund of income funds. Investment advisory and portfolio management services are provided by SoundVest Capital Management Ltd. SoundVest Capital is 50%-owned by Brascan and 50% by its successful investment management team. Lastly, we launched Titanium Trust, an asset backed trust which finances receivables and other assets purchased from our own operations as well as others. This trust issues short-term asset backed commercial paper and medium-term notes and will over time assist us to lower our overall cost of capital.

We continued to actively invest in high yield bonds and other publicly traded securities. These activities, which utilize the knowledge and experience gained from our operating activities, rely on careful due diligence and a value based investment philosophy. The dramatic strengthening of the high yield markets provided us with exceptional returns over the past two years.

From time to time, in our areas of industry expertise, we also take positions in securities which we believe to be undervalued. During 2003, we acquired a 9.2% interest of Canary Wharf Group, plc at a cost of approximately $153 million. This investment has evolved into a potential major corporate initiative, and accordingly, is included in Investments. We also took a position in Rayonier, a company that owns timberlands, and sold our investment following the Company's announcement of its conversion into a Timber REIT.

Traditional Assets Under Management

While we have focused principally on alternative assets under management, we have also established joint ventures and have invested small amounts of capital with a number of expanding traditional managers of equity and fixed income. Our infrastructure and position in the capital markets assists our partners to expand their businesses with confidence and these relationships provide us with additional perspective on the financial markets.

MANAGER	Investment Type	Assets Under Management 2003
Highstreet Investment Management	Equities/Fixed Income	$ 550
Mavrix Investment Management	Mutual Funds	265
SoundVest Capital Management	Equities/Fixed Income	400
Total		$ 1,215

Growth Opportunities

Having established a number of new funds over the past two years, we plan to concentrate on integrating each of these funds into our operating platform and investing additional capital within these operations. Accordingly we do not expect to introduce additional funds in 2004, although we plan to expand the number of funds offered over time.

We have recently established a partnership with Tri Continental Capital Ltd., an experienced lender of equity capital to the residential home building industry. Our 20 years of experience in the residential home building area combined with the Tri Continental team's 13 year record of success should enable this partnership to provide superior risk adjusted returns. As co-general partner of a new $275 million fund, we will commit up to $75 million of capital and work with management to complete their fund raising and begin to invest the capital in 2004.

INVESTMENTS

Investments consist of assets which do not currently form part of our operations, but which may be integrated into our operations in the future, or alternatively may be disposed of, on an opportunistic basis.

				Underlying Value	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	**Location**	**# of Shares**	**% Interest**	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Real Estate									
Canary Wharf Group, plc	London, UK	52.8	9%	**$257***1*	**$ 153**	$ —	**$ —**	$ —	$ —
Resources									
Noranda Inc.	Worldwide	122.6	42%	**1,938***1*	**1,212**	877	**49**	48	48
Nexfor Inc.	N. America/UK	63.8	43%	**532***1*	**356**	309	**18**	16	14
Northgate Exploration Limited	British Columbia	—	—	**—**	**—**	67	**57**	1	—
Katahdin Paper Company, LLC	Maine	—	100%	**76***2*	**76**	—	**(2)**	—	—
Business Services									
Hotel/Ticket Services	Brazil	—	23%/40%	**100***2*	**24**	17	**9**	7	8
NBS/MediSolution	Canada	38.1/95.1	91%/61%	**72***2*	**72**	75	**—**	(1)	—
Banco Brascan, S.A.	Rio de Janeiro	—	40%	**45***2*	**45**	37	**3**	13	10
Other		—	—	**65***2*	**65**	82	**—**	—	—
Total				**$ 3,085**	**$2,003**	$1,464	**$ 134**	$ 84	$ 80

1 Based on December 31, 2003 quoted market prices

2 Based on available benchmarks

Real Estate

Canary Wharf Group, plc

We owned approximately 53 million shares of Canary Wharf Group, plc with a market value of $257 million at year end based on a market price of 270 pence. The Canary Wharf estate consists of approximately 13.1 million square feet of office and retail space, located in close proximity to the City of London. Canary Wharf Group, plc owns 8.8 million square feet of properties on the estate along with an additional one million square feet of office space currently under construction and additional land with potential for further development of approximately 5.7 million square feet of office space. The shares were purchased in 2003 following a significant decline in their trading value. Along with several institutional partners, we have formed an investment group, with Brascan as the operating partner and asset manager, and have made an offer to the existing shareholders of Canary Wharf Group, plc to acquire a larger equity interest and operational control of the Company.

Resources

Noranda Inc.

We own approximately 123 million shares, or 42% of Noranda Inc. ("Noranda"). Our investment increased from 96.6 million shares, or 40% at the end of 2002 as we subscribed for $197 million in common shares as part of an equity financing by Noranda, in addition to participation in Noranda's dividend reinvestment plan.

Noranda is a base metals company with $8 billion of assets. The major commodities produced are nickel, copper, zinc and aluminum. During the past two years, Noranda completed the development of a number of world-class mining and processing assets, shut down inefficient production capacity, implemented productivity improvements and completed a financial restructuring.

Metal prices increased significantly in the latter half of 2003, and continue to increase through early 2004. The increased prices, together with productivity improvements, had a positive impact on cash flow from operations through the third and fourth quarters of 2003. Notwithstanding these improvements, the full benefits have not yet been realized because current price increases will not be reflected until the 2004 results are reported. The following table shows Noranda's segmented cash flow from operations and net income:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002
Cash flow from operations		
Copper	**$ 313**	$ 206
Nickel	**323**	154
Aluminum	**59**	66
Zinc	**4**	(5)
Discontinued operations and unallocated costs	**(122)**	(95)
Cash flow from operations	**577**	326
Restructuring charges	**(24)**	(498)
Depreciation and other non-cash items	**(519)**	(275)
Net income (loss)	**$ 34**	$ (447)

Noranda is traded on both the New York and Toronto stock exchanges. Further information on Noranda is available through its web site at **www.noranda.com**.

Nexfor Inc.

We own approximately 64 million shares, or 43% of Nexfor Inc. ("Nexfor"). Our investment increased from 62 million shares at the end of 2002 as we acquired 2 million shares during the year through Nexfor's dividend reinvestment plan.

During 2003, Nexfor reported net income of $126 million compared with $13 million in 2002. This strong performance was driven by an increase in panelboard prices, in particular oriented strandboard ("OSB") prices, which increased dramatically during the year. OSB prices increased from $130 per thousand square feet at the start of the year to a high of $465 per thousand square feet. Unfortunately, Nexfor's paper operations suffered a loss during the year due to low product prices and restructuring charges.

Nexfor benefited from the expansion of its building products operations in 2002 with the acquisition of three oriented strandboard mills located in the south-central United States and the successful start-up of a fourth facility in Alabama. As Nexfor's performance is highly leveraged to OSB, it is expected that the first quarter of 2004 will generate exceptionally strong results based on the prices received for sales contracted to date.

The following table shows Nexfor's segmented cash flow from operations and net income:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002
Cash flow from operations		
Building products	**$ 376**	$ 125
Specialty papers	**(43)**	24
Unallocated costs	**(24)**	(37)
Cash flow from operations	**309**	112
Restructuring charges	**(17)**	—
Depreciation and other non-cash items	**(166)**	(99)
Net income	**$ 126**	$ 13

Nexfor is traded on the Toronto Stock Exchange. Further information on Nexfor is available through its web site at **www.nexfor.com**.

Northgate Exploration Limited

We sold our 42% interest in Northgate Exploration Limited ("Northgate") in November 2003. Northgate is a publicly traded mid-tier gold producer. This investment resulted from the successful restructuring of the Kemess gold mine in British Columbia. After an operational restructuring, we transferred the mine to Northgate, and refinanced our capital investment with two equity issues. On completion of the financial and operational restructuring, we sold our interest in Northgate through a broad public distribution in the capital markets.

Katahdin Paper Company, LLC

We own a 280,000 ton directory paper plant in East Millinocket, Maine and a 185,000 ton supercalender fine paper plant in Millinocket, Maine, which operates under the name Katahdin Paper. The operations were acquired out of bankruptcy in April 2003. The directory plant has been restarted and is currently generating positive cash flows. Nexfor is managing these operations for us, and in return we have granted them an option to acquire the operations at a predetermined price based on our investment and cost of capital employed. Once restructured, these assets will either be integrated into Nexfor's paper operations or sold by us to another industry participant.

Business Services

Hotel and Ticket Services

We own, in partnership with the Accor Group of France, an effective 23% interest in a joint venture which owns and manages the Accor Group hotel brands in Brazil. The brands include Novotel, Sofitel, Ibis and Formula One.

We also own a 40% interest in a Ticket Services business in partnership with Accor. Ticket Services has been in operation as a voucher services business in Brazil and Argentina since the early 1980s. the Company provides paper and electronic vouchers to corporations who utilize them in their compensation programs for employees and for other cash free uses such as fuel vouchers.

NBS Technologies Inc. and MediSolution Ltd.

We own approximately 38 million shares, or 91% of NBS Technologies Inc. ("NBS", formerly Mist Inc.). NBS provides secure identification solutions, financial transaction services and operates a commerce gateway that facilitates electronic payment processing. We increased our interest in NBS to 91% from 55% in 2003 with the purchase of our former partners' interest. Further information on NBS is available through its web site at **www.nbstech.com**. We also own approximately 95 million shares or 61% of MediSolution Ltd., which develops and manages medical human resources management software and systems to the hospital industry, primarily in Canada. The company's common shares are publicly traded on the Toronto Stock Exchange. Our interest increased to 61% from 41% at the end of 2002 upon conversion into equity of a debenture we owned. These balances reflect the carrying values of the operating assets of these businesses, excluding working capital and indebtedness. Further information on MediSolution is available through its web site at **www.medisolution.com**.

Banco Brascan, S.A.

We own 40% of Banco Brascan, which is a South American investment bank based in Rio de Janeiro and São Paulo, Brazil. The balance of the Company is owned 40% by Mellon Financial Group and 20% by management. Banco Brascan advises, lends to and provides asset management services to domestic and foreign companies in Brazil.

CAPITAL RESOURCES AND LIQUIDITY

Brascan is committed to maintaining high levels of liquidity and access to a broad range of low cost capital resources. This enables us to provide financial stability and a low cost of capital for our operations, and ensures that we can react quickly to potential investment opportunities. Our liquidity consists of cash and financial assets, as well as committed lines of credit. Furthermore, we generate high levels of free cash flow within our businesses and have minimal sustaining capital expenditure requirements. Free cash flow in 2003 was $733 million.

Our capital resources include corporate debt and other borrowings which do not have recourse to Brascan, as well as preferred and common equity issued by Brascan and certain of our operating business units. Shareholder interests also includes the equity interests of others in our assets, which consist principally of common shares of our North American commercial office property operations.

During the year, we raised $1.6 billion through the issuance of preferred equity, income trust units and long-term debt, enabling us to remain in a very solid financial position.

CASH AND FINANCIAL ASSETS

Although we generate substantial amounts of cash flow within our operations, we generally carry modest cash balances and instead utilize excess cash to repay revolving credit lines and invest in shorter term financial assets which generate better returns while still providing a source of liquidity to fund investment initiatives. Cash balances at December 31, 2003 totalled $382 million.

Financial assets represent securities that are not actively deployed within our financial operations, and which can, with varying degrees of timing, be liquidated and utilized to fund strategic acquisitions. The market value of our financial assets approximates their realizable value. The following table shows the composition of these assets and associated cash flow:

	Book Value		Operating Cash Flow [1]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2002**	**2003**	**2002**	**2001**
Cash	**$ 382**	$ 332	**$ 35**	$ 26	$ 29
Government bonds	**49**	51	**4**	5	4
Corporate bonds	**387**	230	**12**	14	8
Preferred shares	**342**	397	**27**	28	41
Common shares	**76**	40	**2**	4	3
Other	**—**	—	**9**	19	26
Financial assets	**854**	718	**54**	70	82
Total	**$ 1,236**	$ 1,050	**$ 89**	$ 96	$ 111
Underlying value estimate	**$ 1,236**				

1 Investment income

CAPITALIZATION

The strength and diversification of the income streams generated by our various operations reduce financing costs below that of many peers who operate in only one of our selected areas of business. Through the continuous monitoring of the balance between debt and equity financing, and maintaining access to a broad range of financing sources, we are able to reduce our weighted average cost of capital on a risk averse basis and thereby improve common shareholder equity returns.

Our overall weighted average cost of capital, using a 20% return objective for our common equity, is 9.5% compared with 9.6% in 2002. This reflects the low cost of non-participating preferred equity issued over many years, principally in the form of perpetual preferred shares, as well as the low cost of non-recourse investment grade financings achievable due to the high quality of our commercial properties and power generating plants.

The following schedule details the capitalization of the consolidated liabilities and shareholders' interests at the end of 2003 and 2002 and the related cash costs:

YEARS ENDED DECEMBER 31 (MILLIONS)	Underlying Value [1] 2003	Cost of Capital [2] 2003	Book Value 2003	Book Value 2002	Operating Cash Costs 2003	Operating Cash Costs 2002	Operating Cash Costs 2001
Liabilities							
Non-recourse borrowings							
Property specific mortgages	**$ 4,881**	6%	**$ 4,881**	$ 4,992	**$ 300**	$ 297	$ 303
Other debt of subsidiaries	**2,075**	5%	**2,075**	1,867	**105**	106	128
Corporate borrowings	**1,213**	6%	**1,213**	1,035	**66**	63	61
Accounts and other payables	**1,745**	6%	**1,745**	1,262	**88**	56	51
Shareholders' interests							
Minority interests of others in assets	**3,223**	20%	**1,516**	1,456	**294**	262	252
Preferred equity	**1,861**	6%	**1,861**	1,185	**83**	69	68
Common equity	**7,348**	18%	**3,024**	2,625	**566**	425	361
	12,432	16%	**6,401**	5,266	**943**	756	681
	$ 22,346	9.5%	**$16,315**	$14,422	**$ 1,502**	$ 1,278	$ 1,224

1 *Underlying value of liabilities represents the cost to retire on maturity*

2 *As a percentage of average book value*

We have benefited recently from unprecedented low interest rates, particularly short-term rates, although as rates appear poised to increase we are locking in longer term fixed rates. This may result in a modest increase in our cost of capital during 2004, but should protect our returns over the longer term.

LIABILITIES

Property Specific Mortgages

Where appropriate, we finance our operating assets with long-term, non-recourse borrowings such as property specific mortgage bonds which do not have recourse to Brascan or our operating entities.

The composition of the Company's borrowings which have recourse only to specific assets is as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	Cost of Capital 2003 [2]	Book Value 2003	Book Value 2002	Operating Cash Costs [1] 2003	Operating Cash Costs [1] 2002	Operating Cash Costs [1] 2001
Commercial properties	12	6%	**$ 4,149**	$ 4,413	**$ 255**	$ 258	$ 278
Power generation	17	6%	**732**	579	**45**	39	25
Total	13	6%	**$ 4,881**	$ 4,992	**$ 300**	$ 297	$ 303

1 *Interest expense*

2 *As a percentage of average book value*

These borrowings leverage common shareholders' equity with long-term lower risk financing, which is largely fixed rate, with an average maturity of 13 years.

Commercial property borrowings represent mortgage debt on real estate properties. Our commercial property operations have very little general corporate indebtedness since we finance this business primarily with mortgages with recourse only to specific properties. At the end of 2003, these mortgages had an average term of 12 years and a weighted average interest rate of 7%.

Power generation borrowings consist of financings secured by specific power facilities with an average fixed interest rate of 7%. We completed two "A(low)" rated asset backed financings in 2003. The first was a 20-year C$384 million financing on our Great Lakes Power generation system in northern Ontario, and the second was a 17-year C$175 million financing on the Mississagi Power generation assets, also in northern Ontario. The coupons were 6.6% and 6.9%, respectively and provide long-term, low-risk, non-recourse financing to leverage the returns from these assets.

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

YEARS ENDED DECEMBER 31 (MILLIONS)	2004	2005	2006	2007	2008	Beyond	Total
Commercial properties	$ 281	$ 454	$ 163	$ 612	$ 252	$ 2,387	$ 4,149
Power generation	7	45	4	3	3	670	732
Total	$ 288	$ 499	$ 167	$ 615	$ 255	$ 3,057	$ 4,881
Percentage of total	6%	10%	3%	13%	5%	63%	100%

Other Debt of Subsidiaries

The composition of the borrowings which have recourse only to assets owned by the Corporation's subsidiaries is as follows:

		Cost of Capital	Book Value		Operating Cash Costs [1]		
YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	2003 [2]	2003	2002	2003	2002	2001
Power generation	2	7%	**$ 375**	$ 375	**$ 22**	$ 23	$ 30
Funds management	5	6%	**647**	587	**34**	29	28
Real estate	2	5%	**576**	429	**19**	12	18
International operations and other	9	9%	**477**	476	**30**	42	52
Total	4	5%	**$ 2,075**	$ 1,867	**$ 105**	$ 106	$ 128

1 *Interest expense*

2 *As a percentage of average book value*

These borrowings are largely corporate debt, issued by way of corporate bonds, bank credit facilities and other types of debt and financial obligations borrowed by subsidiaries. Power generating debt consists largely of U.S. public notes which are rated BBB by S&P, Baa3 by Moody's and BBB(high) by DBRS and which mature in 2004 and 2005.

The corporate bonds issued by our funds management operations are rated A(low) by DBRS and BBB+ by S&P. At December 31, 2003, our funds management operations had $386 million undrawn committed credit facilities, which are largely utilized as back-up facilities for the issuance of commercial paper.

Residential property debt consists primarily of construction financing which is repaid from the proceeds from sales of building lots, single family houses and condominiums and is generally renewed on a rolling basis as new construction commences.

A portion of the outstanding debt of our international operations is denominated in local currencies and is utilized to hedge our operating assets against local currency fluctuations, the most significant of which is the Brazilian real. Brascan does not guarantee any debt of subsidiaries with the exception of $327 million included in debt of international operations that is supported by financial assets within these operations.

Principal repayments on other debt of subsidiaries due over the next five years and thereafter are as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2004	2005	2006	2007	2008	Beyond	Total
Power generation	$ 175	$ 200	$ —	$ —	$ —	$ —	$ 375
Funds management	62	96	96	183	3	207	647
Real estate	386	107	65	18	—	—	576
International operations and other	87	55	2	3	3	327	477
Total	$ 710	$ 458	$ 163	$ 204	$ 6	$ 534	$ 2,075
Percentage of total	34%	22%	8%	10%	—	26%	100%

Corporate Borrowings

Corporate borrowings consist of the Corporation's long-term and short-term obligations. Long-term corporate borrowings are in the form of bonds and debentures issued into the Canadian and U.S. capital markets both on a public and private basis. Short-term financing needs are typically met by issuing commercial paper that is backed by long-term fully committed lines of credit from a wide range of international banks.

The following table summarizes the Corporation's corporate credit facilities:

	Cost of Capital	Book Value		Operating Cash Costs [1]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003** [2]	**2003**	**2002**	**2003**	**2002**	**2001**
Commercial paper and bank debt	3%	**$ —**	$ 73	**$ 3**	$ 7	$ 15
Publicly traded term debt	5%	**1,100**	850	**54**	48	32
Privately held term debt	8%	**113**	112	**9**	8	14
Total	6%	**$ 1,213**	$ 1,035	**$ 66**	$ 63	$ 61

1 Interest expense

2 As a percentage of average book value

At December 31, 2003, the Corporation had $522 million of committed corporate credit facilities which are utilized principally as back-up credit lines to support commercial paper issuance. Brascan had no commercial paper borrowings at year end.

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

YEARS ENDED DECEMBER 31 (MILLIONS)	**2004**	**2005**	**2006**	**2007**	**2008**	**Beyond**	**Total**
Publicly traded term debt	$ —	$ —	$ —	$ —	$ 300	$ 800	$ 1,100
Privately held term debt	101	9	2	1	—	—	113
Total	$ 101	$ 9	$ 2	$ 1	$ 300	$ 800	$ 1,213
Percentage of total	8%	1%	—	—	25%	66%	100%

SHAREHOLDERS' INTERESTS

Shareholders' interests are comprised of three components: participating interests of other shareholders in our operating assets; non-participating preferred equity issued by the Company and its subsidiaries; and common equity of Brascan.

Shareholders' interests at December 31, 2003 and 2002 were as follows:

	Number of Shares	Underlying Value	Book Value		Operating Cash Flow [1]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Participating interests of others in assets							
Real estate							
Commercial	78.2	**$ 2,376**	**$ 998**	$ 1,092	**$ 220**	$ 217	$ 204
Residential [2]	15.6	**398**	**190**	—	**64**	—	—
Power generation	24.1	**305**	**184**	165	**15**	11	7
Other		**144**	**144**	199	**(5)**	34	41
		3,223	**1,516**	1,456	**294**	262	252
Non-participating preferred equity							
Corporate		**852**	**852**	735	**58**	44	28
Subsidiaries		**1,009**	**1,009**	450	**25**	25	40
		1,861	**1,861**	1,185	**83**	69	68
Common equity	180.8*3*	**7,348**	**3,024**	2,625	**566**	425	361
		$ 12,432	**$ 6,401**	$ 5,266	**$ 943**	$ 756	$ 681

1 Represents share of operating cash flows attributable to the interests of the respective shareholders and includes cash distributions

2 Residential real estate interests included in commercial real estate prior to 2003

3 Includes convertible instruments on an "as converted" basis

Participating Interests of Others in Assets

The majority of our commercial and residential real estate operations are conducted through Brookfield Properties Corporation and Brookfield Homes Corporation, respectively, in which shareholders other than the Corporation own an approximate 50% common share interest. Power generating interests represent the 50% interest of unit holders in the Great Lakes Hydro Income Fund, through which we own certain of our power generating operations.

Distributions to other shareholders in the form of cash dividends totalled $62 million in 2003 compared with $55 million in 2002. The undistributed cash flows attributable to minority shareholders are retained in the respective operating businesses and are available to expand their operations, reduce indebtedness or repurchase equity.

Preferred Equity

The Corporation has $1,861 million of non-participating preferred equity outstanding: $852 million issued by the Corporation and $1,009 million issued by the Corporation's consolidated subsidiaries. The preferred equity enables us to expand our equity base at low-risk without dilution to common shareholders. The average cost of this capital to the common shareholder was 6% at year end.

During 2003, we issued $117 million of new preferred equity in the form of C$175 million of 15-year non-cumulative 5.4% preferred shares. Our commercial real estate subsidiary also issued C$200 million of preferred shares yielding 5.75%, C$200 million of preferred shares yielding 5.20%, and $110 million of preferred shares yielding 5.25%, for total proceeds of $415 million. All of the securities issued may be redeemed on maturity for cash or in common shares based on current market prices at the Corporation's option.

Common Equity

On a diluted basis, the Corporation had 180.8 million common shares outstanding at year end, a decrease from 183.9 million at December 31, 2002. During 2003, we repurchased 4.6 million common shares under a normal course issuer bid at an average price of $22.24 per share. During 2002, 7.1 million common shares and equivalents were repurchased in a similar manner at a price of $20.12 per share.

The Corporation has two classes of common shares outstanding: Class A Limited Voting Shares and Class B Limited Voting Shares. Each class of shares elects one-half of the Corporation's Board of Directors. The Class B shares are held by Partners Limited, a private company owned by 37 individuals, including a number of the executive officers of the Corporation.

FINANCIAL POLICIES

Capital Allocation

We consider effective capital allocation to be critical to our success. As a result, we apply a rigorous approach towards the allocation of capital among our operating businesses. Capital is invested only when the expected returns exceed predetermined thresholds, taking into consideration both the degree and magnitude of the relative downside risks and upside potential and, if appropriate, strategic considerations such as the establishment of new business activities. We conduct post-investment reviews of all capital allocation decisions to ensure that anticipated returns are achieved and, if not, to determine what lessons can be learned to avoid the same mistakes in the future.

Liquidity

We strive to maintain sufficient financial liquidity at all times in order to participate in attractive investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

As at year end, the Corporation and its consolidated subsidiaries had $1.0 billion of undrawn committed credit facilities with 12 international financial institutions, largely maintained as back-up facilities for the issuance of commercial paper. We also maintain cash and a portfolio of non-strategic financial assets that can be liquidated to fund investments as required.

During 2003, we generated $624 million of operating cash flow and we expect this amount to increase by approximately 12% to 15% over the long term. The free cash flow from operations, which includes undistributed cash flow attributable to minority interests in subsidiaries, totalled $733 million during 2003 and is expected to increase in line with our operating cash flow. Free cash flow is available to pay common share dividends, expand our operating base, reduce debt or repurchase common shares as appropriate.

Brascan and its investment partners have recently mailed a tender offer for Canary Wharf, which values that company at £1.6 billion. Should we be successful in acquiring 100% of Canary Wharf with our partners, our incremental cash investment will be approximately $350 million. Should we be successful in acquiring less than 75% of Canary Wharf and not be in a position to privatize the company, our incremental cash investment, prior to further syndication of equity interests in Canary Wharf, could increase to approximately $1.4 billion. While we believe that this latter scenario is remote, Brascan has arranged special facilities to fund this amount and has the financial resources available to support this purchase.

Credit Profile

We endeavour to arrange our affairs to maintain high investment grade ratings and to improve them further over time. The credit ratings for the Corporation at December 31, 2003 and at March 31, 2004 were as follows:

	DBRS	S&P	Moody's
Commercial paper	R-1(low)	A-1(low)	—
Term debt	A(low)	A–	Baa3
Preferred shares	Pfd-2(low)	P2(mid)	—

We also endeavour to ensure that our operating businesses maintain investment grade ratings in order to provide continuous access to a wide range of financings and to enhance borrowing flexibility, a low cost of capital and access to various forms of financing unavailable to non-investment grade borrowers.

Use of Derivatives

We utilize a number of financial instruments to manage our foreign currency, commodity and interest rate positions. As a general policy, we endeavour to maintain a balanced position in terms of foreign currency, although unmatched positions may be taken from time to time within predetermined limits. The Corporation and its subsidiaries typically maintain a net floating rate liability position because we believe that this results in lower financing costs over the long term given the Corporation's substantial annual operating cash flows. As at December 31, 2003, our net floating rate liability was $1.2 billion. As a result, a 100 basis point increase in interest rates would adversely impact operating cash flow by $12 million.

Although interest rates remain at historically low levels, we have commenced a program to reduce our floating rate exposure in anticipation of increasing rates over the next few years. In addition, our intent is to maintain a hedged position with respect to the carrying value of net assets denominated in currencies other than the US dollar. Accordingly, fluctuation in the value of the US dollar relative to other currencies has a negligible impact on the Corporation's net financial position. The Corporation receives certain cash flows, principally from its financial and power generating operations, that are denominated in Canadian dollars. The estimated impact of a C$0.10 change in the Canada/U.S. exchange rates is a corresponding change in operating cash flow of $10 million per annum.

Corporate Guarantees, Commitments and Contingent Obligations

We conduct our operations through entities that are fully or proportionately consolidated in our financial statements other than equity accounted investments. Noranda and Nexfor, which are owned 42% and 43%, respectively, by Brascan are accounted for on the equity basis.

We provide guarantees and indemnities when required from time to time in respect of fund management, power marketing and financial activities. The Corporation does not typically guarantee obligations of its subsidiaries or affiliates. However, the Corporation has guaranteed $327 million of subsidiary debt as noted under Other Debt of Subsidiaries on page 28, and $146 million of contingent obligations included in accounts and other payables which relates to the Corporation's financial operations and has guaranteed obligations under power purchase agreements

which amounted to $17 million at year end. These obligations are subject to credit rating provisions and are supported by financial assets of the principal obligor.

The Corporation may be contingently liable with respect to litigation and claims that arise in the normal course of business. In addition, the Corporation may execute agreements that provide for indemnifications and guarantees to third parties.

WORKING CAPITAL AND OTHER BALANCES

The composition of our working capital and other balances is as follows:

	2003			2002		
AS AT DECEMBER 31 (MILLIONS)	**Accounts Receivable**	**Accounts Payable**	**Net**	**Accounts Receivable**	**Accounts Payable**	**Net**
Working capital balances						
Real estate	**$ 231**	**$ 375**	**$ (144)**	$ 399	$ 359	$ 40
Power generation	**131**	**89**	**42**	78	101	(23)
Funds management	**449**	**419**	**30**	133	156	(23)
International and other	**242**	**280**	**(38)**	197	316	(119)
	1,053	**1,163**	**(110)**	807	932	(125)
Other items						
Future income tax assets	**62**	**—**	**62**	53	—	53
Prepaid expenses and other assets, deferred credits, provisions and other liabilities	**508**	**582**	**(74)**	411	330	81
	570	**582**	**(12)**	464	330	134
Net working capital and other	**$ 1,623**	**$ 1,745**	**$ (122)**	$ 1,271	$ 1,262	$ 9

Working capital balances include the trade accounts receivable and payable held in the normal course of each of our operating businesses. We endeavour to minimize the amount of capital required in our businesses and in this regard we have established Titanium Trust, described on page 22, to effectively finance working capital balances with asset backed commercial paper and medium-term notes.

Other balances include future income tax assets, as well as other accrued asset balances and provisions.

BUSINESS ENVIRONMENT AND RISKS

Our financial results are impacted by the performance of each of our operations and various external factors influencing the specific sectors and geographic locations in which we operate, as well as by macro-economic factors such as economic growth and changes in currency, inflation and interest rates.

Our strategy is to invest in high quality assets which generate sustainable streams of cash flow. While high quality assets may initially generate lower returns on capital, we believe that the sustainability and future growth of their cash flows is more assured over the long term, and as a result, warrant higher valuation levels. We also believe that the high quality of our asset base protects the Corporation against future uncertainty and positions us to invest with confidence when new investment opportunities arise.

The following is a brief review of the potential impact these different factors may have on Brascan's business operations.

Commercial Properties

Our strategy is to invest in high-quality commercial properties defined by the physical characteristics of the assets, but more importantly, the certainty of receiving rental payments from the high quality tenants which these properties attract.

Real estate investments are generally subject to varying degrees of risk incidental to the ownership and operation of real estate properties. These risks include changes in general economic conditions (such as the availability and

cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in an area), the attractiveness of the properties to tenants and competition from other landlords with competitive space. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses.

Our real estate investments are dependent on the economic climate in our six core markets: New York, Toronto, Boston, Calgary, Denver and Minneapolis. Substantially all of our commercial property revenue is derived from our properties in these markets. Changes in the economies of these core markets could change the demand for office space and impact the results of our commercial property operations.

Real estate is relatively illiquid. Such illiquidity will tend to limit our ability to promptly change the nature of the portfolio in response to changing economic or investment conditions. Also, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which we operate in times of illiquidity.

Our commercial operations face the risks associated with the use of debt to finance operations, including refinancing risk. Our commercial properties are subject to mortgages, which require substantial debt service payments. We may not always be able to refinance our properties on acceptable terms. If our real estate operations became unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale.

Our commercial properties generate a relatively stable source of income from contractual tenant rent payments. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. A tenant may also experience a downturn in its business, resulting in a tenant's inability to make rental payments when due or, for rental tenants, a reduction in percentage rent payable.

