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, 2005

Commission file number 1-15226

BROOKFIELD ASSET MANAGEMENT INC.

(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	**257,502,448**
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.

Yesþ No o

Exhibits 99.1, 99.2 and 99.3 to this Annual Report on Form 40-F are hereby incorporated by reference as exhibits to the registrant's Registration Statement on Form F-9 (File No. 333-112049) under the Securities Act of 1933.

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, 2005;

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2005; and

(c) Consolidated Financial Statements for the fiscal year ended December 31, 2005 *(Note 24 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, 2005, 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 (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

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, 2005, 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.brookfield.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, Brookfield Asset Management Inc., 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 enquiries@brookfield.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 information required is included under the heading "Principal Accountant Fees and Services" in the Audit Committee Information Section of the registrant's Annual Information Form for the fiscal year ended December 31, 2005, filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Pre-Approval Policies and Procedures

The information required is included under the heading "Pre-Approval Policies and Procedures" in the Audit Committee Information Section of the registrant's Annual Information Form for the fiscal year ended December 31, 2005, filed as Exhibit 99.1 to this Annual Report on Form 40-F.

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 15 to the registrant's Consolidated Financial Statements for the fiscal year ended December 31, 2005, filed as Exhibit 99.3 to this Annual Report on Form 40-F. The registrant does not have any other off-balance sheet arrangements.

Tabular Disclosure of Contractual Obligations

The information required is included under the heading "Contractual Obligations" in the Supplemental Information section of the registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2005, filed as Exhibit 99.2 to this Annual Report on Form 40-F.

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: William A. Dimma, James K. Gray, 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 nine of the registrant's 14 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 these nine directors has a material relationship with the registrant which would impair his independence from management or otherwise compromise his ability to act as an independent director. The directors who have been determined to be independent on this basis are: James J. Blanchard, William A. Dimma, James K. Gray, Lance M. Liebman, Philip B. Lind, Roy MacLaren, G. Wallace F. McCain, Jack M. Mintz and George S. Taylor.

Presiding Director at Meetings of Independent Directors

The registrant schedules regular meetings in which the registrant's "independent" directors (as that term is defined in the rules of the New York Stock Exchange) meet without the participation of management and non-independent directors. 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, Brookfield Asset Management

Inc., 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 e-mail to enquiries@brookfield.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 2006 Annual Meeting and are available for viewing on the registrant's website at www.brookfield.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.brookfield.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, Brookfield Asset Management Inc., 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 enquiries@brookfield.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 March 31, 2006.

Brookfield Asset Management Inc.

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, 2005
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2005
99.3	Consolidated Financial Statements for the fiscal year ended December 31, 2005
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

Brookfield Asset Management

RENEWAL
ANNUAL INFORMATION FORM
BROOKFIELD ASSET MANAGEMENT INC.
March 31, 2006



BROOKFIELD ASSET MANAGEMENT INC.

ANNUAL INFORMATION FORM

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BROOKFIELD ASSET MANAGEMENT INC.

THE CORPORATION

Brookfield Asset Management Inc. (the "Corporation" or the "registrant") is an asset management company. Focussed on property, power and infrastructure assets, the Corporation has approximately $50 billion of assets under management and is co-listed on the New York and Toronto stock exchanges under the symbol BAM.

Brookfield Asset Management Inc. was formed by articles of amalgamation dated August 1, 1997 and is organized pursuant to articles of amalgamation under the Business Corporations Act *(Ontario)* dated January 1, 2005. The Corporation changed its name from Brascan Corporation on November 10, 2005.

References in this Renewal Annual Information Form to the "Corporation" refer to Brookfield Asset Management Inc., including our predecessor companies. References to "Brookfield" include the Corporation's consolidated subsidiaries. Our registered office is Suite 300, BCE Place, 181 Bay Street, Toronto, Ontario, Canada, M5J 2T3.

All financial information in this Annual Information Form is expressed in United States dollars, unless otherwise noted. All information is as at December 31, 2005, unless otherwise noted.

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, Controlled or Directed
Property Operations		
Brookfield Homes Corporation ("Brookfield Homes")	Delaware	52
Brookfield Properties Corporation ("Brookfield Properties")	Canada	51
BPO Properties Limited	Canada	89
Power Generating Operations		
Brookfield Power Inc. ("Brookfield Power")	Ontario	100
Great Lakes Hydro Income Fund	Quebec	50
Other		
Brascade Corporation	Canada	100
Brascan Brasil, S.A.	Brazil	100

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains "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

We conduct our business through four business units: property operations, power operations, timber and infrastructure operations, and specialty funds operations. The following is a summary of recent developments since January 2003 in each of these areas of operation as well as in the Corporation's investments and in its corporate and other activities.

Property Operations — Core Office Properties

Property acquisitions and divestitures in our core office properties since January 2003 include the following:

In January 2006, we acquired One Bethesda Center, a 168,000 square foot office building located in Bethesda, Maryland, for $69 million. This acquisition increased our core office portfolio in the Washington D.C. market area to two million square feet.

In January 2006, we sold the World Trade Center Denver for $116 million, which followed the sale of our 50% interest in the Colorado State Bank building in December 2005 for $22 million.

In October and November 2005, a consortium of investors including Brookfield Properties and its Canadian subsidiary, BPO Properties Ltd., acquired the 12 million square foot Canadian office portfolio of O&Y Properties Corporation and O&Y Real Estate Investment Trust for C$2 billion. The portfolio consists of 24 office properties, including the landmark First Canadian Place in downtown Toronto. Brookfield Properties provided 25% of the equity for this acquisition and serves as property and asset manager for the consortium.

In the third quarter of 2005, we acquired our partner's 50% interest in the Bay-Adelaide development site in downtown Toronto for approximately $90 million, to increase our flexibility to realize the long-term value of this 2.5 million square foot development site.

In March 2005, we announced the acquisition of an 80% interest in 20 Canada Square, a 555,000 square foot office property in London, U.K. for $624 million from Canary Wharf Group plc ("Canary Wharf"). 20 Canada Square is one of 28 office properties in the Canary Wharf Estate.

During 2005, our ownership of Canary Wharf was reduced to 15%, following the issuance of additional common shares by Canary Wharf.

In 2004, we acquired two office properties in Washington, D.C.: Potomac Tower, a 19-storey 238,000 square foot property for $106 million and Edison Place, a 10-storey 547,000 square foot property for $167 million.

In July 2004, we increased our ownership interest in Canary Wharf in London, England, to 17%, representing a total investment cost of $500 million. At that date, Canary Wharf owned an 86 acre commercial property development in London, 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 February 2004, Brookfield acquired an additional 1.0 million common shares of Canary Wharf.

In December 2003, we 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 LLP 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 for $158 million.

In September 2003, we agreed to sell a 49% interest in 245 Park Avenue, a 1.6 million square foot office property in New York, in a transaction valued at $438 million. Brookfield Properties has retained the management and leasing of the property.

In May 2003, we announced the acquisition of 52.8 million common shares of Canary Wharf, representing an approximate 9% interest in that company.

Financial and corporate initiatives completed within our core office property operations since January 2003 include the following:

During 2005, Brookfield Properties completed a three-for-two stock split of its common shares in the form of a stock dividend paid on March 31, 2005, and repurchased 2.7 million of its common shares under its normal course issuer bid.

In October 2004, Brookfield Properties issued C$150 million of 5.2% preferred shares and, in April 2004, issued C$200 million of Class AAA Preference Shares, Series J.

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

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

Property Operations — Residential Properties

In November 2005, Brookfield Homes repurchased 3.0 million of its common shares under a tender offer which expired on November 15, 2005. We tendered shares to this bid and increased our ownership in Brookfield Homes from 50% to 52%.

In April 2004, Brookfield Homes declared a $278 million dividend comprised of cash and notes, of which the Corporation's share was $139 million.

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.

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. As a result, the Corporation became 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.

Property Operations — Opportunity Investments

In October 2005, Brascan Real Estate Opportunity Fund ("BREOF") completed the acquisition of a portfolio of 25 commercial properties, mainly industrial and showroom buildings, in seven markets in the U.S.A. for $177 million. This acquisition increased BREOF's assets under management to approximately $500 million.

In April 2005, BREOF acquired a 900,000 square foot office property portfolio in Washington D.C., consisting of three downtown and three suburban buildings.

Power Operations

Power acquisitions and developments since January 2003 include the following:

In January 2006, Brookfield Power (formerly Brascan Power Inc.) announced the acquisition of four hydroelectric generating stations in northern Ontario with a total generating capacity of 50 megawatts ("MW") and two hydroelectric generating stations in Maine with a generating capacity of 40 MW. These acquisitions are conditional on regulatory agency approvals and are expected to close in the second quarter of 2006.

In November 2005, we announced that Brookfield Power had been selected to develop the 90 MW Prince Phase II Wind Energy Project near Sault Ste. Marie, Ontario, in response to the Ontario Government's second request for proposals for new renewable electricity capacity. In October 2005, we commenced construction of the 99 MW Prince Phase I Wind Energy Project, approved under the Ontario Government's first request for such proposals, and expect this project will be operational by the fall of 2006.

In May 2005, Brookfield Power and Emera Inc., in a 50-50 joint venture, acquired the Bear Swamp generating facility in Massachusetts for $98 million. This facility consists of a 600 MW hydroelectric pumped storage hydroelectric generating station and a conventional 10 MW hydroelectric generating station. It is interconnected with the New England power grid and sells energy, capacity and ancillary products to New England's Independent System Operator.

In April 2005, we acquired six hydroelectric stations with 76 MW of capacity located in central Brazil in the State of Minas Gerais for a cost of C$129 million including working capital.

Also in April 2005, we acquired four hydroelectric generating stations with 80 MW of capacity in the northeastern United States, including two stations in Pennsylvania and Maryland for $42 million, and two stations in Maine and New York for $31 million.

In November 2004, we were awarded contracts from the Ontario Government to develop two wind power projects in Ontario with a total generating capacity of approximately 150 MW.

In September 2004, we acquired from Reliant Energy Inc. a portfolio of 72 power generating stations in New York State for $900 million, including 71 hydroelectric stations on 14 river systems with a combined generating capacity of 674 MW and one 105 MW cogeneration station. This acquisition was partly funded by a $500 million bridge financing loan secured by these assets.

In January 2004, we acquired two power stations in the State of Minas Gerais in Brazil with a combined generating capacity of 40 MW, and in March 2004 substantially completed the construction of a 25 MW cogeneration station in New Hampshire.

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

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

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

Financial and corporate initiatives within our power operations since January 2003 include the following:

In February 2005, Brookfield Power and Canadian Hydro Developers Inc. issued C$70 million of non-recourse senior 10 year 5.28% bonds, secured by the jointly owned 45 MW Pingston Generating Station in southern British Columbia.

In December 2004 and January 2005, Brookfield Power issued $550 million of corporate debentures comprised of $450 million of 4.65% unsecured debentures maturing December 16, 2009 and $100 million of floating rate unsecured debentures maturing December 18, 2006.

In September 2004, we completed a refinancing for the Lake Superior Power cogeneration station in northern Ontario, in the form of C$77 million of 4.4% senior secured bonds due September 23, 2009.

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 our Mississagi River hydroelectric generating facilities in northern Ontario.

In June 2003, Brookfield Power issued C$384 million of 6.6% senior bonds due June 16, 2023, secured by certain of our hydroelectric power operations in northern Ontario and, in July 2003, issued an additional C$115 million in the form of 7.8% subordinated debt, also due June 16, 2023.

Timber and Infrastructure Operations

In February 2006, the Acadian Timber Income Fund (“Acadian”), which was sponsored by Brookfield, completed an initial public offering of approximately 8.45 million fund units raising proceeds of approximately C$84 million. The proceeds have been used by Acadian to acquire approximately 311,000 acres of freehold timberland in Maine from Brookfield and 765,000 of freehold timberlands and related assets in New Brunswick from Fraser Papers Inc. (“Fraser Papers”). We have retained approximately 27% of the fund units and manage Acadian through a wholly-owned subsidiary.

In November 2005, we announced an agreement to sell wholly-owned Cascadia Forest Products Inc. (“Cascadia”) to Western Forest Products Inc. (“Western”) for approximately C$120 million. We formed Cascadia in 2005 to operate the sawmills, manufacturing facilities and related crown harvest rights in British Columbia that we acquired from Weyerhaeuser Company in May 2005. Western is 20% owned by Tricap Restructuring Fund (“Tricap”) (in which we own a 48% equity interest), which led the restructuring of this company several years ago. Upon completion of Western’s merger with Cascadia, Tricap expects to hold a 49% interest in the combined Western.

In February 2005, we announced a definitive agreement with Weyerhaeuser Company to acquire its coastal business in British Columbia for approximately C$1.2 billion plus working capital. This acquisition, which closed in May 2005, includes 635,000 acres of freehold timberlands as well as five saw mills, two remanufacturing facilities and 3.6 million cubic metres of associated annual Crown harvest rights.

In April 2004, we announced approval for a C$85 million investment to upgrade our transmission lines in northern Ontario.

Specialty Investment Funds Operations

In January 2006, we sold our interest in CRIIMI MAE, held through Brascan Real Estate Finance Fund.

In September 2005, Brascan SoundVest Focused Business Trust filed a final prospectus for its initial public offering of trust units in Canada. This fund is an actively managed investment trust whose purpose is to invest in a diversified portfolio of securities of business income trusts. The fund is managed by a wholly-owned subsidiary of the Corporation and SoundVest Capital Management Ltd. (“SoundVest”), which is 50% owned by the Corporation and is the fund’s investment advisor and portfolio manager.

In August 2005, Brascan Adjustable Rate Trust I completed an initial public offering of 3 million units for gross proceeds of C$73 million. This fund is intended to provide exposure to an actively managed portfolio of adjustable rate and hybrid mortgage backed securities. All investment decisions related to the fund's portfolio are made by a wholly-owned subsidiary of the Corporation, Hyperion Brookfield Asset Management, Inc.

In February 2005, Brascan SoundVest Rising Distribution Split Trust filed a final prospectus for its initial public offering of trust units and preferred securities in Canada. The purpose of the fund is to invest in income trusts with a high potential for increasing annual distributions. The fund is managed by a wholly-owned subsidiary of the Corporation, and SoundVest is the fund's investment advisor and portfolio manager.

Also in February 2005, we announced the acquisition of Hyperion Capital Management, Inc. ("Hyperion"), a New-York based asset management company, for $50 million. Hyperion specializes in real estate-related securities and has approximately $13 billion of assets under management. This acquisition closed in April 2005. In March 2006, Hyperion changed its name to Hyperion Brookfield Asset Management, Inc.

In 2004, our restructuring operations purchased C$141 million of senior secured debt in Concert Industries Ltd., a Canadian manufacturer of materials for consumer products.

In 2004, we launched through our specialty funds group a Canadian income trust product called Brascan SoundVest Total Return Fund.

In October 2003, we completed an initial public offering of trust units of the Brascan SoundVest Diversified Income Fund, generating proceeds of C$69 million.

In August 2003, we 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, we 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, we acquired through the Brascan Real Estate Finance Fund, $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.

Investments

In August 2005, our wholly-owned subsidiary, Brascade Corporation ("Brascade"), sold 73.1 million shares of Falconbridge Limited ("Falconbridge"), representing substantially all of our interest in Falconbridge, to Xstrata plc. for total proceeds of approximately $1.7 billion, consisting of $1.3 billion of cash and $375 million of convertible debentures of Xstrata. This sale substantially completed our withdrawal from the mining and metal business. Following this sale, our ownership of Falconbridge consists of 1.3 million common shares, representing approximately 1% of its outstanding common shares, $570 million of junior preferred shares and $59 million of convertible debentures.

Also in August 2005, we announced the acquisition, through Brascade, of 200,000 additional common shares of Fraser Papers, increasing our ownership of this company to 13.4 million common shares or 46% of the outstanding common shares.

On June 30, 2005, the shareholders of Noranda Inc. ("Noranda") and the former Falconbridge approved the merger of their two companies, to continue under the Falconbridge name. Following this merger, we owned 74.4 million common shares of Falconbridge, representing approximately 20% of the total common shares of Falconbridge.

In March 2005, we announced our support for a plan by our 41%-owned mining and metals affiliate, Noranda, to combine with its 59%-owned subsidiary Falconbridge. We also announced our support for a bid by Noranda to purchase approximately 63.4 million of its common shares in exchange for $1.25 billion of preferred shares. We tendered all of our common shares in Noranda to this bid and, following its completion, our interest in Noranda declined to 32%.

In October 2004, we monetized 33 million of our common shares of Norbord Inc. ("Norbord"), our panelboard subsidiary, for $300 million, reducing our interest in this company from 43% to 36% (22% on a fully diluted basis).

In September 2004, our natural resource investment company, Brascade Resources Inc., was reorganized with a broader mandate as Brascade Corporation, to hold our 17% interest in Canary Wharf as well as our interests in Norbord and Fraser Papers and part of our interest in Noranda.

In July 2004, our forest products subsidiary, Nexfor Inc. ("Nexfor"), completed the distribution of its specialty paper business to its shareholders in the form of common shares of a new public company, Fraser Papers, retaining its panelboard business. Concurrently, Nexfor changed its name to Norbord. As a result of these transactions, we received a 42% interest in Fraser Papers.

In November 2003, we sold our 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 Brookfield-led restructuring conducted by our asset management group.

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, we purchased from Noranda, at the same price, 20 million common shares, increasing our 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 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. Our share of the write-down of Noranda's magnesium business represented a non-cash charge in 2002 of approximately C$255 million or C$1.44 per share. In January 2003, we extended our support to Noranda by agreeing to subscribe for up to C$300 million Noranda preferred shares. Pursuant to this undertaking, we 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.

Corporate and Other

In February 2006, the Corporation increased the quarterly dividend on its Class A Limited Voting Shares from $0.15 to $0.16, commencing with the dividend payable on May 31, 2006 to shareholders of record at the close of business on May 1, 2006.

On November 10, 2005, the Corporation's shareholders approved an amendment to the Articles of the Corporation to change its name from Brascan Corporation to Brookfield Asset Management Inc. We made this change in order to enable us to build an asset management franchise under a common banner with one unified name across all our operations and to mount a focussed branding effort to benefit all our operations.

Also in November 2005, the Corporation redeemed its 2,000 issued and outstanding Class A Cumulative Redeemable Preference Shares, Series 3 for C$100,000 per share plus accrued dividends.

In October 2005, the Corporation changed its stock trading symbol on the Toronto and New York stock exchanges from BNN to BAM to reflect its increasing business focus on asset management. The use of this new symbol was continued following the change in our corporate name in November 2005.

In September 2005, the Corporation announced an issuer bid by way of a tender offer to acquire up to approximately C$500 million of its Class A Limited Voting Shares at a price of US$41.00 per share. This issuer bid ran from October 2, 2005 to November 9, 2005. A total of 3,646,912 Class A Limited Voting Shares were acquired under this bid, all of which have been cancelled.

Also in September 2005, we sold our wholly-owned commercial real estate brokerage company, Royal LePage Commercial, to Cushman & Wakefield.

In August 2005, the Corporation completed the redemption of its C$14.6 million of issued and outstanding Subordinated Convertible Auction Notes due 2085 (the "SCAN I Notes") and its C$2.9 million of issued and outstanding Subordinated Convertible Adjustable Rates Notes due 2088 (the "SCAN II Notes") for C$1,000, for each C$1,000 principal amount of SCAN I Notes and SCAN II Notes outstanding.

In June 2005, the Corporation issued C$300 million of 5.95% 30 year notes to Canadian investors. The net proceeds of the issue were used for general corporate purposes, including the repayment of corporate debt.

In April 2005, the Corporation received approval for a normal course issuer bid to purchase up to 21,000,000 Class A Limited Voting Shares, representing approximately 10% of the public float of the Corporation's issued and outstanding shares in this series, through open market purchases on the New York and Toronto stock exchanges. The bid commenced on April 21, 2005 and will expire on April 20, 2006. As of the date of this Annual Information Form, we have purchased 900 Class A Limited Voting Shares under this bid for C$54,000 at an average price of C$59.61 per share.

In February 2005, the Corporation increased the quarterly dividend on its Class A Limited Voting Shares from $0.14 to $0.15, commencing with the dividend paid on May 31, 2005 to shareholders of record at the close of business on May 1, 2005.

In January 2005, the Corporation completed an amalgamation with its wholly-owned financial services subsidiary, Brascan Financial Corporation ("Brascan Financial"), and issued two new series of publicly-traded Class A Preference Shares, Series 13 and 14, in exchange for the publicly-traded preferred shares of Brascan Financial.

In July 2004, the Corporation redeemed its 18,891 issued and outstanding Class A Preference Shares, Series 1 for C$25.00 per share plus accrued dividends.

In June 2004, the Corporation completed a three-for two stock split of its Class A Limited Voting Shares through the issue on June 1, 2004 of one Class A Limited Voting share for every two Class A or Class B Limited Voting Shares held at the close of business on May 21, 2004. All share and per share information in this Annual Information Form for the period prior to June 2004 has been adjusted to reflect this stock split, unless otherwise noted.

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

Also in April 2004, the Corporation received approval for a normal course issuer bid to purchase up to 21,000,000 Class A Limited Voting Shares, representing approximately 10% of the public float of the Corporation's issued and outstanding shares in this series, through open market purchase on the New York and Toronto stock exchanges. Under this bid, which ran from April 21, 2004 to April 10, 2005, the Corporation purchased 417,695 Class A Limited Voting Shares for C$17.9 million at an average price of C$42.80 per share.

In February 2004, the Corporation announced an increase in the quarterly dividend payable on its Class A and Class B Limited Voting Shares from C$0.26 per share to C$0.27 per share, both expressed on a pre-split basis, commencing with the dividend paid on May 31, 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 its Class A and Class B Limited Voting Shares from C$0.25 to C$0.26, both expressed on a pre-split basis, 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 21,600,000 Class A Limited Voting Shares, representing approximately 8% of the Corporation's issued and outstanding shares in this series, 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, which ran from April 21, 2004 to April 20, 2005, the Corporation purchased 2,913,000 Class A Limited Voting Shares for C$73 million at an average price of C$24.96 per share. (All data on this bid are expressed on a post-share split basis.)

In March 2003, the Corporation issued two series of notes in the United States: $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.

BUSINESS OF THE CORPORATION

Summary

Brookfield is an asset management company. Focussed on property, power generation and infrastructure assets, we concentrate on businesses that generate sustainable, low-risk, growing streams of cash flow, such as high quality commercial properties, hydroelectric power generation plants and other infrastructure assets with similar characteristics.

We conduct most of our operations through public and private entities that are owned in partnership with institutional and other investors. A number of these entities are funds that are managed by us pursuant to contractual arrangements whereby we earn asset management and other fees. Our ability to earn management fees is important to our success in that it enables us to increase our returns on invested assets without compromising on quality or our disciplined approach to financing.

We typically commit to invest between 25% and 50% of the capital in our managed funds. We believe that our ability to commit a meaningful amount of capital to a fund strongly aligns our interests with our co-investors and differentiates us from many of our competitors. Furthermore, it gives us the opportunity to earn an attractive return on our capital. The fees we earn for managing these funds typically include a base fee in respect of ongoing services, a performance fee that represents a portion of the amount by which investment returns exceed a predetermined threshold, and transaction fees in respect of certain activities.

Funds are established in several ways. Often we establish a fund with co-investors to complete a specific acquisition. This fund may then, in certain circumstances, serve as a platform to expand the assets and operations within the fund. Alternatively, we may establish a fund with a specific mandate to seek out investment opportunities. The strength of our balance sheet enables us to establish a dedicated team, build a portfolio and then market the portfolio and track record to potential investors. Finally, the breadth of our operating platform provides us the opportunity to seed funds with assets that we have owned and operated for many years, and which represent attractive investment opportunities for our co-investors.

Our core operations are concentrated in four areas: (i) our property operations include commercial properties, residential home building, associated development activities and property services; (ii) our power generation business is concentrated almost exclusively on hydroelectric power generation, with a small number of co-generation facilities; (iii) our timberland and infrastructure operations own and manage over one million acres of private timberlands in Canada, the U.S.A. and Brazil, and also own a small electricity transmission and distribution business; and (iv) our specialty funds business develops, invests and manages funds and investments on behalf of institutional and related investors that co-invest in the same types of assets which we own. At December 31, 2005, our operations employed approximately 5,500 people. In addition, we hold investments in companies in the natural resource sector and in Brazil, which together employ approximately 21,000 people.

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 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. These documents are also filed on SEDAR at *www.sedar.com*.

PROPERTY OPERATIONS

We conduct a wide range of property operations in North America as well as in Europe and South America. Core office properties represent the largest component of our property business, with approximately 70% of net invested capital, and 68% of net operating cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Assets Under Management*	*Invested Capital*				*Operating Cash Flow*				*Return on Capital*	
		Total		*Net*		*Total*		*Net*		*Total*	*Net*
MILLIONS	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	***2005***
Core office properties	**$ 12,574**	**$ 8,360**	$7,177	**$2,875**	$2,729	**$ 848**	$ 641	**$ 548**	$ 387	**11%**	**20%**
Residential properties	**2,033**	**2,033**	1,444	**245**	203	**496**	305	**225**	137	**29%**	**100%**
Opportunity investments	**468**	**468**	83	**147**	72	**19**	3	**13**	2	**7%**	**12%**
Retail properties	**270**	**270**	271	**186**	157	**25**	23	**20**	13	**9%**	**12%**
Development properties	**728**	**728**	827	**728**	827	**5**	1	**5**	1	**1%**	**1%**
Net investment / operating cash flow	**$ 16,073**	**$11,859**	$9,802	**$4,181**	$3,988	**$1,393**	$ 973	**$ 811**	$ 540	**13%**	**20%**

Operating cash flow from our property operations in 2005 increased substantially over the prior year, due principally to dividends received on our Canary Wharf investment during 2005, as well as the continued growth in profits generated by our home building operations. A portion of this growth accrues to minority shareholders in certain partially-owned operations that are consolidated in the financial information. The amount of net capital deployed in this sector increased only modestly year over year.

Core Office Properties

We own and manage one of the highest quality core office portfolios in North America, which consists of 66 commercial properties totalling 48 million square feet of rentable area, as well as 10 developments sites with over 8 million square feet of potential developable area. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets so as to build on the strength of our tenant relationships. Currently our primary markets are the financial, energy and government centre cities of New York, Boston, Washington, D.C., Toronto, Calgary and Ottawa. Our North American operations are conducted through a 51%-owned subsidiary.

In London, U.K. we own an interest in 16 high quality commercial properties comprising 8.3 million square feet of rentable area and a further 5.7 million square feet of development density. The properties are located in the Canary Wharf Estate, one of the leading core office developments in Europe. We hold a direct 80% ownership interest in the 550,000 square foot 20 Canada Square property and hold an indirect interest in the balance of the portfolio through our 15% ownership interest in privately-owned Canary Wharf Group.

An important characteristic of our portfolio is the strong credit quality of our tenants. We direct special attention to credit quality in order to ensure the long-term sustainability of rental revenues through economic cycles. On average, the tenant profile exceeds an “A” credit rating. Major tenants with over 600,000 square feet of space in the portfolio include Merrill Lynch, Government of Canada, Barclays Bank, CIBC, Clifford Chance, Bank of Montreal, JPMorgan Chase, Lehman Brothers, RBC Financial Group, Petro-Canada, Target Corporation and Imperial Oil. Our strategy is to sign long-term leases in order to mitigate risk and reduce our overall retenanting costs. We typically commence discussions with tenants regarding their space requirements well in advance of the contractual expiration, and while each market is different, the majority of our leases, when signed, extend between 10 and 20 year terms. As a result of this strategy, approximately 5% of our leases mature annually. The long-term nature of our leases enable us to finance these properties on a long-term basis with no recourse to us.

As at December 31, 2005, the average term of our in-place leases in North America was nine years and expiries average 5.6% during each of the next five years. The average term of property specific financings was also in excess of 10 years. In our European portfolio, the average lease term is 20 years and the average term of property specific debt exceeds 20 years.