Each segment of our commercial real estate markets is competitive. Actions of competitors in these markets could adversely affect our ability to lease our properties at favourable rates. For example, competing properties may be better located and, if built with high vacancy levels, create an oversupply of office space in particular markets that could have an adverse effect on the rents we can charge or the leasing concessions we may need to grant.

While the outlook for commercial office rents is positive in the longer term, 2004 may not provide the same level of increases in rental rates on renewal as compared to 2003. We are, however, substantially protected against these short-term market conditions, since most of our leases are long term in nature with an average term of 10 years. A protracted disruption in the economy, such as the onset of a severe recession, could place downward pressure on overall industry occupancy levels and, as a result, the net effective rents we are able to achieve.

We operate our commercial real estate operations through a number of joint ventures, partnerships and co-tenancies. These investments may present special risks, such as the bankruptcy or inability of these co-ventures, partners and co-tenants to fund their share of capital contributions, or a divergence between our economic business interests and goals.

Five of our major commercial properties are subject to long-term land leases and similar arrangements in which the underlying land is owned by third parties. These have terms ranging from 35 years to 65 years. While we will attempt to purchase these leases as they become available, we cannot be assured of this. A default on the ground lease could also result in the loss of the property unless the default is rectified in a reasonable period of time.

We carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance for our commercial properties and also self-insure a portion of these risks. Following the terrorism attacks of September 11, 2001, insurance companies generally excluded insurance against acts of terrorism from their "all risk" policies other than certain "certified acts" as defined by the federal Terrorism Risk Insurance Act. We have acquired stand-alone insurance coverage for other acts of terrorism for up to $500 million of damage and business interruption costs. We continue to seek additional coverage equal to the full replacement cost of our assets; however, until this type of coverage

becomes commercially available on a reasonable economic basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to Brascan.

Residential Properties

The residential homebuilding and land development business is cyclical and is affected by changes in general and local economic conditions, employment levels, availability of financing for home buyers, interest rates, consumer confidence and housing demand. These conditions can affect consumers' outlooks and, in particular, the price and volume of home purchases.

In our residential land development and home building businesses, markets have been favourable over the past five years with strong demand for well located building lots, particularly in the United States. Our homebuilding business is concentrated in California, which generates approximately 75% of our revenues, and to a lesser extent in northern Virginia and Alberta. Changes in the economic conditions in these markets or in other local factors could have an adverse impact of our revenues.

Virtually all our customers finance their home acquisitions through lenders who provide mortgage financing. Mortgage rates are currently at or near their lowest levels in decades. Increasing mortgage rates or decreases in the availability of mortgage financing could adversely affect the ability of homebuyers to finance their new home purchases or reduce their ability to sell their existing homes.

Our success in developing, building and selling homes depends in part upon the continued availability of suitable undeveloped land at acceptable prices. Competition for undeveloped land may increase the price we must pay to acquire land or limit the opportunities for new development projects.

We must comply with extensive and complex regulations affecting the homebuilding and land development process. In addition, these regulations are subject to change depending on local circumstances. Complying with these regulations and the approval process required imposes a cost on the business and a level of uncertainty.

The residential homebuilding industry is highly competitive, with homebuilders competing not only for purchasers, but also for desirable properties, building materials and labour. Intense competition can lead, among other things, to severe shortages of materials and labour that can adversely affect our business.

Power Generating Operations

Our power operations are subject to varying degrees of risk inherent in the ownership and operation of power generating facilities. These include the availability of water flows, changing power rates, equipment failure, changes in the regulatory regime and environmental and safety considerations.

Operating income from each of our hydroelectric power systems fluctuates in proportion to the amount of electricity generated, which in turn is dependent upon available water flows within the system's watershed. Annual deviations from long-term water availability within each of our watersheds can be significant, and there can be no assurance that long-term water availability will remain unchanged. While changes in the level of precipitation impact the amount of power generated by individual units, the diversified locations of our hydroelectric power stations across several different watersheds in Canada and the United States help to reduce the financial impact of these fluctuations.

Operating income is also dependent on our ability to deliver power to markets with the highest power rates. Pricing risk is mitigated through fixed-price contracts, forward sales of electricity, and the regulated revenues we earn from our transmission and distribution business. Furthermore, the majority of our contracts are structured to ensure that we are only obligated to deliver power that we actually produce to minimize the risk of unmatched contractual obligations.

Operating income can also be adversely affected by the risk of equipment failure due to wear and tear, latent defect, and design or operator error among other things. This risk is substantially mitigated by the proven nature of hydroelectric technology, the design of our plants, our maintenance and capital improvement programs and the operational flexibility as a result of having generating units that can operate independently.

The sale of power is dependent upon the continuation of a favourable regulatory regime for the continuing operation and future growth and development of the independent power production industry in each of the jurisdictions in which we operate. Changes in the regulatory regime could have an adverse effect on taxes and permit fees for current operations, on the opportunities available for continued development, and may change the environment and safety standards that must be met by existing and new developments.

It is Brascan's policy that all our operations manage their operations having the highest regard for safety and the care of the environment. We address the safety and environmental risks inherent in the hydroelectric industry through developing and implementing managed systems that form part of the daily business activities of our all our power operating units. Safety and environmental reports are made on a regular basis to senior management and the boards of directors of our power operating subsidiaries.

We maintain insurance coverage for our power systems which we believe addresses all material insurable risks, subject to deductibles, limits and exclusions which are customary and reasonable given the costs of procuring insurance. There can be no assurance that such insurance will continue to be offered nor that all events that could give rise to a loss or liability are insurable.

Funds Management Operations

Our funds management operations are cash flow generating businesses which, managed carefully, should produce stable cash flows. These businesses face risks and uncertainties arising from economic conditions, regulation, competition, and currency, interest rate and credit risks.

Unfavourable economic conditions generally create a higher volume of investment and merchant banking opportunities. In addition, economic conditions which lead to higher interest rate spreads between funds borrowed and funds loaned out, also have a favourable impact on cash flows. Severe economic conditions can, however, have a major impact on opportunities for expansion and on profitability. Since we operate largely within our areas of expertise, we are prepared to assume ownership of and operate most assets that we finance. As a result, should it be necessary to acquire financed assets, we are generally able to do so at a lower cost than if these assets were purchased through the capital markets.

Our brokerage, international banking and insurance operations are regulated in their various jurisdictions of operation. The relevant legislation establishes the powers of our subsidiaries conducting these operations and empowers authorities to determine the capital adequacy of certain of these operations.

Our financial operations face strong competition in several areas of activity. Federal legislation over the past few years has endeavoured to further intensify competition and, as a result, several new unregulated participants have emerged in selected market segments. Competition also arises in recruiting and retaining financial executives to operate these businesses. We address this area of risk through being attuned to client needs, maintaining competitively priced products and having appropriate compensation policies.

Our financial operations maintain a matched book of currency sensitive assets and liabilities. Unmatched positions are carried from time to time within approved exposure limits. In order to partially mitigate interest rate risk, we have issued floating rate preferred shares and swapped our borrowings to floating rates. We also have policies and procedures in place to assess and manage the credit risk related to our clients. We endeavour to limit credit risk by the manner in which our transactions are structured, in the selection of our clients and by our active monitoring of each client's activities.

Investments

Investments consist largely of equity interests in Noranda and Nexfor, which are owned 42% and 43% respectively, by Brascan. Both of these investments are cyclical in nature. Their products are primarily sold in the United States, Europe and Asia. As a result, fluctuations in the level of economic activity in these markets influence the demand for and prices of the resource products produced by Noranda and Nexfor. With the increase in commodity prices during 2003, our share of the earnings of these investments improved substantially and is expected to increase dramatically

in 2004. For further information on the business risks of Noranda and Nexfor, reference should be made to their Annual Information Forms.

Execution of Strategy

Our strategy for building long-term shareholder value is to develop or acquire high quality assets which generate sustainable and increasing cash flows, with the objective of achieving higher returns on capital invested over the long term.

As part of our growth strategy, we endeavour to maintain a high level of liquidity in order to invest on a value basis when attractive opportunities arise. This entails adding assets to our existing businesses when the competition for assets is lowest, either due to depressed economic conditions or when concerns exist relating to a particular industry. However, there is no certainty that we will be able to continue to acquire or develop additional high quality assets at attractive prices to supplement growth from our existing assets.

The successful execution of a value investment strategy requires careful timing and business judgment, as well as the resources to complete asset purchases and restructure them as required, notwithstanding difficulties being experienced in the particular industry. Our diversified business base and the sustainability of our cash flows provide an important element of strength in executing this strategy.

The conduct of our business and the execution of our growth strategy rely heavily on teamwork. We believe that cooperation between our operations, as well as our team-oriented management structure, enable us to respond promptly to opportunities and problems when they arise.

Management stability is achieved by encouraging senior executives to hold substantial share ownership in the Company. However, declining share prices may on occasion encourage executives with shorter term objectives to leave. This can lead to a loss of business momentum unless management changes are quickly and effectively implemented. There is no certainty that management changes will always be successfully implemented.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Brascan's financial condition and results of operations for 2003 are contained at pages 12 to 56 of the Corporation's 2003 Annual Report and are incorporated herein by reference.

The following sets out additional information regarding the Corporation's financial condition and results of operation.

Contractual Obligations

The following table presents contractual obligations of the Corporation over the next five years:

		Payments Due by Period			
US$ MILLIONS **Contractual Obligations**	**Total**	**Less than One Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Long term debt					
Property specific mortgages	**$ 5,096**	$ 707	$ 1,270	$ 443	$ 2,676
Other debt of subsidiaries	**2,188**	261	700	65	1,162
Corporate borrowings	**1,212**	100	12	300	800
Other obligations	**586**	467	—	—	119

Other obligations include $467 million of commitments by the Corporation and our subsidiaries in the normal course of business, including commitments to provide bridge financing, and letters of credit and guarantees provided in respect of power sales contracts and reinsurance obligations. Other obligations also include $119 million of shareholder advances and obligations attributable to the residential property business which are included in other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, estimates are required in the determination of: future cash flows utilized in assessing net recoverable amounts and net realizable values; depreciation and amortization; value of goodwill and intangible assets; ability to utilize tax losses; hedge effectiveness; and fair values for disclosure purposes. These estimates are impacted by, among other things, movements in interest rates and other factors as described in the analysis of business environment and risks included in our annual Management's Discussion and Analysis. The interrelated and complex nature of these factors prevents us from quantifying the overall impact of movements on the Corporation's financial statements.

Changes in Accounting Policies

Effective January 1, 2004, the Corporation implemented the new Canadian Institute of Chartered Accountants ("CICA") issued handbook section 1100, "Generally Accepted Accounting Principles". Section 1100 establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. In particular, this section requires the company to record income arising from tenant leases and depreciation on buildings on a straight-line basis. Adoption of this section resulted in recognition of additional straight-line rental revenue of $5 million and additional depreciation of $13 million, before any tax effect during the first quarter of 2004.

Effective January 1, 2004, the Corporation adopted AcSB handbook section 3110, "Asset Retirement Obligations". Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset.

Effective January 1, 2004, the Corporation adopted Accounting Guideline 13, "Hedging Relationships" (AcG 13), the new accounting guideline issued by the CICA which increases the documentation, designation and effectiveness criteria to achieve hedge accounting. The guideline requires the discontinuance of hedge accounting for hedging relationships previously established that do not meet the criteria at the date it is first applied. AcG 13 does not change the method of accounting for derivatives in hedging relationships, but EIC 128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", effective when AcG 13 is adopted, requires fair value accounting for derivatives that do not qualify for hedge accounting. Realized and unrealized gains and losses on derivative financial instruments designated as hedges of financial risks are included in income in the same period as when the underlying asset, liability or anticipated transaction affects income.

DIRECTORS AND OFFICERS

The Corporation's directors are elected annually and hold office until the next annual meeting of shareholders of the Corporation or until a successor is elected or appointed. In February 2004, our board of directors approved a reduction in the size of the board from 18 to 16 directors, which was approved by the Corporation's shareholders at the Annual and Special Meeting on April 30, 2004. Particulars relating to each of the 16 directors nominated for election at this meeting are contained in the Corporation's Management Information Circular dated March 26, 2004 at pages 5 to 8, which are incorporated herein by reference.

Officers of the Company

The names of the officers of the Corporation, their municipality of residence and their current offices are shown below:

Robert J. Harding, FCA Toronto, Ontario	Chairman of the Board
Jack L. Cockwell Toronto, Ontario	Group Chairman
J. Bruce Flatt Toronto, Ontario	President and Chief Executive Officer
George E. Myhal Toronto, Ontario	Chief Operating Officer
Brian D. Lawson Toronto, Ontario	Chief Financial Officer
Frank N.C. Lochan Oakville, Ontario	Executive Vice-President, Taxation
Bryan K. Davis Toronto, Ontario	Senior Vice-President, Finance
Alan V. Dean Toronto, Ontario	Senior Vice-President, Corporate Affairs and Secretary
Joseph S. Freedman Toronto, Ontario	Senior Vice-President and General Counsel
Kelly J. Marshall Oakville, Ontario	Senior Vice-President, Corporate Finance
Lori A. Pearson Toronto, Ontario	Senior Vice-President, Human Resources
Rui M. Senos Toronto, Ontario	Senior Vice-President, Internal Audit
Jack Sidhu Toronto, Ontario	Senior Vice-President, Treasury
Katherine C. Vyse Toronto, Ontario	Senior Vice-President, Investor Relations and Communications
Stephen A. Adams Toronto, Ontario	Vice-President, Technology
Lisa W. Chu Richmond Hill, Ontario	Vice-President, Business Systems
Aleks Novakovic Oakville, Ontario	Vice-President, Taxation
Sachin G. Shah Toronto, Ontario	Vice-President, Finance and Treasury
Ian C. Turnbull Oakville, Ontario	Vice-President, Information Systems
Jennifer J. Auyeung Markham, Ontario	Assistant Controller
Linda T. Northwood Stouffville, Ontario	Director, Investor Relations

For those officers of the Corporation appointed to their current positions within the last five years, their prior positions during this period were as follows. Prior to February 2002, Mr. Cockwell was President and Chief Executive Officer of the Corporation. Prior to February 2002, Mr. Flatt was President and Chief Executive Officer of Brookfield Properties, and prior to April 2000 he was President and Chief Operating Officer of Brookfield Properties. Prior to April 2003, Mr. Myhal was and continues to be President and Chief Executive Officer of Brascan Financial. Prior to February 2002, Mr. Lawson held various executive positions in Brascan Financial. Prior to April 2004, Mr. Lochan was and continues to be Managing Partner, Commercial Financing of Brascan Financial.

Prior to April 2003, Mr. Davis was Vice-President and Chief Financial Officer of Brascan Financial. Prior to April 2003, Mr. Freedman held various positions with Brascan Financial, and prior to May 2002 he was Chief Financial Officer for Cleanpulse Corp. Prior to February 2004, Mr. Marshall held various positions with Brascan Financial, and prior to July 2001 he was Managing Director at Fortress Investment Corporation. Prior to August 2003, Ms. Pearson held various positions with Ernst & Young, LLP in human resources and its audit practice. Prior to November 2002, Mr. Senos was and continues to be Vice-President, Corporate Audit Services of Brascan Financial. Prior to February 2002, Mr. Sidhu held various positions with Brascan Financial. Prior to August 2000, Ms. Vyse was Vice-President, Investor Relations and Communications of Brookfield, and prior to February 2000 she was Director, Investor Communications for Cadillac Fairview Corporation.

Prior to May 2003, Mr. Adams was Chief Technology Officer of Centract Residential Property Services. Prior to February 2004, Ms. Chu was Controller of the Corporation, and prior to August 2000 she was a member of the accounting staff of Brascan Financial. Prior to February 2004, Mr. Novakovic was Manager of Taxation of Royal Bank of Canada. Prior to April 2003, Mr. Shah was a member of the accounting staff of Brascan Power, and prior to June 2002 he was employed by Ernst & Young, LLP. Prior to February 2002, Prior to March 2004, Mr. Turnbull was Vice-President of Business Systems of Brookfield Properties. Ms. Auyeung was a member of the accounting staff of Brascan Financial. Prior to August 2003, Ms. Northwood was Director of Investor Relations and Corporate Secretary for Brookfield Properties.

PRINCIPAL SHAREHOLDER

To the knowledge of the Corporation's directors and officers, the only persons or corporations which beneficially own, directly or indirectly, or exercise control or direction over voting securities of the Corporation carrying more than 10% of the votes attached to any class of outstanding voting securities of the Corporation are Partners Limited ("Partners", formerly EdperPartners Limited) and its shareholders, who collectively hold, directly and indirectly, or have options to acquire, approximately 30 million Class A Limited Voting Shares representing approximately 17% of the outstanding Class A Limited Voting Shares of the Corporation on a fully diluted basis, and 85,120 Class B Limited Voting Shares, representing all of the Class B Limited Voting Shares of the Corporation. Jack Cockwell, Bruce Flatt, Lynda Hamilton, Robert Harding, George Myhal and David Kerr, who are directors of the Corporation, and Brian Lawson, who is an officer of the Corporation, are also shareholders of Partners.

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

As at April 30, 2004, there were 37 shareholders of Partners, none of whom hold more than a 15% effective equity interest in Partners. These shareholders are: Gordon E. Arnell, David D. Arthur, Alex G. Balogh, Jeffrey M. Blidner, Richard B. Clark, Ian G. Cockwell, Jack L. Cockwell, Jack Delmar, Steven J. Douglas, J. Bruce Flatt, Dominic Gammiero, Harry A. Goldgut, Peter Gordon, Lynda C. Hamilton, Robert J. Harding, Lars-Eric Johansson, Brian G. Kenning, David W. Kerr, Trevor D. Kerr, Edward C. Kress, Brian D. Lawson, Richard Legault, Frank N.C. Lochan, Cyrus Madon, Andrew I. Maleckyj, Marcelo J.S. Marinho, George E. Myhal, Allan Norris, Derek G. Pannell, Sam J.B. Pollock, Timothy R. Price, Aaron W. Regent, Bruce K. Robertson, Martin Shady, A. Paulo Sodré, John C. Tremayne and John E. Zuccotti.

STOCK EXCHANGE LISTINGS

The Corporation's publicly traded securities are listed on the following exchanges under the symbols shown below:

Security	Symbol	Stock Exchange
Class A Limited Voting Shares	**BNN**	New York
	BNN.A	Toronto
Class A Preference Shares		
Series 1	**BNN.PR.A**	Toronto
Series 2	**BNN.PR.B**	Toronto
Series 3	**BNN.PR.F**	Canadian Venture
Series 4	**BNN.PR.C**	Toronto
Series 8	**BNN.PR.E**	Toronto
Series 9	**BNN.PR.G**	Toronto
Series 10	**BNN.PR.H**	Toronto
Series 11	**BNN.PR.I**	Toronto
Series 12	**BNN.PR.J**	Toronto
Preferred Securities		
8.35% due 2050	**BNN.PR.S**	Toronto
8.30% due 2051	**BNN.PR.T**	Toronto

DIVIDENDS AND DIVIDEND POLICY

The declaration and payment of dividends on the Corporation's Class A and Class B Limited Voting Shares are at the discretion of the Corporation's board of directors. Dividends on the Class A and Class B Limited Voting Shares are paid quarterly, normally at the end of February, May, August and November of each year. The board of directors supports a stable and consistent common share dividend policy, and will consider increasing dividends from time to time at a rate based on a portion of the growth rate in cash flow from operations per share. In April 2003, the Corporation announced an increase in the quarterly dividend paid on its Class A and Class B Limited Voting Shares from C$0.25 to C$0.26, commencing with the dividend paid on August 31, 2003. In February 2004, the Corporation announced a further increase on the quarterly dividend paid on its Class A and Class B Limited Voting Shares from C$0.26 to C$0.27, representing an annualized dividend of C$1.04, commencing with the dividend payable on May 31, 2004.

On April 29, 2004, the Corporation's Board of Directors decided to change the declaration currency for the dividend payable on the Class A and Class B Limited Voting Shares from Canadian to US funds, commencing with the dividend payable on August 31, 2004 of US$0.14 per share. Canadian shareholders will continue to receive their dividends in Canadian Funds, unless they elect otherwise. This declared dividend has been pro rated to reflect the three-for-two stock split being implemented by way of a stock dividend payable on June 1, 2004.

Dividends on the Corporation's Class A Preference Shares, Series 1, 2, 4, 5, 7, 10, 11 and 12 are paid quarterly, normally at the end of March, June, September and December of each year. Dividends on the Corporation's Class A Preference Shares, Series 9 are paid quarterly, normally at the beginning of February, May, August and November. Dividends on the Corporation's Class A Preference Shares, Series 3 and 8 are paid monthly.

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

Prior to April 2004, all the Corporation's dividends were declared in Canadian funds. The following table summarizes the dividends paid per share for the five years ended December 31, 2003 on each of our classes and series of shares which were outstanding at that date:

C$	2003	2002	2001	2000	1999
Per Class A and Class B Limited Voting Share	**$ 1.02**	$ 1.00	$ 1.00	$ 0.985	$ 0.98
Per Class A Preference Share					
Series 1	**0.76**	0.68	1.08	1.16	1.05
Series 2	**0.82**	0.73	1.10	1.25	1.13
Series 3	**2,957.45**	2,479.53	4,499.18	5,595.21	4,722.03
Series 4	**0.82**	0.73	1.10	1.25	1.13
Series 5	**0.76**	0.68	1.08	1.16	1.05
Series 7	**2.13**	2.13	2.13	2.13	2.13
Series 8	**1.13**	1.02	1.57	1.56	1.56
Series 9	**1.41**	1.41	—	—	—
Series 10	**1.44**	1.44	0.41 [1]	—	—
Series 11	**1.38**	0.84 [2]	—	—	—
Series 12	**1.16** [3]	—	—	—	—

1 *The Series 10 Preference Shares paid their initial dividend on September 30, 2001.*

2 *The Series 11 Preference Shares paid their initial dividend on September 30, 2002.*

3 *The Series 12 Preference Shares paid their initial dividend of C$0.1479 on March 31, 2003. The first regularly quarterly dividend of C$0.3375 was paid on June 30, 2003, representing an annual dividend payout of C$1.35.*

The Corporation also pays interest quarterly on two series of unsecured junior subordinated debentures ("Preferred Securities") which are traded publicly: the 8.35% Preferred Securities due December 31, 2050, which were issued in December 2001; and the 8.30% Preferred Securities due June 30, 2051, which were issued in April 2002.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the principal features of the Corporation's share capital. Reference should be made to the articles of the Corporation for a complete description of all terms and conditions of our share capital.

The Corporation's authorized share capital consists of:

- an unlimited number of preference shares designated as Class A Preference Shares, issuable in series:
- the first series, which consists of 23,391 Class A Preference Shares, Series 1;
- the second series, which consists of 10,465,100 Class A Preference Shares, Series 2;
- the third series, which consists of 2,000 Class A Preference Shares, Series 3;
- the fourth series, which consists of 4,000,000 Class A Preference Shares, Series 4;
- the fifth series, which consists of 2,600,000 Class A Preference Shares, Series 5;
- the sixth series, which consists of 111,633 Class A Preference Shares, Series 6;
- the seventh series, which consists of 4,000,000 Class A Preference Shares, Series 7;
- the eighth series, which consists of 8,000,000 Class A Preference Shares, Series 8;
- the ninth series, which consists of 8,000,000 Class A Preference Shares, Series 9;
- the tenth series, which consists of 10,000,000 Class A Preference Shares, Series 10;
- the eleventh series, which consists of 31,500,000 Class A Preference Shares, Series 11;
- the twelfth series, which consists of 8,000,000 Class A Preference Shares, Series 12;

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

- an unlimited number of Class A Limited Voting Shares; and

- 85,120 Class B Limited Voting Shares.

As at April 30, 2004 the following shares of the Corporation were issued and outstanding: 18,891 Class A Preference Shares, Series 1; 10,465,100 Class A Preference Shares, Series 2; 2,000 Class A Preference Shares, Series 3; 4,000,000 Class A Preference Shares, Series 4; 2,600,000 Class A Preference Shares, Series 5; no Class A Preference Shares, Series 6; 4,000,000 Class A Preference Shares, Series 7; 1,049,792 Class A Preference Shares, Series 8; 6,950,208 Class A Preference Shares, Series 9; 10,000,000 Class A Preference Shares, Series 10; 4,032,401 Class A Preference Shares, Series 11; 7,000,000 Class A Preference Shares, Series 12; no Class AA Preference Shares; 171,822,144 Class A Limited Voting Shares; and 85,120 Class B Limited Voting Shares.

Certain Provisions of the Class A Preference Shares as a Class

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

Series

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

Priority

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

Shareholder Approvals

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

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

Certain Provisions of the Class A Preference Shares, Series 1 as a Series

Dividends

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

Redemption

Each of the Class A Preference Shares, Series 1 is redeemable at any time in whole or in part from time to time at

the option of the Corporation at a redemption price of $25.00 per share together with all accrued and unpaid dividends thereon up to but excluding the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 30 days and not more than 60 days prior to the date fixed for redemption.

Retraction

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

Purchase for Cancellation

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

Conversion

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

Voting

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

Restrictions on Dividends and Retirement of Shares

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

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

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

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of the Corporation from time to time issued, redeem

or call for redemption, purchase or otherwise pay off or retire for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 1; or

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

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 2 as a Series

Dividends

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

Redemption

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

Purchase for Cancellation

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

Voting

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

holders of Class A Preference Shares, Series 2 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

Restrictions on Dividends and Retirement of Shares

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

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

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

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

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

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 3 as a Series

Dividends

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

Redemption

Each of the Class A Preference Shares, Series 3 is redeemable at any time in whole or in part from time to time at the option of the Corporation at a redemption price of $100,000 per share, provided that the Corporation may not redeem such shares unless the board of directors shall have declared a dividend on the Class A Preference Shares,

Series 3 equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Notice of any redemption must be given by the Corporation at least 10 days prior to the date fixed for redemption.

Voting

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

Restrictions on Dividends and Retirement of Shares

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

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

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

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

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

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 4 as a Series

Dividends

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

Redemption

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

Purchase for Cancellation

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

Voting

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

Restrictions on Dividends and Retirement of Shares

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

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

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

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

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

unless, in each such case, all dividends then payable for the Class A Preference Shares, Series 4 then outstanding and on all other shares of the Corporation ranking as to dividends on parity with the Class A Preference Shares, Series 4 accrued up to and including the dividends payable on the immediately preceding respective date or dates

for the payment of dividends thereon shall have been declared and paid or set apart for payment.

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 5 as a Series

Dividends

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

Redemption

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

Purchase for Cancellation

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

Retraction

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

Voting

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

Restrictions on Dividends and Retirement of Shares

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

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

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

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

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

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

Creation or Issue of Additional Shares

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 6 as a Series

Dividends

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

Redemption

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

Purchase for Cancellation

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

Voting

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

Restrictions on Dividends and Retirement and Issue of Shares

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

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

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

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

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

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

unless at the date of such declaration, payment, setting apart for payment, redemption, call for redemption, purchase or reduction, return of capital or issuance, as the case may be, all accrued and unpaid cumulative dividends up to and including the dividend payment for the last completed period for which such dividends shall be payable, shall have been declared and paid or set apart for payment on the Class A Preference Shares, Series 6 and any accrued and unpaid cumulative dividends which have become payable and any declared and unpaid non-cumulative dividends shall have been paid or set apart for payment on all other shares ranking as to dividends prior to or on a parity with the Class A Preference Shares, Series 6.

the Corporation will not, without the prior approval of the holders of Class A Preference Shares, Series 6 issue any shares ranking as to dividends or capital prior to the Class A Preference Shares, Series 6.

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 7 as a Series

Dividends

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

Redemption

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

Purchase for Cancellation

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

Right to Exchange

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

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

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

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

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

Voting

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

Restrictions on Dividends and Retirement and Issue of Shares

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

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

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

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

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

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 8 as a Series

Dividends

The holders of the Class A Preference Shares, Series 8 are initially entitled to receive fixed cumulative preferential cash dividends, accruing daily from the date of issue, to and including October 31, 2001, as and when declared by the board of directors, payable quarterly on the first day of February, May, August and November in each year in an amount per share equal to 6.25% per annum applied to the price of $25.00 per share, and thereafter are entitled to receive monthly floating cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors on the 12th day of each month in an amount per share equal to the product of $25.00 per share and one-twelve of an annual floating dividend rate equal to between 50% and 100% of the Prime Rate, as provided in the share conditions.

Redemption

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

Purchase for Cancellation

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

Conversion

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

Voting

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

Restrictions on Dividends and Retirement and Issue of Shares

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

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

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

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

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

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

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

Liquidation, Dissolution and Winding Up

In the event of the liquidation, dissolution or winding up of the Corporation or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the Class A Preference Shares, Series 8 will be entitled to payment of an amount equal to $25.00 per share plus accrued and unpaid divi-

dends before any amount can be paid to the holders of shares ranking junior to the Class A Preference Shares, Series 8. Upon such payment, the holders of Class A Preference Shares, Series 8 will not be entitled to share in any future distribution of assets of the Corporation.

Certain Provisions of the Class A Preference Shares, Series 9 as a Series

Dividends

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

Redemption

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

Purchase for Cancellation

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

Conversion

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

Voting

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

Restrictions on Dividends and Retirement and Issue of Shares

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

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

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

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

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

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

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 10 as a Series

Dividends

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

Redemption

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

Conversion at the Option of the Corporation

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

Conversion at the Option of the Holder

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

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

Purchase for Cancellation

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

Voting

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

Restrictions on Dividends and Retirement and Issue of Shares

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

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

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

or otherwise pay off or retire any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 10;

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

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

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

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

Liquidation, Dissolution and Winding-Up

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

Certain Provisions of the Class A Preference Shares, Series 11 as a Series

Dividends

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

Redemption

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

Conversion at the Option of the Corporation

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

Shares will not be issued on any conversion of Class A Preference Shares, Series 11, but in lieu thereof the Corporation will make cash payments.

Conversion at the Option of the Holder

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

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

Purchase for Cancellation

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

Voting

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

Restrictions on Dividends and Retirement and Issue of Shares

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

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

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

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

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

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

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Preference Shares, Series 12 as a Series

Dividends

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

Redemption

The Class A Preference Shares, Series 12 are not redeemable before March 31, 2014. On or after this date, but subject to applicable law and to the provisions described under “Certain Provisions of the Class A Preference Shares, Series 12 as a Series — Restrictions on Dividends and Retirement and Issue of Shares”, the Corporation may, at its option, at any time redeem all, or from time to time any part, of the then outstanding Class A Preference Shares, Series 12, by the payment of an amount in cash for each such share so redeemed of $26.00 if redeemed before March 31, 2015 of $25.75 if redeemed on or after March 31, 2015 but before March 31, 2016, of $25.50 if redeemed on or after

March 31, 2016 but before March 31, 2017, of $25.25 if redeemed on or after March 31, 2017, but before March 31, 2018, and of $25.00 thereafter, in each case together with, all declared and unpaid dividends up to but excluding the date fixed for redemption (less any tax required to be deducted and withheld by the Corporation).