The following table summarizes our core office portfolio and related cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Assets Under Management*	*Invested Capital*				*Operating Cash Flow*			
		Total		*Net*		*Total*		*Net*	
MILLIONS	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
North America									
New York, New York	**$ 4,795**	**$3,885**	$3,576	**$ 3,885**	$ 3,576	**$ 348**	$ 371		
Boston, Massachusetts	**650**	**325**	328	**325**	328	**32**	34		
Toronto, Ontario	**3,090**	**1,400**	1,068	**1,400**	1,068	**96**	85		
Calgary, Alberta	**1,384**	**570**	448	**570**	448	**56**	53		
Washington, D.C.	**395**	**395**	439	**395**	439	**36**	22		
Ottawa, Ontario	**400**	**100**	—	**100**	—	**—**	—		
Denver, Colorado	**344**	**344**	370	**344**	370	**34**	32		
Minneapolis, Minnesota	**429**	**429**	414	**429**	414	**22**	20		
Other North America	**289**	**114**	84	**114**	84	**15**	24		
Total North America	**11,776**	**7,562**	6,727	**7,562**	6,727	**639**	641	**$ 639**	$ 641
United Kingdom									
Canary Wharf Group, plc	**267**	**267**	450	**267**	450	**183**	—	**183**	—
20 Canada Square	**531**	**531**	—	**492**	—	**26**	—	**26**	—
	12,574	**8,360**	7,177	**8,321**	7,177	**848**	641	**848**	641
Property specific mortgages / interest				**(5,446)**	(4,448)			**(300)**	(254)
Net investment / operating cash flow	**$ 12,574**	**$8,360**	$7,177	**$ 2,875**	$ 2,729	**$ 848**	$ 641	**$ 548**	$ 387

Operating Results

Operating cash flow increased to $848 million during 2005, a significant increase over the $641 million generated by the portfolio during 2004 and $585 million generated in 2003. After deducting interest expense associated with property specific financings, the net operating cash flow was $548 million in 2005, representing a 20% return on net invested capital and a 42% increase over the $387 million generated in 2004.

The increase was due to a substantial contribution from our U.K. operations which included $183 million in dividends received from our 15% investment in Canary Wharf, as well as operating cash flow of $26 million from our 20 Canada Square property. The Canary Wharf dividends, which are the first received since our initial investment in 2003, represent a 20% annualized return on our invested capital over that period.

Our North American portfolio produced operating cash flow of $639 million, which was slightly lower than 2004 due principally to acquisitions, offset in part by vacancies in higher rent space within our portfolio. The stable occupancy levels in our portfolio and our emphasis on long-term leases tends to moderate fluctuations in net operating income from existing properties.

Interest expense incurred on property specific financings increased from $254 million during 2004 to $300 million during 2005. Carrying charges on the U.K. property acquired during the year accounted for $21 million of the increase and the balance was due principally to financing associated with the acquisition of the Canadian core portfolio and the Washington properties acquired during 2004.

Portfolio Activity

During 2005, we expanded our core office portfolio by 11 million square feet and increased our net effective interest by 4.6 million square feet with the acquisition of a major Canadian portfolio and an acquisition in Europe. We also completed the redevelopment of Three World Financial Center, which was previously included in development properties. As a result, total core office assets increased to $8.4 billion at the end of 2005 compared with $7.2 billion at the end of 2004.

The Canadian portfolio acquisition enabled us to establish a Canadian core property fund that is 25% owned by Brookfield with two institutional investors owning the balance. The total cost of the portfolio was $1.8 billion, including the assumption of $1.3 billion of property specific debt. The Canadian core fund comprises 24 high quality office properties and one development site totalling 11.6 million square feet in five Canadian markets, principally Toronto, Calgary and Ottawa. The flagship property is the 2.8 million square foot First Canadian Place Tower in Toronto. The portfolio was 96% leased at year end.

In London, we acquired an 80% interest in 20 Canada Square located in the Canary Wharf Estate, which we acquired from Canary Wharf Group in the first quarter of 2005. The remaining 20% is owned by an institutional investment partner. The acquisition is consistent with our strategy of increasing our presence in London, which is an attractive base for us to expand our European asset management operations. This 12 floor property contains 550,000 square feet which was 100% leased at year end. Three properties within the Canary Wharf Estate, including 20 Canada Square, were sold by Canary Wharf Group during 2005 for proceeds totalling nearly £900 million ($1.6 billion).

Property specific debt, which is comprised principally of long-term mortgages secured by the underlying properties with no recourse to the Corporation, increased to $5.4 billion from $4.4 billion in 2004. The increase represented financing associated with the properties acquired during the year as well as financing put in place on the Washington properties acquired in 2004. As a result, the book value of the net capital deployed in core office properties increased to $2.9 billion during the year from $2.7 billion at the end of 2004.

Our core office property debt is primarily fixed-rate and non-recourse. These investment-grade financings typically reflect up to 70% loan-to-appraised value. In addition, in certain circumstances when a building is leased almost exclusively to a high-credit quality tenant, a higher loan-to-value financing, based on the tenant's credit quality, is put in place at rates commensurate with the cost of funds for the tenant. This reduces our equity requirements to finance core office properties, and as a result, enhances equity returns. Core office property debt at December 31, 2005 had an average interest rate of 6.5% and an average term to maturity of ten years.

Property valuations continued to increase in North America and the U.K., driven by the continued low interest rate environment, improving leasing fundamentals and strong investor demand.

Occupancy Levels

Our total portfolio occupancy rate at December 31, 2005 was 95% in our core North American markets, and 94% overall, as shown in the following table:

	2005			2004		
YEARS ENDED DECEMBER 31 (THOUSANDS)	***Gross Leasable Area***	***Net Leasable Area***	***Percentage Leased***	*Gross Leasable Area*	*Net Leasable Area*	*Percentage Leased*
New York, New York	**12,453**	**10,738**	**95%**	12,453	9,506	92%
Boston, Massachusetts	**2,163**	**1,103**	**92%**	2,163	1,103	97%
Toronto, Ontario	**12,278**	**6,147**	**93%**	7,882	4,777	93%
Calgary, Alberta	**8,936**	**3,816**	**99%**	6,331	3,166	98%
Washington, D.C.	**1,557**	**1,557**	**99%**	1,557	1,557	93%
Ottawa, Ontario	**2,935**	**734**	**99%**	—	—	—
Core North American markets	**40,322**	**24,095**	**95%**	30,386	20,109	94%
Denver, Colorado	**2,605**	**2,605**	**87%**	3,017	2,811	85%
Minneapolis, Minnesota	**3,008**	**3,008**	**88%**	3,008	3,008	86%
Other North America	**2,095**	**1,219**	**92%**	926	926	91%
Total North America	**48,030**	**30,927**	**94%**	37,337	26,854	92%
London, United Kingdom	**10,556**	**2,173**	**90%**	10,000	1,617	90%
Total[1]	**58,586**	**33,100**	**94%**	47,337	28,471	92%

1 Excludes development sites.

We leased 3.8 million square feet in our North American portfolio during 2005, approximately three times the amount of space contractually expiring. This included 2.2 million square feet of new leases and 1.6 million square feet of renewals. Leasing fundamentals have improved in most of our markets with particular strength in Calgary and New York where markets are tightening. Boston has been weak recently but appears to have stabilized. Average net rents in our markets were $25 per square foot compared with an average in-place net rent in our portfolio of $23 per square foot, indicating that we should be able to maintain or increase net operating income as leases mature and are replaced, even if market rents do not increase.

Leasing fundamentals in London also continued to improve, and 900,000 square feet was leased during the year in properties in which we have an interest, bringing total occupancy across the portfolio to over 90%. Nearly 80% of the tenant rating profile is A+ or better.

Residential Property

We conduct residential property operations in the United States, Canada and Brazil.

	Assets Under	*Invested Capital*				*Operating Cash Flow*			
AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Management*	*Total*		*Net*		*Total*		*Net*	
MILLIONS	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
United States	**$ 1,335**	**$1,335**	$ 967	**$ 1,063**	$ 769	**$ 350**	$ 238		
Canada	**166**	**166**	132	**166**	132	**106**	42		
Brazil	**532**	**532**	345	**396**	297	**40**	25		
	2,033	**2,033**	1,444	**1,625**	1,198	**496**	305	**$ 496**	$ 305
Cash taxes				**—**	—			**(141)**	(71)
Borrowings / interest[1]				**(1,238)**	(858)			**(21)**	(13)
Non-controlling interest in net assets				**(142)**	(137)			**(109)**	(84)
Net investment / operating cash flow	**$ 2,033**	**$2,033**	$1,444	**$ 245**	$ 203	**$ 496**	$ 305	**$ 225**	$ 137

1 Portion of interest expressed through cost of sales.

Operating cash flow has more than doubled over the past two years as a result of strong growth in our U.S. operations and more recently in Canada, where our Alberta operations are benefitting from strong energy markets. Total assets and net capital invested in the business have increased with the level of activity. We focus on optioning lots and acquiring land that is well advanced through the entitlement process to minimize capital at risk, and sell lots to other builders on a bulk basis to capture appreciation in values and recover capital.

United States

Our U.S. residential operations are conducted through a 52%-owned subsidiary that had a $1.5 billion market capitalization at year end. These operations are concentrated in four major supply constrained markets: San Francisco, Los Angeles and San Diego in California, and the Washington, D.C. area. In these operations, we own or control 30,000 lots through direct ownership, options and joint ventures. We focus on the mid- to upper-end of the home building market and rank as one of the twenty largest home builders in the United States.

We have experienced substantial growth in margins in each of our U.S. markets and, although conditions remain favourable, it is unlikely that this pace of growth will continue. We are optimistic that, with orders representing approximately 35% of planned 2006 closings in hand, these operations should continue to provide solid returns in 2006.

Canada

Our Canadian operations are concentrated in Calgary, Edmonton and Toronto. We own over 36,000 lots in three operations of which approximately 4,100 were under development at December 31, 2005. We build and sell homes on our lots and we are a major supplier of lots to other homebuilders. These operations are conducted through a 51%-owned subsidiary.

Operating cash flow in the Canadian operations increased significantly in 2005 as our Alberta operations benefitted from the continued expansion of activity in the oil and gas industry. Most of the land holdings were purchased in the mid-1990's or earlier, and as a result have an embedded cost advantage today. This has led to particularly strong margins, although the high level of activity is creating some upward pressure on building costs and production delays. Nonetheless, unless the market environment changes, we expect another very strong year in 2006.

Brazil

Our Brazilian operations, which are focussed on building residential condominiums, produced strong growth in operating cash flow when converted to U.S. dollars as the Brazilian currency appreciated substantially in 2005. As discussed under development properties on pages 13 and 14 of this Annual Information Form, we own substantial density rights that will provide the basis for continued growth.

Home and Lot Sales

The following table summarizes home and lot sales over the past three years.

	Home Sales			*Lot Sales* [1]		
YEARS ENDED DECEMBER 31 (UNITS)	***2005***	*2004*	*2003*	***2005***	*2004*	*2003*
United States						
California	**1,040**	1,357	1,023	**2,103**	1,415	1,044
Washington, D.C. area	**614**	523	505	**1,065**	864	745
Other	**—**	—	—	**—**	468	448
Canada						
Ontario	**391**	339	318	**391**	339	318
Alberta	**556**	496	479	**3,173**	2,433	2,191
Brazil						
Rio de Janeiro and São Paulo	**528**	606	406	**528**	606	406
	3,129	3,321	2,731	**7,260**	6,125	5,152

1 Including lots associated with home sales.

Opportunity Investments

We established a dedicated team in 2003 to invest in commercial properties other than core office. Our objective is to acquire property which, through our management, leasing and capital investment expertise, can be enhanced to provide a superior return on capital.

AS AT AND FOR THE YEARS ENDED DECEMBER 31	Assets Under Management	Invested Capital				Operating Cash Flow			
		Total		Net		Total		Net	
MILLIONS	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Commercial properties	**$ 468**	**$ 468**	$ 83	**$ 458**	$ 83	**$ 19**	$ 3	**$ 19**	$ 3
Property specific mortgages / interest				**(311)**	(11)			**(6)**	(1)
Net investment / operating cash flow	**$ 468**	**$ 468**	$ 83	**$ 147**	$ 72	**$ 19**	$ 3	**$ 13**	$ 2

Assets now exceed $500 million due to acquisitions in early 2006, and include office portfolios in Washington, Toronto and Indianapolis, and a 3.3 million square foot industrial, showroom and commercial portfolio located across the United States. The scale of our operating platform in the property sector increases the pipeline of investments for these operations and enables us to participate in a broad range of opportunities.

Opportunity investments tend to be more dynamic and typically have strong early stage value enhancement potential. Accordingly, financing tends to be shorter term in nature to enhance flexibility, and leverage for the portfolio as a whole tends to vary between 70% and 80% of loan to value.

Retail Properties

The following table summarizes our retail office property operations:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	Assets Under Management	Invested Capital				Operating Cash Flow			
		Total		Net		Total		Net	
MILLIONS	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Retail properties	**$ 270**	**$ 270**	$ 271	**$ 270**	$ 271	**$ 25**	$ 23	**$ 25**	$ 23
Borrowings / interest				**(84)**	(114)			**(5)**	(10)
Net investment / operating cash flow	**$ 270**	**$ 270**	$ 271	**$ 186**	$ 157	**$ 25**	$ 23	**$ 20**	$ 13

The portfolio consists of three shopping centres and associated office space totalling 1.6 million square feet of net leasable area, located in Rio de Janeiro and São Paulo, and includes the one million square foot Rio Sul Centre, which is one of Brazil's premier shopping centres.

Development Properties

The composition of our development properties at December 31, 2005 and 2004, together with associated cash flows, was as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	Potential	Invested Capital				Operating Cash Flow			
		Total		Net		Total		Net	
MILLIONS	Developments	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Core office properties	15.4 million sq. ft.	**$ 296**	$ 449	**$ 296**	$ 449				
Residential lots									
United States[1]	23,000 lots	**—**	—	**—**	—				
Canada	32,000 lots	**225**	185	**225**	185				
Brazil	5.5 million sq. ft.	**157**	154	**157**	154				
Rural development									
Brazil	177,000 acres	**50**	39	**50**	39				
Canada[2]	32,000 acres	**—**	—	**—**	—				
	209,000 acres								
		$ 728	$ 827	**$ 728**	$ 827	**$ 5**	$ 1	**$ 5**	$ 1

1 Book values included in United States residential, see page 12.

2 Book values included as higher and better use land in western North American timber operations, see page 18.

Development properties consist predominantly of core office property development sites, density rights and related infrastructure; residential lots owned and under operation; and rural land held pending development into income producing properties or for sale to other users. We expect to enhance the value of these assets through the attainment of building entitlements and conversion into cash flow generating real estate.