Conversion at the Option of the Corporation

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

Conversion at the Option of the Holder

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

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

Purchase for Cancellation

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

Voting

The holders of the Class A Preference Shares, Series 12 will not (except as otherwise provided by law and except for meetings of the holders of Class A Preference Shares as a class and meetings of all holders of Class A Preference Shares, Series 12 as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Corporation unless and until the Corporation shall have failed to pay eight quarterly dividends on the Class A Preference Shares, Series 12, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Corporation properly applicable to the payment of dividends. In the event of such non-payment, until such time as the Corporation pays the whole amount of a quarterly dividend, the holders of the Class A Preference Shares, Series 12 will be entitled to receive notice of and to attend each meeting of the

Corporation's shareholders (other than any meetings at which only holders of another specified class or series are entitled to vote), and to one vote for each Class A Preference Shares, Series 12 held, provided that in respect of the election of directors, the holders of Class A Preference Shares, Series 12 will vote with holders of Class A Limited Voting Shares and, in certain circumstances, with the holders of certain other series of the Class A Preference Shares in the election of one-half of the board of directors (less the number of directors which the holders of the Class A Preference Shares, Series 1, Class A Preference Shares, Series 2 and Class A Preference Shares, Series 3 may be entitled to elect). Upon payment of the entire amount of all Class A Preference Shares, Series 12 dividends in arrears, the voting rights of the holders of the Class A Preference Shares, Series 12 shall forthwith cease.

Restrictions on Dividends and Retirement and Issue of Shares

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

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

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

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

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

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

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

Liquidation, Dissolution and Winding Up

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

Certain Provisions of the Class A Limited Voting Shares and the Class B Limited Voting Shares

The following is a summary of certain provisions attaching to or affecting the common equity of the Corporation, consisting of the Class A Limited Voting Shares (into which the Class A Preference Shares, Series 12 may be converted) and the Class B Limited Voting Shares. The attributes of the Class A Limited Voting Shares and the Class B Limited Voting Shares are substantially equivalent, except for the differing voting rights attached to the two classes of shares.

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

Priority

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

Voting Rights

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

- a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class A Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be; and

- a majority or, in the case of matters that require approval by a special resolution of shareholders, at least 66 2/3%, of the votes cast by holders of Class B Limited Voting Shares who vote in respect of the resolution or special resolution, as the case may be.

Election of Directors

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

Other Provisions Regarding the Share Capital of the Corporation

The Corporation's articles provide that each holder of shares of a class or series of shares of the Corporation entitled to vote in an election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by the holder multiplied by the number of directors to be elected by the holder and the holders of shares of the classes or series of shares entitled to vote with the holder in the election of directors. A holder may cast all such votes in favour of one candidate or distribute such votes among its candidates in any manner the holder sees

fit. Where a holder has voted for more than one candidate without specifying the distribution of votes among such candidates, the holder shall be deemed to have divided the holder's votes equally among the candidates for whom the holder voted.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set out selected consolidated financial and other relevant information in respect of the Corporation as at and for the three years ended December 31, 2003:

Consolidated Balance Sheets

US$ millions	2003	2002	2001 [1]
Assets			
Operating assets			
Real estate	**$ 8,311**	$ 7,912	$ 7,662
Power generation	**1,927**	1,587	1,066
Funds management	**1,215**	1,138	943
	11,453	10,637	9,671
Investments	**2,003**	1,464	1,497
Cash and cash equivalents	**382**	332	382
Financial assets	**854**	718	855
Accounts receivable and other	**1,623**	1,271	1,387
	$16,315	$14,422	$13,792
Liabilities			
Non-recourse borrowings			
Property specific mortgages	**$ 4,881**	$ 4,992	$ 4,503
Other debt of subsidiaries	**2,075**	1,867	1,988
Corporate borrowings	**1,213**	1,035	826
Accounts and other payables	**1,745**	1,262	1,080
Shareholders' interests			
Minority interests of others in assets	**1,516**	1,456	1,711
Preferred equity			
Corporate	**852**	735	708
Subsidiaries	**1,009**	450	308
Common equity	**3,024**	2,625	2,668
	$16,315	$14,422	$13,792

1 Financial information for all years reflects the consolidation of Brookfield Properties Corporation, including 2001 on a pro forma basis.

Consolidated Income Statements

US$ millions	2003	2002	2001 [1]
Total revenues and gains	**$ 3,370**	$ 3,064	$ 3,042
Net operating income			
Real estate	**841**	745	752
Power generation	**172**	153	92
Funds management	**166**	140	135
Property gains	**100**	60	54
Investment income and other	**156**	116	129
	1,435	1,214	1,162
Expenses			
Interest expense	**471**	466	492
Minority share of income before non-cash items	**319**	287	293
Other operating costs and taxes	**88**	56	51
Income before non-cash items	**557**	405	326
Depreciation and amortization	**149**	121	101
Taxes and other non-cash items	**165**	104	79
Minority share of non-cash items	**(100)**	(84)	(79)
Income before investments	**343**	264	225
Equity accounted income (loss) from investments	**65**	(181)	(24)
Net income	**$ 408**	$ 83	$ 201

1 Financial information for all years reflects the consolidation of Brookfield Properties Corporation, including 2001 on a pro forma basis.

Consolidated Statements of Cash Flow from Operations

US$ millions	2003	2002	2001 [1]
Income before non-cash items	**$ 557**	$ 405	$ 326
Dividends from Noranda Inc.	**49**	48	48
Dividends from Nexfor Inc.	**18**	16	14
Cash flow from operations and gains	**$ 624**	$ 469	$ 388

1 Financial information for all years reflects the consolidation of Brookfield Properties Corporation, including 2001 on a pro forma basis.

Selected Share Information

US$, unless shown	2003	2002	2001	2000	1999
Per diluted					
Class A and Class B Limited Voting Share					
Book value [1]	**$ 17.54**	$ 14.85	$ 15.52	$ 16.27	$ 15.08
Cash flow from operations	**3.21**	2.38	2.06	1.71	1.34
Cash return on book equity	**18%**	16%	13%	11%	9%
Net income					
Prior to resource investments and gains	**1.61**	1.23	1.12	0.75	0.52
Including resource investments and gains [2]	**1.98**	0.21	0.98	2.29	1.44
Market trading price — NYSE [1]	**$ 30.54**	$ 20.50	$ 18.06	$ 14.56	$ 13.50
Market trading price — TSX [1]	**C$39.73**	C$31.75	C$28.75	C$21.95	C$19.10
Dividends paid	**C$1.02**	C$1.00	C$1.00	C$0.99	C$0.98
Class A and Class B Limited Voting Share [1,3] *(thousands)*					
Total outstanding — Basic	**170,747**	174,138	169,781	169,376	173,841
— Diluted	**180,851**	183,945	176,363	175,505	181,639
Weighted average — Basic	**171,469**	172,161	171,045	172,646	172,442
— Diluted	**181,572**	181,968	177,627	178,518	181,674

1 *At end of periods shown.*

2 *The Corporation recorded net investment gains of $0.94 per share in 2000 and $0.42 per share in 1999.*

3 *Net of 111,846,461 Class A Limited Voting Shares held internally by subsidiaries of the Corporation arising from the merger of Brascan Limited and The Edper Group Limited on August 1, 1997.*

Quarterly Results

(unaudited) US$ millions, except per share amounts	2003 Dec. 31	2003 Sep. 30	2003 Jun. 30	2003 Mar. 31	2002 Dec. 31	2002 Sep. 30	2002 Jun. 30	2002 Mar. 31
Cash flow from operations	**$ 224**	**$ 138**	**$ 132**	**$ 130**	$ 117	$ 128	$ 110	$ 114
Cash flow from operations per share [1]	**1.20**	**0.69**	**0.66**	**0.66**	0.57	0.63	0.56	0.62
Net income (loss)	**189**	**100**	**63**	**56**	(110)	58	72	63
Net income (loss) per share [1]	**1.00**	**0.48**	**0.27**	**0.23**	(0.71)	0.25	0.35	0.32

1 *Diluted.*

On April 30, 2004, the Corporation reported cash flow from operations for the three months ended March 31, 2004 of $146 million or $0.74 per share, compared to $130 million or $0.66 per share in the first quarter of 2003. Net income for the first quarter of 2004 was $147 million or $0.75 per share, compared to $56 million or $0.23 per share in the first quarter of 2003.

SUBSIDIARIES

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

Name	Jurisdiction of Incorporation	Percentage of Voting Securities Owned or Controlled
Real Estate Operations		
Brookfield Homes Corporation	Delaware	50
Brookfield Properties Corporation	Canada	50
BPO Properties Limited	Canada	89
Power Generating Operations		
Great Lakes Power Inc.	Ontario	100
Great Lakes Hydro Income Fund	Quebec	50
Funds Management Operations		
Brascan Financial Corporation	Ontario	100
Other		
Brascan Brasil, S.A.	Brazil	100

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including information as to directors' and executive officers' remuneration and indebtedness, the principal holders of the Corporation's securities, and options to purchase securities, is set out in the Corporation's Management Information Circular, dated March 26, 2004.

We will provide to any person, upon request to the Secretary of the Corporation:

(a) if the securities of the Corporation are in the course of a distribution pursuant to a short form prospectus, or if a preliminary short form prospectus is filed in respect of a distribution of the Corporation's securities,

  (i) a copy of this Annual Information Form, together with a copy of any document or pertinent pages of any document incorporated by reference in this Annual Information Form;

  (ii) a copy of the audited financial statements of the Corporation for its most recently completed financial year together with the accompanying report of the auditor;

  (iii) a copy of the interim financial statements of the Corporation subsequent to the financial statements for its most recently completed financial year;

  (iv) a copy of the Management Information Circular of the Corporation in respect of its most recent annual meeting of shareholders; and

  (v) a copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus; or

(b) at any other time, a copy of any documents referred to in (a)(i), (ii), (iii) or (iv) above, providing that the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

Exhibit 99.2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

OVERVIEW	12
INTRODUCTION	12
OPERATING PROFILE	12
PERFORMANCE MEASUREMENTS	13
SUMMARY OF FINANCIAL POSITION AND OPERATING RESULTS	14
OPERATIONS REVIEW	16
REAL ESTATE	16
Commercial Properties	17
Residential Properties	20
Income Producing Land	21
Development Properties	22
Real Estate Services	25
POWER GENERATING OPERATIONS	26
FUNDS MANAGEMENT	31
INVESTMENTS	35
Real Estate	36
Resources	36
Business Services	38
CAPITAL RESOURCES AND LIQUIDITY	38
CASH AND FINANCIAL ASSETS	39
CAPITALIZATION	39
LIABILITIES	40
SHAREHOLDERS' INTERESTS	43
FINANCIAL POLICIES	44
WORKING CAPITAL AND OTHER BALANCES	46
OPERATING RESULTS	47
OPERATING CASH FLOW	47
NET INCOME	48
FREE CASH FLOW	49
QUARTERLY RESULTS	51
BUSINESS ENVIRONMENT AND RISKS	52
OUTLOOK	55

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

OVERVIEW

INTRODUCTION

The following discussion and analysis is intended to provide readers with an assessment of our performance over the past two years as well as our financial position and future prospects. It should be read in conjunction with our audited consolidated financial statements, which are included on pages 58 through 95 of this report. Much of the discussion of operating performance is based on cash flow because we feel this is the most appropriate measure for assessing the value of our businesses and for benchmarking our performance. Nevertheless, we also provide a full reconciliation to net income and an assessment of our performance on that basis as well.

The cash flow and valuation information which follows is based on estimates which, while they are not audited, we believe are appropriate. The nature and form of the information presented is intended to enable shareholders, investors and analysts to conduct their own assessment of Brascan's performance and underlying value, utilizing their own valuation metrics.

Our functional currency is the United States dollar ("U.S. dollar"), because most of our revenues are denominated in that currency and a significant portion of our operations is based in the U.S. or otherwise denominated primarily in that currency. Accordingly, our financial results and the information throughout this report are reported in U.S. dollars unless otherwise stated.

Additional information, including the company's Annual Information Form, is available on the company's web site at **www.brascancorp.com** or on SEDAR's web site at **www.sedar.com**. For additional information on each of the five most recently completed financial years, please refer to the table included on page 98 of this report.

OPERATING PROFILE

Brascan is an asset management company, with a particular focus on real estate and power generation. The company has direct investments of $16 billion and a further $7 billion of assets under management. These investments include 55 premier office properties and 45 power generating plants. Brascan's market capitalization exceeds $6.0 billion and our common shares are listed on both the New York and Toronto stock exchanges. Operating cash flows and gains totalled $624 million in 2003 and the underlying value of our assets at year end was $22 billion.

We own and operate our operations directly as well as through partially owned companies, joint venture partnerships and investment funds that are co-owned with institutional and other partners. We currently manage over $7 billion of assets for an expanding group of institutional and retail investors, in addition to our own invested capital. We are continuing to broaden our joint venture and funds management relationships within our core areas of expertise.

We concentrate on businesses that generate sustainable, low-risk, growing streams of cash flow. Relatively low sustaining capital investment is required to maintain these operations, and the values of the assets typically appreciate as the associated cash flow streams grow, rather than depreciate over time as is common with many other types of operating assets.

For reporting purposes, we segregate our assets into operations, investments and working capital balances. Operations include the assets employed in our real estate, power generating and funds management operations,

including the assets under development in each of those sectors. These assets represent 73% of total assets on an underlying value basis and generated approximately 85% of operating cash flows during 2003.

Our real estate assets include premier quality office properties, residential home building, development assets, income producing land, and associated services businesses. Our power generating plants are predominantly hydroelectric generating facilities located on North American river systems. The company's funds management operations consist of bridge loan, mezzanine, restructuring and other alternative investment funds focused within our areas of expertise.

Investments represent assets that do not at this time constitute part of our operations, although they may become so at a later date. Alternatively they may be sold or restructured as opportunities arise, in order to capture appreciation in value.

We finance our operations with diversified sources of capital. Attractive low-risk financial leverage for common shares is obtained through the use of property specific mortgages that have no recourse to Brascan and the issuance of low-rate non-participating equity securities such as preferred shares. At year end, shareholders' interests totalled $6.4 billion at book value and $12.4 billion based on underlying value.

PERFORMANCE MEASUREMENTS

We focus principally on cash flow as a performance measurement because it is tangible, reflects the value of our assets and is utilized by financial analysts as a key measure in each of our operating sectors. Given that operating cash flow is a non-GAAP measure, we also provide a specific discussion of net income and a reconciliation of the two measures, beginning on page 48.

We also evaluate performance in terms of total return, which we calculate as the increase in underlying value per share together with common share dividends. Each year we determine the value added to the business through our various initiatives. This allows us to demonstrate how the value of our assets appreciate over time.

Finally, while we recognize the value of debt in providing leverage to common share returns, we are committed to maintaining a strong financial position with a prudent amount of leverage to ensure we receive high investment grade ratings.

The following table summarizes our key performance measurements:

	Objective	2003	2002	2001
Operating Measures				
Operating cash flow and gains per share				
Growth	12% to 15%	**35%**	16%	20%
Return on equity	20%	**18%**	16%	13%
Balance Sheet Measures				
Underlying value per share				
Growth, including dividends	12%	**31%**	14%	12%
Debt to capitalization				
Excluding property specific mortgages	30% to 40%	**29%**	31%	30%
Corporate borrowings	20% to 30%	**20%**	20%	17%

During 2003, we significantly exceeded the performance targets for growth in cash flow and underlying value, and made additional progress toward our target of a 20% cash return on equity. Operating cash flow increased substantially due to strong performance in a number of areas, and our underlying values benefited from additional value built in each of our operating businesses as well as the significant appreciation in the value of our resource investments. We recognize that it will be difficult to achieve this kind of performance each year, but we believe that our focus on high quality assets with secure and increasing streams of cash flow will enable us to meet our growth and return objectives on a relatively consistent basis over the long term.

SUMMARY OF FINANCIAL POSITION AND OPERATING RESULTS

The following is a summarized statement of underlying values, book values and operating cash flows from our operations over the past three years:

YEARS ENDED DECEMBER 31 MILLIONS, EXCEPT PER SHARE AMOUNTS	Underlying Value [3]		Return on Assets [1]	Book Value		Operating Cash Flow		
	%	2003	2003	2003	2002	2003	2002	2001 [2]
Assets								
Real estate	53%	**$11,789**	12%	**$ 8,311**	$ 7,912	**$ 941**	$ 805	$ 806
Power generation	13%	**2,990**	10%	**1,927**	1,587	**172**	153	92
Funds management	7%	**1,623**	14%	**1,215**	1,138	**166**	140	135
	73%	**16,402**	12%	**11,453**	10,637	**1,279**	1,098	1,033
Investments	14%	**3,085**	8%	**2,003**	1,464	**134**	84	80
Cash and financial assets	6%	**1,236**	7%	**1,236**	1,050	**80**	77	85
Accounts receivable and other	7%	**1,623**	1%	**1,623**	1,271	**9**	19	26
	100%	**$22,346**	9.5%	**$16,315**	$14,422	**$1,502**	$1,278	$1,224
Liabilities								
Non-recourse borrowings								
Property specific mortgages	22%	**$ 4,881**	6%	**$ 4,881**	$ 4,992	**$ 300**	$ 297	$ 303
Other debt of subsidiaries	9%	**2,075**	5%	**2,075**	1,867	**105**	106	128
Corporate borrowings	6%	**1,213**	6%	**1,213**	1,035	**66**	63	61
Accounts and other payables	8%	**1,745**	6%	**1,745**	1,262	**88**	56	51
Shareholders' interests								
Minority interests of others in assets	14%	**3,223**	20%	**1,516**	1,456	**294**	262	252
Preferred equity								
– corporate and subsidiaries	8%	**1,861**	6%	**1,861**	1,185	**83**	69	68
Common equity	33%	**7,348**	18%	**3,024**	2,625	**566**	425	361
Total shareholders' interests	55%	**12,432**	16%	**6,401**	5,266	**943**	756	681
	100%	**$22,346**	9.5%	**$16,315**	$14,422	**$1,502**	$1,278	$1,224
Per common share		**$ 41.45**	18%	**$ 17.54**	$ 14.85	**$ 3.21**	$ 2.38	$ 2.06

1 Operating cash flow as a percentage of average book value

2 Pro forma to give effect to the consolidation of our real estate operations which occurred in December of 2001

3 Underlying value of liabilities represents the cost to retire on maturity

Underlying Value

The underlying value for a Brascan common share was $41.45 at December 31, 2003 compared with $31.60 at the end of 2002, representing an increase in value of 31% including dividend distributions.

The following table summarizes the significant contributions to the growth in value during 2003:

MILLIONS, EXCEPT PER SHARE AMOUNTS	Total	Per Share
Underlying value, beginning of year	**$ 5,720**	**$ 31.60**
Operating cash flow for common equity	566	3.21
Repurchase of common shares	(102)	0.32
Increase in value of operations	380	2.02
Change in market value of resource investments	910	5.03
Increase in underlying value during the year	1,754	10.58
Less: common share dividends paid	(126)	(0.73)
	1,628	9.85
Underlying value, end of year	**$ 7,348**	**$ 41.45**

The largest contributors to the growth in underlying value were the operating cash flow generated during the year and the increase in value of our resource investments. Increases in the value of our business operations, in particular the expansion of our power generating business and increased returns in our residential property business, added $2.02 per share. In addition, we were able to repurchase 4.6 million common shares during the course of the year at a cost of $102 million, adding $0.32 per share of underlying value.

Financial Profile

Total assets at book value increased to $16.3 billion as at December 31, 2003 from $14.4 billion at the end of the preceding year. The increase was due to a higher level of invested assets, as well as the impact of the higher Canadian dollar on the assets denominated in this currency.

Corporate borrowings increased by approximately $200 million due to net new debt issuances. In addition, shareholders' interests increased with the issuance of approximately $500 million of additional preferred equity, both directly and through our commercial real estate operations, as well as undistributed earnings during the year.

Operating Results

Operating results for the past three years are summarized as follows:

MILLIONS, EXCEPT PER SHARE AMOUNTS	2003	2002	2001
Operating cash flow and gains			
Total [1]	**$ 624**	$ 469	$ 388
For common equity	**566**	425	361
Per share	**3.21**	2.38	2.06
Net income before resource investments	**$ 343**	$ 264	$ 225
Per share	**1.61**	1.23	1.12
Net income	**$ 408**	$ 83	$ 201
Per share	**1.98**	0.21	0.98

1 *Prior to preferred equity distributions*

Operating cash flow in 2003, prior to corporate preferred equity distributions, was a record $624 million, an increase of 33% over 2002.

Each area of business recorded growth in operating cash flows, most notably the residential home building operations. In addition, Brascan recorded substantial gains on the sale of a partial interest in a commercial property and the successful completion of a major restructuring initiative.

Financing costs remained relatively consistent with prior years. Preferred equity and long-term debt were increased to finance growth initiatives; however this was offset by a lower interest rate environment. Our overall cost of capital declined slightly, to 9.5%.

Net income prior to resource investments increased in line with our operating cash flows. The major differences between these two measures are non-cash items such as depreciation and non-cash taxes.

Net income, including resource investments, increased significantly, reflecting the improved contribution from our resource investments which benefited from improved pricing and the completion of an operational restructuring in the metals business during 2002.

The operating results are discussed in summary form commencing on page 47, and in detail for each segment within the Operations Review which follows.

OPERATIONS REVIEW

REAL ESTATE

Our real estate operations consist of commercial properties, predominantly office properties, residential properties, income producing land, development properties and real estate services activities. We manage approximately 140 million square feet of real estate properties. This includes our own commercial properties and the approximate co-ownership interests of $2.2 billion held by institutional investors. These operations are located predominantly in North America, but also include operations in Brazil.

The composition of the company's real estate assets and associated operating cash flows at the end of 2003 and 2002 was as follows:

	Underlying Value	Return on Assets [1]	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Commercial properties	**$ 9,149**	9.9%	**$ 6,622**	$ 5,960	**$ 621**	$ 622	$ 642
Residential properties	**1,200**	18.9%	**738**	650	**131**	105	91
Income producing land	**205**	5.8%	**129**	78	**6**	4	5
Development properties	**1,019**	6.6%	**774**	1,195	**65**	—	—
Real estate services	**216**	46.8%	**48**	29	**18**	14	14
Lease termination income and property gains	**—**	—	**—**	—	**100**	60	54
	$ 11,789	11.6%	**$ 8,311**	$ 7,912	**$ 941**	$ 805	$ 806

1 As a percentage of average book value

Commercial Properties

The composition of the commercial property portfolio owned by the company at the end of 2003 and 2002, together with the associated operating cash flows, was as follows:

	Total Leasable Area	Effective Interest	Return on Assets [1]	Book Value		Operating Cash Flow [2]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
	(000 SQ.FT.)	**(000 SQ.FT.)**						
New York, New York	**11,262**	**9,549**	9.2%	**$3,552**	$3,295	**$315**	$ 307	$ 300
World Financial Center	*6,214*	*5,331*						
One Liberty Plaza	*2,214*	*2,214*						
245 Park Avenue	*1,693*	*863*						
300 Madison Avenue	*1,141*	*1,141*						
Toronto, Ontario	**6,884**	**4,850**	8.9%	**928**	758	**75**	63	63
BCE Place	*3,429*	*2,616*						
Exchange Tower	*1,393*	*812*						
Other	*2,062*	*1,422*						
Calgary, Alberta	**7,454**	**3,391**	11.1%	**450**	380	**46**	37	34
Bankers Hall	*2,697*	*1,349*						
Petro-Canada Centre	*1,952*	*976*						
Fifth Avenue Place	*1,681*	*841*						
Other	*1,124*	*225*						
Boston, Massachusetts	**2,163**	**1,103**	9.9%	**333**	332	**33**	32	30
53 State Street	*1,161*	*592*						
75 State Street	*1,002*	*511*						
Denver, Colorado	**3,017**	**2,811**	8.6%	**372**	374	**32**	36	35
Minneapolis, Minnesota	**3,008**	**3,008**	5.5%	**400**	393	**22**	28	29
Other North America	**1,851**	**1,851**	21.3%	**284**	129	**44**	45	31
Brazil	**2,216**	**2,216**	9.3%	**303**	299	**28**	25	28
	37,855*3*	**28,779***3*	9.5%	**6,622**	5,960	**595**	573	550
Operating income from properties sold	**—**	**—**		**—**	—	**26**	49	92
Total	**37,855**	**28,779**	11.5%	**$6,622**	$5,960	**$621**	$ 622	$ 642
Underlying value estimate				**$9,149**				

1 As a percentage of average book value

2 Commercial property revenue less operating costs

3 Excludes development sites

The book value of our portfolio increased during the year with the completion of our 300 Madison Avenue development in New York City, which will be named the PricewaterhouseCoopers Center, and the acquisition of a property in Washington, D.C., offset in part by the sale of a 49% interest in 245 Park Avenue. The sale of 245 Park Avenue in midtown Manhattan, which valued the property at $900 million, generated gross proceeds of $438 million and resulted in a gain of $100 million for the 49% interest. This gain is included in lease termination income and property gains.

The underlying value of our commercial properties at year end is based on a 7.4% capitalization rate applied to an estimated annualized 2004 net operating income for the current portfolio, prior to lease termination income and other property gains, which is projected to total $677 million. This represents growth of 13.8% over the $595 million earned in 2003 on current properties owned, a substantial portion of which is due to the addition of the 300 Madison Avenue property in late 2003.

Commercial property operations, prior to lease termination income and property gains, contributed $621 million of operating cash flow in 2003, compared with $622 million in 2002 and $642 million in 2001. Operating income from current properties increased by approximately 4% during each year.

Components of Operating Cash Flow

The components of commercial property operating cash flow were as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002	2001
Operating income from current properties	**$ 595**	$ 573	$ 550
Operating income from properties sold	**26**	49	92
	$ 621	$ 622	$ 642

The components of the change in commercial property operating cash flow from year to year are contractual increases in rental rates, lease rollovers, lease-up of vacancies and acquisitions net of dispositions, as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2001 - 2003	2003	2002	2001
Prior year's net operating income before lease termination income and property gains	$ 620	**$ 622**	$ 642	$ 620
Changes due to:				
(i) Contractual increases on in-place leases	45	**16**	16	13
(ii) Rental increases achieved on in-place rents on re-leasing	35	**10**	8	17
(iii) Lease-up of vacancies	23	**3**	5	15
(iv) Acquisitions and dispositions, net	(102)	**(30)**	(49)	(23)
Current year's net operating income	$ 621	**$ 621**	$ 622	$ 642

(i) Contractual increases on in-place leases

During 2003, contractual increases in leases added $16 million to net operating income compared with $16 million in 2002 and $13 million in 2001. Our leases typically have clauses which provide for the collection of rental revenues in amounts that increase every five years. Given the high credit quality of tenants in our buildings, there is generally low-risk of not achieving these increases. It has been our policy to record rental revenues in accordance with the actual payments received under the terms of our leases, which typically increase over time. However, industry standards and accounting practices are moving to straight-line rent recognition commencing in 2004.

(ii) Rental increases achieved on in-place rents on re-leasing

During 2003, higher rental rates on the re-leasing of space in the portfolio contributed $10 million of increased cash flow and $8 million in 2002. At December 31, 2003, average in-place net rent throughout the portfolio was $22 per square foot, up slightly from December 31, 2002, despite challenging leasing environments across North America. The company achieved this increase largely as a result of re-leasing initiatives which were completed at

an average rental uplift of $3 per square foot on space leased in 2002 and significant re-leasing initiatives in 2003 at equivalent rental rates. Average market rents remained unchanged overall during 2003 as decreases in New York and Boston were offset by increases in other markets. However, given the low expiry rate of leases in the next two years, any changes in market rents will not have a substantial impact on net operating income in the short-term.

(iii) Lease-up of vacancies

A total of approximately 6.5 million square feet of vacant space was leased in 2003 and 2002, contributing $3 million to net operating income during 2003 and $5 million in 2002. The larger increase in 2001 of $15 million, as well as rental increases of $17 million during that year (see Note *(ii)* above) was due to the more buoyant leasing environment in that year and major re-leasing completed in New York and Boston.

Our total portfolio occupancy rate at December 31, 2003 declined from 96% to 94%, primarily due to vacancy increases in Denver and Minneapolis. The leasing profiles for 2003 and 2002 are shown in the following table:

	2003		2002	
AS AT DECEMBER 31 THOUSANDS OF SQUARE FEET	**Leasable Area**	**Percentage Leased**	**Leasable Area**	**Percentage Leased**
New York, New York	**11,262**	**98%**	10,113	98%
Toronto, Ontario	**6,884**	**96%**	6,883	96%
Calgary, Alberta	**7,454**	**98%**	7,570	97%
Boston, Massachusetts	**2,163**	**98%**	2,163	97%
Denver, Colorado	**3,017**	**83%**	3,017	90%
Minneapolis, Minnesota	**3,008**	**74%**	3,008	85%
Other North America	**1,851**	**91%**	1,515	97%
Brazil	**2,216**	**93%**	2,216	92%
Total [1]	**37,855**	**94%**	36,485	96%

1 *Excludes development sites*

(iv) Acquisitions and dispositions, net

The sale of properties reduced operating cash flow by $30 million in 2003, $49 million in 2002 and $23 million in 2001. We continued our practice of actively managing our portfolio and selling partial interests in mature, well leased properties with the sale of a 49% interest in 245 Park Avenue during 2003, as well as a smaller property in Calgary. We completed the development of 300 Madison Avenue during the last quarter of 2003. This 1.2 million square foot property located in midtown Manhattan is fully leased for 30 years to CIBC World Markets and PricewaterhouseCoopers with a CIBC covenant on 100% of the property, and will begin contributing to rental revenue in 2004. In 2002, we sold partial interests in properties located in Toronto and Calgary, and acquired 1.2 million vacant square feet located in Tower Three of our World Financial Center complex in New York City, which is included as an asset under development pending re-leasing of the property and tenant buildout of premises.

Tenant Relationships and Lease Maturities

An important characteristic of our commercial property portfolio is the strong credit quality of our tenants. Special attention is directed at our tenants' credit quality in order to ensure the long-term sustainability of rental revenues through economic cycles. The tenant profile on average represents an "A" credit rating. Major tenants with over

400,000 square feet of space in the portfolio include Merrill Lynch, RBC Financial Group, CIBC, Petro-Canada, Imperial Oil and J.P. Morgan Chase.

Our strategy is to sign long-term leases with our tenants in order to mitigate risk and reduce overall re-tenanting costs in the portfolio. We typically commence discussions with our tenants regarding their space requirements well in advance of their contractual expiration, and while each market is different, the majority of our leases, when signed, have terms ranging from 10 to 20 years. As a result, the average amount of leasable area in the total portfolio maturing annually is approximately 5%. In New York, leases expiring prior to 2005 were aggressively re-leased in 2000 and 2001. As a result, scheduled maturities during the next two years combined represent less than 4% of our space in this major market.

Residential Properties

Our residential property activities consist primarily of single family home building across North America with a well established niche presence in the mid to upper-end of the home building industry. We are one of the 20 largest home builders in the United States, with a significant base of operations throughout California. We also build residential condominiums in Brazil, and have done so successfully for over 20 years. The composition of our residential property portfolio at December 31, 2003 and 2002, together with associated operating cash flows was as follows:

	Return on Assets [1]	Book Value		Operating Cash Flow [2]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
California	16.0%	**$ 361**	$ 351	**$ 57**	$ 50	$ 45
Virginia/Ontario/Florida	16.0%	**227**	174	**32**	21	21
Alberta/Colorado	33.1%	**93**	64	**26**	24	20
Brazil	27.1%	**57**	61	**16**	10	5
Total	18.9%	**$ 738**	$ 650	**$ 131**	$ 105	$ 91
Underlying value estimate		**$ 1,200**				

1 As a percentage of average book value

2 Revenue less cost of sales

The underlying value of our residential operations of $1.2 billion is based on an eight times multiple applied to normalized operating cash flow of $150 million. The book value of assets employed in our residential property business increased 14% to $738 million in 2003 due to the development of existing land to take advantage of increased market activity.