The total book value of development properties, including those reflected in other business units, was relatively unchanged during 2005. Our Three World Financial Center and Hudson's Bay Centre core office properties reached the operational stage during the year and were transferred to our core office portfolio. This decrease was offset by the acquisition of the remaining 50% interest in the Bay-Adelaide Centre in Toronto as well as rural development land acquired in connection with the purchase of North American timberlands. This land will be developed into higher and better use, including residential properties.

We do not typically record ongoing cash flow in respect of development properties as the associated development costs are capitalized until the property is sold, at which time any disposition gain or loss is realized, or until the property is transferred into operations.

Core Office Properties

We maintain an in-house development capability to undertake development of the 15.4 million square feet of commercial density when the risk-adjusted returns are adequate and significant pre-leasing has been achieved. Development projects include our Penn Station development in midtown New York, which recently received increased permitting for 2.5 million square feet of office density. The Bay-Adelaide Centre development property, now 100%-owned, is located in Toronto's downtown financial district and zoned for up to 2.5 million square feet of office and residential use. We also own expansion rights for a third office tower at BCE Place, our flagship Toronto office complex, which would add approximately 800,000 square feet of density, and similar rights to develop 500,000 square feet of office space at Bankers Hall in Calgary. At Canary Wharf in London, we own our proportionate share of development density which totals approximately 6 million square feet of commercial space.

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 more than three years.

We have elected to increase our use of options to control lots for future years in our most active markets in order to reduce risk. To that end, we have acquired options on approximately 17,000 lots in our U.S. markets in return for providing planning and development expertise to obtain the required entitlements. In Brazil, we own rights to build residential and office condominium space of a further 9.0 million square feet, to be developed over the next 15 years in São Paulo, and a further 4.0 million square feet of condominium density in Rio de Janeiro which will be built over the next 10 years.

Rural Development Properties

We acquired 65,000 acres of additional rural land in Mato Grosso State and now own 177,000 acres of prime rural development land in the States of São Paulo, Minas Gerais and Mato Grosso in Brazil. These properties are being used to harvest sugar cane for its use in the production of ethanol as a gasoline substitute. A substantial increase in the world-wide consumption of ethanol for use as a substitute for gasoline has resulted in a significant increase in the value of lands which are suitable for sugar cane growing. During the past two years we completed leases with an average term of 20 years on approximately 35,000 acres to operators of large sugar cane processing facilities and expect to earn growing annual cash flows significantly in excess of those previously received. The leases have floor payments plus participations on a combination of sugar and ethanol prices.

We also hold 32,000 acres of potentially higher and better use land adjacent to our western North American timberlands acquired during 2005, which we intend to convert into residential and other purpose land over time.

POWER GENERATING OPERATIONS

Our power generating operations are predominantly hydroelectric facilities located on river systems in North America. As at December 31, 2005, we owned and managed approximately 130 power generating stations with a combined generating capacity of 3,400 megawatts. All of our existing stations are hydroelectric facilities located on river systems in seven geographic regions, specifically Ontario, Quebec, British Columbia, New York, New England, Louisiana and southern Brazil, with the exception of two natural gas-fired facilities. This geographic distribution provides diversification of water flows to minimize the overall impact of fluctuating hydrology. Our storage reservoirs contain sufficient water to produce approximately 20% of our total annual generation and provide partial protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods. Our facilities produced nearly 11,000 gigawatt hours of electricity in 2005, more than double our annual generation of five years ago.

The capital invested in our power generating operations and the associated cash flows are as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Capacity*		*Assets Under Management*	*Invested Capital*				*Operating Cash Flow*			
				Total		*Net*		*Total*		*Net*	
MILLIONS	***2005***	*2004*	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Hydroelectric generation	*(MW)*										
Ontario	**847**	847	**$ 944**	**$ 944**	$ 914	**$ 944**	$ 914	**$ 83**	$ 82		
Quebec	**277**	266	**374**	**374**	359	**374**	359	**54**	47		
British Columbia	**127**	127	**131**	**131**	127	**131**	127	**13**	11		
New England	**201**	174	**259**	**259**	262	**259**	262	**38**	32		
New York	**730**	674	**889**	**889**	839	**889**	839	**123**	17		
Louisiana	**192**	192	**497**	**497**	243	**497**	243	**112**	26		
Brazil	**205**	102	**220**	**220**	60	**220**	60	**30**	14		
Total hydroelectric generation	**2,579**	2,382	**3,314**	**3,314**	2,804	**3,314**	2,804	**453**	229		
Other operations	**815**	240	**254**	**254**	147	**254**	147	**16**	39		
Total power generation	**3,394**	2,622	**3,568**	**3,568**	2,951	**3,568**	2,951	**469**	268	**$ 469**	$268
Other assets, net			**1,184**	**1,184**	599	**693**	503			**—**	—
Property specific and subsidiary debt / interest						**(2,839)**	(2,084)			**(215)**	(78)
Minority interests of others in net assets						**(225)**	(194)			**(24)**	(21)
Net investment / operating cash flow	**3,394**	2,622	**$ 4,752**	**$4,752**	$3,550	**$ 1,197**	$ 1,176	**$469**	$268	**$ 230**	$169

Operating cash flow from our power generating assets increased to $469 million in 2005, compared with $268 million in 2004, due to expanded capacity and higher prices, offset by lower hydrology. After deducting interest expense and distributions to owners of partial interests in our business, these operations generated $230 million of cash flow on net invested capital of $1.2 billion, representing a 19% return. The book value of invested capital was largely unchanged as the acquisition of power facilities during the year was funded largely by long-term property specific debt financing. Property specific debt totalled $2.3 billion at year end and corporate unsecured debt issued by our power generating operations totalled $0.5 billion.

Operating Results

The following table illustrates the components of the change in operating cash flows from our power generating operations, prior to interest expense and distributions, during the past two years:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Prior year's net operating cash flow	**$ 268**	$ 154
Hydrology variations within existing capacity	**(23)**	27
Variations in prices and operational improvements	**11**	53
Capacity additions	**129**	34
Louisiana HydroElectric Power	**84**	—
Current year's net operating cash flow	**$ 469**	$ 268

Acquisitions and selective development of additional capacity added $129 million of cash flow during 2005. The most significant step in this regard was the acquisition of our New York operations in late 2004, which contributed meaningfully during 2005. The additional facilities furthered the diversification of our watersheds, thereby reducing hydrology risk, and position us as an important participant in the Ontario, New York and New England electricity markets.

The continued increase in fossil fuel prices has led to an increase in power prices as most of the price setting capacity in our operating regions is primarily natural gas. This increases our revenues and our operating margins as hydroelectric generation requires minimal fuel costs. To date, the impact of price increases has been somewhat muted by our policy of forward selling a significant amount of our production, but we expect to benefit from higher prices as these contracts expire. The total benefit from price and operational improvements in 2005 was $11 million. Additional information on the contract profile of our power operations is contained on page 17 of this Annual Information Form.

Generation increased to 10,930 gigawatt hours during the year, from the 8,796 gigawatt hours generated in 2004. The increase of 2,134 gigawatt hours is comprised of approximately 3,000 gigawatt hours of generation from facilities acquired during the past two years, partially offset by a reduction in generation of 900 gigawatt hours on facilities owned throughout those two years due to below average hydrology in Quebec and Ontario following above average water flows in 2004. As a result, cash flows were $23 million lower during 2005 on a relative basis. Water conditions have improved substantially in recent months and, as a result, our facilities are currently operating at approximately 15% above average generation levels. The following table summarizes generation over the past two years:

	2005			2004		
YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	***Long-term Average***	***Actual Production***	***Variance***	*Long-term Average*	*Actual Production*	*Variance*
Existing capacity						
Ontario	**3,262**	**2,562**	**(700)**	3,262	3,190	(72)
Quebec	**1,639**	**1,475**	**(164)**	1,639	1,661	22
New England	**1,010**	**1,172**	**162**	1,010	953	(57)
Other	**732**	**716**	**(16)**	667	725	58
	6,643	**5,925**	**(718)**	6,578	6,529	(49)
Louisiana	**903**	**813**	**(90)**	903	1,099	196
	7,546	**6,738**	**(808)**	7,481	7,628	147
Acquisitions – during 2005	**885**	**751**	**(134)**	—	—	—
Acquisitions – during 2004	**3,268**	**3,441**	**173**	1,261	1,168	(93)
Total	**11,699**	**10,930**	**(769)**	8,742	8,796	54

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

	2005				2004			
YEARS ENDED DECEMBER 31 (GWH AND $ MILLIONS)	***Actual Production***	***Realized Revenues***	***Operating Costs***	***Operating Cash Flows***	*Actual Production*	*Realized Revenues*	*Operating Costs*	*Operating Cash Flows*
Ontario	**1,764**	**$ 118**	**$ 35**	**$ 83**	2,311	$ 127	$ 45	$ 82
Quebec	**1,475**	**75**	**21**	**54**	1,661	71	24	47
New England	**1,275**	**63**	**25**	**38**	1,056	51	19	32
New York	**3,089**	**195**	**72**	**123**	687	39	22	17
Other	**2,217**	**195**	**40**	**155**	2,201	55	4	51
Total	**9,820**	**$ 646**	**$ 193**	**$ 453**	7,916	$ 343	$ 114	$ 229
Per MWh		**$ 66**	**$ 20**	**$ 46**		$ 43	$ 14	$ 29

Realized prices, which include ancillary revenues and the impact of peak hour pricing in addition to contracted prices, increased to $66 per megawatt hour due to improved pricing and the acquisition of facilities in higher price regions. Generating costs per megawatt hour increased due to acquisitions of facilities with higher cost structures.

Portfolio Activity

We added 12 stations during 2005 with capacity of 736 megawatts that are capable of generating 885 gigawatt hours of annual production. The acquired stations are located in northeastern United States and Brazil and have been integrated into our current operations in these regions. The total acquisition cost was approximately $300 million and, together with the consolidation of our operations in Louisiana, resulted in a $700 million increase in the book value of our power generating assets to $3.6 billion from $2.9 billion at the end of 2004. We raised approximately $700 million of additional financing to fund acquisitions and establish appropriate leverage on existing assets and, as a result, the net capital invested in our portfolio was relatively unchanged year over year.

We finance our power generation facilities in the same manner as our core office properties with long-term debt that is recourse only to the assets being financed. We typically achieve approximately 50% loan to value before taking into account any power contract arrangements, which may enable significantly higher loan-to-value ratios to be achieved. At December 31, 2005, the average term of this debt was 11 years and the average interest rate was 7.9%.

We have expanded our power operations significantly since 2001, at which time the book value was less than $1 billion and capacity was less than 1,000 megawatts. We will continue our efforts to expand the portfolio and are pursuing a number of opportunities in this regard, including the development of wind power facilities in northern Ontario during 2006.

We believe the intrinsic value of our power assets is much higher than the book value because the assets have either been held for many years and therefore depreciated for accounting purposes which, in our view, is inconsistent with the nature of hydroelectric generating assets. In addition, we have been successful in acquiring, developing and upgrading many of our facilities on an attractive basis. In addition, higher fossil fuel prices have resulted in significantly expanded operating margins for hydroelectric facilities, which have minimal fuel costs.

Contract Profile

We endeavour to maximize the stability and predictability of our power generating revenues by contracting future power sales to minimize the impact of price fluctuations, by diversifying watersheds, and by utilizing water storage reservoirs to minimize fluctuations in annual generation levels.

Approximately 70% of our projected 2006 revenue is currently subject to long-term bilateral power sales agreements or shorter- term financial contracts. The remaining revenue is generated through the sale of power in wholesale electricity markets. Our long-term sales contracts, which cover approximately 45% of projected 2006 revenue, have an average term of 13 years and the counterparties are almost exclusively customers with long-standing favourable credit histories or have investment grade ratings. The financial contracts typically have a term of between one and three years.

All power that is produced and not otherwise sold under a contract is sold in wholesale electricity markets, and due to the low variable cost of hydroelectric power and the ability to concentrate generation during peak pricing periods, we are often able to generate highly attractive margins on power which is otherwise uncontracted. This approach provides an appropriate level of revenue stability, without exposing the company to undue risk of contractual shortfalls, and also provides the flexibility to enhance profitability through the production of power during peak price periods.

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

YEARS ENDED DECEMBER 31	*2006*	*2007*	*2008*	*2009*	*2010*
Generation (GWh)					
Contracted					
Power sales agreements	5,589	5,783	5,712	4,428	4,412
Financial contracts	3,684	2,886	497	293	287
Uncontracted	2,600	3,417	5,877	6,911	6,933
	11,873	12,086	12,086	11,632	11,632
Contracted generation					
Revenue ($millions)	597	583	446	375	375
Price ($/MWh)	64	67	72	80	80

The increase in the average selling price for contracted power over the next five years reflects contractual step-ups in long duration contracts with attractive locked-in prices and the expiry of lower priced contracts during the period. The recontracting of this power at market rates should result in increased revenues based on current electricity prices and the assumption that fossil fuels, particularly natural gas, continue to sell at higher prices than historical norms. Actual financial results from our power contracts may vary from those shown in the table above if there are significant variations from long-term average hydrology or if any defaults occur in our power contracts.

TIMBER AND INFRASTRUCTURE

We own and manage timber and infrastructure assets which have investment characteristics that are similar to our property and power operations. Our current operations consist of the following:

AS AT AND FOR THE YEARS ENDED DECEMBER 31		*Assets Under Management*	*Invested Capital*				*Operating Cash Flow*			
			Total		*Net*		*Total*		*Net*	
$ MILLIONS	*Acres*	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Timber										
Western North America										
Timberlands	635,000	**$ 801**	**$ 801**	$ —	**$ 801**	$ —	**$ 27**	$ —		
Higher and better use lands	32,000	**113**	**113**	—	**113**	—	**—**	—		
Eastern North America	311,000	**48**	**48**	50	**48**	50	**8**	7		
Brazil	140,000	**39**	**39**	37	**39**	37	**5**	4		
	1,118,000	**1,001**	**1,001**	87	**1,001**	87	**40**	11		
Electrical transmission		**130**	**130**	97	**130**	97	**24**	15		
Other assets, net		**82**	**82**	31	**17**	(6)	—	—		
		1,213	**1,213**	215	**1,148**	178	**64**	26	**$ 64**	$ 26
Project specific financing and other borrowings					**(547)**	(87)			**(19)**	(5)
Minority interests of others in net assets					**(255)**	—			**(7)**	—
Net investment / operating cash flow		**$ 1,213**	**$1,213**	$215	**$ 346**	$ 91	**$ 64**	$ 26	**$ 38**	$ 21

We have significantly expanded our timberland operations with the formation of the Island Timberland Fund in 2005 and the Acadian Timber Income Fund early in 2006, which acquired the eastern North America timberlands that were previously 100% owned by us. Our goals are to continue to prudently invest additional capital in our timber operations when opportunities are available, and to further expand our transmission operations to serve the needs of the under-serviced electrical infrastructure sector in our geographic markets.

Timberland Operations

Western North America

We established the Island Timberlands Fund in 2005 with the purchase of 635,000 acres of high quality private timberlands on the west coast of Canada. We own 50% of the fund with the balance owned by institutional investors. The acquisition was funded in part by a $410 million 19-year average 6% term financing, completed during the year.

Timber operations performed in line with expectations and the prospects for 2006 are promising. Demand for high quality timber exported to the U.S. and Japan remains strong, although this continues to be offset somewhat by weak Canadian sales.

Eastern North America

We have owned and managed timberlands in Maine and New Brunswick for a number of years, both directly and through Fraser Papers. In early 2006, we established the Acadian Timber Income Fund, a publicly listed income fund that acquired the 311,000 acres of private timberlands previously owned by us as well as a further 765,000 acres held by Fraser Papers. Acadian, in which we hold a 27% interest, is managed by our timber management group and recently completed a C$85 million initial public offering.

Brazil

We hold 140,000 acres of timberlands located in the State of Paraná in Brazil and are actively pursuing acquisition opportunities to expand our timberland operations in this country, which benefit from rapid rates of growth for trees.

Electrical Transmission

We own and operate an electrical transmission system in northern Ontario. As a regulated rate base business, the operations produce stable and predictable cash flows and provide attractive returns for future investment. During the year we invested $50 million of capital to upgrade our system, thereby increasing its rate base. We are actively pursuing the further expansion of these operations in our current geographic areas of operation.

SPECIALTY FUNDS

We conduct bridge financing, real estate finance and restructuring activities through specialty investment funds. Our public securities operations manage funds with specific mandates to invest in public and private securities on behalf of institutional and retail investors. Although our primary industry focus is on property and power and long-life infrastructure assets, our mandates include other industries which have tangible assets and cash flows, and particularly where we have expertise as a result of previous investments.

We typically invest between 25% and 50% of the capital committed to our specialty funds, with institutional investors committing the balance. We earn fees for managing the activities on behalf of our co-investors, which include base administration fees, performance fees to the extent returns exceed predetermined thresholds, and we often earn transaction fees for specific activities. We also earn base management and performance fees in many of our public securities operations. We typically do not own interests in the funds being managed in our public securities operations, as they are either widely held publicly listed funds or securities portfolios managed on behalf of their beneficial owners pursuant to specific mandates.

The following table shows the assets currently under management and the invested capital at December 31, 2005 and 2004, together with the associated operating cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Assets Under Management[1]*	*Invested Capital*				*Operating Cash Flow*			
		Total		*Net*		*Total*		*Net*	
MILLIONS	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Bridge Lending	**$ 900**	**$ 268**	$ 698	**$ 268**	$ 698	**$ 31**	$ 25		
Real Estate Finance	**627**	**149**	103	**149**	103	**14**	11		
Restructuring	**400**	**82**	96	**82**	96	**9**	12		
Public securities	**18,000**	**—**	—	**—**	—	**—**	—		
Net investment / operating cash flow	**$ 19,927**	**$ 499**	$ 897	**$ 499**	$ 897	**$ 54**	$ 48	**$ 54**	$ 48

1 Represents capital committed or pledged by Brookfield and co-investors, including the book value of our invested capital.

Operating cash flows, which represent the investment returns from our capital deployed in these activities, totalled $54 million in 2005, an increase of 13% over 2004, which was in turn higher than 2003. In addition, these operations generated net fee income of $26 million in 2005, which is included in Fees Earned. The contribution from fees is similar to the same period in 2004 but up significantly from 2003, as a result of acquisitions and a higher level of activity. Higher investment income reflects higher average levels of interest bearing securities and loans held during the year.

Bridge Lending

We provide bridge loans to entities operating in industries where we have operating expertise, leveraging our 20-year history of offering tailored lending solutions to companies in need of short-term financing.

Our portfolio declined from $698 million to $268 million during the year. Loans to Atlas Cold Storage and Uniboard, the two largest positions at the end of 2004, were repaid in full towards the end of 2005, as both these companies executed their business plans as contemplated. We continued to be active in 2005, reviewing many financing opportunities and issuing funding commitments totalling $900 million to 11 clients. Our portfolio at year end was comprised of 15 loans, and the largest single exposure at that date was $42 million. The portfolio has an average term of nine months excluding extension privileges and an average yield of approximately 10%. We do not employ any direct financial leverage, although loans may be structured with senior and junior tranches, and may be subordinate to other debt in the borrower's capital structure.

Operating cash flows, which represent the return on our capital and exclude management fees, increased during the year due to the higher level of invested capital during the year compared to 2004.

Real Estate Finance

Our real estate finance operations were established in 2002 to finance 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. Our investments typically represent financing at levels between 65% and 85% of the value of the property.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 MILLIONS	Assets Under Management[1] 2005	Invested Capital Total 2005	Invested Capital Total 2004	Invested Capital Net 2005	Invested Capital Net 2004	Operating Cash Flow Total 2005	Operating Cash Flow Total 2004	Operating Cash Flow Net 2005	Operating Cash Flow Net 2004
Real estate finance investments	**$ 600**	**$ 366**	$ 228	**$ 366**	$ 228	**$ 36**	$ 33	**$ 36**	$ 33
Less: Co-investor interests		**(244)**	(152)	**(244)**	(152)	**(24)**	(22)	**(24)**	(22)
	600	**122**	76	**122**	76	**12**	11	**12**	11
Directly held	**27**	**27**	27	**27**	27	**2**	—	**2**	—
Net investment / cash flow	**$ 627**	**$ 149**	$ 103	**$ 149**	$ 103	**$ 14**	$ 11	**$ 14**	$ 11

1 Represents capital committed or pledged by Brookfield and co-investors, including the book value of our invested capital.

During 2005, we acquired 35 loan positions with an aggregate investment of $436 million. The portfolio continues to perform in line with expectations. We also entered into an agreement to sell our interests in Criimi Mae, a U.S. public mortgage REIT, which closed in the first quarter of 2006.

We maintain credit facilities that provide financing for these investments on a non-recourse basis and we have also established two collateralized debt obligation facilities. These facilities represent $700 million of low cost debt funding for a seven-year term to finance the acquisition of mortgage loan securities within the collateralized debt obligation funds. This financing provides a stable, lower-risk source of funding that is intended to enhance investment returns. The quality and diversification of the portfolio enabled us to apply leverage of approximately 70% at year end.

Restructuring

Tricap was launched in 2002 to invest long-term capital for ourselves and other investors in companies facing financial or operational difficulties in industries which have tangible assets and cash flows, and in particular where we have expertise resulting from prior operating experience. Tricap benefits from our 20 year record of restructuring companies experiencing financial and operational difficulties. We currently have less than $100 million invested; however we expect the amount of capital invested to increase during 2006 as a result of current initiatives. Operating cash flow declined slightly during the year relative to 2004, which included realization gains.

Major initiatives during the year included the restructuring of Western Forest Products, a western Canadian forest products company in which Tricap owns a 20% interest. Western continued to rationalize its operations, including the shutdown of a pulp mill and agreed to merge with Cascadia Forest Products, another Vancouver Island lumber company that we acquired in connection with the purchase of timberlands from Weyerhaeuser in early 2005.

We continue to work with wholly-owned Concert Industries, a leading manufacturer of air woven consumer tissue products, and in early 2006 Tricap sold its interests in Vicwest, a steel fabrication company, for a substantial gain. Tricap also facilitated the restructuring of Stelco, one of the two major Canadian integrated steel companies, that is expected to be completed in early 2006.

Public Securities

We manage a number of publicly listed and private portfolios of securities on behalf of institutions and retail investors with a particular emphasis on fixed income real estate securities. We also manage a number of structured products developed for retail and institutional investors.

While included separately in this report, fee revenues increased to $20 million in 2005, partly due to the acquisition of a New York-based asset manager. In addition, during 2005 we launched a private mortgage REIT in the United States raising $435 million of equity capital; a mortgage-backed offering in Canada that raised C$78 million; and two retail product offerings under the names of Brascan SoundVest Rising Distribution Split Trust and Brascan SoundVest Focused Business Trust, that invest in income trust securities.

We earn base management fees that vary from fund to fund depending on the mandate, and earn performance fees in respect of certain funds based on investment returns.

INVESTMENTS

We own direct interests in a number of investments which will be sold once value has been maximized, integrated into our core operations or used to seed new funds. Within our areas of expertise, we continue to seek new investments of this nature and dispose of more mature assets.

The following table sets out these investments, together with associated cash flows and gains:

AS AT AND FOR THE YEARS ENDED DECEMBER 31				Assets Under Management	Invested Capital				Operating Cash Flow			
					Total		Net		Total		Net	
MILLIONS	Location	Shares	Interest	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Forest products												
Norbord Inc.	North America / UK	33.8	23%	**$ 199**	**$ 199**	$ 177	**$ (12)**	$ (18)	**$ 62**	$ 19	**$ 37**	$ 19
Fraser Papers Inc.	North America	13.4	46%	**197**	**197**	204	**197**	204	**—**	—	**—**	—
Privately held	North America		100%	**428**	**428**	174	**285**	122	**(35)**	(1)	**(41)**	(1)
Business services												
Insurance	Various		80-100%	**2,028**	**2,028**	1,172	**495**	345	**27**	32	**20**	28
Banco Brascan, S.A.	Rio de Janeiro		51%	**69**	**69**	59	**69**	59	**6**	4	**6**	4
Privately held	Various		100%	**304**	**304**	299	**133**	172	**32**	17	**20**	11
Publicly listed	Canada		—	**84**	**84**	107	**49**	77	**—**	4	**(2)**	3
Mining and metals												
Coal lands	Alberta		100%	**77**	**77**	70	**77**	70	**4**	4	**4**	4
Falconbridge	Various		—	**—**	**—**	1,344	**—**	1,344	**24**	45	**24**	45
Net investment / operating cash flows				**$ 3,386**	**$3,386**	$3,606	**$1,293**	$2,375	**$120**	$124	**$ 68**	$113

We account for our non-controlled public investments such as Norbord and Fraser Papers using the equity method, and include dividends received from these investments in cash flow and our proportional share of their earnings in net income. We consolidate the results of our majority owned private companies and accordingly include our proportional share of their results in the operating cash flow shown above.

Forest Products

Norbord Inc.

We control 37% and own a net beneficial interest in approximately 23% or 34 million shares of Norbord. Our net investment had a market value of approximately $360 million at year end.

AS AT AND FOR THE YEARS ENDED DECEMBER 31			Assets Under Management	Invested Capital				Operating Cash Flow			
				Total		Net		Total		Net	
MILLIONS	Shares	Interest	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Common shares owned	53.8	37%	**$ 199**	**$199**	$177	**$ 199**	$ 177	**$ 62**	$ 19	**$ 62**	$ 19
Exchangeable debenture	(20.0)	(14%)	**—**	**—**	—	**(211)**	(195)			**(25)**	—
Net investment / operating cash flows	33.8	23%	**$ 199**	**$199**	$177	**$ (12)**	$ (18)	**$ 62**	$ 19	**$ 37**	$ 19

Norbord is an international producer of wood panels with operations in the United States, Canada and Europe. The company's principal product is oriented strandboard. Norbord contributed $62 million of dividends to our cash flow during the current year resulting in a net contribution of $37 million after deducting exchangeable debenture interest. Norbord is traded on the Toronto Stock Exchange. Further information on Norbord is available through its web site at *www.norbord.com.*

Fraser Papers Inc.

We own approximately 13 million common shares of Fraser Papers, which we received on the distribution of this business from Norbord during 2004. These shares represent a 46% equity interest in the company. Fraser Papers produces a wide range of specialty paper products from its operations which are located principally in Maine and New Brunswick. Fraser Papers is traded on the Toronto Stock Exchange. Further information on Fraser Papers is available through its web site at *www.fraserpapers.com.*

Privately Held

We own two private forest products companies that we acquired in connection with the purchase of core timberland and power generation operations. Cascadia is a coastal British Columbia lumber producer that operates sawmills and remanufacturing facilities, together with crown rights for 3.6 million cubic metres of annual timber harvesting. We acquired these operations from

Weyerhaeuser in connection with the purchase of private timberlands by our timber fund. We recently reached agreement to merge Cascadia with Western Forest Products, which is 18%-owned by our restructuring fund.

Katahdin Paper owns a 280,000 ton per year directory paper mill and a 185,000 ton per year super-calender fine paper mill. These operations, located in Maine, were acquired out of bankruptcy in April 2003. Katahdin faced a difficult operating environment during 2005, which resulted in $30 million of operating and restructuring charges, but we believe its results will improve in 2006.

Business Services

Insurance Operations

Our insurance operations are conducted through 80%-owned Imagine Insurance, a specialty reinsurance business which operates internationally, and Hermitage Insurance, a property and casualty insurer which operates principally in the northeast United States. We manage the securities portfolios of these companies, which total $1.8 billion and consist primarily of highly rated government and corporate bonds, through our public securities operations. Imagine is rated A (strong) and A- (excellent) by Fitch and AM Best, respectively and Hermitage is rated B++ (very good) by AM Best. These operations continued to generate attractive returns despite larger than expected underwriting losses during 2005. We continue to explore a variety of options to surface the value of our insurance business, which could result in a reduced ownership interest in the future.