Operating Cash Flow

Operating cash flow from our residential operations increased to $131 million in 2003, up from $105 million in 2002. This substantial increase reflected both increased selling prices and improved margins. Home sales totalled 2,731 for the year compared with 2,892 in 2002. Lot sales in 2003, excluding the bulk sale of development lots to other builders, totalled 4,355 compared with 5,003 in 2002, as we continue our strategy of monetizing excess lots in this very positive housing environment.

Details of the home and lot sales by regional market excluding bulk sales of 4,700 lots are as follows:

YEARS ENDED DECEMBER 31 UNITS	Home Sales		Lot Sales	
	2003	2002	2003	2002
California	**1,023**	1,093	**1,044**	1,420
Virginia	**505**	461	**745**	791
Colorado	**—**	—	**448**	277
Ontario	**318**	374	**—**	94
Alberta	**479**	382	**1,712**	1,839
Brazil	**406**	535	**406**	535
Florida	**—**	47	**—**	47
Total	**2,731**	2,892	**4,355**	5,003

Our home building operations generated an average home price in 2003 of $370,000 per unit, an increase of 7% over 2002 levels. The increase in the average home price was due to a higher-end mix of houses sold, and increased pricing on housing sales across virtually all markets in North America.

The following is a breakdown of average prices realized on home sales in the last two years:

YEARS ENDED DECEMBER 31	2003		2002	
	Sales	Average Price	Sales	Average Price
	(MILLIONS)	(THOUSANDS)	(MILLIONS)	(THOUSANDS)
California	**$ 588**	**$ 575**	$ 624	$ 544
Virginia	**230**	**456**	193	411
Ontario	**63**	**198** *1*	51	136
Alberta	**56**	**116** *1*	38	99
Brazil	**74**	**183** *1*	65	121
Florida	**—**	**—**	28	596
Total	**$ 1,011**	**$ 370**	$ 999	$ 345

1 Increases reflect higher value of the domestic currency compared to the U.S. dollar

The backlog of orders for delivery in 2004, as at the date of this report, represents in excess of 50% of expected 2004 closings, higher levels than ever experienced in our operations to date.

Income Producing Land

Income producing land consists of timberlands and agricultural lands, which generate current income as well as having the potential for capital appreciation.

The composition of our income producing land at December 31, 2003 and 2002 was as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	# OF ACRES	Underlying Value 2003	Return on Assets [1] 2003	Book Value 2003	Book Value 2002	Operating Cash Flow 2003	Operating Cash Flow 2002	Operating Cash Flow 2001
Timberlands								
Owned (direct)	440,000	**$ 125**	6.2%	**$ 89**	$ 40	**$ 4**	$ 2	$ 3
Owned (indirect)	1,003,000*2*							
Managed	1,312,000*2*							
Agricultural lands	135,000	**80**	5.1%	**40**	38	**2**	2	2
Total		**$ 205**	5.8%	**$129**	$ 78	**$ 6**	$ 4	$ 5

1 As a percentage of average book value

2 The book value for our 43% share is included as a component of our investment in 43%-owned Nexfor Inc.

The underlying value of our income producing land is based on comparable transactions in the markets where our assets are located.

Timberlands

We own 440,000 acres of timberlands located in Maine, U.S., and in the State of Paraná in Brazil. We also own, through our investment in Nexfor Inc., an indirect 43% interest in timberlands in Maine and New Brunswick, Canada, of which one million acres are owned outright and a further 1.3 million acres are managed under license. We believe that this business has attractive characteristics in that it generates sustainable long-term cash flows and requires little sustaining capital expenditures. Accordingly, we have recently hired executives with forestry experience to work specifically on acquiring and managing additional timberlands for ourselves and institutional partners.

Agricultural Lands

We own 135,000 acres of prime agricultural land in the States of São Paulo and Minas Gerais in Brazil. These properties have, until recently, been utilized primarily for beef production, but are also suitable to grow sugar cane from which alcohol is produced. The Kyoto protocol has led to a substantial increase in the amount of alcohol to be contained in gasoline in certain countries, resulting in a significant increase in the value of these lands which has been reflected in recent sales of similar properties. Accordingly, we are arranging long-term leases to operators of sugar cane production facilities. These 15 to 20 year leases are expected to generate sustainable and growing annual cash flows, while retaining for ourselves the value of the land once the leases expire.

Development Properties

Development properties consist predominantly of commercial development land and density rights, and residential land owned and under option, pending future development into housing lots. These assets are owned for capital appreciation or for conversion into cash flow generating real estate.

The composition of our development properties at December 31, 2003 was as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Potential Development	Book Value		Operating Cash Flow		
		2003	2002	2003	2002	2001
Commercial development properties	19.6 million sq. ft.	**$ 509**	$ 826	**$ —**	$ —	$ —
Residential lots — owned	34,714 lots	**246**	345	**65**[1]	—	—
— optioned	10,601 lots	**19**	24	**—**	—	—
Total		**$ 774**	$ 1,195	**$ 65**	$ —	$ —
Underlying value estimate		**$ 1,019**				

1 Realized gain on sale of lots

The underlying value of our development properties is assumed for these purposes to be equal to either book value or an estimate of sale value under reasonable circumstances at their current stage of development. These assets do not generate current cash flows and as a result are not valued within the parameters of a normal cash flow multiple analysis for the company.

Commercial Development Properties

Commercial development properties at December 31, 2003 and 2002, included the following projects:

YEARS ENDED DECEMBER 31 (MILLIONS)	Projected Office Density		Book Value		Operating Cash Flow		
	% owned	# of sq. ft. [1]	2003	2002	2003	2002	2001
Commercial Office Projects					**$ —**	$ —	$ —
Manhattan							
Three World Financial Center	100%	1,200,000	**$ 212**	$ 170			
300 Madison Avenue	—	—	**—**	437			
Penn Station development	100%	2,500,000	**21**	21			
Toronto	25% to 65%	3,692,000	**116**	92			
São Paulo	100%	7,500,000	**33**	16			
		14,892,000	**382**	736			
Condominium Projects					**—**	—	—
São Paulo	100%	884,000	**30**	20			
Rio de Janeiro	100%	3,855,000	**97**	70			
		4,739,000	**127**	90			
Total		19,631,000	**$ 509**	$ 826	**$ —**	$ —	$ —
Underlying value estimate			**$ 609**				

1 Effective interest excluding partner

Manhattan

We completed the development of a 1.2 million square foot office tower at 300 Madison Avenue, located at 42nd Street and Madison Avenue in Manhattan in midtown New York, in the fourth quarter of 2003, on time and under budget. Accordingly, the book value was transferred to commercial properties at that time.

Currently our largest development property is a 50% interest in Three World Financial Center, the 2.1 million square foot third tower of our flagship World Financial Center complex in downtown Manhattan. We acquired the property in 2002 at a substantial discount to replacement value and are currently in the process of securing tenants for the portion owned by us, which is currently vacant.

Our proposed Penn Station development at West 31st Street and 9th Avenue in midtown New York, which is currently in the permitting process, is expected to eventually encompass 2.5 million square feet of office and related space.

Toronto

We own a 50% interest in the Bay-Adelaide Centre development property, located in Toronto's downtown financial district, which includes full in-ground infrastructure for 1.8 million square feet of office and residential space and a fully operational revenue-generating parking facility.

We also own expansion rights for a third office tower at BCE Place, our flagship Toronto office complex, which entails approximately 800,000 square feet of density.

Brazil

In São Paulo, Brazil, we own the Green Valley Office Park, which currently encompasses 300,000 square feet of built office space. We also own density to build commercial office space of up to a further 7.5 million square feet, and condominium density of a further 884,000 square feet, to be developed over the next fifteen years. In Rio de Janeiro, we own 3.9 million square feet of condominium density in Barra da Tijucca which will be built over the next 10 years.

Residential Development Properties

Residential development properties include land, both owned and optioned, which is in the process of being converted to residential lots, but not expected to enter the home building process for three years.

		Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	**# of Lots**	**2003**	**2002**	**2003**	**2002**	**2001**
Residential lots — owned		**$ 246**	$ 345	**$ 65**	$ —	$ —
California	3,841					
Northern Virginia	225					
Denver, Colorado	3,266					
Alberta	24,847					
Ontario	2,535					
	34,714					
Residential lots — optioned		**19**	24	**—**	—	—
California	8,490					
Northern Virginia	2,111					
	10,601					
Total	45,315	**$ 265**	$ 369	**$ 65**	$ —	$ —
Underlying value estimate		**$ 410**				

Our residential lands are acquired and developed for future use in our home building operations or for sale to other builders. We own substantial land holdings across North America, most purchased in the mid-1990's, and as a result have an embedded cost advantage over many companies which are acquiring land today at much higher prices.

Over the past year, with strong markets we have chosen to sell lots to other home builders, rather than continue to hold these lots for capital appreciation or for future conversion into homes for sale. We recorded gains of $65 million during 2003 on sales of this nature. We have optioned lots for future years in our most active markets to ensure that we have low-risk access to lots to support our future home building activities. To that end, we hold options on over 10,000 lots in our U.S. markets in return for option payments and the provision of our entitlement and planning expertise.

Real Estate Services

We operate a broad array of real estate services which leverage our real estate presence across North America. These services include commercial brokerage and investment banking services, residential property services and the management of 140 million square feet, including our own assets. Our scale provides us with the platform to deliver superior services offered to our tenants and clients. The composition of the real estate services operations at December 31, 2003 and 2002 was as follows:

	Return on Assets [1]	Book Value		Operating Cash Flow [2]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Royal LePage Commercial Brokerage Services	53.3%	**$ 8**	$ 7	**$ 4**	$ 2	$ 1
Centract Residential Property Services	54.1%	**27**	10	**10**	9	10
Brookfield LePage Facilities Management	37.5%	**9**	7	**3**	2	2
Brookfield Residential Management Services	22.2%	**4**	5	**1**	1	1
Total	46.8%	**$ 48**	$ 29	**$ 18**	$ 14	$ 14
Underlying value estimate		**$ 216**				

1 As a percentage of average book value

2 Revenue less operating cost

The underlying value of our real estate services operations for these purposes is based on a 12 times multiple of net fee income, a conservative valuation when comparing to U.S. trading multiples for similar operations.

Royal LePage Commercial Brokerage Services

Royal LePage Commercial provides commercial leasing, sales, appraisal and brokerage services across Canada. This operation has the largest share of many major markets across Canada and we continue to look at consolidation opportunities. Our advisory services group leverages our commercial brokerage, bridge lending and asset management operations to earn fees and also assists in developing opportunities for our other operations. We invested significant time and effort in expanding this business during 2003 and hired a number of key people to build this operation further.

Centract Residential Property Services

Through Centract, we provide a wide array of services to homeowners, corporations and institutions, such as mortgage settlement, home appraisal, relocation and move-in services. We also provide services to the Royal LePage real estate franchise network, a residential property brokerage organization with 8,000 agents across Canada. Royal LePage completed 21% of all home sales in Canada in 2003. We successfully established a public royalty trust during the year to surface the value and finance the ownership of the franchise contracts associated with this business. This enabled us to reduce our capital committed to the business by C$121 million and establish a valuable platform for future growth.

Brookfield LePage Facilities Management

We own 40% of the largest facilities management operation in Canada in partnership with Johnson Controls, the largest facilities management operator in the world. Our joint venture manages close to 100 million square feet of premises for major corporations and governments, and continues to benefit from the outsourcing of facilities worldwide. During 2003, new contracts included the management of 20 million square feet of premises for British Columbia Buildings Corporation.

Brookfield Residential Management Services

We own 100% of one of the premier condominium and apartment management operations in Toronto, Canada, providing upscale management services to approximately 35,000 residential units.

Lease Termination Income and Property Gains

Property gains during 2003 of $100 million relate to the sale of a 49% interest in 245 Park Avenue as described above. During 2002, we generated $60 million of gains on the sale of partial interests in office properties for proceeds of $290 million. There were no significant lease termination payments during either 2003 or 2002. While these events are opportunistic and difficult to predict, the dynamic tenant base which is typical of our buildings should produce similar opportunities in the future.

POWER GENERATING OPERATIONS

Our power generating operations are predominantly hydroelectric facilities located on river systems mainly in North America, most of which contain reservoirs that enable us to generate increased revenues through the sale of power during periods of high demand. These operations are predominantly 100% owned by the company, although we do share ownership of some operations with retail partners in an income trust, and we anticipate sharing the ownership of additional assets with institutional partners once we have achieved sufficient scale in this business, similar to our strategy for our commercial property portfolio. The composition of our power generating operations at December 31, 2003 and 2002 and the associated operating cash flows were as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Capacity (MW) [1] 2003	Capacity (MW) [1] 2002	Return on Assets [2] 2003	Book Value 2003	Book Value 2002	Operating Cash Flow 2003	Operating Cash Flow 2002	Operating Cash Flow 2001
Ontario, Canada	**957**	939	11.7%	**$ 977**	$ 770	**$102**	$ 83	$ 54
Quebec, Canada	**266**	266	10.9%	**328**	272	**33**	40	29
Northeast United States	**174**	157	7.6%	**228**	192	**16**	15	—
Other North America	**304**	274	7.7%	**299**	246	**21**	15	9
Brazil	**60**	—	—	**50**	—	**—**	—	—
	1,761	1,636	10.2%	**1,882**	1,480	**172**	153	92
Under development	**25**	135	—	**45**	107	**—**	—	—
Total	**1,786**	1,771	9.8%	**$1,927**	$1,587	**$172**	$ 153	$ 92
Underlying value estimate				**$2,990**				

1 Megawatts ("MW")

2 As a percentage of average book value

The book value of our power generating assets increased principally due to the acquisition during the year of additional operations, the completion of projects under construction, including the recent completion of three plants in Brazil, and the increased carrying value of our Canadian operations due to currency appreciation.

The underlying value of our power generating operations is based on a 12 times multiple of normalized net operating cash flows, assuming long-term average precipitation levels and an average selling price of 4.34 cents per kilowatt hour ("KWh").

Power generating operations contributed $172 million to operating cash flow in 2003, compared with $153 million in 2002. The increase reflected capacity added during 2003 and 2002, which was offset in part by low precipitation levels.

Power Generating Facilities

We own operating interests in 45 power generating stations with a combined generating capacity of 1,761 megawatts. Of these stations, 41 are hydroelectric facilities located on river systems in six geographic regions within North America, specifically Ontario, Quebec, British Columbia, Maine, New Hampshire and Louisiana. We also own three hydroelectric stations in southern Brazil, and a 110 megawatt natural gas-fired combined-cycle cogeneration facility located in northern Ontario. These facilities are capable of producing approximately 7,000 gigawatt hours of electricity annually.

Our power operations are strategically located with transmission interconnections between Ontario and Quebec. These interconnections allow us to sell surplus power into the highest-priced regions as opportunities arise.

Our power generating operations in North America are located on 15 river systems in nine different watersheds which provides important diversification of water flows to minimize the overall impact of fluctuating hydrology. Our storage reservoirs contain sufficient water to produce 25% of our total annual generation and provide additional protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods.

Our total power generation capacity is summarized in the following table:

	Ownership	Generating Stations	Generating Units	Installed Capacity (MW)	Long-term Average Generation (GWh) 2003
Ontario, Canada					
Great Lakes Power Limited	100%	12	21	349	1,610
Mississagi Power	100%	4	8	488	750
Valerie Falls Power	100%	1	2	10	52
Lake Superior — Cogeneration Plant	100%	1	3	110	850
		18	34	957	3,262
Quebec, Canada					
Lièvre River Power	100%	3	10	238	1,428
Pontiac Power	100%	2	7	28	210
		5	17	266	1,638
Northeast United States					
Maine Power	100%	7	32	129	747
New Hampshire Power	100%	8	25	45	263
		15	57	174	1,010
Other North American					
Louisiana HydroElectric Power	75%	1	8	192	677
Powell River Energy	50%	2	7	82	261
Pingston Power	50%	1	2	30	78
		4	17	304	1,016
Brazil	68%	3	8	60	143
Total		45	133	1,761	7,069

We completed the construction of five hydroelectric power generating plants during 2003, adding 135 megawatts of capacity. Three of these plants were in Brazil, one in British Columbia and one in Ontario. We are also examining a number of opportunities to acquire additional hydroelectric power plants in North America with the objective of continuing to expand our generating base.

Operating Margins

Our power generating operations are among the lowest cost producers of electricity in North America, with cash operating costs of approximately one cent per kilowatt hour. This compares extremely favourably with other forms of power generation. Our low cost structure results from the high quality of our assets, the continued application of new technology and the recent re-turbining of many of our facilities. Our power plants are also environmentally preferable to most other forms of electricity generation and produce virtually no harmful emissions.

The revenue, costs and operating margins of our power generating operations are as follows:

AS AT DECEMBER 31, 2003 CENTS PER KWH	Revenue	Cash Costs	Operating Margins
Ontario, Canada	4.8	1.3	3.5
Quebec, Canada	4.4	0.8	3.6
Northeast United States	4.6	1.5	3.1
Other North America	2.7	0.6	2.1
Brazil	4.0	0.8	3.2
Weighted Average	4.3	1.1	3.2

Cash Flow Growth

Operating cash flow from our power generating business increased in 2003 to $172 million, up from $153 million in 2002. The following table illustrates the change in operating cash flows from the company's power generating business during the past three years:

YEARS ENDED DECEMBER 31 (MILLIONS)	2001 - 2003	2003	2002	2001
Prior year's net operating income	$ 84	**$ 153**	$ 92	$ 84
(i) Hydrology variations within existing capacity	—	**(10)**	15	(5)
(ii) Variation in prices and operational improvements	15	**(8)**	13	10
(iii) Acquisitions	73	**37**	33	3
Current year operating cash flow	$ 172	**$ 172**	$ 153	$ 92

(i) Hydrology variations within existing capacity

Generation from existing capacity decreased to 4,231 gigawatt hours during the year, down from 4,356 gigawatt hours in 2002, due to unusually dry conditions in northern Ontario and western Quebec during the first half of 2003. This reduced cash flow from our power generating operations by $10 million in 2003 compared to an increase of $15 million in 2002.

The impact of regional dry conditions was offset by improved hydrology results in Louisiana. The continued expansion of our operating base into different watersheds and river systems should reduce the relative significance of hydrology variances in the future.

Water levels improved significantly towards the end of 2003 and results in the fourth quarter exceeded long-term averages. The favourable conditions have continued into 2004 and all facilities are currently operating at above average generation levels.

(ii) Variation in prices and operational improvements

We experienced lower prices during 2003, relative to the higher price environment experienced during the weather extremes in 2002. As a result, we did not benefit as much from our ability to use our reservoirs to capture peak pricing as in the prior years. We increased our base level of revenue pricing due to our power sales contracts which have clauses to provide for price increases every year, primarily linked to inflation. We expect to improve our performance with respect to capturing peak pricing during 2004.

(iii) Acquisitions

The acquisition of 19 hydroelectric stations in Ontario, Maine and New Hampshire totalling 662 megawatts during the past three years contributed an incremental 2,016 gigawatt hours of production and an additional $37 million of operating cash flow during 2003. This new capacity, much of which was acquired in the first half of 2002, contributed $33 million in that year and $3 million in 2001. The additional facilities also further diversify our watersheds, thereby reducing hydrology risk, and position us as a leading generator in Ontario and an important participant in the New England electricity markets.

Contract Profile

We endeavour to maximize the stability and predictability of power generating revenues through the use of fixed-price contracts to minimize the impact of price fluctuations, and the diversification of watersheds and the use of water storage reservoirs to minimize fluctuation in total generation levels.

Approximately 82% of our projected 2004 revenue is subject to long-term bilateral and fixed-price power sales contracts or regulated rate-base arrangements. The remaining revenue is generated through the sale of power on a wholesale basis. Due to the low variable cost of hydroelectric power and the ability to concentrate generation during peak pricing periods, we are able to generate attractive margins on uncommitted capacity. Our long-term sales contracts have an average term of 13 years and counterparties are almost exclusively customers with longstanding credit history or investment grade ratings. Our policy is to use financial contracts which typically have a term of between one and three years to lock in the future price of uncommitted power generation such that between 15% and 20% of total revenues is based on spot pricing. This approach provides an appropriate level of revenue stability, without exposing the company to undue risk of contractual shortfalls and provides the flexibility to enhance profitability through the production of power during peak price periods.

The following table illustrates our expected revenue profile over the next five years:

YEARS ENDED DECEMBER 31	2004	2005	2006	2007	2008
Long-term bilateral contracts	54%	54%	55%	55%	55%
Financial contracts [1]	18%	20%	20%	20%	20%
Total fixed-price power sales contracts	72%	74%	75%	75%	75%
Regulated transmission and distribution revenue	10%	10%	10%	10%	10%
	82%	84%	85%	85%	85%
Uncommitted wholesale generation	18%	16%	15%	15%	15%
Total	100%	100%	100%	100%	100%

1 *Largely expire prior to 2006, however, our policy is to forward-sell sufficient wholesale production to maintain a locked-in position on 80% to 85% of expected revenues*

FUNDS MANAGEMENT

We manage dedicated investment funds for ourselves and on behalf of institutional and other investors. These funds are currently concentrated in five areas of activity: Bridge Lending, Mezzanine Finance, Restructuring, Opportunistic Investments and Structured Product activities. Our current industry focus is in real estate, power generation and resources.

We believe that the combination of our strong operating experience and presence in a variety of industries, together with our financial expertise, enables us to earn superior risk-adjusted returns in our selected areas. This performance, combined with our willingness and ability to invest significant capital alongside our co-investors, makes us an attractive investment partner.

We typically commit a significant amount of our own capital to the funds that we manage. Accordingly, the $5 billion which we manage in this business includes $1.2 billion of our own capital. We expect that the amounts managed on behalf of partners will grow substantially over time. This should result in increased returns on our capital as we will not only earn our proportionate share of the investment returns for each fund, but we will also be entitled to earn management and performance based incentive fees.

In addition, we continue to own certain financial assets directly, which we acquired prior to establishing our investment funds or because they do not fit the specific mandate of any one of our current funds. As many of these funds have only recently been launched, performance fees earned to date have been modest, although we expect these to grow over time.

The following table shows the composition of the book values and funds under management at December 31, 2003 and 2002, together with the associated operating cash flows:

	Assets Under Management [1]	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Bridge Lending Fund	$ 675	**$ 318**	$ 538	**$ 21**	$ 37	$ 61
Real Estate Finance Fund	600	**157**	—	**8**	—	—
Restructuring Fund	353	**64**	89	**8**	9	9
Real Estate Opportunity Fund	190	**—**	—	**—**	—	—
Structured Products and Capital Markets	1,850	**561**	441	**95**	84	48
Traditional assets under management	1,215	**—**	—	**—**	—	—
Other	115	**115**	70	**34**	10	17
Total	$ 4,998	**$ 1,215**	$ 1,138	**$ 166**	$ 140	$ 135
Underlying value estimate		**$ 1,623**				

1 Includes committed capital

The underlying value of our funds management operations is based on the book value of the assets together with a value attributed to the associated fee streams on a 12-times multiple.

Bridge Lending Fund

The Brascan Bridge Lending Fund is a C$500 million fund dedicated to providing bridge loans, primarily in Canada. Established in 2003, the Fund leverages our 20-year history of bridge lending, offering tailored lending solutions to companies in need of access to short-term financing. We have committed C$225 million of capital and four institutional partners, including Sun Life of Canada and a major government financial institution, have committed the balance of C$275 million of capital. For larger transactions, we may invest directly and have granted co-investment rights to our partners to allow them to participate.

	Assets Under Management	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2003	2002	2003	2002	2001
Brascan Bridge Lending Fund	$ 385	**$ 28**	$ —	**$ 2**	$ —	$ —
Directly held bridge and corporate loans	290	**290**	538	**19**	37	61
Total	$ 675	**$ 318**	$ 538	**$ 21**	$ 37	$ 61

Loans advanced during the year include a C$30 million loan to a commercial real estate investor on a mezzanine basis to acquire a C$200 million real estate portfolio, a C$80 million working capital facility to a Canadian manufacturing company and C$35 million of debtor-in-possession financing to a manufacturing company. We also hold $290 million of bridge and corporate loans which were advanced prior to the establishment of the Fund, although we expect that most of our future bridge lending activity will be conducted through this Fund.

Real Estate Finance Fund

The Brascan Real Estate Finance Fund (“BREF”) is a $600 million fund which finances the ownership of real estate properties on a basis which is senior to traditional equity, but subordinate to traditional first mortgages or investment grade debt. Established in 2002, the Fund combines our own 35-year established track record in real estate and finance with one of the more experienced New York-based management teams in the business. We provided $200 million of initial capital and are in the process of raising $400 million from institutional investors.

	Assets Under Management	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2003	2002	2003	2002	2001
Real Estate Finance Fund	$ 600	**$ 157**	$ —	**$ 8**	$ —	$ —
Office property loans		**56**	—			
Retail property loans		**56**	—			
CMBS REIT		**45**	—			
Total	$ 600	**$ 157**	$ —	**$ 8**	$ —	$ —

BREF is focused on three main areas of real estate finance: mezzanine financing for property owners; real estate related corporate finance transactions; and real estate structured finance products.

During 2003, we acquired a $50 million mezzanine loan on the 900,000 square foot Woolworth office property in downtown Manhattan; a $10 million junior first mortgage on the 1,250,000 square foot Colonie Center Mall in Albany, New York; and a $20 million cross-collateralized loan on four shopping centres in the northeast U.S. We also acquired a $30 million subordinated debenture and 10% of the common equity interest in CRIIMI MAE, a public CMBS REIT.

Restructuring Fund

The Tricap Restructuring Fund is a C$415 million restructuring fund, which invests long-term capital in companies facing financial or operational difficulties in industries where we have expertise. Established in 2002 with a dedicated management team, the Fund benefits from our 20 years of experience in restructuring companies. We have committed C$200 million of the capital and institutional investors, including Canada Pension Plan Investment Board and others, have provided the other C$215 million.

	Assets Under Management	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2003	2002	2003	2002	2001
Tricap Restructuring Fund	$ 320			**$ 6**	$ 4	$ 3
Doman Industries		**$ 31**	$ 31			
Other		**—**	17			
Directly held restructuring assets	33	**33**	41	**2**	5	6
Total	$ 353	**$ 64**	$ 89	**$ 8**	$ 9	$ 9

During the year we continued to work on the restructuring of Doman Industries, a western Canadian forest products company with a total fund investment of $62 million; and in late 2002 advanced C$55 million to a manufacturing company, which was repaid after six months following the sale of a division.

Directly held restructuring assets relate to initiatives commenced prior to the establishment of the Fund. Similar to our bridge lending business, we expect that most of our future restructuring assignments will be conducted through Tricap.

During the year, we disposed of our investment in Northgate Exploration for a $57 million gain, included in Investments on page 35, completing the restructuring which was commenced in 1998. The Northgate restructuring involved successfully completing a major gold/copper mine in British Columbia and bringing it into production.

Real Estate Opportunity Fund

The Brascan Real Estate Opportunity Fund is a C$250 million real estate fund established late in 2003 to invest in underperforming commercial real estate, other than premier office properties which will continue to be pursued through our direct real estate operations. The Fund leverages our 35 years of real estate experience, our other real estate platforms and has a dedicated management team which had previously been pursuing these types of activities within our commercial property operations for over ten years. We provided the initial capital and will begin raising funds from other investors in late 2004 after the completion of a number of initial investments.

Our objective is to acquire underperforming real estate which, through our management, leasing and capital investment expertise, can be enhanced to provide a superior return on capital.

Structured Products and Capital Market Investments

We have developed a number of structured products directed towards both retail and institutional investors. In addition we maintain portfolios of public securities such as high yield bonds, preferred shares and common equities. The capital invested in these activities at year end was $561 million, with a total of nearly $1.9 billion under management.

	Assets Under Management	Book Value		Operating Cash Flow		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2003	2002	2003	2002	2001
Imagine Reinsurance	$ 1,200	**$ 288**	$ 191	**$ 23**	$ 23	$ 10
Brascan SoundVest Diversified Income Fund	50	**—**	—	**—**	—	—
Titanium Asset Backed Trust	100	**—**	—	**—**	—	—
Securities portfolios	500			**72**	61	38
High yield bonds		**86**	107			
Equity securities		**187**	143			
Total	$ 1,850	**$ 561**	$ 441	**$ 95**	$ 84	$ 48

During the year, wholly-owned Imagine Reinsurance continued to expand its reinsurance operations and reported increases in operating cash flow. We also launched a retail product offering under the name of Brascan SoundVest Diversified Income Fund, a fund of income funds. Investment advisory and portfolio management services are provided by SoundVest Capital Management Ltd. SoundVest Capital is 50%-owned by Brascan and 50% by its successful investment management team. Lastly, we launched Titanium Trust, an asset backed trust which finances receivables and other assets purchased from our own operations as well as others. This trust issues short-term asset backed commercial paper and medium-term notes and will over time assist us to lower our overall cost of capital.

We continued to actively invest in high yield bonds and other publicly traded securities. These activities, which utilize the knowledge and experience gained from our operating activities, rely on careful due diligence and a value based investment philosophy. The dramatic strengthening of the high yield markets provided us with exceptional returns over the past two years.

From time to time, in our areas of industry expertise, we also take positions in securities which we believe to be undervalued. During 2003, we acquired a 9.2% interest of Canary Wharf Group, plc at a cost of approximately $153 million. This investment has evolved into a potential major corporate initiative, and accordingly, is included in Investments. We also took a position in Rayonier, a company that owns timberlands, and sold our investment following the company's announcement of its conversion into a Timber REIT.

Traditional Assets Under Management

While we have focused principally on alternative assets under management, we have also established joint ventures and have invested small amounts of capital with a number of expanding traditional managers of equity and fixed income. Our infrastructure and position in the capital markets assists our partners to expand their businesses with confidence and these relationships provide us with additional perspective on the financial markets.

MANAGER	Investment Type	Assets Under Management 2003
Highstreet Investment Management	Equities/Fixed Income	$ 550
Mavrix Investment Management	Mutual Funds	265
SoundVest Capital Management	Equities/Fixed Income	400
Total		$ 1,215

Growth Opportunities

Having established a number of new funds over the past two years, we plan to concentrate on integrating each of these funds into our operating platform and investing additional capital within these operations. Accordingly we do not expect to introduce additional funds in 2004, although we plan to expand the number of funds offered over time.

We have recently established a partnership with Tri Continental Capital Ltd., an experienced lender of equity capital to the residential home building industry. Our 20 years of experience in the residential home building area combined with the Tri Continental team's 13 year record of success should enable this partnership to provide superior risk adjusted returns. As co-general partner of a new $275 million fund, we will commit up to $75 million of capital and work with management to complete their fund raising and begin to invest the capital in 2004.