Banco Brascan, S.A.

We own a 51% interest in Banco Brascan, which is a Brazilian investment bank based in Rio de Janeiro and São Paulo. The balance of the company is owned 40% by Mellon Financial Group and 9% by management. Banco Brascan advises, lends to and provides asset management services to domestic and foreign companies in Brazil.

Other Privately Held

Privately held business service investments include a joint venture with the Accor Group of France which owns and manages the Accor Group hotel brands in Brazil, including Novotel, Sofitel, Ibis and Formula One, and a voucher services business in Brazil, which provides paper and electronic vouchers to corporations which utilize them in their compensation programs for employees and for the purchase of motor fuel and other purposes.

Other Publicly Listed

Publicly listed business service investments include controlling interests in NBS Technologies Inc. and MediSolution Ltd. NBS provides secure identification solutions, financial transaction services and operates a commerce gateway that facilitates electronic payment processing. MediSolution develops and manages medical human resources management software and systems for the health industry, primarily in Canada.

Mining and Metals

Coal Lands

Brookfield owns the coal rights under approximately 475,000 acres of freehold lands in central Alberta. These lands supply approximately 11% of Alberta's coal-fired power generation through the production of approximately 12 million tonnes of coal annually. Royalties from this production generate $4 million of operating cash flow and provide a stable source of income as they are free of crown royalties and require no holdings costs. In addition, we own a 3.5% net profit interest in 75 million tonnes of proven reserves, and 25 million tonnes of potential reserves of high quality metallurgical coal in British Columbia.

Falconbridge Limited

We monetized our investment in Falconbridge during 2005 for proceeds of $2.7 billion and an after tax gain of $1.1 billion. Operating cash flow during the past two years from this investment consisted of dividend receipts.

BUSINESS ENVIRONMENT AND RISKS

Brookfield's financial results are impacted by: the performance of each of our operations and various external factors influencing the specific sectors and geographic locations in which we operate; macro-economic factors such as economic growth, changes in currency, inflation and interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business.

Our strategy is to invest in high quality long-life 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 Brookfield against future uncertainty and enables us to invest with confidence when opportunities arise.

The following is a review of the material factors and the potential impact these factors may have on the company's business operations. A more detailed discussion of the business environment and risks is contained in our Annual Information Form which is posted on our web site.

Property Operations

Core Office Properties

Our strategy is to invest in high quality core office properties as defined by the physical characteristics of the assets and, more importantly, the certainty of receiving rental payments from large corporate tenants which these properties attract. Nonetheless, we remain exposed to certain risks inherent in the core office property business.

Core office property 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 the markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords with competitive space and our ability to provide adequate maintenance at an economical cost.

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 core office properties are subject to mortgages which require substantial debt service payments. If we become 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. We believe the stability and long-term nature of our contractual revenues is an effective mitigant to these risks.

Our core office properties generate a relatively stable source of income from contractual tenant rent payments. We endeavour to stagger our lease expiry profile so that we are not faced with a disproportionate amount of space expiring in any one year. 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 we believe the outlook for commercial office rents is positive for both 2006 and in the longer term, it is possible that rental rates could decline or that renewals may not be achieved. The company is, however, substantially protected against 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 over time on overall occupancy levels and net effective rents.

Our core office 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 reasonably economic basis, any damage or business interruption costs as a result of uninsured acts of terrorism could result in a material cost to Brookfield.

Residential Properties

In our residential land development and home building operations, markets have been favourable over the past five years with strong demand for well located building lots, particularly in the United States and Alberta. Our operations are concentrated in high growth areas which we believe have positive demographic and economic conditions.

Nonetheless, the residential home building and land development industry is cyclical and may be significantly affected by changes in general and local economic conditions such as consumer confidence, job stability, availability of financing for home buyers and higher interest rates due to their impact on home buyers' decisions. These conditions can affect the outlook of consumers and, in

particular, the price and volume of home purchases. Furthermore, we are subject to risks related to the availability and cost of materials and labour, supply and cost of building lots, and adverse weather conditions that can cause delays in construction schedules and cost overruns.

In particular, interest rates in North America have supported robust housing sales. Should a substantial interest rate increase occur, potentially resulting in reduced consumer demand for residential property, both income and the intrinsic value of our land holdings could be negatively affected. On a book value basis, as our historical cost is well below intrinsic values, it would be remote that write-downs would occur.

Power Generating Operations

Our strategy is to own primarily hydroelectric generating facilities, which have operating costs significantly below that of most competing forms of generation. As a result, there is a high level of assurance that we will be able to deliver power on a profitable basis. In addition, we sell most of our generation pursuant to long-term contracts that protect us from variations in future prices. Nonetheless, we are subject to certain risks, the most significant of which are hydrology and price.

The revenues generated by our power facilities are proportional to the amount of electricity generated, which is dependent upon available water flows. Although annual deviations from long-term average water flows can be significant, we strive to mitigate this risk by increasing the geographic diversification of our facilities which assists in balancing the impact of generation fluctuations in any one geographic region.

Demand for electricity varies with economic activity. Accordingly, an economic slow down could have an adverse impact on prices. In addition, oversupply in our markets may result from excess generating capacity. Pricing risk is mitigated through fixed-price contracts, forward sales of electricity, and the regulated revenues we earn from our transmission and distribution business. Continued growth in pricing is dependent on favourable economic and supply conditions and the renewal of contracts on favourable terms.

Our power operations are typically financed with long-term debt. A prolonged decline in operating income due to unusually poor hydrology or extremely low pricing could impact our ability to meet our obligations to mortgagees and could result in losses as a result of the mortgagee's right of foreclosure or sale.

The operation of hydroelectric generating facilities and associated sales of electricity are regulated to varying degrees in most regions. Changes in regulation can affect the quantity of generation and the manner in which we produce it, which could impact revenues.

Lastly, electricity prices in North America are affected by fossil fuel prices, particularly natural gas. A sustained downward movement in fossil fuel prices could have an adverse impact on future cash flows and asset values.

Timberlands, Infrastructure and Specialty Funds Operations

Our specialty funds operations are focussed on the ownership and management of assets, the majority of which are long life physical assets, as well as debt and similar obligations, that are supported by underlying tangible assets and cash flows. The principal risks in this business are potential loss of invested capital as well as insufficient investment or fee income to cover operating expenses and cost of capital.

Unfavourable economic conditions could have a significant impact on our assets, which could negatively impact their ability to satisfy their obligations to us on a timely basis. This could reduce the value and liquidity of our investments and the level of investment income. Since most of our investments are in our areas of expertise and given that we strive to maintain adequate supplemental liquidity at all times, we are well positioned to assume ownership of and operate most of the assets and businesses that we finance. Furthermore, if this situation does arise, we typically acquire the assets at a discount to the underwritten value, which protects us from loss.

Timberlands, transmission and distribution operations are subject to various forms of regulatory oversight that can impact operating policies and, as a result, profitability. We address this risk by endeavouring to operate well within prescribed requirements and by maintaining a full understanding of the regulatory environment.

We finance many of our fund investments with debt capital, typically on a matched basis reflecting maturity and interest rate profiles. Nonetheless, a contraction of available credit could result in an increase in financing costs which would impact our profitability or cause us to dispose of assets sooner than otherwise planned and thereby reduce returns or result in a loss of capital. This risk

is mitigated through the structuring of our financing arrangements and by maintaining adequate liquidity to refinance obligations if necessary.

Financial Risk Management

Our business is impacted by changes in currency rates, interest rates, commodity prices and other financial exposures. As a general policy, we endeavour to maintain balanced positions, although unmatched positions may be taken from time to time within predetermined limits. The company's risk management and derivative financial instruments are more fully described in the notes to our Consolidated Financial Statements. We selectively utilize financial instruments to manage these exposures.

Our 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, fluctuations in the value of the U.S. dollar relative to other currencies have a negligible impact on Brookfield's net financial position. We receive certain cash flows that are denominated in Canadian dollars that are not hedged. The estimated impact of a C$0.01 change in the Canada/U.S. exchange rate is a corresponding change in Brookfield's operating cash flow of less than $0.02 per share.

We typically finance assets that generate predictable long-term cash flows with long-term fixed rate debt in order to provide stability in cash flows and protect returns in the event of changes in interest rates. We also make use of fixed rate preferred equity financing as well as financial contracts to provide additional protection in this regard. Historically, the company and our subsidiaries have tended to maintain a net floating rate liability position because we believe that this results in lower financing costs over the long term.

As at December 31, 2005, Brookfield's net floating rate liability position was $0.8 billion. As a result, a 100 basis point increase in interest rates would decrease operating cash flow by $8 million, or $0.03 per share. Our fixed-rate obligations at year end include a notional amount of $1.2 billion, which we are required to record at market value and any changes in value recorded as current income, with the result that a 10 basis point increase in long-term interest rates will result in a corresponding increase in income of $12 million before tax or $0.05 per share and vice versa, based on our year end positions. It is important for shareholders to keep in mind that these interest rate related revaluation gains or losses are offset by corresponding changes in values of the assets and cash flow streams that they relate to, which are not reflected in current income.

We selectively utilize credit default swaps and equity derivatives to hedge financial positions and may establish unhedged positions from time to time. These instruments are typically utilized as an alternative to purchasing or selling the underlying security when they are more effective from a capital employment perspective.

As at December 31, 2005, we held credit default swaps with an aggregate notional amount of $797 million, with a maximum exposure to any particular issuer of less than $50 million. We are entitled to receive payment in the event of predetermined credit events for $775 million of the notional amount, which protects us in the event of a deteriorating credit spread environment, and are required to make payment in respect of $22 million of the notional amount. We also held equity derivatives with a notional amount of $604 million as at December 31, 2005. Approximately one-half of the notional amount entitles us to purchase Brookfield common shares in order to hedge long-term compensation arrangements and the balance represents common equity positions established in connection with our capital markets investment activities. The replacement values of these instruments are reflected in our year end consolidated financial statements.

Execution of Strategy

Our strategy for building shareholder value is to develop or acquire high quality assets and businesses that generate sustainable and increasing cash flows on behalf of ourselves and co-investors, with the objective of achieving higher returns on capital invested and asset management fees over the long term.

We consider effective capital allocation to be one of the most important components to achieving long-term investment success. As a result, we apply a rigorous approach towards the allocation of capital among our operations. Capital is invested only when the expected returns exceed pre-determined thresholds, taking into consideration both the degree and magnitude of the relative risks and upside potential and, if appropriate, strategic considerations in the establishment of new business activities. We conduct post investment reviews on capital allocation decisions to assess the results against anticipated returns.

We endeavour to maintain an appropriate level of liquidity in order to invest on a value basis when attractive opportunities arise. Our approach to business 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 acquire or develop additional high quality assets at attractive prices to supplement our growth.

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 experienced in a particular industry. Our diversified business base, liquidity and the sustainability of our cash flows provide important elements of strength in executing this strategy.

Conversely, overly favourable economic conditions can limit the number of attractive investment opportunities and thereby restrict our ability to increase assets under management and the related income streams. We mitigate this risk by exercising patience and by maintaining a relatively low level of administrative overhead.

Our ability to successfully expand our asset management business is dependent on our reputation with our current and potential investment partners. We believe that our track record and recent investments, as well as adherence to operating policies that emphasize a constructive management culture, will enable us to continue to develop productive relationships with institutional investors.

The conduct of our business and the execution of our growth strategy rely heavily on teamwork. We believe that co-operation among our operations and our team-oriented management structure are essential to responding promptly to opportunities and challenges as they arise. There is, however, no certainty that the ability to retain, or the appointment of, new senior executives will always be successfully executed.

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. As of the date of this Annual Information Form, the board has 14 directors. At the Annual and Special Meeting of Shareholders to be held on April 28, 2006, shareholders will be asked to consider and, if thought advisable, approve an increase in the size of the board from 14 to 16 directors. 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 17, 2006 on pages 5 to 8, which are incorporated herein by reference. A copy of this Circular can be obtained from the Corporation and is available on SEDAR at *www.sedar.com*.

As at March 1, 2006, the directors and executive officers of the Corporation together beneficially owned, directly or indirectly, or exercised control or direction over 22,753,073 Class A Limited Voting Shares, representing approximately 8.8% of the Corporation's issued and outstanding shares in this series. None of the Corporation's directors or executive officers own any of the Corporation's Class B Limited Voting Shares.

Executive Officers of the Corporation

The names of the executive officers of the Corporation, their location of residence, their current offices and their dates of appointment are shown in the following table:

	Current Office	*Date of Appointment*
Robert J. Harding Ontario, Canada	Chairman of the Board	1997
Jack L. Cockwell Ontario, Canada	Group Chairman	2002
J. Bruce Flatt Ontario, Canada	Managing Partner and Chief Executive Officer	2002
George E. Myhal Ontario, Canada	Managing Partner and Chief Operating Officer	2003
Brian D. Lawson Ontario, Canada	Managing Partner and Chief Financial Officer	2002
Barry Blattman New York, New York	Managing Partner	2005

(continued)	*Current Office*	*Date of Appointment*
Jeffrey M. Blidner Ontario, Canada	Managing Partner	2003
Richard B. Clark New York, New York	Managing Partner	2002
Bryan K. Davis Ontario, Canada	Managing Partner	2004
Joseph S. Freedman Ontario, Canada	Managing Partner	2004
Harry A. Goldgut Ontario, Canada	Managing Partner	2002
Clifford Lai New York, New York	Managing Partner	2005
Richard Legault Ontario, Canada	Managing Partner	2002
Cyrus Madon Ontario, Canada	Managing Partner	2004
Marcelo J.S. Marinho Brasilia, Brazil	Managing Partner	2002
Samuel J.B. Pollock Ontario, Canada	Managing Partner	2003
Bruce K. Robertson Ontario, Canada	Managing Partner	2003

For those executive 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. Prior to April 2003, Mr. Myhal was President and Chief Executive Officer of Brascan Financial. Prior to February 2002, Mr. Lawson held various executive positions in Brascan Financial.