INVESTMENTS

Investments consist of assets which do not currently form part of our operations, but which may be integrated into our operations in the future, or alternatively may be disposed of, on an opportunistic basis.

YEARS ENDED DECEMBER 31 (MILLIONS)	Location	# of Shares	% Interest	Underlying Value 2003	Book Value 2003	Book Value 2002	Operating Cash Flow 2003	Operating Cash Flow 2002	Operating Cash Flow 2001
Real Estate									
Canary Wharf Group, plc	London, UK	52.8	9%	**$ 257***1*	**$ 153**	$ —	**$ —**	$ —	$ —
Resources									
Noranda Inc.	Worldwide	122.6	42%	**1,938***1*	**1,212**	877	**49**	48	48
Nexfor Inc.	N. America/UK	63.8	43%	**532***1*	**356**	309	**18**	16	14
Northgate Exploration Limited	British Columbia	—	—	**—**	**—**	67	**57**	1	—
Katahdin Paper Company, LLC	Maine	—	100%	**76***2*	**76**	—	**(2)**	—	—
Business Services									
Hotel/Ticket Services	Brazil	—	23%/40%	**100***2*	**24**	17	**9**	7	8
NBS/MediSolution	Canada	38.1/95.1	91%/61%	**72***2*	**72**	75	**—**	(1)	—
Banco Brascan, S.A.	Rio de Janeiro	—	40%	**45***2*	**45**	37	**3**	13	10
Other		—	—	**65***2*	**65**	82	**—**	—	—
Total				**$ 3,085**	**$2,003**	$1,464	**$ 134**	$ 84	$ 80

1 Based on December 31, 2003 quoted market prices

2 Based on available benchmarks

Real Estate

Canary Wharf Group, plc

We owned approximately 53 million shares of Canary Wharf Group, plc with a market value of $257 million at year end based on a market price of 270 pence. The Canary Wharf estate consists of approximately 13.1 million square feet of office and retail space, located in close proximity to the City of London. Canary Wharf Group, plc owns 8.8 million square feet of properties on the estate along with an additional one million square feet of office space currently under construction and additional land with potential for further development of approximately 5.7 million square feet of office space. The shares were purchased in 2003 following a significant decline in their trading value. Along with several institutional partners, we have formed an investment group, with Brascan as the operating partner and asset manager, and have made an offer to the existing shareholders of Canary Wharf Group, plc to acquire a larger equity interest and operational control of the company.

Resources

Noranda Inc.

We own approximately 123 million shares, or 42% of Noranda Inc. (“Noranda”). Our investment increased from 96.6 million shares, or 40% at the end of 2002 as we subscribed for $197 million in common shares as part of an equity financing by Noranda, in addition to participation in Noranda’s dividend reinvestment plan.

Noranda is a base metals company with $8 billion of assets. The major commodities produced are nickel, copper, zinc and aluminum. During the past two years, Noranda completed the development of a number of world-class mining and processing assets, shut down inefficient production capacity, implemented productivity improvements and completed a financial restructuring.

Metal prices increased significantly in the latter half of 2003, and continue to increase through early 2004. The increased prices, together with productivity improvements, had a positive impact on cash flow from operations through the third and fourth quarters of 2003. Notwithstanding these improvements, the full benefits have not yet been realized because current price increases will not be reflected until the 2004 results are reported. The following table shows Noranda’s segmented cash flow from operations and net income:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002
Cash flow from operations		
Copper	**$ 313**	$ 206
Nickel	**323**	154
Aluminum	**59**	66
Zinc	**4**	(5)
Discontinued operations and unallocated costs	**(122)**	(95)
Cash flow from operations	**577**	326
Restructuring charges	**(24)**	(498)
Depreciation and other non-cash items	**(519)**	(275)
Net income (loss)	**$ 34**	$ (447)

Noranda is traded on both the New York and Toronto stock exchanges. Further information on Noranda is available through its web site at **www.noranda.com**.

Nexfor Inc.

We own approximately 64 million shares, or 43% of Nexfor Inc. (“Nexfor”). Our investment increased from 62 million shares at the end of 2002 as we acquired 2 million shares during the year through Nexfor’s dividend reinvestment plan.

During 2003, Nexfor reported net income of $126 million compared with $13 million in 2002. This strong performance was driven by an increase in panelboard prices, in particular oriented strandboard (“OSB”) prices, which increased dramatically during the year. OSB prices increased from $130 per thousand square feet at the start of the year to a high of $465 per thousand square feet. Unfortunately, Nexfor’s paper operations suffered a loss during the year due to low product prices and restructuring charges.

Nexfor benefited from the expansion of its building products operations in 2002 with the acquisition of three oriented strandboard mills located in the south-central United States and the successful start-up of a fourth facility in Alabama. As Nexfor’s performance is highly leveraged to OSB, it is expected that the first quarter of 2004 will generate exceptionally strong results based on the prices received for sales contracted to date.

The following table shows Nexfor’s segmented cash flow from operations and net income:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002
Cash flow from operations		
Building products	**$ 376**	$ 125
Specialty papers	**(43)**	24
Unallocated costs	**(24)**	(37)
Cash flow from operations	**309**	112
Restructuring charges	**(17)**	—
Depreciation and other non-cash items	**(166)**	(99)
Net income	**$ 126**	$ 13

Nexfor is traded on the Toronto Stock Exchange. Further information on Nexfor is available through its web site at **www.nexfor.com**.

Northgate Exploration Limited

We sold our 42% interest in Northgate Exploration Limited (“Northgate”) in November 2003. Northgate is a publicly traded mid-tier gold producer. This investment resulted from the successful restructuring of the Kemess gold mine in British Columbia. After an operational restructuring, we transferred the mine to Northgate, and refinanced our capital investment with two equity issues. On completion of the financial and operational restructuring, we sold our interest in Northgate through a broad public distribution in the capital markets.

Katahdin Paper Company, LLC

We own a 280,000 ton directory paper plant in East Millinocket, Maine and a 185,000 ton supercalender fine paper plant in Millinocket, Maine, which operates under the name Katahdin Paper. The operations were acquired out of bankruptcy in April 2003. The directory plant has been restarted and is currently generating positive cash flows. Nexfor is managing these operations for us, and in return we have granted them an option to acquire the operations at a predetermined price based on our investment and cost of capital employed. Once restructured, these assets will either be integrated into Nexfor’s paper operations or sold by us to another industry participant.

Business Services

Hotel and Ticket Services

We own, in partnership with the Accor Group of France, an effective 23% interest in a joint venture which owns and manages the Accor Group hotel brands in Brazil. The brands include Novotel, Sofitel, Ibis and Formula One.

We also own a 40% interest in a Ticket Services business in partnership with Accor. Ticket Services has been in operation as a voucher services business in Brazil and Argentina since the early 1980s. The company provides paper and electronic vouchers to corporations who utilize them in their compensation programs for employees and for other cash free uses such as fuel vouchers.

NBS Technologies Inc. and MediSolution Ltd.

We own approximately 38 million shares, or 91% of NBS Technologies Inc. ("NBS", formerly Mist Inc.). NBS provides secure identification solutions, financial transaction services and operates a commerce gateway that facilitates electronic payment processing. We increased our interest in NBS to 91% from 55% in 2003 with the purchase of our former partners' interest. Further information on NBS is available through its web site at **www.nbstech.com**. We also own approximately 95 million shares or 61% of MediSolution Ltd., which develops and manages medical human resources management software and systems to the hospital industry, primarily in Canada. The company's common shares are publicly traded on the Toronto Stock Exchange. Our interest increased to 61% from 41% at the end of 2002 upon conversion into equity of a debenture we owned. These balances reflect the carrying values of the operating assets of these businesses, excluding working capital and indebtedness. Further information on MediSolution is available through its web site at **www.medisolution.com**.

Banco Brascan, S.A.

We own 40% of Banco Brascan, which is a South American investment bank based in Rio de Janeiro and São Paulo, Brazil. The balance of the company is owned 40% by Mellon Financial Group and 20% by management. Banco Brascan advises, lends to and provides asset management services to domestic and foreign companies in Brazil.

CAPITAL RESOURCES AND LIQUIDITY

Brascan is committed to maintaining high levels of liquidity and access to a broad range of low cost capital resources. This enables us to provide financial stability and a low cost of capital for our operations, and ensures that we can react quickly to potential investment opportunities. Our liquidity consists of cash and financial assets, as well as committed lines of credit. Furthermore, we generate high levels of free cash flow within our businesses and have minimal sustaining capital expenditure requirements. Free cash flow in 2003 was $733 million.

Our capital resources include corporate debt and other borrowings which do not have recourse to Brascan, as well as preferred and common equity issued by Brascan and certain of our operating business units. Shareholder interests also includes the equity interests of others in our assets, which consist principally of common shares of our North American commercial office property operations.

During the year, we raised $1.6 billion through the issuance of preferred equity, income trust units and long-term debt, enabling us to remain in a very solid financial position.

CASH AND FINANCIAL ASSETS

Although we generate substantial amounts of cash flow within our operations, we generally carry modest cash balances and instead utilize excess cash to repay revolving credit lines and invest in shorter term financial assets which generate better returns while still providing a source of liquidity to fund investment initiatives. Cash balances at December 31, 2003 totalled $382 million.

Financial assets represent securities that are not actively deployed within our financial operations, and which can, with varying degrees of timing, be liquidated and utilized to fund strategic acquisitions. The market value of our financial assets approximates their realizable value. The following table shows the composition of these assets and associated cash flow:

	Book Value		Operating Cash Flow [1]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2002**	**2003**	**2002**	**2001**
Cash	**$ 382**	$ 332	**$ 35**	$ 26	$ 29
Government bonds	**49**	51	**4**	5	4
Corporate bonds	**387**	230	**12**	14	8
Preferred shares	**342**	397	**27**	28	41
Common shares	**76**	40	**2**	4	3
Other	**—**	—	**9**	19	26
Financial assets	**854**	718	**54**	70	82
Total	**$ 1,236**	$ 1,050	**$ 89**	$ 96	$ 111
Underlying value estimate	**$ 1,236**				

1 Investment income

CAPITALIZATION

The strength and diversification of the income streams generated by our various operations reduce financing costs below that of many peers who operate in only one of our selected areas of business. Through the continuous monitoring of the balance between debt and equity financing, and maintaining access to a broad range of financing sources, we are able to reduce our weighted average cost of capital on a risk averse basis and thereby improve common shareholder equity returns.

Our overall weighted average cost of capital, using a 20% return objective for our common equity, is 9.5% compared with 9.6% in 2002. This reflects the low cost of non-participating preferred equity issued over many years, principally in the form of perpetual preferred shares, as well as the low cost of non-recourse investment grade financings achievable due to the high quality of our commercial properties and power generating plants.

The following schedule details the capitalization of the consolidated liabilities and shareholders' interests at the end of 2003 and 2002 and the related cash costs:

YEARS ENDED DECEMBER 31 (MILLIONS)	Underlying Value [1] 2003	Cost of Capital [2] 2003	Book Value 2003	Book Value 2002	Operating Cash Costs 2003	Operating Cash Costs 2002	Operating Cash Costs 2001
Liabilities							
Non-recourse borrowings							
Property specific mortgages	**$ 4,881**	6%	**$ 4,881**	$ 4,992	**$ 300**	$ 297	$ 303
Other debt of subsidiaries	**2,075**	5%	**2,075**	1,867	**105**	106	128
Corporate borrowings	**1,213**	6%	**1,213**	1,035	**66**	63	61
Accounts and other payables	**1,745**	6%	**1,745**	1,262	**88**	56	51
Shareholders' interests							
Minority interests of others in assets	**3,223**	20%	**1,516**	1,456	**294**	262	252
Preferred equity	**1,861**	6%	**1,861**	1,185	**83**	69	68
Common equity	**7,348**	18%	**3,024**	2,625	**566**	425	361
	12,432	16%	**6,401**	5,266	**943**	756	681
	$ 22,346	9.5%	**$16,315**	$14,422	**$ 1,502**	$ 1,278	$ 1,224

1 *Underlying value of liabilities represents the cost to retire on maturity*

2 *As a percentage of average book value*

We have benefited recently from unprecedented low interest rates, particularly short-term rates, although as rates appear poised to increase we are locking in longer term fixed rates. This may result in a modest increase in our cost of capital during 2004, but should protect our returns over the longer term.

LIABILITIES

Property Specific Mortgages

Where appropriate, we finance our operating assets with long-term, non-recourse borrowings such as property specific mortgage bonds which do not have recourse to Brascan or our operating entities.

The composition of the company's borrowings which have recourse only to specific assets is as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	Cost of Capital 2003 [2]	Book Value 2003	Book Value 2002	Operating Cash Costs [1] 2003	Operating Cash Costs [1] 2002	Operating Cash Costs [1] 2001
Commercial properties	12	6%	**$ 4,149**	$ 4,413	**$ 255**	$ 258	$ 278
Power generation	17	6%	**732**	579	**45**	39	25
Total	13	6%	**$ 4,881**	$ 4,992	**$ 300**	$ 297	$ 303

1 *Interest expense*

2 *As a percentage of average book value*

These borrowings leverage common shareholders' equity with long-term lower risk financing, which is largely fixed rate, with an average maturity of 13 years.

Commercial property borrowings represent mortgage debt on real estate properties. Our commercial property operations have very little general corporate indebtedness since we finance this business primarily with mortgages

with recourse only to specific properties. At the end of 2003, these mortgages had an average term of 12 years and a weighted average interest rate of 7%.

Power generation borrowings consist of financings secured by specific power facilities with an average fixed interest rate of 7%. We completed two “A(low)” rated asset backed financings in 2003. The first was a 20-year C$384 million financing on our Great Lakes Power generation system in northern Ontario, and the second was a 17-year C$175 million financing on the Mississagi Power generation assets, also in northern Ontario. The coupons were 6.6% and 6.9%, respectively and provide long-term, low-risk, non-recourse financing to leverage the returns from these assets.

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

YEARS ENDED DECEMBER 31 (MILLIONS)	2004	2005	2006	2007	2008	Beyond	Total
Commercial properties	$ 281	$ 454	$ 163	$ 612	$ 252	$ 2,387	$ 4,149
Power generation	7	45	4	3	3	670	732
Total	$ 288	$ 499	$ 167	$ 615	$ 255	$ 3,057	$ 4,881
Percentage of total	6%	10%	3%	13%	5%	63%	100%

Other Debt of Subsidiaries

The composition of the borrowings which have recourse only to assets owned by the company’s subsidiaries is as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	Average Term	Cost of Capital 2003 [2]	Book Value 2003	Book Value 2002	Operating Cash Costs [1] 2003	Operating Cash Costs [1] 2002	Operating Cash Costs [1] 2001
Power generation	2	7%	**$ 375**	$ 375	**$ 22**	$ 23	$ 30
Funds management	5	6%	**647**	587	**34**	29	28
Real estate	2	5%	**576**	429	**19**	12	18
International operations and other	9	9%	**477**	476	**30**	42	52
Total	4	5%	**$ 2,075**	$ 1,867	**$ 105**	$ 106	$ 128

1 Interest expense

2 As a percentage of average book value

These borrowings are largely corporate debt, issued by way of corporate bonds, bank credit facilities and other types of debt and financial obligations borrowed by subsidiaries. Power generating debt consists largely of U.S. public notes which are rated BBB by S&P, Baa3 by Moody’s and BBB(high) by DBRS and which mature in 2004 and 2005.

The corporate bonds issued by our funds management operations are rated A(low) by DBRS and BBB+ by S&P. At December 31, 2003, our funds management operations had $386 million undrawn committed credit facilities, which are largely utilized as back-up facilities for the issuance of commercial paper.

Residential property debt consists primarily of construction financing which is repaid from the proceeds from sales of building lots, single family houses and condominiums and is generally renewed on a rolling basis as new construction commences.

A portion of the outstanding debt of our international operations is denominated in local currencies and is utilized to hedge our operating assets against local currency fluctuations, the most significant of which is the Brazilian *real*. Brascan does not guarantee any debt of subsidiaries with the exception of $327 million included in debt of international operations that is supported by financial assets within these operations.

Principal repayments on other debt of subsidiaries due over the next five years and thereafter are as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2004	2005	2006	2007	2008	Beyond	Total
Power generation	$ 175	$ 200	$ —	$ —	$ —	$ —	$ 375
Funds management	62	96	96	183	3	207	647
Real estate	386	107	65	18	—	—	576
International operations and other	87	55	2	3	3	327	477
Total	$ 710	$ 458	$ 163	$ 204	$ 6	$ 534	$ 2,075
Percentage of total	34%	22%	8%	10%	—	26%	100%

Corporate Borrowings

Corporate borrowings consist of long-term and short-term obligations of Brascan. Long-term corporate borrowings are in the form of bonds and debentures issued into the Canadian and U.S. capital markets both on a public and private basis. Short-term financing needs are typically met by issuing commercial paper that is backed by long-term fully committed lines of credit from a wide range of international banks.

The following table summarizes Brascan's corporate credit facilities:

	Cost of Capital	Book Value		Operating Cash Costs [1]		
YEARS ENDED DECEMBER 31 (MILLIONS)	2003 [2]	2003	2002	2003	2002	2001
Commercial paper and bank debt	3%	**$ —**	$ 73	**$ 3**	$ 7	$ 15
Publicly traded term debt	5%	**1,100**	850	**54**	48	32
Privately held term debt	8%	**113**	112	**9**	8	14
Total	6%	**$ 1,213**	$ 1,035	**$ 66**	$ 63	$ 61

1 *Interest expense*

2 *As a percentage of average book value*

At December 31, 2003, Brascan had $522 million of committed corporate credit facilities which are utilized principally as back-up credit lines to support commercial paper issuance. Brascan had no commercial paper borrowings at year end.

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

YEARS ENDED DECEMBER 31 (MILLIONS)	2004	2005	2006	2007	2008	Beyond	Total
Publicly traded term debt	$ —	$ —	$ —	$ —	$ 300	$ 800	$ 1,100
Privately held term debt	101	9	2	1	—	—	113
Total	$ 101	$ 9	$ 2	$ 1	$ 300	$ 800	$ 1,213
Percentage of total	8%	1%	—	—	25%	66%	100%

SHAREHOLDERS' INTERESTS

Shareholders' interests are comprised of three components: participating interests of other shareholders in our operating assets; non-participating preferred equity issued by the company and its subsidiaries; and common equity of Brascan.

Shareholders' interests at December 31, 2003 and 2002 were as follows:

	Number of Shares	Underlying Value	Book Value		Operating Cash Flow [1]		
YEARS ENDED DECEMBER 31 (MILLIONS)	**2003**	**2003**	**2003**	**2002**	**2003**	**2002**	**2001**
Participating interests of others in assets							
Real estate							
Commercial	78.2	**$ 2,376**	**$ 998**	$ 1,092	**$ 220**	$ 217	$ 204
Residential [2]	15.6	**398**	**190**	—	**64**	—	—
Power generation	24.1	**305**	**184**	165	**15**	11	7
Other		**144**	**144**	199	**(5)**	34	41
		3,223	**1,516**	1,456	**294**	262	252
Non-participating preferred equity							
Corporate		**852**	**852**	735	**58**	44	28
Subsidiaries		**1,009**	**1,009**	450	**25**	25	40
		1,861	**1,861**	1,185	**83**	69	68
Common equity	180.8*3*	**7,348**	**3,024**	2,625	**566**	425	361
		$ 12,432	**$ 6,401**	$ 5,266	**$ 943**	$ 756	$ 681

1 Represents share of operating cash flows attributable to the interests of the respective shareholders and includes cash distributions

2 Residential real estate interests included in commercial real estate prior to 2003

3 Includes convertible instruments on an "as converted" basis

Participating Interests of Others in Assets

The majority of our commercial and residential real estate operations are conducted through Brookfield Properties Corporation and Brookfield Homes Corporation, respectively, in which shareholders other than Brascan own an approximate 50% common share interest. Power generating interests represent the 50% interest of unit holders in the Great Lakes Hydro Income Fund, through which we own certain of our power generating operations.

Distributions to other shareholders in the form of cash dividends totalled $62 million in 2003 compared with $55 million in 2002. The undistributed cash flows attributable to minority shareholders are retained in the respective operating businesses and are available to expand their operations, reduce indebtedness or repurchase equity.

Preferred Equity

The company has $1,861 million of non-participating preferred equity outstanding: $852 million issued by Brascan and $1,009 million issued by consolidated subsidiaries of the company. The preferred equity enables us to expand our equity base at low-risk without dilution to common shareholders. The average cost of this capital to the common shareholder was 6% at year end.

During 2003, we issued $117 million of new preferred equity in the form of C$175 million of 15-year non-cumulative 5.4% preferred shares. Our commercial real estate subsidiary also issued C$200 million of preferred shares

yielding 5.75%, C$200 million of preferred shares yielding 5.20%, and $110 million of preferred shares yielding 5.25%, for total proceeds of $415 million. All of the securities issued may be redeemed on maturity for cash or in common shares based on current market prices at the company's option.

Common Equity

On a diluted basis, Brascan had 180.8 million common shares outstanding at year end, a decrease from 183.9 million at December 31, 2002. During 2003, we repurchased 4.6 million common shares under a normal course issuer bid at an average price of $22.24 per share. During 2002, 7.1 million common shares and equivalents were repurchased in a similar manner at a price of $20.12 per share.

Brascan has two classes of common shares outstanding: Class A and Class B. Each class of shares elects one-half of the company's Board of Directors. The Class B shares are held by Partners Limited, a private company owned by 37 individuals, including a number of the executive officers of Brascan.

FINANCIAL POLICIES

Capital Allocation

We consider effective capital allocation to be critical to our success. As a result, we apply a rigorous approach towards the allocation of capital among our operating businesses. Capital is invested only when the expected returns exceed predetermined thresholds, taking into consideration both the degree and magnitude of the relative downside risks and upside potential and, if appropriate, strategic considerations such as the establishment of new business activities. We conduct post-investment reviews of all capital allocation decisions to ensure that anticipated returns are achieved and, if not, to determine what lessons can be learned to avoid the same mistakes in the future.

Liquidity

We strive to maintain sufficient financial liquidity at all times in order to participate in attractive investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

As at year end, Brascan and its consolidated subsidiaries had $1.0 billion of undrawn committed credit facilities with 12 international financial institutions, largely maintained as back-up facilities for the issuance of commercial paper. We also maintain cash and a portfolio of non-strategic financial assets that can be liquidated to fund investments as required.

During 2003, we generated $624 million of operating cash flow and we expect this amount to increase by approximately 12% to 15% over the long term. The free cash flow from operations, which includes undistributed cash flow attributable to minority interests in subsidiaries, totalled $733 million during 2003 and is expected to increase in line with our operating cash flow. Free cash flow is available to pay common share dividends, expand our operating base, reduce debt or repurchase common shares as appropriate.

Brascan and its investment partners have recently mailed a tender offer for Canary Wharf Group, plc, which values the company at £1.6 billion. Should we be successful in acquiring 100% of the company with our partners, our incremental cash investment will be approximately $350 million. Should we be successful in acquiring less than 75% of Canary Wharf and not be in a position to privatize the company, our incremental cash investment, prior

to further syndication of equity interests in Canary Wharf, could increase to approximately $1.4 billion. While we believe that this latter scenario is remote, the company has arranged special facilities to fund this amount and has the financial resources available to support this purchase.

Credit Profile

We endeavour to arrange our affairs to maintain high investment grade ratings and to improve them further over time. The credit ratings for the company at December 31, 2003 and at the time of the printing of this report were as follows:

	DBRS	S&P	Moody's
Commercial paper	R-1(low)	A-1(low)	—
Term debt	A(low)	A–	Baa3
Preferred shares	Pfd-2(low)	P2(mid)	—

We also endeavour to ensure that our operating businesses maintain investment grade ratings in order to provide continuous access to a wide range of financings and to enhance borrowing flexibility, a low cost of capital and access to various forms of financing unavailable to non-investment grade borrowers.

Use of Derivatives

We utilize a number of financial instruments to manage our foreign currency, commodity and interest rate positions. As a general policy, we endeavour to maintain a balanced position in terms of foreign currency, although unmatched positions may be taken from time to time within predetermined limits. Brascan and its subsidiaries typically maintain a net floating rate liability position because we believe that this results in lower financing costs over the long term given the company's substantial annual operating cash flows. As at December 31, 2003, our net floating rate liability was $1.2 billion. As a result, a 100 basis point increase in interest rates would adversely impact operating cash flow by $12 million.

Although interest rates remain at historically low levels, we have commenced a program to reduce our floating rate exposure in anticipation of increasing rates over the next few years. In addition, Brascan's intent is to maintain a hedged position with respect to the carrying value of net assets denominated in currencies other than the U.S. dollar. Accordingly, fluctuation in the value of the U.S. dollar relative to other currencies has a negligible impact on the company's net financial position. The company receives certain cash flows, principally from its financial and power generating operations, that are denominated in Canadian dollars. The estimated impact of a C$0.10 change in the Canada/U.S. exchange rates is a corresponding change in operating cash flow of $10 million per annum.

The company's risk management and derivative financial instruments are more fully described in Note 14 to the Consolidated Financial Statements.

Corporate Guarantees, Commitments and Contingent Obligations

We conduct our operations through entities that are fully or proportionately consolidated in our financial statements other than equity accounted investments. Noranda and Nexfor, which are owned 42% and 43%, respectively, by Brascan are accounted for on the equity basis.

Brascan provides guarantees and indemnities when required from time to time in respect of fund management, power marketing and financial activities. The company does not typically guarantee obligations of its subsidiaries or affiliates. However, Brascan has guaranteed $327 million of subsidiary debt as noted under Other Debt of Subsidiaries on page 42, and $146 million of contingent obligations included in accounts and other payables which relates to the company's financial operations and has guaranteed obligations under power purchase agreements which amounted to $17 million at year end. These obligations are subject to credit rating provisions and are supported by financial assets of the principal obligor.

The company may be contingently liable with respect to litigation and claims that arise in the normal course of business. In addition, the company may execute agreements that provide for indemnifications and guarantees to third parties. Disclosure of commitments, guarantees and contingencies can be found in the Notes to the Consolidated Financial Statements.

WORKING CAPITAL AND OTHER BALANCES

The composition of our working capital and other balances is as follows:

	2003			2002		
AS AT DECEMBER 31 (MILLIONS)	**Accounts Receivable**	**Accounts Payable**	**Net**	**Accounts Receivable**	**Accounts Payable**	**Net**
Working capital balances						
Real estate	**$ 231**	**$ 375**	**$ (144)**	$ 399	$ 359	$ 40
Power generation	**131**	**89**	**42**	78	101	(23)
Funds management	**449**	**419**	**30**	133	156	(23)
International and other	**242**	**280**	**(38)**	197	316	(119)
	1,053	**1,163**	**(110)**	807	932	(125)
Other items						
Future income tax assets	**62**	**—**	**62**	53	—	53
Prepaid expenses and other assets, deferred credits, provisions and other liabilities	**508**	**582**	**(74)**	411	330	81
	570	**582**	**(12)**	464	330	134
Net working capital and other	**$ 1,623**	**$ 1,745**	**$ (122)**	$ 1,271	$ 1,262	$ 9

Working capital balances include the trade accounts receivable and payable held in the normal course of each of our operating businesses. We endeavour to minimize the amount of capital required in our businesses and in this regard we have established Titanium Trust, described on page 34, to effectively finance working capital balances with asset backed commercial paper and medium-term notes.

Other balances include future income tax assets, as well as other accrued asset balances and provisions.

OPERATING RESULTS

OPERATING CASH FLOW

A summary of the sources of our operating cash flows is as follows:

YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	2003	2002	2001
Operating income			
Real estate	**$ 841**	$ 745	$ 752
Power generation	**172**	153	92
Funds management	**166**	140	135
Property gains	**100**	60	54
Investment income and other	**156**	116	129
	1,435	1,214	1,162
Expenses			
Interest expense	**471**	466	492
Minority share of income before non-cash items	**319**	287	293
Other operating costs and taxes	**88**	56	51
	557	405	326
Dividends from Noranda and Nexfor	**67**	64	62
Cash flow from operations and gains	**$ 624**	$ 469	$ 388
Cash flow from operations and gains per common share	**$ 3.21**	$ 2.38	$ 2.06

Cash flow per share from operations and gains for the year ended December 31, 2003, including dividends from Noranda and Nexfor, totalled $3.21 after deducting all financing charges, operating costs and the portion of operating cash flow that is attributable to other investors with interests in our businesses, whether retained or distributed. This represents a 35% increase from the $2.38 per share generated in 2002, which in turn represented a 16% increase over 2001. Each of our operating businesses is managed so as to generate sustainable and increasing cash flow streams, which should result in the value of these operations appreciating over time. The cash flow from operations shown in the table above includes virtually no return on the $819 million of real estate and power generation development assets, and includes only the dividends received from our investments in Noranda and Nexfor.

Real estate operations increased their contribution to operating cash flow to $841 million from $745 million in 2002 and $752 million in 2001. The 2003 results reflect outstanding performance from the residential property operations, which contributed $91 million of additional income compared with 2002. Net operating income from currently owned commercial properties increased steadily over the past two years, although the aggregate level declined as expected with the sale of partial interests in major properties.

The contribution from power generation increased by 12% due to capacity additions over the past two years. While the 2003 results were below expectations due to poor hydrology during much of the year, water levels returned to normal conditions during the fourth quarter and are exceeding expectations thus far in 2004.

Funds management continued to report increased contributions over the past two years as we continue to expand our fund offerings and assets under management, while at the same time the level of capital deployed in this sector has remained relatively constant.

Investment income increased significantly in 2003 with the $57 million net gain recognized on the sale of our investment in Northgate Exploration.

Property gains include gains on the disposition of commercial properties, as well as lease termination gains. We recorded a $100 million gain on the sale of a 49% interest in our 245 Park Avenue commercial property.

Minority interest share of cash flow increased, reflecting the interest of those shareholdings with improved performance, principally in the real estate operations. Operating costs and taxes increased in line with the expansion in operating activities as well as to reflect cash tax payments by our U.S. home building business. These operations have been exceedingly profitable, and we expect to make continued cash payments in the future.

NET INCOME

Net income is reconciled to operating cash flow, prior to dividends from Noranda and Nexfor, to reflect non-cash items as set forth below:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002	2001
Cash flow from operations and gains	**$ 624**	$ 469	$ 388
Less: dividends from Noranda and Nexfor	**(67)**	(64)	(62)
	557	405	326
Depreciation and amortization	**149**	121	101
Taxes and other provisions	**165**	104	79
Minority share of non-cash items	**(100)**	(84)	(79)
Total non-cash items	**214**	141	101
Net income prior to Noranda and Nexfor	**343**	264	225
Equity accounted income (loss) from Noranda and Nexfor			
Excluding restructuring charges and gains	**72**	(36)	(24)
Restructuring charges and gains	**(7)**	(145)	—
Net income	**$ 408**	$ 83	$ 201
Net income per share			
Prior to Noranda and Nexfor	**$ 1.61**	$ 1.23	$ 1.12
Including Noranda and Nexfor	**$ 1.98**	$ 0.21	$ 0.98

Net income increased significantly in 2003. This was due to the increase in cash flow from operations discussed above, as well as meaningful improvements in the results of both Noranda and Nexfor due to improved product prices and cost efficiencies. 2002 results included a net charge of $145 million representing our share of Noranda's restructuring charges.

Depreciation and amortization increased in each of 2003 and 2002 due primarily to the acquisition or development of additional commercial properties and power generation facilities. Proposed changes in accounting guidelines will require commercial property operations, including ours, to adopt the straight-line method for depreciation which will result in increased depreciation charges in future years.

Taxes and other provisions, which consist primarily of the non-cash tax provision, increased during 2003 due in large measure to the increased profitability of Brascan's operations, particularly in the home building sector, and as

a result of increased property gains. Brascan operates with significant tax losses, and expenses the carrying value of tax losses utilized during the period.

Minority share of non-cash items reflects the extent to which the foregoing charges are attributable to the shareholders of operating subsidiaries, primarily Brookfield Properties and Brookfield Homes.

Equity accounted income from Noranda and Nexfor contributed $65 million during 2003. The contribution is set out as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002	2001
Noranda			
Operations	**$ 16**	$ (41)	$ (28)
Restructuring charges and gains	**(5)**	(145)	—
Nexfor			
Operations	**56**	5	4
Restructuring charges and gains	**(2)**	—	—
Net income (loss)	**$ 65**	$ (181)	$ (24)

Cash Flow Growth and Return on Equity

We have established two principal long-term performance objectives: 12% to 15% annualized growth in operating cash flow per share over the longer term; and a 20% cash return on equity. Although we exceeded our cash flow growth target by a significant margin in 2003 and made good progress towards our return on equity objectives, we recognize that these are aggressive targets and will become increasingly difficult to achieve as our business grows. Nonetheless we are confident in our ability to achieve these goals over the next few years given the earnings visibility in a number of our businesses, our stable and growing cash flows, and our ability to redeploy capital that is currently underperforming.

YEARS ENDED DECEMBER 31	Long-Term Target	2003	2002	2001
Cash flow from operations per share				
Including property gains		**$ 3.21**	$ 2.38	$ 2.06
Annual growth	12% to 15%	**35%**	16%	25%
Excluding property gains		**$ 2.93**	$ 2.21	$ 1.85
Annual growth	15%	**33%**	19%	11%
Cash return on equity				
Book value per common share		**$ 17.54**	$ 14.85	$ 15.52
Annual return	20%	**18%**	16%	13%

FREE CASH FLOW

Our free cash flow represents the operating cash flow retained in the business after dividend payments to shareholders of subsidiaries, preferred equity distributions to preferred shareholders and sustaining capital expenditures, which totals approximately $45 million for Brascan common shareholders on a levelized basis. Free cash flow is typically used to pay common share dividends, invest in the business for future growth, reduce borrowings or repurchase equity.

A summary of Brascan's free cash flow is as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	2003	2002	2001
Receipts			
Net operating income	**$ 1,435**	$ 1,214	$ 1,162
Dividends from Noranda and Nexfor	**67**	64	62
	1,502	1,278	1,224
Disbursements			
Interest expense on borrowings	**471**	466	492
Other operating costs and taxes	**88**	56	51
Sustaining capital investments			
Brascan	**45**	30	30
Minority interests	**20**	20	20
Distributions			
Minority interests	**62**	55	53
Preferred equity	**83**	69	68
	769	696	714
Free cash flow	**$ 733**	$ 582	$ 510

Utilization of Cash Resources

The following table illustrates the utilization of free cash flow generated by our operations and financing initiatives as well as the reallocation of capital between our operating businesses and the repurchase of common equity and other shareholder interests:

YEARS ENDED DECEMBER 31 (MILLIONS)	Total	2003	2002	2001
Free cash flow	$ 1,825	**$ 733**	$ 582	$ 510
Less: Property gains [1]	(214)	**(100)**	(60)	(54)
	1,611	**633**	522	456
Financing				
Borrowings, net of repayments	215	**(125)**	568	(228)
Net issuance of preferred equity	870	**525**	253	92
Net repurchase of common shares				
Brascan	(298)	**(91)**	(143)	(64)
Subsidiaries	(507)	**(125)**	(243)	(139)
	280	**184**	435	(339)
Investing				
Real estate [2]	(11)	**(121)**	(71)	181
Power generation [2]	(804)	**(139)**	(529)	(136)
Funds management and financial assets	(350)	**(134)**	(140)	(76)
Investments	(509)	**(415)**	(40)	(54)
	(1,674)	**(809)**	(780)	(85)
Common share dividends	(352)	**(126)**	(112)	(114)
Net generation (utilization) of cash	(135)	**(118)**	65	(82)
Net change in non-cash working capital balances	75	**168**	(115)	22
Increased (decrease) in cash	$ (60)	**$ 50**	$ (50)	$ (60)

1 *Included as proceeds under Investing*

2 *Excludes sustaining capital expenditures which are included in the determination of free cash flow*

QUARTERLY RESULTS

The 2003 and 2002 results by quarter are as follows:

	Q1		Q2		Q3		Q4	
MILLIONS, EXCEPT PER SHARE AMOUNTS	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Total revenue and gains	**$ 667**	$ 705	**$ 728**	$ 727	**$ 835**	$ 689	**$1,140**	$ 943
Net operating income								
Real estate	**193**	179	**191**	190	**222**	185	**235**	191
Power generation	**36**	32	**44**	42	**35**	41	**57**	38
Funds management	**47**	36	**49**	37	**36**	35	**34**	32
Property gains	**—**	40	**—**	—	**—**	20	**100**	—
Investment income and other	**31**	29	**22**	22	**38**	36	**65**	29
	307	316	**306**	291	**331**	317	**491**	290
Expenses								
Interest expense	**116**	114	**108**	118	**121**	121	**126**	113
Minority share of income before non-cash items	**63**	91	**64**	65	**73**	72	**119**	59
Other operating costs and taxes	**14**	13	**19**	14	**16**	12	**39**	17
Income before non-cash items	**114**	98	**115**	94	**121**	112	**207**	101
Depreciation and amortization	**35**	28	**36**	32	**38**	30	**40**	31
Taxes and other non-cash items	**28**	29	**30**	24	**41**	27	**66**	24
Minority share of non-cash items	**(23)**	(23)	**(22)**	(19)	**(27)**	(22)	**(28)**	(20)
Income before investments	**74**	64	**71**	57	**69**	77	**129**	66
Equity accounted income (loss) from investments	**(18)**	(1)	**(8)**	15	**31**	(19)	**60**	(176)
Net income	**$ 56**	$ 63	**$ 63**	$ 72	**$ 100**	$ 58	**$ 189**	$ (110)
Net income per common share								
Diluted	**$0.23**	$0.32	**$0.27**	$0.35	**$0.48**	$0.25	**$ 1.00**	$(0.71)
Basic	**$0.24**	$0.33	**$0.27**	$0.35	**$0.49**	$0.26	**$ 1.03**	$(0.73)

2003 and 2002 cash flow from operations are as follows:

	Q1		Q2		Q3		Q4	
MILLIONS	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Income before non-cash items	**$ 114**	$ 98	**$ 115**	$ 94	**$ 121**	$ 112	**$ 207**	$ 101
Dividends from Noranda Inc.	**12**	12	**13**	12	**12**	12	**12**	12
Dividends from Nexfor Inc.	**4**	4	**4**	4	**5**	4	**5**	4
Cash flow from operations and gains	**$ 130**	$ 114	**$ 132**	$ 110	**$ 138**	$ 128	**$ 224**	$ 117

For the three months ended December 31, 2003, cash flow from operations and gains increased to $224 million ($1.20 per share) compared with $117 million ($0.57 per share) in 2002. The 2003 cash flow results include the $100 million property gain from the sale of a partial interest in our 245 Park Avenue commercial property during the fourth quarter, of which $50 million accrues to Brascan after deducting minority interests. The fourth quarter results also reflect a significant gain on the sale of our investment in Northgate Exploration, included in Investment Income and Other, as well as improved power generation results due to increased water flows.

On a net income basis, results improved significantly in the fourth quarter reflecting the growth in operating cash flow and property gains, as well as increased contributions from investments in the resource sector. The 2002 results reflected a one-time charge in the fourth quarter relating to Noranda.

BUSINESS ENVIRONMENT AND RISKS

Our financial results are impacted by the performance of each of our operations and various external factors influencing the specific sectors and geographic locations in which we operate, as well as by macro-economic factors such as economic growth and changes in currency, inflation and interest rates.

Our strategy is to invest in high quality assets which generate sustainable streams of cash flow. While high quality assets may initially generate lower returns on capital, we believe that the sustainability and future growth of their cash flows is more assured over the long term, and as a result, warrant higher valuation levels. We also believe that the high quality of our asset base protects the company against future uncertainty and positions us to invest with confidence when new investment opportunities arise.

The following is a brief review of the potential impact these different factors may have on the company's business operations. A discussion of the business environment and risks is also contained in our annual information form which is posted on our web site.

Commercial Properties

Our strategy is to invest in high-quality commercial properties defined by the physical characteristics of the assets, but more importantly, the certainty of receiving rental payments from the high quality tenants which these properties attract.

Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in an area), the attractiveness of the properties to tenants and competition from other landlords with competitive space.

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

Real estate is relatively illiquid. Such illiquidity will tend to limit our ability to promptly change the nature of the portfolio in response to changing economic or investment conditions. Also, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which we operate in times of illiquidity.

Our commercial properties generate a relatively stable source of income from contractual tenant rent payments. Continued growth of rental income is dependent on strong leasing markets to ensure expiring leases are renewed and new tenants are found promptly to fill vacancies.

While the outlook for commercial office rents is positive in the longer term, 2004 may not provide the same level of increases in rental rates on renewal as compared to 2003. We are, however, substantially protected against these short-term market conditions, since most of our leases are long term in nature with an average term of 10 years. A protracted disruption in the economy, such as the onset of a severe recession, could place downward pressure on overall industry occupancy levels and, as a result, the net effective rents achievable by ourselves.

Our commercial property operations have insurance covering certain acts of terrorism for up to $500 million of damage and business interruption costs. We continue to seek additional coverage equal to the full replacement cost of our assets; however, until this type of coverage becomes commercially available on a reasonable economic basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to the company.

Residential Properties

In the residential land development and home building businesses, markets have been favourable over the past five years with strong demand for well located building lots, particularly in the United States.

The value of land and housing assets is affected by consumer confidence, job stability and interest rates due to their impact on home buyers' decisions. These conditions can affect consumers' outlooks and, in particular, the price and volume of home purchases.

While recent economic conditions would normally have reduced the level of home sales, low interest rates have kept home sales near record levels over the past 18 months. A sustained drop in consumer confidence or increased interest rates would negatively affect these operations.

Power Generating Operations

Operating income from hydroelectric power generation fluctuates in relation to the availability of water and our ability to generate and deliver power to markets with the highest power rates. While changes in the level of precipitation impact the amount of power generated by individual units, the diversified locations of our hydroelectric power stations across several different watersheds in Canada and the United States help to reduce the financial impact of these fluctuations. Pricing risk is mitigated through fixed-price contracts, forward sales of electricity, and the regulated revenues we earn from our transmission and distribution business. Furthermore, the majority of our contracts are structured to ensure that we are only obligated to deliver power that we actually produce to minimize the risk of unmatched contractual obligations.

Funds Management Operations

Our funds management operations are cash flow generating businesses which, managed carefully, should produce stable cash flows. Unfavourable economic conditions generally create a higher volume of investment and merchant banking opportunities. In addition, economic conditions which lead to higher interest rate spreads between funds borrowed and funds loaned out, also have a favourable impact on cash flows. The stability of the cash flows will increase as we expand the scope of our funds management activities. Severe economic conditions can, however, have a major impact on profitability. Since we operate largely within our areas of expertise, we are prepared to assume ownership of and operate most assets which we finance. As a result, should it be necessary to acquire financed assets, we are generally able to do so at a lower cost than if these assets were purchased through the capital markets.

Investments

Investments consist largely of equity interests in Noranda and Nexfor, which are owned 42% and 43% respectively, by Brascan. Both of these investments are cyclical in nature. Their products are primarily sold in the United States, Europe and Asia. As a result, fluctuations in the level of economic activity in these markets influence the demand for and prices of the resource products produced by Noranda and Nexfor.

With the increase in commodity prices over the past year, our share of the earnings of these investments improved substantially during 2003 and are expected to increase dramatically in 2004.

Execution of Strategy

Our strategy for building long-term shareholder value is to develop or acquire high quality assets which generate sustainable and increasing cash flows, with the objective of achieving higher returns on capital invested over the long term.

As part of our growth strategy, we endeavour to maintain a high level of liquidity in order to invest on a value basis when attractive opportunities arise. This entails adding assets to our existing businesses when the competition for assets is lowest, either due to depressed economic conditions or when concerns exist relating to a particular industry. However, there is no certainty that we will be able to continue to acquire or develop additional high quality assets at attractive prices to supplement growth from our existing assets.

The successful execution of a value investment strategy requires careful timing and business judgment, as well as the resources to complete asset purchases and restructure them as required, notwithstanding difficulties being experienced in the particular industry. Our diversified business base and the sustainability of our cash flows provide an important element of strength in executing this strategy.

The conduct of our business and the execution of our growth strategy rely heavily on teamwork. We believe that cooperation between our operations, as well as our team-oriented management structure, enable us to respond promptly to opportunities and problems when they arise.

Management stability is achieved by encouraging senior executives to hold substantial share ownership in the company. However, declining share prices may on occasion encourage executives with shorter term objectives to leave. This can lead to a loss of business momentum unless management changes are quickly and effectively implemented. There is no certainty that management changes will always be successfully implemented.

OUTLOOK

We are optimistic as we review the outlook for our operations in 2004. The global economic environment has strengthened, although there are also conditions that warrant continued caution.

We believe that each of our operations is well positioned for growth. In the real estate sector, the leasing markets relevant to us are improving slowly, although we are planning our affairs with the expectation that a sustained recovery in rental rates does not commence until 2005. Fortunately, our strong tenant lease profile and low vacancies give us a high level of confidence that we will achieve our growth targets in 2004. Furthermore, we will benefit from the completion of our 300 Madison Avenue office project in late 2003 and the acquisition of the 1625 Eye Street property in Washington, D.C. in late 2003.

Residential markets remain exceptionally strong in our areas of operation. As we go to print, we have in hand over 50% of our planned home closings for all of 2004. Accordingly, we expect another strong year in this business. Real estate services continue to benefit from the buoyant commercial and residential markets. We expended considerable effort to strengthen these operations during 2003 and finished the year with strong momentum. We see this carrying into 2004 and, accordingly, look for continued increases in the contribution from these operations.

Our power operations have benefited from greatly improved water flows since September of 2003. We expect cash flows to increase due to the acquisitions made during the past three years. A return to long-term average water conditions will significantly improve the results from these operations compared to 2003.

We have been steadily building our funds management operating platform by increasing the resources devoted to these operations and establishing new funds. During 2004, we will be concentrating on investing the new capital committed by us and by our partners. We expect to achieve this over the course of the year, based on the deal flow we are currently experiencing. This should positively impact our results in 2004.

We have discussed elsewhere in this report our activities with respect to Canary Wharf Group, plc and Noranda Inc. An acquisition of Canary Wharf on the basis that is currently contemplated will provide us with a major interest in an outstanding group of assets for a relatively modest capital outlay. We would expect this investment to have little impact on cash flows in the near term, while providing the potential for significant returns over the longer term.

With respect to Noranda, the dramatic improvement in metal prices following completion of its operational and financial restructuring should result in strong earnings being recorded from this investment in 2004. Similarly, Noranda's improved position increases the liquidity of our investment position and the potential for enhancing our returns on capital.

Nexfor is continuing to experience extremely strong OSB prices, which are likely to result in significant operating margins for the first part of 2004 in relation to the comparable period in 2003.

Our cost of capital is expected to remain substantially unchanged in 2004. We intend to reduce our floating rate interest profile in anticipation of rising interest rates. Although this may result in higher borrowing costs, we believe this will prove to be beneficial over the longer term. We expect to achieve this by continuing to issue long-term, fixed-rate capital where possible, and by adjusting the interest rate profile of our existing debt and financial assets.

Needless to say, there are many other factors that will impact our performance in 2004, both positively and negatively. We have described the principal risks earlier in this report, and we will continue to manage our business in order to withstand market fluctuations, for example, through the use of long-term revenue contracts and long-term financings. It is this measured approach to business that gives us the confidence that we will meet our 2004 performance objectives with respect to cash flow growth and value creation.

February 11, 2004

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements and other financial information have been prepared by the company's management which is responsible for their integrity and objectivity. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These financial statements have been prepared in conformity with accounting principles generally accepted in Canada, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte & Touche, LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements set out on pages 58 through 95 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is set out below.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the financial statements.



Toronto, Canada
February 11, 2004

Bryan K. Davis
Senior Vice-President, Finance

AUDITORS' REPORT

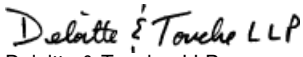
To the Shareholders of Brascan Corporation:

We have audited the consolidated balance sheets of Brascan Corporation as at December 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
February 11, 2004

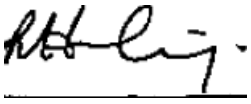
Deloitte & Touche, LLP
Chartered Accountants

Consolidated Balance Sheet	58
Consolidated Statement of Income	59
Consolidated Statement of Retained Earnings	59
Consolidated Statement of Cash Flows	60
Notes to Consolidated Financial Statements	61

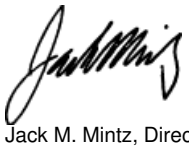
CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31 MILLIONS	Note	2003	2002
Assets			
Operating assets			
Real estate	*2*	**$ 8,311**	$ 7,912
Power generation	*3*	**1,927**	1,587
Funds management	*4*	**1,215**	1,138
		11,453	10,637
Investments	*5*	**2,003**	1,464
Cash and cash equivalents		**382**	332
Financial assets	*6*	**854**	718
Accounts receivable and other	*7*	**1,623**	1,271
		$16,315	$14,422
Liabilities			
Non-recourse borrowings			
Property specific mortgages	*8*	**$ 4,881**	$ 4,992
Other debt of subsidiaries	*8*	**2,075**	1,867
Corporate borrowings	*9*	**1,213**	1,035
Accounts and other payables	*10*	**1,745**	1,262
Shareholders' interests			
Minority interests of others in assets	*11*	**1,516**	1,456
Preferred equity			
Corporate	*12*	**852**	735
Subsidiaries	*12*	**1,009**	450
Common equity	*13*	**3,024**	2,625
		$16,315	$14,422

On behalf of the Board:



Robert J. Harding, FCA, Director



Jack M. Mintz, Director

CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 31 MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	2003	2002
Total revenues and gains		**$ 3,370**	$ 3,064
Net operating income	*15*		
Real estate		**841**	745
Power generation		**172**	153
Funds management		**166**	140
Property gains		**100**	60
Investment income and other		**156**	116
		1,435	1,214
Expenses			
Interest expense		**471**	466
Minority share of income before non-cash items	*16*	**319**	287
Other operating costs and taxes		**88**	56
Income before non-cash items		**557**	405
Depreciation and amortization		**149**	121
Taxes and other non-cash items	*17*	**165**	104
Minority share of non-cash items	*16*	**(100)**	(84)
Income before investments		**343**	264
Equity accounted income (loss) from investments	*18*	**65**	(181)
Net income		**$ 408**	$ 83
Net income per common share			
Diluted	*13*	**$ 1.98**	$ 0.21
Basic		**$ 2.03**	$ 0.21

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31 MILLIONS	Note	2003	2002
Retained earnings, beginning of year		**$ 1,491**	$ 1,596
Net income		**408**	83
Preferred equity issue costs		**(4)**	(5)
Shareholder distributions – Preferred equity	*22*	**(58)**	(44)
– Common equity	*22*	**(126)**	(112)
Amount paid in excess of the book value of common shares purchased for cancellation		**(26)**	(27)
Retained earnings, end of year		**$ 1,685**	$ 1,491

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31 MILLIONS	Note	2003	2002
Cash flow from operations and gains			
Income before non-cash items		**$ 557**	$ 405
Dividends from Noranda Inc.		**49**	48
Dividends from Nexfor Inc.		**18**	16
		624	469
Operating activities			
Commercial property gains, net of minority share		**(50)**	(29)
Net change in non-cash working capital balances and other		**168**	(115)
		742	325
Financing activities			
Corporate borrowings, net of repayments	*21*	**177**	209
Property specific mortgages, net of repayments	*21*	**(384)**	483
Other debt of subsidiaries, net of repayments	*21*	**82**	(124)
Corporate preferred equity issued		**117**	126
Preferred equity of subsidiaries issued		**408**	127
Common shares and equivalents repurchased		**(91)**	(143)
Common shares of consolidated subsidiaries issued		**8**	65
Common shares of consolidated subsidiaries repurchased		**(133)**	(308)
Undistributed minority share of cash flow		**182**	178
Shareholder distributions	*22*	**(184)**	(156)
		182	457
Investing activities			
Investment in or sale of operating assets, net			
Real estate	*21*	**(161)**	(113)
Power generation		**(164)**	(539)
Funds management	*21*	**(89)**	(282)
Financial assets	*21*	**(45)**	142
Investments		**(415)**	(40)
		(874)	(832)
Cash and cash equivalents			
Increase (decrease)		**50**	(50)
Balance, beginning of year		**332**	382
Balance, end of year		**$ 382**	$ 332

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA"). The company's accounting policies and its financial disclosure in respect of its real estate operations are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC").

(a) Basis of Presentation

All currency amounts are in United States dollars ("U.S. dollars") unless otherwise stated. The consolidated financial statements include the accounts of Brascan Corporation ("the company") and the entities over which it has control.

The company accounts for its investments in Noranda Inc. ("Noranda"), Nexfor Inc. ("Nexfor") and other investments over which it has significant influence, on the equity basis. Interests in jointly controlled partnerships and corporate joint ventures are proportionately consolidated.

(b) Acquisitions

The cost of acquiring a company is allocated to its identifiable net assets on the basis of the estimated fair values at the date of purchase. The excess of acquisition costs over the underlying net book values of assets acquired is allocated to the underlying tangible and intangible assets with the balance being goodwill. The allocated amounts are amortized over the estimated useful lives of the assets. The company periodically evaluates the carrying values of these amounts based on reviews of estimated future operating income and cash flows on an undiscounted basis, and any impairment is charged against income at that time. Goodwill arising on acquisitions is allocated to reporting units and tested annually for impairment.

(c) Real Estate

(i) Commercial properties

Commercial properties held for investment are carried at cost less accumulated depreciation. For operating properties and properties held for long-term investment, a write-down to estimated net realizable value is recognized when a property's estimated undiscounted future cash flow is less than its carried value. The projections of the future cash flow take into account the specific business plan for each property and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market.

Depreciation on buildings is provided on the sinking-fund basis over the useful lives of the properties to a maximum of 60 years. The sinking-fund method provides for a depreciation charge of an annual amount increasing on a compounded basis of 5% per annum. Depreciation is determined with reference to the carried value, remaining estimated useful life and residual value of each rental property. Tenant improvements and re-leasing costs are deferred and amortized over the lives of the leases to which they relate.

Development properties consist of properties for which a major repositioning program is being conducted and properties which are under construction. These properties are recorded at cost, including pre-development expenditures, unless an impairment is identified requiring a write-down to net realizable value.

(ii) Residential properties

Homes and other properties held for sale, which include properties subject to sale agreements, are recorded at the lower of cost and net realizable value. Income received relating to homes and other properties held for sale is applied against the carried value of these properties.

Development land and infrastructure is recorded at cost unless impairment is identified requiring a write-down to net realizable value. Costs are allocated to the saleable acreage of each project or subdivision in proportion to the anticipated revenue.

(d) Power Generation

Power generating facilities are recorded at cost, less accumulated depreciation. Facilities are tested for impairment based on an assessment of net recoverable amounts in the event of any adverse developments. A write-down to estimated net realizable value is recognized if a facility's estimated undiscounted future cash flow is less than its carried value. The projections of the future cash flow take into account the operating plan for each facility and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market. Depreciation on power generating facilities and equipment is provided at various rates on a straight-line basis over the estimated service lives of the assets, which are up to 60 years for hydroelectric generation assets and up to 40 years for transmission, distribution and other assets.

Power generating facilities and infrastructure under development consist of power generating facilities under construction. These assets are recorded at cost, including pre-development expenditures, unless impairment is identified requiring a write-down to net realizable value.

(e) Funds Management and Financial Assets

Funds management operations include activities where the company manages investment funds for itself and on behalf of other institutional investors. Financial assets represent securities that are not actively deployed within financial operations, and which can, with varying degrees of timing, be liquidated and utilized to fund strategic acquisitions.

Portfolio securities are carried at the lower of cost and their estimated net realizable value with any valuation adjustments charged to income. This policy considers the company's intent to hold an investment through periods where quoted market values may not fully reflect the underlying value of that investment. Accordingly, there are periods where the "fair value" or the "quoted market value" may be less than cost. In these circumstances, the company reviews the relevant security to determine if it will recover its carrying value within a reasonable period of time and will reduce the carrying value, if necessary. The company also considers the degree to which estimation is incorporated into valuations and any potential impairment relative to the magnitude of the related portfolio. Securities held within the company's trading portfolio, which are designated as trading securities at the time of acquisition, are recorded at fair value and any valuation adjustments recorded as income.

In determining fair values, quoted market prices are generally used where available and, where not available, management estimates the amounts which could be recovered over time or through a transaction with knowledgeable and willing third parties under no compulsion to act.

Loans and notes receivable are carried at the lower of cost and estimated net realizable value calculated based on expected future cash flows, discounted at market rates for assets with similar terms and investment risks.

(f) Revenue and Expense Recognition

(i) Commercial property operations

Recognition of revenue from a commercial property commences when construction is complete and the property is available for its intended use. Prior to this, the property is categorized as a development property, and revenue related to such property is applied to reduce development costs.

The company has retained substantially all of the risks and benefits of ownership of its commercial properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes participating rents and recoveries of operating expenses, including property, capital and large corporation taxes.

(ii) Residential property operations

Revenue from the sale of residential land is recorded when the collection of the sale proceeds is reasonably assured and all other significant conditions are met. Properties which have been sold, but for which these criteria have not been satisfied, are included in development property or residential inventory assets.

(iii) Power generation

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

(iv) Funds management and financial assets

Revenue from loans and securities, less a provision for uncollectible amounts, is recorded on the accrual basis. Provisions are established in instances where, in the opinion of management, there is reasonable doubt concerning the repayment of loans or the realization of the carrying values of portfolio securities or portfolio investments.

Gains on the exchange of assets which do not represent a culmination of the earnings process are deferred until realized by sale. Gains resulting from the exercise of options and other participation rights are recognized when the securities acquired are sold.

The net proceeds recorded under reinsurance contracts are accounted for as deposits when a reasonable possibility that the company may realize a significant loss from the insurance risk does not exist.

(v) Real estate services

Commissions from property brokerage are recognized at the time of the closing of the related real estate transaction.

(g) Capitalized Costs

Capitalized costs on assets under development and redevelopment include all expenditures incurred in connection with the acquisition, development and construction until the asset is available for its intended use. These expenditures consist of costs and interest on debt that is related to these assets. Ancillary income relating specifically to such assets during the development period is treated as a reduction of costs.

(h) Pension Benefits and Employee Future Benefits

The costs of retirement benefits for defined benefit plans and post-employment benefits are recognized as the benefits are earned by employees. The company uses the accrued benefit method pro-rated on the length of service and management's best estimate assumptions to value its pension and other retirement benefits. Assets are valued at fair value for purposes of calculating the expected return on plan assets. For defined contribution plans, the company expenses amounts as paid.

(i) Derivative Financial Instruments

The company and its subsidiaries utilize derivative financial instruments primarily to manage financial risks, including interest rate, commodity and foreign exchange risks. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective as a hedge based on an expectation of offsetting cash flows. Realized and unrealized gains and losses on foreign exchange forward contracts and currency swaps designated as hedges of currency risks are included in the cumulative translation adjustment account when the currency risk relates to a net investment in a self-sustaining subsidiary and are otherwise included in income in the same period as when the underlying asset, liability or anticipated transaction affects income. The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense. The periodic exchanges of payments on power generation commodity swaps designated as hedges are recorded on a settlement basis as an adjustment to power generation income. Premiums paid on options are initially recorded as assets and are amortized into earnings over the term of the option contract. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. The fair value of the derivative that was deferred by the application of hedge accounting is recognized in income over the term of the original hedging relationship.

Derivative financial instruments that are not designated as hedges are carried at estimated fair values and gains and losses arising from changes in fair values are recognized in income in the period the changes occur. The use of non-hedging derivative contracts is governed by documented risk management policies and approved limits. Derivative financial instruments of a financing nature are recorded at fair value determined on a credit adjusted basis.

(j) Income Taxes

The company uses the asset and liability method whereby future income tax assets and liabilities are determined based on differences between the carrying amounts and tax bases of assets and liabilities, and measured using the tax rates and laws that will be in effect when the differences are expected to reverse.

(k) Reporting Currency and Foreign Currency Translation

During the first quarter of 2003, the U.S. dollar became the functional currency of the company's head office operations and the company adopted the U.S. dollar as its reporting currency.

Prior to the change in reporting currency, the accounts of subsidiaries having a functional currency other than the Canadian dollar were translated using the current rate method under which assets and liabilities were translated at the exchange rate prevailing at the period-end and revenues and expenses at average rates during the period. Gains or losses on translation were deferred and included in the cumulative translation adjustment account. Gains or losses on foreign currency denominated balances and transactions that were designated as hedges of net investments in these subsidiaries were reported in the same manner.

Subsequent to the change in reporting currency, the accounts of subsidiaries having a functional currency other than the U.S. dollar are translated using the current rate method. Gains or losses on translation are deferred and included in the cumulative translation adjustment account. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these subsidiaries are reported in the same manner.

Foreign currency denominated monetary assets and liabilities of the company and subsidiaries where the functional currency is the U.S. dollar are translated at the rate of exchange prevailing at period-end and revenues and expenses at average rates during the period. Gains or losses on translation of these items are included in the consolidated statement of income. Gains or losses on transactions which hedge these items are also included in the consolidated statement of income.

(l) Stock-Based Compensation

The company and its consolidated subsidiaries account for stock options using the fair value method. Under the fair value method, compensation expense for stock options is determined based on the fair value at the grant date using an option pricing model and charged to income over the vesting period.

(m) Business Combinations, Goodwill and Other Intangible Assets

The company accounts for business combinations using the purchase method of accounting which establishes specific criteria for the recognition of intangible assets separately from goodwill. Goodwill is not amortized, but is subjected to impairment tests on at least an annual basis.

(n) Carrying Value of Assets

The company assesses the carrying values of long-lived assets initially based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying value of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that the fair value is below the asset's carrying value. Fair value is determined based on quoted market prices when available, otherwise on the discounted cash flows over the life of the asset.

(o) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of cash flows and probabilities in assessing net recoverable amounts and net realizable values; tax and other provisions; hedge effectiveness; and fair values for disclosure purposes.

(p) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid short-term investments with original maturity less than 90 days.