Prior to 2005, Mr. Blattman was and continues to be Managing Partner at Brascan Real Estate Finance Partners, and prior to September 2002, he was Managing Director, Investment Banking for Merrill Lynch.

Prior to their appointment as Managing Partners of the Corporation, Messrs. Blidner, Davis, Freedman, Madon, Pollock and Robertson held various executive positions with Brascan Financial, which they held until the amalgamation of Brascan Financial with the Corporation in January 2005. Prior to May 2002, Mr. Freedman was Chief Financial Officer for Clearpulse Corp.

Prior to February 2002, Mr. Clark was Chief Executive Officer, U.S. Operations of Brookfield Properties. Prior to 2002, Messrs. Goldgut and Legault held various executive positions with Brookfield Power. Prior to February 2005, Mr. Lai was and continues to be President and Managing Partner of Hyperion. Prior to 2002, Mr. Marinho was and continues to be Chief Executive Officer of Brascan Brasil, S.A.

MARKET FOR SECURITIES

The Corporation's publicly traded securities that are currently issued and outstanding are listed on the following exchanges under the symbols shown below:

Security	Symbol	Stock Exchange
Class A Limited Voting Shares	**BAM**	New York
	BAM.LV.A	Toronto
Class A Preference Shares		
Series 2	**BAM.PR.B**	Toronto
Series 4	**BAM.PR.C**	Toronto
Series 8	**BAM.PR.E**	Toronto
Series 9	**BAM.PR.G**	Toronto
Series 10	**BAM.PR.H**	Toronto
Series 11	**BAM.PR.I**	Toronto
Series 12	**BAM.PR.J**	Toronto
Series 13	**BAM.PR.K**	Toronto
Series 14	**BAM.PR.L**	Toronto
Preferred Securities		
8.35% due 2050	**BAM.PR.S**	Toronto
8.30% due 2051	**BAM.PR.T**	Toronto

Information on the trading prices and volumes for each of the above securities for each month of the calendar year ended December 31, 2005 is contained in Appendix A to this Annual Information Form.

RATINGS

We endeavour to arrange our affairs to maintain investment grade ratings and to improve them further over time. The credit ratings for the Corporation as at the date of this Annual Information Form were as follows:

	DBRS		*Standard & Poor's*		*Moody's*	
	Rating	*Outlook*	*Rating*	*Outlook*	*Rating*	*Outlook*
Commercial paper	R-1(low)	Stable	A-2	Stable	Not rated	Not rated
Senior notes and debentures	A(low)	Stable	A-	Stable	Baa3	Baa3
Subordinated notes and debentures	BBB(high)	Stable	BBB	Stable	Not rated	Not rated
Preferred shares	Pfd-2(low)	Stable	P-2	Stable	Not rated	Not rated

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Each of the Corporation's debt and preferred securities are rated by Dominion Bond Rating Service Limited ("DBRS") and by Standard & Poor's ("S&P"), and its senior notes and debentures are also rated by Moody's Investor Service ("Moody's"). The following is a brief description of each rating agency's rating schedule.

DBRS rates commercial paper, long-term debt and preferred shares with ratings of "R-1," "AAA" and "Pfd-1," respectively, which represent the highest ratings, to "R-3," "CCC" and "Pfd -5," which represent the lowest, with "D" for issues in payment default. To show relative rankings with these rating categories, DBRS may modify them by the addition of "(high)" or "(low)."

S&P rates commercial paper, long-term credit and preferred shares with ratings of "A-1," "AAA" and "P-1," respectively, which represent the highest ratings, to "C," "CCC" and "P -5," which represent the lowest, with "D" for issues in payment default. To show relative rankings with these rating categories, S&P may modify them by the addition of a plus "(+)" or minus "(–)."

DBRS and S&P further modify their ratings by indicating the stability of an assigned rating with terms such as "stable," "positive" and "negative."

Moody's rates long-term obligations with ratings of "Aaa," which represents the highest rating, to "C," which represents the lowest. To show relative rankings with these rating categories, Moody's may modify them by the addition of a "1," "2" or "3" to indicate relatively higher, middle or lower ranking.

The ratings shown above for the Corporation's debt and securities are not a recommendation to purchase, hold or sell the Corporation's debt and securities and do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings shown above will remain in effect for any given period of time or that the ratings will not be revised or withdrawn in their entirety by any or all of DBRS, S&P or Moody's in the future if, in their judgment, circumstances so warrant.

We also endeavour to ensure that our principal operations 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. The investment ratings of our publicly traded subsidiaries are presented in their Annual Information Forms, which are available on SEDAR at *www.sedar.com*.

DIVIDENDS AND DIVIDEND POLICY

Class A and Class B Voting Shares

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 dividend policy for these shares, 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.

On February 9, 2006, the Corporation approved an increase on the quarterly dividend paid on its Class A and Class B Limited Voting Shares from US$0.15 to US$0.16, commencing with the dividend payable on May 31, 2006. Similar increases to the quarterly dividends paid on these shares were approved in each of the three prior years, namely an increase from US$0.14 to US$0.15 in February 2005, an increase of C$0.25 to C$0.26 in February 2004, and an increase of C$0.24 to C$0.26 in February 2003. The quarterly dividends shown for 2003 and 2004 are shown as declared, that is prior to the impact of the three-for-two stock split which was implemented by way of a stock dividend on June 1, 2004.

In April 2004, the Corporation's Board of Directors decided to change the declaration currency for the dividend payable on its Class A and Class B Limited Voting Shares from Canadian to US funds, commencing with the dividend paid on August 31, 2004 of US$0.14 per share. Registered Canadian shareholders receive their dividends in Canadian funds, unless they elect otherwise. This declared dividend was also pro-rated to reflect the three-for-two stock split implemented in June 2004.

The Corporation has a Dividend Reinvestment Plan which enables registered 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.

Preferred Shares and Securities

The declaration and payment of dividends on the Corporation's preferred shares are at the discretion of the Corporation's board of directors. Dividends on the Corporation's Class A Preference Shares, Series 2, 4, 5, 7, 10, 11, 12, 13 and 15 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 8, 14 and 16 are paid monthly. Additional information on the dividends payable on the Corporation's preferred shares is contained in Appendix B to this Annual Information Form.

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.

The following table summarizes the dividends paid per share and the interest paid per preferred security for each of the three years ended December 31, 2003, 2004 and 2005, on each class and series of securities of the Corporation that was outstanding at December 31, 2005, all expressed in United States dollars:

	2005	*2004*	*2003*
Per Class A and Class B Limited Voting Share *1*	**$ 0.59**	$ 0.55	$ 0.49
Per Class A Preference Share			
Series 2	**0.63**	0.54	0.59
Series 4 + 7	**0.63**	0.54	0.59
Series 5	**0.58**	0.50	0.54
Series 8	**0.74**	0.56	0.81
Series 9	**1.16**	1.08	1.01
Series 10	**1.19**	1.11	1.03
Series 11	**1.14**	1.06	0.98
Series 12	**1.12**	1.04	0.83
Series 13	**0.63**	—	—
Series 14	**2.25**	—	—
Series 15	**0.65**	—	—
Series 16	**0.58**	—	—
Preferred Securities			
Due 2050	**1.73**	1.61	1.49
Due 2051	**1.71**	1.60	1.48

1 Dividend amounts per Class A Limited Voting share for 2004 and 2003 have been adjusted retroactively to show the impact of the three-for-two share split on June 1, 2004.

The Corporation's Class A Preference Shares, Series 13, 14, 15 and 16, were issued on December 31, 2004 in conjunction with the amalgamation of the Corporation with Brascan Financial. The Corporation commenced paying dividends on these series of shares in the first quarter of 2005. The Corporation redeemed its Class A Preference Shares, Series 3 on November 8, 2005 and its Class A Preference Shares, Series 1 on July 30, 2004.

Information relating to the dividends and dividend policies of the Corporation's publicly traded subsidiaries can be found in their individual Annual Information Forms, which are available on SEDAR at *www.sedar.com*.

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the components of the Corporation's share capital. Additional summary information on the terms and conditions attached to or affecting each class of the Corporation's authorized securities is contained in Appendix B to this Annual Information Form. Reference should also be made to the articles of the Corporation for a complete description of all terms and conditions of our share capital. These articles are filed on SEDAR at *www.sedar.com*.

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;
- the thirteenth series, which consists of 9,999,000 Class A Preference Shares, Series 13;
- the fourteenth series, which consists of 665,000 Class A Preference Shares, Series 14;
- the fifteenth series, which consists of 4,000,000 Class A Preference Shares, Series 15;
- the sixteenth series, which consists of 7,810,200 Class A Preference Shares, Series 16;
- an unlimited number of preference shares designated as Class AA Preference Shares, issuable in series, of which no series have been created or issued;
- an unlimited number of Class A Limited Voting Shares; and
- 85,120 Class B Limited Voting Shares.

As at February 28, 2006 the following shares of the Corporation were issued and outstanding: nil Class A Preference Shares, Series 1; 10,465,100 Class A Preference Shares, Series 2; nil Class A Preference Shares, Series 3; 4,000,000 Class A Preference Shares, Series 4; 2,600,000 Class A Preference Shares, Series 5; nil 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; 9,999,000 Class A Preference Shares, Series 13; 665,000 Class A Preference Shares, Series 14; 4,000,000 Class A Preference Shares, Series 15; 7,810,200 Class A Preference Shares, Series 16; nil Class AA Preference Shares; 257,557,531 Class A Limited Voting Shares; and 85,120 Class B Limited Voting Shares.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is CIBC Mellon Trust Company at its principal office in Toronto, Ontario, Canada.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Corporation or any of its subsidiaries or their predecessors within the most recently completed financial year, or were entered into before the most recently completed financial year and are still in effect, or which are proposed to be entered into:

- The Trust Agreement referred to under “Principal Shareholder” in the Corporation’s Management Information Circular, dated March 17, 2006.
- Seventh Supplemental Indenture between the Corporation and Computershare Trust Company of Canada, dated June 14, 2005.

Copies of these documents have been filed on SEDAR as material contracts and are available at *www.sedar.com*.

INTERESTS OF EXPERTS

Deloitte & Touche LLP, the Corporation’s external auditor, is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE INFORMATION

Responsibilities of the Audit Committee

The Corporation's board of directors has established an Audit Committee with the responsibility for monitoring the Corporation's systems and procedures for financial reporting, risk management and internal controls, for reviewing all public disclosure documents containing financial information, and for monitoring the performance of the Corporation's external and internal auditors. The responsibilities of the Audit Committee are set out in a written charter, which is reviewed and approved annually by the board of directors. The current Charter of the Audit Committee was approved by the board on February 9, 2006 and is set out in full in Appendix C to this Annual information Form.

Composition of the Audit Committee

As at March 30, 2006, the Audit Committee was comprised of the following four directors: Jack M. Mintz, who is the Committee's chairman, William A. Dimma, James K. Gray and George S. Taylor. The Corporation's board of directors has determined that all of these directors are independent and financially literate. The Corporation's board has also determined that Mr. Taylor qualifies as an "audit committee financial expert." Mr. Taylor is a Certified Management Accountant (CMA) and has extensive financial and senior management experience with a public company as an executive of John Labatt Limited from 1977 to 1995. Mr. Taylor currently chairs the audit committees of a number of public companies and non-profit organizations.

Principal Accountant Fees and Services

Deloitte and Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively "Deloitte & Touche") are the principal external auditors of the Corporation and its consolidated reporting issue subsidiaries. The following table provides information about the aggregate fees billed to the Corporation and its consolidated subsidiaries for professional services rendered by Deloitte & Touche LLP during 2005 and 2004:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Audit fees	**$ 5.2**	$ 3.9
Audit-related fees	**2.8**	2.1
Tax fees	**0.6**	0.5
All other fees	**0.3**	0.3
Total	**$ 8.9**	$ 6.8

All Canadian dollar amounts included in the above totals have been converted to United States dollars at the exchange rate of US$1.00 to C$1.21, which was the average rate during 2005.

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: assistance in preparing for the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, employee benefit plan audits, due diligence related to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, 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

The Audit Committee of the Corporation's board of directors has adopted a policy regarding the provision of services by its 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 that may not be provided by the Corporation'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 the external auditors 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 above mentioned 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.

Of the fees reported in this Annual Information Form 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 Corporation pursuant to the *de minimis* exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

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 securities authorized for issuance under equity compensation plans, is set out in the Corporation's Management Information Circular, dated March 17, 2006.

Additional financial information on the Corporation is provided in its Financial Statements and in Management's Discussion and Analysis for the most recently completed financial year, which are contained in its 2005 Annual Report.

The Corporation's most recent Management Information Circular and Annual Report, as well as other information on the Corporation may be found on SEDAR at *www.sedar.com*.

APPENDIX A

TRADING INFORMATION FOR THE CORPORATION'S PUBLICLY-LISTED SECURITIES

The following sets out trading information for 2005 for the Corporation's publicly traded securities outstanding as at December 31, 2005, all of which are listed on the Toronto Stock Exchange, based on information provided by the Toronto Stock Exchange. The Corporation's Class A Limited Voting Shares are also listed on the New York Stock Exchange. Prior to October 5, 2005, the Corporation's securities traded under the symbol BNN.