(q) Changes in Accounting Policies

(i) Functional currency

During the first quarter of 2003, the U.S. dollar became the functional currency of the company's head office operations as a result of the increase in U.S. dollar-denominated activity of those operations as compared to prior years. Concurrent with this change in functional currency, the company adopted the U.S. dollar as its reporting currency. The prior year's financial statements have been translated into U.S. dollars using the current rate method.

(ii) Guarantees

Effective January 1, 2003 the company adopted the requirements of the CICA Accounting Guideline 14, "Disclosure of Guarantees" (AcG 14), which requires additional disclosure about a guarantor's obligations under certain guarantees in the financial statements. AcG 14 defines a guarantee as a contract that contingently requires the guarantor to make payments to a guaranteed party based on: (a) changes in the underlying economic characteristic that is related to an asset, liability or an equity security of the guaranteed party; (b) failure of another party to perform under an obligating agreement; or (c) failure of a third party to pay its indebtedness when due.

(r) Future Accounting Policy Changes

The following future accounting policy changes may have an impact on the company, although the impact, if any, has not been determined at this time. In July 2003, the CICA issued handbook section 1100, "Generally Accepted Accounting Principles". The section establishes standards for financial reporting in accordance with GAAP, and provides guidance on sources to consult when selecting accounting policies and determining appropriate disclosures when a matter is not dealt with explicitly in the primary sources of GAAP. The company will implement the new section prospectively beginning on January 1, 2004. Due to the prospective nature of this change, there is no impact on the company's consolidated financial statements as of the implementation date; however, as a result of the new standard the company will commence recording income arising from tenant leases and depreciation on buildings on a straight-line basis.

In March 2003, the CICA issued Section 3110, "Asset Retirement Obligations", effective for financial statements issued for fiscal years beginning on or after January 1, 2004. Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of a tangible long-lived asset. This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized to the book value of the related long-lived assets and are depreciated over the useful life of the related asset. Section 3110 is not expected to have a material impact on the consolidated financial statements of the company.

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" (AcG 15). AcG 15 provides guidance for applying the principles in Section 1590, "Subsidiaries", to those entities (defined as Variable Interest Entities (VIEs)), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack voting control, an obligation to absorb expected losses, or the right to share expected residual returns. AcG 15 requires consolidation of VIEs by the Primary Beneficiary, which is defined as the party which has exposure to the majority of a VIEs expected losses and/or expected residual returns. The company is in the process of assessing the impact of the amended standard on the consolidated financial statements.

In November 2003, the Accounting Standards Board (AcSB) approved a revision to CICA Section 3860, Financial Instruments: Disclosure and Presentation, to require certain obligations that must or could be settled with a variable number of the issuer's own equity instruments to be presented as a liability. It is expected that this will require the reclassification to liabilities of certain of the company's preferred shares and securities that are currently included in equity. Similar reclassifications are expected for the preferred equity securities issued by the company's subsidiaries.

Effective January 1, 2004, the company will adopt Accounting Guideline 13, "Hedging Relationships" (AcG 13), the new accounting guideline issued by the CICA which increases the documentation, designation and effectiveness criteria to achieve hedge accounting. The guideline requires the discontinuance of hedge accounting for hedging relationships previously established that do not meet the criteria at the date it is first applied. AcG 13 does not change the method of accounting for derivatives in hedging relationships, but EIC 128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments", effective when AcG 13 is adopted, requires fair value accounting for derivatives that do not qualify for hedge accounting.

(s) Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the 2003 presentation.

2. REAL ESTATE

MILLIONS	2003	2002
Commercial properties	**$ 6,622**	$ 5,960
Residential properties	**738**	650
Income producing land	**129**	78
Development properties	**774**	1,195
Real estate services	**48**	29
Total	**$ 8,311**	$ 7,912

Commercial Properties

MILLIONS	2003	2002
Commercial properties	**$ 7,137**	$ 6,385
Less: accumulated depreciation	**515**	425
Total	**$ 6,622**	$ 5,960

(a) Commercial properties carried at a net book value of approximately $2,380 million (2002 — $2,362 million) are situated on land held under leases or other agreements largely expiring after the year 2069. Minimum rental payments on land leases are approximately $22 million (2002 — $22 million) annually for the next five years and $996 million (2002 — $1,015 million) in total on an undiscounted basis.

During the year, the company disposed of whole and partial interests in properties for proceeds totalling $469 million. In addition, the company reclassified $558 million from development properties to commercial properties in respect of a commercial property for which the development period was substantially completed on December 31, 2003. The company also acquired a property in Washington, D.C. for $157.5 million.

(b) Construction costs of $7 million (2002 — $9 million) were capitalized to the commercial property portfolio for properties undergoing redevelopment in 2003.

Residential Properties

Residential properties include infrastructure, land and construction in progress for single family homes and condominiums.

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

Income Producing Land

MILLIONS	2003	2002
Timberlands — owned	**$ 89**	$ 40
Agricultural lands	**40**	38
Total	**$ 129**	$ 78

Income producing lands generate current income, which is included in income from real estate operations.

Development Properties

MILLIONS	2003	2002
Commercial development properties	**$ 509**	$ 826
Residential lots – owned	**246**	345
– optioned	**19**	24
Total	**$ 774**	$ 1,195

Development properties include commercial development land and density rights, and residential land owned and under option.

During 2003, the company capitalized construction and related costs of $123 million (2002 — $189 million) and interest costs of $44 million (2002 — $28 million) to its commercial development sites, and interest costs of $28 million (2002 — $17 million) to its residential land operations.

Real Estate Services

MILLIONS	2003	2002
Centract Residential Property Services	**$ 27**	$ 10
Brookfield LePage Facilities Management	**9**	7
Brookfield Residential Management Services	**4**	5
Royal LePage Commercial Brokerage Services	**8**	7
Total	**$ 48**	$ 29

Real estate services assets include the fixed and $20 million (2002 — $17 million) of goodwill and other intangible assets associated with the company's real estate services businesses. These services include residential and commercial brokerage, move management, facilities and condominium management and other services associated with commercial and residential real estate. Property management of the approximate 50 million square feet represented by the company's commercial property portfolio is included within these operations.

3. POWER GENERATION

MILLIONS	2003	2002
Property, plant and equipment		
Generation	**$ 1,762**	$ 1,336
Transmission	**130**	99
Distribution and other	**60**	44
	1,952	1,479
Less:		
Accumulated depreciation	**298**	209
	1,654	1,270
Investment in Louisiana HydroElectric Power	**228**	210
Generating facilities under development	**45**	107
Total	**$ 1,927**	$ 1,587

Generation includes the cost of the company's 44 hydroelectric generating stations (2002 — 37) in Ontario, Quebec, Maine, New Hampshire, British Columbia and Brazil, and the Lake Superior Power gas-fired cogeneration plant. Transmission and distribution is comprised of the cost of regulated transmission and distribution facilities located in northern Ontario.

The company's hydroelectric power facilities operate under various agreements for water rights which extend to or are renewable over terms through the years 2009 to 2044. The company's transmission and distribution network operates under a regulated rate base arrangement which is applied to its invested capital.

During 2003, the company completed the development of, through a 50%-owned joint venture, a 30 megawatt (MW) hydroelectric generating station in British Columbia for $51 million, and a 100%-owned 45 MW hydroelectric generation station in Ontario for a cost of $57 million. In addition, during 2003 the company acquired three hydroelectric generating stations located in New England, with a combined generating capacity of 17 MW for an aggregate cash purchase price of $28 million. In December 2003, the company's three hydroelectric generating stations in Brazil commenced operations with a total installed capacity of 60 MW.

During 2002, the company acquired 16 hydroelectric generating stations located in northern Ontario, Maine and New Hampshire with a combined generating capacity of 645 MW for an aggregate cash purchase price of $411 million. The operations were acquired in three separate transactions and include interconnections with the Ontario and New England power grids.

The company accounts for its 75% residual interest in the equity of Louisiana HydroElectric Power under the equity method as it does not have voting control over the investee. The financial statements of Louisiana HydroElectric Power for 2003 and 2002 are summarized as follows:

MILLIONS	2003	2002
Assets	**$ 1,044**	$ 1,015
Debt	**812**	806
Other liabilities	**100**	98
Operating revenues	**138**	133
Operating expenses	**35**	35
Net income	**21**	15

4. FUNDS MANAGEMENT

MILLIONS	Note	2003	2002
Portfolio securities	*(a)*	**$ 704**	$ 287
Loans and notes receivable	*(b)*	**409**	751
Other		**102**	100
Total		**$ 1,215**	$ 1,138

(a) Portfolio Securities

MILLIONS	2003	2002
Debentures	**$ 553**	$ 164
Preferred shares	**1**	19
Common shares	**150**	104
Total	**$ 704**	$ 287

Portfolio securities include $54 million (2002 — nil) of securities held within the company's trading portfolio which are recorded at fair market value. The balance of securities are carried at the lower of cost and their net realizable value. The fair value of securities at December 31, 2003 was $720 million (2002 — $268 million).

The portfolio consists of 31% (2002 — 18%) floating rate securities and 69% (2002 — 82%) fixed rate securities with an average yield of 6.8% (2002 — 8.0%) and an average maturity of approximately five years.

Portfolio securities include $5 million (2002 — $27 million) of investments in affiliates, principally equity accounted investees owned as part of funds management operations. Revenue earned on these securities during the year amounted to $1 million (2002 — $1 million).

(b) Loans and Notes Receivable

Loans and notes receivable include corporate loans, merchant banking loans and other loans, either underwritten on a primary basis or acquired in the secondary market.

The fair value of the company's loans and notes receivable at December 31, 2003 and 2002 approximated their carrying value based on expected future cash flows, discounted at market rates for assets with similar terms and investment risks.

Loans and notes receivable include $222 million (2002 — $416 million) denominated in Canadian dollars carried at a book value of C$288 million (2002 — C$658 million), as well as $24 million (2002 — $95 million) due from affiliates, which are principally equity accounted investees. Interest earned during the year on loans due from equity accounted investees amounted to $3 million (2002 — $6 million).

The loan portfolio matures between one year and three years, with an average maturity of approximately one year and consists of 90% floating rate loans (2002 — 82%) and 10% fixed rate loans (2002 — 18%) with an average yield of 6.6% (2002 — 9.1%).

Included in Other is $90 million (2002 — $86 million) of goodwill principally arising from the privatization of Brascan Financial Corporation during 2002.

5. INVESTMENTS

MILLIONS		Category	# of Shares	2003	% Interest	2002	% Interest
Real Estate							
Canary Wharf Group, plc	United Kingdom	*(a)*	52.8	**$ 153**	**9%**	$ —	—
Resources							
Noranda Inc.	Canada	*(b)*	122.6	**1,212**	**42%**	877	40%
Nexfor Inc.	Canada	*(b)*	63.8	**356**	**43%**	309	43%
Northgate Exploration Ltd.	Canada	*(b)*	—	**—**	**—**	67	42%
Katahdin Papers, LLC	United States	*(c)*	—	**76**	**100%**	—	—
Business Services							
Hotel and Ticket Services	Brazil	*(b)*	—	**24**	**23%/40%**	17	23%/40%
NBS/MediSolution	Canada	*(c)*	38.1/95.1	**72**	**91%/61%**	75	55%/41%
Banco Brascan, S.A.	Brazil	*(b)*	—	**45**	**40%**	37	40%
Other		*(c)*	—	**65**	**—**	82	—
Total				**$ 2,003**		$ 1,464	

Included in the carrying value of the company's long-term investments in Noranda and Nexfor is a net amount of $273 million which represents the excess of acquisition costs over the company's share of the net book value of these investments. The carrying values of each of Noranda and Nexfor are subject to periodic reviews to assess whether any impairments are other than temporary.

These assets are categorized for accounting treatment as follows:

MILLIONS	2003	2002
(a) Portfolio investment	**$ 153**	$ —
(b) Equity accounted investments	**1,637**	1,307
(c) Fixed and other assets	**213**	157
Total	**$ 2,003**	$ 1,464

Fixed and other assets includes $75 million (2002 — $54 million) of goodwill and other intangibles associated with Brascan's business services activities including contracts and intellectual property.

6. FINANCIAL ASSETS

MILLIONS	2003	2002
Government bonds	**$ 49**	$ 51
Corporate bonds	**387**	230
Preferred shares	**342**	397
Common shares	**76**	40
Total	**$ 854**	$ 718

Financial assets are comprised of securities that are not an active component of the company's funds management operations (see Note 4).

The fair value of financial assets as at December 31, 2003 was $852 million (2002 — $708 million). The portfolio consists of 20% (2002 — 46%) floating rate securities and 80% (2002 — 54%) fixed rate securities with an average yield of 4.2% (2002 — 5.9%).

Financial assets include $356 million (2002 — $302 million) of securities of affiliates, principally equity accounted investees. Revenue earned on these securities during the year amounted to $24 million (2002 — $24 million).

7. ACCOUNTS RECEIVABLE AND OTHER

MILLIONS	Note	2003	2002
Accounts receivable	*(a)*	**$ 1,053**	$ 807
Prepaid expenses and other assets	*(b)*	**508**	411
Future income tax assets	*(c)*	**62**	53
Total		**$ 1,623**	$ 1,271

(a) Accounts Receivable

MILLIONS	2003	2002
Real estate	**$ 231**	$ 399
Power generation	**131**	78
Funds management	**449**	133
Other	**242**	197
Total	**$ 1,053**	$ 807

Included in accounts receivable are Executive Share Ownership Plan loans receivable by the corporation from its executives of $12 million (2002 — $12 million) and similar loans receivable by consolidated subsidiaries from their executives of $18 million (2002 — $25 million). No loans have been made since July 2002.

(b) Prepaid Expenses and Other Assets

MILLIONS	2003	2002
Real estate	**$ 475**	$ 291
Funds management	**—**	46
Other	**33**	74
Total	**$ 508**	$ 411

(c) Future Income Tax Assets

MILLIONS	2003	2002
Tax assets related to operating and capital losses	**$ 744**	$ 504
Tax liabilities related to differences in tax and book base	**(682)**	(451)
Future income tax assets	**$ 62**	$ 53

The future income tax assets relate primarily to non-capital losses available to reduce taxable income which may arise in the future. The company and its Canadian subsidiaries have future income tax assets of $482 million (2002 — $247 million) that relate to non-capital losses which expire over the next seven years, and $68 million (2002 — $56 million) that relate to capital losses which have no expiry. The company's U.S. subsidiaries have future income tax assets of $194 million (2002 — $201 million) that relate to net operating losses which expire over the next 17 years. The amount of non-capital losses and deductible temporary differences for which no future income tax assets have been recognized is approximately $645 million (2002 — $722 million).

8. NON-RECOURSE BORROWINGS

(a) Property Specific Mortgages

MILLIONS	2003	2002
Commercial properties	**$ 4,149**	$ 4,413
Power generation	**732**	579
Total	**$ 4,881**	$ 4,992

Property specific mortgages include $1,632 million (2002 — $1,094 million) repayable in Canadian dollars equivalent to C$2,122 million (2002 — C$1,728 million) and $43 million (2002 — $48 million) in Brazilian *reais* equivalent to R$124 million (2002 — R$170 million). The weighted average interest rate at December 31, 2003 was 6.6% (2002 — 6.9%).

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

MILLIONS	Annual Repayments
2004	$ 288
2005	499
2006	167
2007	615
2008	255
Thereafter	3,057
Total	$ 4,881

(b) Other Debt of Subsidiaries

MILLIONS	2003	2002
Funds management	**$ 647**	$ 587
Power generation	**375**	375
Real estate	**576**	429
International operations and other	**477**	476
Total	**$ 2,075**	$ 1,867

Other debt of subsidiaries include $539 million (2002 — $619 million) repayable in Canadian dollars equivalent to C$701 million (2002 — C$978 million) and $15 million (2002 — $57 million) in Brazilian *reais* equivalent to R$43 million (2002 — R$202 million). The weighted average interest rate at December 31, 2003 was 6.6% (2002 — 7.1%).

Real estate debt represents $576 million (2002 — $429 million) drawn under construction financing facilities which are typically established on a project by project basis. Amounts drawn are repaid from the proceeds on the sale of building lots, single family houses and condominiums and redrawn to finance the construction of new homes.

Other debt of subsidiaries include obligations pursuant to financial instruments which are recorded as liabilities. These amounts include $327 million (2002 — $272 million) of obligations relating to the company's international operations subject to credit rating provisions, which are supported directly and indirectly by corporate guarantees.

Principal repayments on other debt of subsidiaries over the next five years and thereafter are as follows:

MILLIONS	Funds Management	Power Generation	Residential Properties	International and Other	Total
2004	$ 62	$ 175	$ 386	$ 87	$ 710
2005	96	200	107	55	458
2006	96	—	65	2	163
2007	183	—	18	3	204
2008	3	—	—	3	6
Thereafter	207	—	—	327	534
Total	$ 647	$ 375	$ 576	$ 477	$ 2,075

The fair value of property specific mortgages and other debt of subsidiaries exceeds the book value by $198 million (2002 — $182 million), determined by way of discounted cash flows using market rates adjusted for credit spreads applicable to the debt.

9. CORPORATE BORROWINGS

MILLIONS	2003	2002
Publicly traded term debt	**$ 1,100**	$ 850
Privately held term debt	**113**	112
Commercial paper and bank borrowings	**—**	73
Total	**$ 1,213**	$ 1,035

Commercial paper and bank borrowings are incurred under the company's bank credit facilities, which are in the form of 364-day revolving facilities totalling $522 million as at December 31, 2003, convertible at the company's option into three-year amortizing term facilities on each anniversary. These facilities are at floating rates and have a weighted average interest rate of 2.7% (2002 — 2.5%).

Term debt borrowings, which have maturity dates up to 2033, have a weighted average interest rate of 5.4% (2002 — 5.2%), and include $13 million (2002 — $12 million) repayable in Canadian dollars equivalent to C$17 million (2002 — C$19 million).

During 2003, the company issued $200 million of 5.75% publicly traded term debt due March 2010 and $250 million of 7.375% publicly traded term debt due March 2033. During 2002, the company issued $350 million of 7.125% publicly traded term debt due June 2012.

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

MILLIONS	Annual Repayments
2004	$ 101
2005	9
2006	2
2007	1
2008	300
Thereafter	800
Total	$ 1,213

The fair value of corporate borrowings at December 31, 2003 exceeds the book value by $140 million (2002 — $79 million), determined by way of discounted cash flows using market rates adjusted for the company's credit spreads.

10. ACCOUNTS AND OTHER PAYABLES

MILLIONS	Note	2003	2002
Accounts payable	*(a)*	**$ 1,163**	$ 932
Other liabilities	*(b)*	**582**	330
Total		**$ 1,745**	$ 1,262

(a) Accounts Payable

MILLIONS	2003	2002
Real estate	**$ 375**	$ 359
Power generation	**89**	101
Funds management	**419**	156
Other	**280**	316
Total	**$ 1,163**	$ 932

(b) Other Liabilities

Other liabilities include provisions for tax, currency and other financial obligations, as well as the fair value of the company's obligations to deliver securities it did not own at the time of sale and those pursuant to financial instruments recorded as liabilities.

11. MINORITY INTERESTS OF OTHERS IN ASSETS

Minority interests of others in assets represent the common equity in consolidated subsidiaries that is owned by other shareholders. The balances are as follows:

MILLIONS	2003	2002
Real estate operations	**$ 1,295**	$ 1,236
Power generation	**184**	164
Other	**37**	56
Total	**$ 1,516**	$ 1,456

During the year ended December 31, 2002, the company completed the privatization of its financial operations conducted through Brascan Financial Corporation ("Brascan Financial") for consideration of $227 million in cash, 11.4 million common shares, and 1.1 million Class A, Series 11 preferred shares. In addition, 3.0 million Brascan Corporation options were issued in exchange for Brascan Financial options pursuant to the tender offer. The fair value of the consideration paid amounted to $489 million with the purchase price being allocated to the estimated fair values of tangible and intangible assets. Goodwill on the transaction amounted to $73 million and was allocated to the underlying reporting business units.

12. PREFERRED EQUITY — CORPORATE AND SUBSIDIARIES

Corporate Preferred Equity

Corporate preferred equity outstanding:

MILLIONS	Note	2003	2002
Corporate			
Preferred shares	*(a)*	**$ 693**	$ 576
Preferred securities	*(b)*	**159**	159
Total		**$ 852**	$ 735

(a) Corporate — Preferred Shares

The company has issued the following preferred shares:

MILLIONS	Rate	Term	2003	2002
Class A Preferred Shares				
Series 1	65% P	Retractable	**$ —** [1]	$ — [1]
Series 2	70% P	Perpetual	**$ 169**	$ 169
Series 3	B.A. + 40 b.p. [2]	Perpetual	**75**	75
Series 4 + 7	70% P/8.5%	Perpetual	**45**	45
Series 8	Variable up to P	Perpetual	**17**	17
Series 9	5.63%	Perpetual	**46**	46
Series 10	5.75%	Perpetual	**159**	159
Series 11	5.50%	Perpetual	**65**	65
Series 12	5.40%	Perpetual	**117**	—
Total			**$ 693**	$ 576

1 Included in accounts and other payables

2 Rate determined in a monthly auction

P — Prime Rate B.A. — Banker's Acceptance Rate b.p. — Basis Points

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

The following Class A preferred shares are issued and outstanding:

NUMBER OF SHARES	2003	2002
Class A Preferred Shares		
Series 1	**18,891**	18,891
Series 2	**10,465,100**	10,465,100
Series 3	**1,171**	1,171
Series 4 + 7	**2,800,000**	2,800,000
Series 8	**1,049,792**	1,049,792
Series 9	**2,950,208**	2,950,208
Series 10	**10,000,000**	10,000,000
Series 11	**4,032,401**	4,032,401
Series 12	**7,000,000**	—

The Class A preferred shares have preference over the Class AA preferred shares, which in turn are entitled to preference over the Class A and Class B common shares on the declaration of dividends and other distributions to shareholders. All series of the outstanding preferred shares have a par value of C$25 per share, except the Class A, Series 3 preferred shares which have a par value of C$100,000 per share.

The Series 10, 11 and 12 shares, unless redeemed by the company, are convertible into Class A shares at a price equal to the greater of 95% of the market price at the time of conversion and C$2.00, at the option of both the company and the holder, at any time after the following dates:

	Redemption Date	Company's Option	Holder's Option
Series 10	September 30, 2008	September 30, 2008	March 31, 2012
Series 11	June 30, 2009	June 30, 2009	December 31, 2013
Series 12	March 31, 2014	March 31, 2014	March 31, 2018

During 2003, the company issued 7,000,000 Series 12 5.4% preferred shares for cash proceeds of C$175 million by way of a public offering.

During 2002, the company issued 2,940,000 Series 11 5.5% preferred shares for cash proceeds of C$73.5 million by way of a public offering and 1,092,401 Series 11 preferred shares valued at C$27 million in connection with the privatization of the financial operations. The company also eliminated C$83 million Series 3 preferred shares and C$100 million Series 9 preferred shares acquired by subsidiaries.

(b) Corporate — Preferred Securities

The company has the following preferred securities outstanding:

MILLIONS	2003	2002
8.35% due 2050	**$ 79**	$ 79
8.30% due 2051	**80**	80
Total	**$ 159**	$ 159

During 2002, the company issued C$125 million 8.30% preferred securities due 2051. The preferred securities are subordinated and unsecured. The company may redeem the preferred securities in whole or in part five years after the date of issue at a redemption price equal to 100% of the principal amount of the preferred securities plus accrued and unpaid distributions thereon to the date of such redemption. The company may elect to defer interest payments on the preferred securities for periods of up to five years and may settle deferred interest and principal payments by way of cash, preferred shares or common shares of the company.

Subsidiary Preferred Shares

Subsidiaries of the corporation have issued the following perpetual preferred shares:

MILLIONS	2003	2002
Commercial real estate	**$ 722**	$ 263
Funds management	**287**	187
Total	**$ 1,009**	$ 450

During 2003, the company's real estate operations issued 4,400,000 Class AAA, Series G preferred shares, 8,000,000 Class AAA, Series H preferred shares, and 8,000,000 Class AAA, Series I preferred shares for proceeds of $415 million.

13. COMMON EQUITY

The company is authorized to issue an unlimited number of Class A Limited Voting Shares ("Class A common shares") and 85,120 Class B Limited Voting Shares ("Class B common shares"), together referred to as common shares.

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

MILLIONS	Rate	Maturity	2003	2002
Convertible Notes				
Series I	B.A. + 40 b.p. [1]	2085	**$ 44**	$ 49
Series II	4.0% [2]	2088	**8**	15
			52	64
Class A and B common shares			**1,188**	1,237
Retained earnings			**1,685**	1,491
Cumulative translation adjustment			**99**	(167)
Common equity			**$ 3,024**	$ 2,625
NUMBERS OF SHARES				
Class A common shares			**170,661,953**	174,052,617
Class B common shares			**85,120**	85,120
			170,747,073	174,137,737
Unexercised options			**7,575,518**	6,701,708
Reserved for conversion of subordinated notes			**2,528,137**	3,105,202
Total diluted common shares			**180,850,728**	183,944,647

1 Rate determined in a semi-annual auction, maximum 10%

2 Rate determined as 120% of the current common share dividend

B.A. — Banker's Acceptance Rate b.p. — Basis Points

(a) Convertible Notes

The Convertible Notes are subordinate to the company's senior debt and the company may, at its option, pay principal and interest due on the notes in Class A common shares of the company.

The Series I and II Convertible Notes are convertible at the option of the holder at any time into a total of 2,528,137 (2002 — 3,105,202) Class A common shares at conversion prices of C$32.00 and C$31.00 per share, respectively, and are redeemable at any time at the company's option.

(b) Class A and Class B Common Shares

The company's Class A common shares and its Class B common shares are each, as a separate class, entitled to elect one-half of the company's Board of Directors. Shareholder approvals for matters other than for the election of Directors, must be received from the holders of the company's Class A common shares as well as the Class B common shares, each voting as a separate class.

During 2003 and 2002 the number of issued and outstanding common shares changed as follows:

NUMBER OF SHARES	2003	2002
Outstanding at beginning of year	**174,137,737**	169,781,433
Issued (repurchased):		
Dividend reinvestment plan	**38,834**	14,912
Management share option plan	**390,800**	80,000
Conversion of debentures and minority interests	**749,538**	2,293
In exchange for shares of Brascan Financial	**8,164**	11,379,399
Normal course issuer bid	**(4,578,000)**	(7,120,300)
Outstanding at end of year	**170,747,073**	174,137,737

In 2003, under a normal course issuer bid, the company repurchased 4,578,000 (2002 — 7,120,300) Class A common shares at a cost of $102 million (2002 — $143 million). During 2002, 11,379,399 Class A common shares were issued on the privatization of Brascan Financial at a price of C$34.00 per share for total consideration of C$387 million. Proceeds from the issuance of common shares pursuant to the company's dividend reinvestment plan and management share option plan ("MSOP"), totalled $7 million (2002 — $1 million).

(c) Earnings Per Share

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

MILLIONS	2003	2002
Net income	**$ 408**	$ 83
Convertible note interest	**(2)**	(2)
Preferred security distributions	**(15)**	(11)
Preferred share dividends	**(43)**	(33)
Net income available for common shareholders	**$ 348**	$ 37
Weighted average outstanding common shares	**172**	172
Dilutive effect of the conversion of notes and options	**10**	10
Common shares and common share equivalents	**182**	182

(d) Stock-Based Compensation

Options issued under the company's MSOP vest proportionately over five years and expire 10 years after the grant date. The exercise price is equal to the market price at the grant date. During 2003, the company granted 1,325,000 options with an exercise price of C$29.97 per share. The cost of the options was determined using the Black-Scholes model of valuation, assuming a 7.5 year term, 20% volatility, a weighted average expected dividend yield of 3.44% annually and an interest rate of 4.11%. The cost of $4 million is charged to employee compensation expense over the five-year vesting period of the options granted.

The changes in the number of options during 2003 and 2002 were as follows:

	2003		2002	
	Number of Options (000'S)	Weighted Average Exercise Price	Number of Options (000'S)	Weighted Average Exercise Price
Outstanding at beginning of year	**6,702**	**C$24.25**	3,475	C$24.01
Granted	**1,325**	**29.97**	500	28.72
Exercised	**(392)**	**20.38**	(221)	19.15
Converted	**—**	**—**	3,004	23.31
Cancelled	**(59)**	**28.18**	(56)	22.70
Outstanding at end of year	**7,576**	**C$25.41**	6,702	C$24.25
Exercisable at end of year	**3,882**		3,321	

During 2002, three million options were issued to officers of Brascan Financial in exchange for options held by them in that company.

At December 31, 2003, the following options to purchase Class A common shares were outstanding:

NUMBER OUTSTANDING (000'S)	Exercise Price	Weighted Average Remaining Life	Number Exercisable (000's)
1,509	C$13.20 — C$19.20	5.8 yrs.	905
1,496	C$19.30 — C$22.70	5.4 yrs.	1,007
4,571	C$24.95 — C$33.22	7.0 yrs.	1,970
7,576			3,882

A Restricted Share Unit Plan is offered to executive officers and non-employee directors of the company. Under this plan, each officer and director may choose to receive all or a percentage of his or her annual incentive bonus or directors fees in the form of Deferred Share Units ("DSUs") and Restricted Share Appreciation Units ("RSAUs"). The DSUs and RSAUs vest over a five-year period, and DSUs accumulate additional DSUs at the same rate as dividends on common shares. Officers and directors are not allowed to convert DSUs and RSAUs into cash until retirement or cessation of employment. The value of the DSUs, when converted to cash, will be equivalent to the market value of the common shares at the time the conversion takes place. The value of the RSAUs when converted into cash will be equivalent to the difference between the market price of equivalent numbers of common shares at the time the conversion takes place, less the market price on the date the RSAUs are granted. The value of the vested and unvested DSUs and RSAUs as at December 31, 2003 was $43 million (2002 — $6 million).

Employee compensation expense for these plans is charged against income over the vesting period of the DSUs and RSAUs. Changes in the amount payable by the company in respect of vested DSUs and RSAUs as a result of dividends and share price movements are recorded as employee compensation expense in the period of the change.

Employee compensation expense related to these plans for the year ended December 31, 2003 including those of operating subsidiaries was $15 million (2002 — $6 million).

(e) Other

Loans receivable from officers of the company of $1 million (2002 — $5 million) owing under the company's Management Share Purchase Plan are secured by fully paid Class A common shares of the company and are deducted from shareholders' equity. All loans were fully repaid in January 2004.

14. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

(a) Derivative Financial Instruments

The company and its subsidiaries use derivative financial instruments including interest rate swaps, cross currency interest rate swaps, commodity swaps, commodity options and foreign exchange forward contracts to manage risk.

Management evaluates and monitors the credit risk of its derivative financial instruments and endeavours to minimize credit risk through offset arrangements, collateral, and other credit risk mitigation techniques. The credit risk of derivative financial instruments is limited to the replacement value of the instrument, and takes into account any replacement cost and future credit exposure. The replacement value or cost of interest rate swap contracts which form part of financing arrangements is calculated by way of discounted cash flows using market rates adjusted for credit spreads.

The company endeavours to maintain a matched book of currencies and interest rates. However, unmatched positions are carried, on occasion, within predetermined exposure limits. These limits are reviewed on a regular basis and the company believes the exposures are manageable and not material in relation to its overall business operations.

At December 31, 2003, the company held foreign exchange contracts with a notional amount of $2,669 million at an average exchange rate of 1.317 and a replacement value in excess of that recorded in the company's accounts of $4 million to manage its Canadian dollar exposure. At December 31, 2002, the company held foreign exchange contracts with a notional amount of $1,652 million at an average exchange rate of 1.565 and a replacement value in excess of that recorded in the company's accounts of $6 million to manage its U.S. dollar exposure. All of the foreign exchange contracts at December 31, 2003 had a maturity of less than one year. The company also held interest rate swap contracts having a notional amount of $1,125 million (2002 — $882 million) with a replacement value in excess of that recorded in the company's accounts of $2 million (2002 — $33 million). These contracts expire over a 9-year period.

At December 31, 2003, the company's Canadian dollar functional subsidiaries held U.S. dollar foreign exchange contracts with a notional amount of $989 million (2002 — $702 million) at an average exchange rate of 1.338 (2002 — 1.536) and a replacement value in excess of that recorded in the company's accounts of $3 million (2002 — nil), and contracts with a replacement cost in excess of that recorded in the company's accounts of $1 million (2002 — nil). These contracts expire over the next four years.

The company's subsidiaries also held interest rate swap contracts as at December 31, 2003 with a total notional amount of $1,068 million (2002 — $1,583 million). These interest rate swap contracts were comprised of contracts with a replacement cost in excess of that recorded in the company's accounts of $12 million (2002 — $1 million), and contracts with a replacement value in excess of that recorded in the company's accounts of $18 million (2002 — $28 million). The interest rate swap transactions have maturities varying from one to 20 years.

Included in 2003 income are net gains on foreign currency amounting to $55 million and included in the cumulative translation adjustment account are losses net of taxes in respect of foreign currency contracts entered into for hedging purposes amounting to $263 million, which have been more than offset by translation gains on the underlying net assets.

(b) Derivative Commodity Instruments

The company has entered into energy derivative contracts primarily to hedge the sale of generated power. The company endeavours to link forward electricity sale derivatives to specific periods in which it anticipates generating electricity for sale. The company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of the hedged items. As at December 31, 2003, the energy derivative contracts were comprised of contracts with a replacement cost in excess of that recorded in the company's accounts of $28 million (2002 — $45 million), as well as contracts with a replacement value in excess of that recorded in the company's accounts of $23 million (2002 — $24 million).

The company has entered into forward gold sale contracts to hedge its exposure to fluctuations in the price of gold. As at December 31, 2003 the company held no forward sale gold contracts. As at December 31, 2002 the company held forward contracts for the sale of 500,000 ounces of gold for delivery in 2003 at an average price of $327 per ounce. The unrealized loss on these contracts was approximately $10 million as at December 31, 2002. In addition, the company deferred $3 million of realized gains on gold forwards in accounts and other payables as at December 31, 2002. These deferred amounts were recognized in 2003.

(c) Commitments, Guarantees and Contingencies

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

In the normal course of business, the company and its subsidiaries enter into financing commitments. At the end of 2003, the company and its subsidiaries had $467 million (2002 — $265 million) in such commitments outstanding. The company's subsidiaries maintain credit facilities and other financial assets to fund these commitments.

As at September 11, 2001, the company owned eight million square feet of space in four office towers surrounding the World Trade Center site. To date, approximately $202 million has been received for property and business interruption claims relating to these properties. The company's insurance claim adjustment process is ongoing. Due to the complexity of the issues involved, this process will take additional time to conclude. Based upon the company's review of its insurance policies and consultation with outside legal experts, the company anticipates a substantial recovery of its losses in rental revenue and costs associated with the repairs of its properties.

All buildings in downtown Manhattan were reopened and available for re-occupancy by the first quarter of 2002. No material lease cancellations in the New York portfolio occurred as a result of the events of September 11.

The company has acquired $500 million of insurance for damage and business interruption costs sustained as a result of an act of terrorism. However, a terrorist act could have a material effect on the company's assets to the extent damages exceed the coverage. The company has reviewed its loan agreements and believes it is in compliance, in all material respects, with the contractual obligations therein.

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

Reinsurance

The company conducts finite risk reinsurance operations as part of its funds management activities and accounts for the assets and liabilities associated with such contracts as deposits. As at December 31, 2003, the company held reinsurance assets of $822 million (2002 — $621 million) which were offset in each year by an equal amount of reserves and other liabilities. Net fee income earned on reinsurance operations was $15 million (2002 — $14 million) representing $506 million (2002 — $177 million) of premium and other revenues offset by $491 million (2002 — $163 million) of reserves and other expenses.

15. NET OPERATING INCOME

Net operating income for each business segment is equal to revenue less all attributable expenses except interest, depreciation and amortization, minority share of income and tax expenses. The details are as follows:

(a) Real Estate

MILLIONS	2003	2002
Revenue, including property gains	**$ 2,567**	$ 2,441
Expenses	**1,626**	1,636
Net	**$ 941**	$ 805

(b) Power Generation

MILLIONS	2003	2002
Revenue	**$ 320**	$ 208
Expenses	**148**	55
Net	**$ 172**	$ 153

(c) Funds Management

MILLIONS	2003	2002
Revenue	**$ 260**	$ 214
Expenses	**94**	74
Net	**$ 166**	$ 140

(d) Other Operations

MILLIONS	2003	2002
Revenue	**$ 223**	$ 201
Expenses	**67**	85
Net	**$ 156**	$ 116

16. MINORITY INTERESTS OF OTHERS

Minority interests of others is segregated into their share of income before non-cash items and their share of non-cash items. The minority share of income before non-cash items represents the portion of income before non-cash items attributable to the minority's interest, whether remitted or unremitted. The minority share of non-cash items represents the portion of depreciation and amortization and taxes and other provisions attributable to minority's interest. The details of minority interest expense are as follows:

MILLIONS	2003	2002
Distributed as dividends		
Preferred	**$ 25**	$ 25
Common	**62**	55
Undistributed	**132**	123
Minority interest expense	**$ 219**	$ 203
Minority share of income before non-cash items	**$ 319**	$ 287
Minority share of non-cash items	**(100)**	(84)
Minority interest expense	**$ 219**	$ 203

17. INCOME TAXES

The difference between the statutory income tax rate of 37% (2002 — 39%) and the effective income tax rate of 24% (2002 — 33%) is attributable principally to dividends subject to tax prior to receipt by the company of -4% (2002 — - -26%), equity accounted earnings that have already been tax effected by the investees of -5% (2002 — 28%), changes in Canadian tax rates of -1% (2002 — nil) and other of -3% (2002 — -8%).

18. EQUITY ACCOUNTED INCOME (LOSS) FROM INVESTMENTS

The company's equity accounted income (loss) from investments consists of the following:

MILLIONS	2003	2002
Noranda	**$ 11**	$ (186)
Nexfor	**54**	5
Total	**$ 65**	$ (181)

19. JOINT VENTURES

The following amounts represent the company's proportionate interest in incorporated and unincorporated joint ventures reflected in the company's accounts.

MILLIONS	2003	2002
Assets	**$ 2,369**	$ 1,851
Liabilities	**1,421**	1,087
Operating revenues	**406**	334
Operating expenses	**192**	165
Net income	**49**	36
Cash flows from operating activities	**149**	87
Cash flows from investing activities	**12**	—
Cash flows from financing activities	**(18)**	(34)

20. POST-EMPLOYMENT BENEFITS

The company offers a number of pension and other post employment benefit plans to its employees. The company's obligations under its defined benefit pension plans are determined periodically through the preparation of actuarial valuations. As of December 31, 2003, assets of the plans totalled $38 million (2002 — $28 million), accrued benefit obligations totalled $49 million (2002 — $37 million) and unamortized transitional obligations and net actuarial losses totalled $10 million (2002 — $8 million), for a net accrued benefit liability of $1 million (2002 — $1 million). Included in the accrued benefit obligations is $6 million ($2002 — $5 million) related to other post employment benefits. The benefit plan expense for 2003 was $2 million (2002 — $0.3 million). The discount rate used was 6% (2002 — 7%) with an increase in the rate of compensation of 4% (2002 — 4%) and an investment rate of 7% (2002 — 7%).

21. SUPPLEMENTAL CASH FLOW INFORMATION

MILLIONS	2003	2002
Corporate borrowings		
Issuances	**$ 450**	$ 413
Repayments	**(273)**	(204)
Net	**$ 177**	$ 209
Property specific mortgages		
Issuances	**$ 725**	$ 795
Repayments	**(1,109)**	(312)
Net	**$ (384)**	$ 483
Other debt of subsidiaries		
Issuances	**$ 174**	$ 61
Repayments	**(92)**	(185)
Net	**$ 82**	$ (124)
Real estate		
Dispositions	**$ 610**	$ 295
Investments	**(771)**	(408)
Net	**$ (161)**	$ (113)
Funds management		
Securities sold	**$ 306**	$ 20
Securities purchased	**(698)**	(297)
Loans collected	**1,262**	899
Loans advanced	**(959)**	(904)
Net	**$ (89)**	$ (282)
Financial assets		
Securities sold	**$ 500**	$ 315
Securities purchased	**(545)**	(173)
Net	**$ (45)**	$ 142

Cash taxes paid were $42 million (2002 — $16 million) and are included in other operating costs and taxes. Cash interest paid totalled $490 million (2002 — $463 million).

22. SHAREHOLDER DISTRIBUTIONS

MILLIONS	2003	2002
Common equity		
Common share dividends	**$ 124**	$ 110
Convertible note interest	**2**	2
Total	**$ 126**	$ 112
Preferred equity		
Preferred share dividends	**$ 43**	$ 33
Preferred security distributions	**15**	11
Total	**$ 58**	$ 44

23. DIFFERENCE FROM UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Canadian generally accepted accounting principles ("Canadian GAAP") differ in some respects from the principles that the company would follow if its consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

The effects of the significant accounting differences between Canadian GAAP and US GAAP on the company's balance sheets and the statements of income, retained earnings and cash flow for the years then ended are quantified and described in this note.

(a) Income Statement Differences

The significant differences in accounting principles between the company's income statements and those prepared under US GAAP are summarized in the following table:

MILLIONS	Note	2003	2002
Net income as reported under Canadian GAAP		**$ 408**	$ 83
Adjustments			
Increase (reduction) of equity accounted income	*(i)*	**(28)**	14
Change in deferred income taxes	*(ii)*	**37**	50
Convertible note and preferred security distributions	*(iii)*	**(17)**	(13)
Conversion of convertible notes and preferred securities	*(iv)*	**(45)**	—
Stock options	*(v)*	**—**	(14)
Market value adjustments	*(vi)*	**26**	(17)
Increased commercial property income	*(vii)*	**18**	14
Increased commercial property depreciation	*(viii)*	**(60)**	(64)
Minority shareholders' interests and other	*(ix)*	**—**	(15)
Net income under US GAAP		**$ 339**	$ 38
Per share amounts under US GAAP			
Net income			
Basic		**$ 1.72**	$ 0.03
Diluted		**$ 1.69**	$ 0.02

(i) Equity accounted income

Under US GAAP, the company's equity accounted income has been adjusted for differences in the accounting treatment by the underlying company as follows:

Accounting Treatment	Canadian GAAP	US GAAP
For 2003 and 2002		
Start-up costs	defer and amortize	expense as incurred
Pension accounting	valuation allowance	no valuation allowance/ additional minimum liability
Derivative instruments and hedging activities	See Note 1 and Note 14	See Note 23(a)(vi)
Asset retirement obligations	expense as incurred	accrue retroactively

Canadian GAAP requires recognition of a pension valuation allowance for any excess of the prepaid benefit expense over the expected future benefit. Changes in the pension valuation allowance are recognized in the Consolidated

Statement of Income. US GAAP does not specifically address pension valuation allowances. In 2002, US regulators determined that such allowances would not be permitted under US GAAP. In light of these developments, Noranda eliminates the effects of recognizing pension valuation allowances.

As a result of differences in the original carrying value of Noranda's Magnesium project under Canadian GAAP and US GAAP, there is a reduction in the amount of the asset impairment charge in 2002 under US GAAP.

(ii) Deferred income taxes

The change in deferred income taxes includes the tax effect of the income statement adjustments under US GAAP. Also, under Canadian GAAP the tax rates applied to temporary differences and losses carried forward are those which are substantively enacted. Under US GAAP, tax rates are applied to temporary differences and losses carried forward only when they are enacted. In 2003, there was no difference between the substantively enacted rates used under Canadian GAAP and the enacted rates used under US GAAP.

(iii) Convertible note and preferred security distributions

Under Canadian GAAP, the company's subordinated convertible notes and preferred securities are treated as equity with interest paid thereon recorded as a distribution from retained earnings. This results from the company's ability to repay these notes and meet interest obligations by delivering its common shares to the holders. Under US GAAP, the subordinated convertible notes and preferred securities would be recorded as indebtedness with the corresponding interest paid recorded as a charge to income. There is no effect on basic or diluted net income per share.

(iv) Conversion of convertible note and preferred securities

Under Canadian GAAP, the company's subordinated convertible notes and preferred securities are treated as equity and converted into the company's functional currency at historic rates. Under US GAAP, the subordinated convertible notes and preferred securities would be recorded as indebtedness and converted into the company's functional currency at current rates with the corresponding foreign exchange recorded as a charge to income.

(v) Stock options

Fair value accounting for stock-based compensation was adopted by the company under Canadian GAAP effective January 1, 2002, which substantially harmonized Canadian GAAP with US GAAP. The amount recorded as an adjustment in 2002 reflects the difference in accounting for a plan amendment between US GAAP and the transition rules under Canadian GAAP.

(vi) Market value adjustments

Under Canadian GAAP, the company generally records short-term investments at the lower of cost and net realizable value, with any unrealized losses in value included in the determination of net income. However, the company has identified certain distinct portfolios of securities which it has designated to be carried at fair value under Canadian GAAP. Under US GAAP, all trading securities are carried at market, with unrealized gains and losses included in the determination of net income. The adjustment for the year ended December 31, 2003 to record unrealized gains and losses not already recognized under Canadian GAAP was $2 million (2002 — -$18 million).

Under US GAAP, all derivative financial instruments are recognized in the financial statements and measured at fair value. Changes in the fair value of derivative financial instruments are recognized periodically in either income

or shareholders' equity (as a component of other comprehensive income), depending on whether the derivative is being used to hedge changes in fair value or cash flows. For derivatives designated as cash flow hedges, the effective portions of changes in fair value of the derivative are reported in other comprehensive income and are subsequently reclassified into net income when the hedged item affects net income. Changes in the fair value of derivative financial instruments that are not designated in a hedging relationship and ineffective portions of hedges are recognized in income. The unrealized adjustment for the year ended December 31, 2003 was $24 million (2002 — $1 million).

The effects of accounting for derivatives in accordance with US GAAP for the year ended December 31, 2003 resulted in an increase in assets of $107 million (2002 — $95 million), an increase in liabilities of $28 million (2002 — $105 million), an increase in other comprehensive income of $75 million (2002 — a decrease of $11 million) and an increase in net income of $14 million (2002 — $6 million) within the company's consolidated financial statements. During the year ended December 31, 2003, $7 million (2002 — $1 million) of net derivative gains were reclassified from other comprehensive income to income. Over the next 12 months, principally on the settlement of certain contracts in Noranda, the company expects to reclassify $23 million, representing its share of net gains on these contracts from other comprehensive income to income.

(vii) Increased commercial property income

Under Canadian GAAP, rental revenue is recognized over the term of the lease as it becomes due where increases in rent are intended to offset the estimated effects of inflation. Under US GAAP, rental revenue is recognized on a straight-line basis over the term of the lease.

(viii) Increased commercial property depreciation

Under Canadian GAAP, commercial properties have been depreciated using the sinking-fund method. Under US GAAP, commercial properties are depreciated on a straight-line basis.

(ix) Minority shareholders' interests and other

Minority shareholders' interests and other has been adjusted for the differences between Canadian GAAP and US GAAP and includes $20 million (2002 — $4 million) of start-up costs which are deferred and amortized under Canadian GAAP and expensed under US GAAP.

(b) Comprehensive Income

US GAAP requires a statement of comprehensive income which incorporates net income and certain changes in equity. Comprehensive income (loss) is as follows:

MILLIONS	Note	2003	2002
Net income under US GAAP		**$ 339**	$ 38
Market value adjustments	*(i)*	**243**	6
Minimum pension liability adjustment	*(ii)*	**23**	(101)
Foreign currency translation adjustments	*(iii)*	**269**	(112)
Taxes on other comprehensive income		**(45)**	47
Comprehensive income (loss)		**$ 829**	$ (122)

(i) Market value adjustments

Under Canadian GAAP, the company records investments other than specifically designated portfolios of securities at cost and writes them down when other than temporary impairment occurs. Under US GAAP, these investments generally meet the definition of available for sale securities, which includes securities for which the company has no immediate plans to sell but which may be sold in the future, and are carried at fair value based on quoted market prices. Changes in unrealized gains and losses and related income tax effects are recorded as other comprehensive income. Realized gains and losses, net of tax and declines in value judged to be other than temporary, are included in the determination of income. During 2003, the company recorded $141 million (2002 — $17 million) of net unrealized gains in securities and $27 million (2002 — nil) of net unrealized gains in accounts receivable and other.

Under Canadian GAAP, changes in the fair value of derivatives that are designated as cash flow hedges are not recognized in income. Under US GAAP, changes in the fair value of the effective portions of such derivatives are reported in other comprehensive income whereas the offsetting changes in value of the cash flows being hedged are not. The amounts recorded in other comprehensive income are subsequently reclassified into net income at the same time as the cash flows being hedged are recorded in net income. The company's share of the amounts recorded by Noranda and Nexfor for derivatives that qualify as hedges under US GAAP is $51 million (2002 — $8 million) which is included in comprehensive income. During 2003, the company also recorded in other comprehensive income a $24 million increase (2002 — decrease of $19 million) in the fair value of contracts for the forward sale of production from the company's power generating operations.

(ii) Minimum pension liability adjustment

US GAAP requires the excess of any unfunded accumulated benefit obligation (with certain other adjustments) to be reflected as an additional minimum pension liability in the consolidated balance sheet with an offsetting adjustment to intangible assets to the extent of unrecognized prior service costs, with the remainder recorded in other comprehensive income. The company has reflected the adjustment including its proportionate share of adjustments recorded by Noranda and Nexfor.

(iii) Foreign currency translation adjustments

Canadian GAAP provides that the carrying values of assets and liabilities denominated in foreign currencies that are held by self-sustaining operations are revalued at current exchange rates. US GAAP requires that the change in the cumulative translation adjustment account be recorded in other comprehensive income. The amount recorded by the company represents the change in the cumulative translation adjustment account. The resulting changes in the carrying values of assets which arise from foreign currency conversion are not necessarily reflective of changes in underlying value.

(c) Balance Sheet Differences

The incorporation of the significant differences in accounting principles under Canadian GAAP and US GAAP results in the following adjustment of the company's balance sheet:

MILLIONS	Note	2003	2002
Assets			
Cash and cash equivalents		**$ 382**	$ 332
Accounts receivable and other	*(i)*	**2,132**	1,663
Securities	*(ii)*	**1,845**	996
Loans and notes receivables		**511**	851
Property, plant and equipment			
Real estate	*(iii)*	**7,865**	7,518
Power generation	*(iii)*	**1,924**	1,587
Equity accounted investments	*(iv)*	**1,491**	1,168
Total assets under US GAAP		**$16,150**	$14,115
Liabilities and shareholders' equity			
Accounts and other payables		**$ 1,736**	$ 1,297
Corporate borrowings		**1,213**	1,035
Non-recourse borrowings			
Property specific mortgages		**4,881**	4,992
Other debt of subsidiaries		**2,100**	1,903
Convertible and subordinated notes		**254**	221
Minority shareholders' interests		**1,419**	1,378
Preferred equity			
Corporate		**685**	576
Subsidiaries		**1,009**	450
Common equity	*(v)*	**2,853**	2,263
Total liabilities and equity under US GAAP		**$16,150**	$14,115

The significant difference in each category between Canadian GAAP and US GAAP are as follows:

(i) Deferred income taxes

The deferred income tax asset under US GAAP is included in accounts receivable and other and is calculated as follows:

MILLIONS	2003	2002
Tax assets related to operating and capital losses	**$ 980**	$ 788
Tax liabilities related to differences in tax and book basis	**(491)**	(220)
Valuation allowance	**(236)**	(284)
Deferred income tax asset under US GAAP	**$ 253**	$ 284

(ii) Securities

Under Canadian GAAP, the company recorded its short-term investments at the lower of cost and net realizable value except for certain distinct portfolios of securities which it has designated to be carried at fair value and for which unrealized gains and losses in value are included in the determination of income. Under US GAAP, trading securities, which include all of the company's short-term investments, are carried at market, with unrealized gains and losses included in income.

Available for sale securities are accounted for as described in this note under (b)(i).

MILLIONS	2003	2002
Securities under Canadian GAAP	**$ 1,558**	$ 1,005
Reclassification from investments	**153**	—
Net unrealized gains (losses) for trading securities	**(16)**	(18)
Net unrealized gains on available for sale securities	**150**	9
Securities under US GAAP	**$ 1,845**	$ 996

(iii) Joint ventures

Under US GAAP, proportionate consolidation of investments in joint ventures is generally not permitted. Under certain rules for foreign private issuers promulgated by the United States Securities and Exchange Commission ("SEC"), the company has continued to follow the proportionate consolidation method. See also Note 19.

(iv) Equity accounted investments

The company's investments include investments in Noranda, Nexfor, and other real estate and business services. For US GAAP, the company's investments have been adjusted to reflect the cumulative impact of calculating earnings of its equity accounted affiliates under US GAAP and to reclassify non-equity accounted investment balances.

MILLIONS	2003	2002
Investments under Canadian GAAP	**$ 2,003**	$ 1,464
Reclassification to securities and accounts receivable and other	**(367)**	(158)
Accumulated other comprehensive income (loss)	**(80)**	(104)
Retained earnings adjustment	**(65)**	(34)
Equity accounted investments under US GAAP	**$ 1,491**	$ 1,168

(v) Common equity

MILLIONS	2003	2002
Common equity under Canadian GAAP	**$ 3,024**	$ 2,625
Reversal of Canadian GAAP cumulative translation adjustment	**(99)**	167
Paid in capital	**31**	24
Reclassification of convertible notes	**(52)**	(64)
Cumulative adjustments to retained earnings under US GAAP	**(180)**	(128)
Accumulated other comprehensive income (loss)	**129**	(361)
Common equity under US GAAP	**$ 2,853**	$ 2,263

As a result of the above adjustments, the components of common equity under US GAAP are as follows:

MILLIONS	2003	2002
Common shares	**$ 1,183**	$ 1,232
Paid in capital	**31**	24
Accumulated other comprehensive income (loss)	**129**	(361)
Retained earnings	**1,510**	1,368
Common equity under US GAAP	**$ 2,853**	$ 2,263

(d) Cash Flow Statement Differences

Under Canadian GAAP, interest on convertible notes is classified as a shareholder distribution. Under US GAAP, interest on these notes is classified as an operating activity. The summarized cash flow statement under US GAAP is as follows:

MILLIONS	2003	2002
Cash flows provided from (used for) the following activities:		
Operating under Canadian GAAP	**$ 742**	$ 325
Convertible note interest	**(2)**	(2)
Preferred security distributions	**(15)**	(11)
Operating under US GAAP	**725**	312
Financing	**199**	470
Investing	**(874)**	(832)
Net increase (decrease) in cash and cash equivalents under US GAAP	**$ 50**	$ (50)

(e) Changes in Accounting Policies

In April 2002, the FASB issued SFAS 145, “Rescission of FASB Statements 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections”. First, SFAS 145 rescinds SFAS 4, “Reporting Gains and Losses from Extinguishment of Debt”, and an amendment of that statement, SFAS 64, “Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements”. Because of the rescission of SFAS 4 and SFAS 64, the gains and losses from the extinguishment of debt are no longer required to be classified as extraordinary items. Second, SFAS 145 rescinds SFAS 44, “Accounting for Intangible Assets of Motor Carriers”. Third, SFAS 145 amends SFAS 13, “Accounting for Leases”, to require sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Lastly, SFAS 145 makes various technical corrections to existing pronouncements that are not substantive in nature.

In June 2002, FASB issued SFAS 146 “Accounting for Costs Associated with Exit or Disposal Activities”. This statement requires a liability to be recognized for costs associated with exit or disposal activities when they are incurred rather than at the date upon which a company commits to an exit plan.

In November 2002, FASB issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others”, which elaborates on the disclosure to be made by a guarantor about its obligations under certain guarantees issued. There is also a new requirement that a guarantor must recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The interpretation does identify several situations where the recognition of a liability at inception for a guarantor’s obligation is not required.

In April 2003, FASB issued SFAS No. 149, “Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities” (“SFAS 149”). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). In particular, it clarifies under what circumstances a contract with an initial net investment meets the characteristic of derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying, and amends certain other existing pronouncements.

(f) Future Accounting Policy Changes

In May 2003, FASB issued SFAS No. 150 “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity” (“SFAS 150”). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a certain financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments may have been previously classified as equity. Some of the provisions of this statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, “Elements of Financial Statements”. The remaining provisions of this statement are consistent with the proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationships established between the holder and the issuer. The company is assessing the impact, if any.

In January 2003, the FASB issued Interpretation 46 “Consolidation of Variable Interest Entities” (“FIN 46”). FIN 46 requires that the assets, liabilities and results of the activity of variable interest entities be consolidated into the financial statements of the entity that has the primary financial interest. FIN 46 also provides the framework for determining whether a variable interest entity should be consolidated based on voting interest or significant financial support provided to it. In December 2003, the FASB issued FIN 46®, amending the guidance in FIN 46 as well as the transition guidance. Based on the company’s interpretation of the revised transition guidance, the company will be required to adopt the guidance in FIN 46® for the year beginning January 1, 2004. However, the company has adopted this standard for material variable interest entities created after January 31, 2003. The company is in the process of assessing the remaining impact of the amended standard.

24. SUBSEQUENT EVENT

(a) Subsequent to December 31, 2003, the company sold its interest in Gulf Canada Square in Calgary based on a property valuation of C$222 million.

(b) On February 5, 2004 the company, together with a group of investment partners, announced a committed offer, subject to a minimum acceptance of 50.1% and certain other conditions, to acquire all of the outstanding shares of Canary Wharf Group, plc, a U.K. publicly listed property company which owns approximately 8.8 million square feet of office and retail properties located on the Canary Wharf estate in London, England. The company currently holds a 9.2% common share interest in Canary Wharf Group, plc. The total cash cost of the offer and related expenses is expected to range between £1.5 billion and £1.7 billion and is expected to be funded as to £800 million with non-recourse acquisition debt and £430 million with equity from the investment partners. The balance, which is to be provided by the company, is expected to be between £150 million and £350 million (net of its existing equity investment which, based on the offer price, would be valued at approximately £150 million). The acquisition debt is not available to the investment group if less than 75% of Canary Wharf shares are tendered to the offer. In these circumstances, the company’s net cash commitment could increase to a maximum of £755 million.

25. SEGMENTED INFORMATION

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

(a) real estate operations, which are principally office properties, residential development and home building operations, located primarily in major North American cities;

(b) power generation operations, which are predominantly hydroelectric power generating facilities on North American river systems;

(c) funds management, which include activities where funds are managed for the company and for institutional investors;

(d) investments, which are comprised of assets that have been purchased, and which may be combined with operations in the future.

Non-operating assets and related revenue, cash flow and income are presented as financial assets and other.

Revenue, cash flow from operations and gains, income and assets by reportable segments are as follows:

	2003				2002			
MILLIONS	**Revenue**	**Cash Flow From Operations and Gains**	**Income**	**Assets**	**Revenue**	**Cash Flow From Operations and Gains**	**Income**	**Assets**
Real estate								
Commercial properties	**$1,120**	**$ 721**	**$ 721**	**$ 6,622**	$1,044	$ 682	$ 682	$ 5,960
Residential properties	**1,262**	**131**	**131**	**738**	1,290	105	105	650
Income producing land	**15**	**6**	**6**	**129**	16	4	4	78
Development properties	**65**	**65**	**65**	**774**	—	—	—	1,195
Real estate services	**105**	**18**	**18**	**48**	91	14	14	29
Power generation	**320**	**172**	**172**	**1,927**	208	153	153	1,587
Funds management	**260**	**166**	**166**	**1,215**	214	140	140	1,138
Investments	**111**	**134**	**132**	**2,003**	81	84	(161)	1,464
	3,258	**1,413**	**1,411**	**13,456**	2,944	1,182	937	12,101
Financial assets and other	**112**	**89**	**89**	**2,859**	120	96	96	2,321
	$3,370	**1,502**	**1,500**	**$16,315**	$3,064	1,278	1,033	$14,422
Cash interest and other cash expenses		**878**	**878**			809	809	
Depreciation, taxes and other non-cash items		**—**	**214**			—	141	
Cash flow/income from continuing operations		**$ 624**	**$ 408**			$ 469	$ 83	

Revenue and assets by geographic segments are as follows:

	2003		2002	
MILLIONS	**Revenue**	**Assets**	**Revenue**	**Assets**
United States	**$ 1,973**	**$ 7,812**	$ 1,804	$ 6,991
Canada	**990**	**5,141**	899	5,288
International	**407**	**3,362**	361	2,143
Revenue/Assets	**$ 3,370**	**$16,315**	$ 3,064	$14,422

Exhibit 99.4

CERTIFICATION

I, J. Bruce Flatt, certify that:

1. I have reviewed this annual report on Form 40-F of Brascan Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: May 19, 2004

/s/ J. Bruce Flatt
J. Bruce Flatt
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 99.5

CERTIFICATION

I, Brian D. Lawson, certify that:

1. I have reviewed this annual report on Form 40-F of Brascan Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Dated: May 19, 2004

/s/ Brian D. Lawson
Brian D. Lawson
Chief Financial Officer (Principal Financial Officer)

Exhibit 99.6

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brascan Corporation (the "Company") on Form 40-F for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Bruce Flatt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ J. Bruce Flatt
J. Bruce Flatt
President and Chief Executive Officer

May 19, 2004

Exhibit 99.7

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brascan Corporation (the "Company") on Form 40-F for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian D. Lawson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Brian D. Lawson
Brian D. Lawson
Chief Financial Officer

May 19, 2004

Exhibit 99.8

Deloitte & Touche LLP
BCE Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

INDEPENDENT AUDITORS' CONSENT

We consent to the use of our reports dated February 11, 2004, appearing in this Annual Report on Form 40-F of Brascan Corporation for the year ended December 31, 2003.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
May 19, 2004

Deloitte & Touche LLP
BCE Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

COMMENTS BY AUDITORS OF CANADA-UNITED STATES OF AMERICA

REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that may have a material effect on the comparability of the Company's financial statements, such as the changes described in Note 1 and Note 23(e) to the consolidated financial statements of Brascan Corporation. Our report to the shareholders dated February 11, 2004 is expressed in accordance with Canadian reporting standards, which do not require a reference to such changes in accounting principles in the auditors' report when the changes are properly accounted for and adequately disclosed in the financial statements.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
February 11, 2004

Member of
Deloitte Touche Tohmatsu