Class A Limited Voting Shares (BAM.LV.A)

Trading Summary for: *BAM.LV.A*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	55.600	60.150	55.500	58.610	19,945	7,754,902	439,309,226.070
2005/11	53.940	56.230	53.400	55.680	19,140	8,412,490	462,574,308.940
2005/10	53.950	54.500	49.630	53.870	20,348	16,084,240	829,804,163.870

Trading Summary for: *BNN.LV.A*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	54.330	54.800	53.600	53.950	2,309	682,016	36,910,908.190
2005/09	47.700	55.500	46.730	54.140	29,658	11,778,086	596,324,020.490
2005/08	45.560	47.370	45.350	47.000	20,916	8,920,494	413,540,087.170
2005/07	47.020	47.380	44.750	45.650	15,349	13,468,355	616,076,888.350
2005/06	48.250	48.700	45.910	46.800	14,737	7,630,616	359,829,654.980
2005/05	45.260	48.760	45.260	48.400	13,275	5,614,048	264,069,344.390
2005/04	45.970	45.980	42.400	45.480	13,374	8,118,947	358,477,891.220
2005/03	45.700	47.360	43.330	45.700	15,251	10,531,385	476,382,075.010
2005/02	42.160	47.500	41.820	45.400	15,334	7,187,320	323,124,039.720
2005/01	43.020	43.240	38.320	42.230	14,010	7,107,932	294,487,606.730

Class A Preference Shares, Series 2 (BAM.PR.B)

Trading Summary for: *BAM.PR.B*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	23.470	23.650	23.250	23.640	246	116,239	2,730,008.400
2005/11	23.060	23.480	23.000	23.470	313	186,905	4,338,773.500
2005/10	23.100	23.300	22.950	23.200	188	208,100	4,828,503.950

Trading Summary for: *BNN.PR.B*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	23.250	23.290	23.110	23.290	24	58,145	1,348,841.500
2005/09	23.110	23.360	23.000	23.200	238	327,375	7,596,354.650
2005/08	23.240	23.290	22.910	23.110	222	333,099	7,738,701.300
2005/07	23.000	23.300	22.650	23.200	318	104,560	2,408,494.850
2005/06	23.450	23.450	22.750	22.850	372	274,155	6,373,007.950
2005/05	23.250	23.490	23.000	23.440	327	1,047,841	24,392,505.960
2005/04	23.500	23.500	23.000	23.350	263	97,405	2,263,520.100
2005/03	23.450	23.500	22.850	23.500	253	85,032	1,984,541.300
2005/02	23.250	23.750	22.000	23.300	307	113,428	2,641,540.500
2005/01	23.330	23.650	23.000	23.250	240	93,348	2,183,046.100

Class A Preference Shares, Series 4 (BAM.PR.C)

Trading Summary for: *BAM.PR.C*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	23.540	23.690	23.310	23.640	228	106,494	2,491,869.150
2005/11	23.280	23.750	23.050	23.550	206	344,089	7,994,499.730
2005/10	23.290	23.300	22.900	23.280	193	29,090	676,112.900

Trading Summary for: *BNN.PR.C*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	23.290	23.290	23.200	23.290	27	3,190	74,101.740
2005/09	23.300	23.340	23.100	23.290	201	255,125	5,920,971.230
2005/08	23.000	23.340	23.000	23.300	196	37,841	877,826.030
2005/07	23.130	23.380	22.900	23.250	158	24,238	561,391.210
2005/06	23.850	24.700	22.810	22.900	300	70,914	1,665,239.270
2005/05	23.340	23.890	23.000	23.850	174	611,251	14,347,818.640
2005/04	23.510	23.750	23.010	23.340	186	33,380	780,965.570
2005/03	23.400	24.000	23.000	23.750	188	59,058	1,387,959.580
2005/02	23.750	23.990	22.800	23.000	201	82,045	1,924,148.130
2005/01	23.650	24.000	23.150	23.750	148	25,424	603,749.020

Class A Preference Shares, Series 8 (BAM.PR.E)

Trading Summary for: *BAM.PR.E*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	25.200	25.200	24.360	25.000	16	6,285	155,619.000
2005/11	24.750	26.500	24.750	25.000	12	6,400	163,000.000
2005/10	25.000	25.450	24.750	25.000	13	3,000	74,917.500

Trading Summary for: *BNN.PR.E*

Date	Opon	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	24.690	25.600	24.690	25.600	4	2,200	55,688.000
2005/09	25.050	25.500	24.690	24.690	30	65,279	1,638,317.910
2005/08	25.450	25.450	25.000	25.000	8	2,040	51,270.500
2005/07	24.750	25.000	24.150	24.850	21	8,425	207,901.750
2005/06	25.150	25.700	25.010	25.050	10	4,650	116,796.500
2005/05	24.500	25.950	24.500	25.150	39	178,075	4,398,400.000
2005/04	24.520	25.100	24.500	24.500	10	4,985	123,502.500
2005/03	24.760	25.250	24.500	24.530	17	7,016	174,054.200
2005/02	25.000	25.500	24.500	24.600	40	9,425	234,219.250
2005/01	24.250	25.050	24.250	24.990	9	3,750	93,137.000

Class A Preference Shares, Series 9 (BAM.PR.G)

Trading Summary for: *BAM.PR.G*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	25.700	26.250	25.650	26.250	59	26,895	699,751.350
2005/11	25.520	25.830	25.500	25.800	53	14,390	369,290.100
2005/10	26.250	26.250	25.510	25.510	46	15,257	393,622.000

Trading Summary for: *B NN.PR.G*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	26.220	26.220	26.220	26.220	1	900	23,598.000
2005/09	26.050	26.550	26.000	26.200	79	30,695	804,957.150
2005/08	25.950	26.250	25.680	26.250	50	25,146	652,442.150
2005/07	26.320	26.500	25.950	26.000	53	27,088	708,946.700
2005/06	25.760	26.200	25.710	25.850	46	19,308	500,614.200
2005/05	25.850	26.390	25.520	25.900	70	131,586	3,410,575.000
2005/04	26.200	26.600	25.750	25.800	52	15,130	394,265.750
2005/03	25.820	26.550	25.530	26.550	79	34,724	899,175.600
2005/02	26.850	26.850	26.000	26.000	74	26,939	708,118.280
2005/01	26.500	27.000	26.030	26.000	73	125,128	3,360,747.070

Class A Preference Shares, Series 10 (BAM.PR.H)

Trading Summary for: *BAM.PR.H*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	28.000	28.360	27.650	27.800	139	44,439	1,238,381.580
2005/11	28.000	28.240	26.750	28.100	160	97,442	2,723,335.010
2005/10	28.100	28.450	27.750	28.000	174	92,559	2,594,358.810

Trading Summary for: *BNN.PR.H*

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	28.050	28.050	28.040	28.040	12	2,104	59,024.340
2005/09	28.200	28.390	27.740	28.050	207	143,905	4,052,866.190
2005/08	28.050	28.350	28.000	28.200	194	321,688	9,052,390.080
2005/07	28.250	28.400	27.950	28.100	197	490,201	13,797,206.800
2005/06	28.000	28.650	27.950	28.200	219	119,296	3,354,992.880
2005/05	27.900	28.340	27.600	28.000	293	358,175	9,962,947.430
2005/04	28.150	28.390	27.600	27.910	243	86,244	2,407,971.290
2005/03	28.220	28.600	27.800	28.000	337	1,786,552	50,376,240.700
2005/02	28.120	28.600	28.060	28.210	200	125,042	3,530,821.110
2005/01	28.460	28.670	28.000	28.490	264	111,256	3,143,596.060

Class A Preference Shares, Series 11 (BAM.PR.I)

Trading Summary for: ***BAM.PR.I***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	27.550	27.900	27.240	27.600	92	74,578	2,051,394.260
2005/11	27.760	28.080	27.250	27.950	119	52,152	1,437,706.150
2005/10	27.800	28.630	27.510	27.760	97	45,531	1,266,621.280

Trading Summary for: ***BNN.PR.I***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	27.810	27.990	27.800	27.990	8	1,431	39,847.770
2005/09	27.800	28.110	27.750	28.000	58	44,068	1,230,589.270
2005/08	27.750	27.990	27.600	27.760	68	79,115	2,198,402.740
2005/07	27.800	28.000	27.700	27.800	95	221,670	6,167,523.370
2005/06	27.800	28.400	27.550	27.750	129	163,349	4,550,893.720
2005/05	27.900	28.650	27.180	27.900	154	244,342	6,710,451.170
2005/04	28.060	28.150	27.330	27.850	93	35,100	973,740.740
2005/03	27.760	28.200	27.500	27.750	175	877,315	24,549,963.520
2005/02	27.910	28.480	27.500	27.750	137	47,565	1,332,396.390
2005/01	27.400	28.150	27.220	28.100	130	56,581	1.567,668.430

Class A Preference Shares, Series 12 (BAM.PR.J)

Trading Summary for: ***BAM.PR.J***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	28.610	28.990	28.210	28.500	192	86,964	2,477,321.000
2005/11	28.000	29.000	27.560	28.550	230	113,096	3,177,815.970
2005/10	28.000	28.400	27.500	28.000	152	72,130	2,018,544.000

Trading Summary for: ***BNN.PR.J***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	27.950	28.000	27.950	28.000	9	5,500	153,780.000
2005/09	28.100	28.250	27.750	27.950	206	98,819	2,767,595.050
2005/08	27.450	28.460	27.350	28.000	209	75,825	2,097,734.530
2005/07	27.490	27.790	27.200	27.460	203	139,965	3,840,131.000
2005/06	26.750	28.390	26.750	27.400	305	321,338	8,864,870.450
2005/05	27.200	27.490	26.520	26.750	238	80,384	2,164,566.200
2005/04	27.350	27.990	26.500	27.050	166	72,120	1,960,218.400
2005/03	27.410	27.800	27.160	27.350	272	140,730	3,863,872.370
2005/02	27.900	28.340	27.500	27.700	272	118,534	3,295,328.750
2005/01	27.940	28.400	27.500	28.090	289	122,877	3,412,314.800

Class A Preference Shares, Series 13 (BAM.PR.K)

Trading Summary for: ***BAM.PR.K***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	23.410	23.640	23.310	23.360	109	166,388	3,902,112.200
2005/11	23.220	23.740	23.000	23.540	109	287,754	6,667,566.490
2005/10	23.110	23.150	23.000	23.050	68	111,533	2,574,923.100

Trading Summary for: ***BNN.PR.K***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	23.100	23.150	23.060	23.150	11	5,621	129,909.130
2005/09	23.350	23.380	22.950	23.200	142	507,960	11,750,927.750
2005/08	23.050	23.390	23.000	23.120	113	365,909	8,481,406.300
2005/07	23.000	23.390	22.650	23.140	144	157,682	3,608,060.060
2005/06	23.400	23.490	22.750	22.900	191	250,317	5,819,049.000
2005/05	23.200	23.450	23.000	23.300	159	648,293	15,132,149,750
2005/04	23.300	23.500	23.000	23.250	137	42,853	998,770.250
2005/03	23.150	23.500	22.850	23.250	203	816,063	18,971,820.100
2005/02	23.100	23.600	22.750	22.900	149	248,517	5,763,027.740
2005/01	23.250	23.600	23.000	23.000	26	6,160	143,023.750

Class A Preference Shares, Series 14 (BAM.PR.L)

There were no trades of the Corporation's Class A Preference Shares, Series 14 during 2005.

Preferred Securities, Due 2050 (BAM.PR.S)

Trading Summary for: ***BAM.PR.S***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	26.010	26.520	25.610	25.860	254	92,337	2,412,144.870
2005/11	26.160	26.410	25.950	26.010	182	55,667	1,454,661.350
2005/10	25.890	25.280	25.890	26.160	196	60,913	1,589,988.650

Trading Summary for: ***BNN.PR.S***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	26.180	26.240	25.930	25.930	23	7,673	200,321.850
2005/09	26.110	26.690	26.080	26.080	280	88,667	2,330,637.570
2005/08	26.100	26.540	26.000	26.400	308	91,700	2,404,577.850
2005/07	26.510	26.900	26.090	26.100	212	140,706	3,712,133.430
2005/06	26.750	27.250	26.260	26.500	222	66,850	1,784,480.970
2005/05	26.280	27.000	26.280	26.810	171	54,852	1,465,611.960
2005/04	26.020	26.950	26.020	26.280	189	89,810	2,368,283.800
2005/03	27.050	27.530	26.000	26.300	245	70,515	1,890,797.780
2005/02	27.220	27.750	27.010	27.210	220	68,423	1,872,421.810
2005/01	27.450	27.940	27.160	27.250	197	78,890	2,172,144.450

Preferred Securities, Due 2051 (BAM.PR.T)

Trading Summary for: ***BAM.PR.T***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/12	26,100	26.350	25.810	26.200	209	55,326	1,444,444.960
2005/11	26.310	26.400	25.330	26.100	285	103,426	2,694,313.110
2005/10	26.700	26.940	26.050	26.250	139	38,010	1,005,602.100

Trading Summary for: ***BNN.PR.T***

Date	Open	High	Low	Close	# of Trades	Volume Traded	Value Traded
2005/10	26.990	26.390	26.700	26.700	16	6,945	186,416.200
2005/09	26.650	26.990	26.310	26.950	236	85,871	2,284,977.350
2005/08	26.660	27.150	26.510	26.600	138	51,465	1,373,041.500
2005/07	26.740	26.900	26.450	26.510	169	44,275	1,177,525.850
2005/06	27.400	27.400	26.440	26.690	209	60,070	1,607,143.550
2005/05	26.720	27.600	26.700	27.450	95	24,831	671,448.400
2005/04	26.500	27.050	26.500	26.750	121	39,924	1,069,461.050
2005/03	27.990	28.050	26.490	26.500	197	59,049	1,605,384.210
2005/02	27.700	28.000	27.000	27.890	231	73,083	2,020,525.000
2005/01	27.850	27.950	27.480	27.750	204	75,529	2,093,037.510

APPENDIX B

SUMMARY OF TERMS AND CONDITIONS OF THE CORPORATION'S AUTHORIZED SECURITIES

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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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) C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$1.875 per share, being a rate of 7 1/2% per annum on the price of C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 C$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 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 C$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 C$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 C$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 C$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 C$25.75 if redeemed before September 30, 2009, of C$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 C$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 C$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 C$25.00, together with all accrued and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$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 C$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 C$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 C$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 C$25.75 if redeemed before June 30, 2010, of C$25.50 if redeemed on or after June 30, 2010 but before June 30, 2011, of C$25.25 if redeemed on or after June 30, 2011, but before June 30, 2012, and of C$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 C$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 C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$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 C$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 C$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 C$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 C$26.00 if redeemed before March 31, 2015 of C$25.75 if redeemed on or after March 31, 2015 but before March 31, 2016, of C$25.50 if redeemed on or after March 31, 2016 but before March 31, 2017, of C$25.25 if redeemed on or after March 31, 2017, but before March 31, 2018, and of C$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 C$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 C$25.00, together with all declared and unpaid dividends up to but excluding the date fixed for conversion, by the greater of C$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 C$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 C$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 Preference Shares, Series 13 as a Series

Dividends

The holders of the Class A Preference Shares, Series 13 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$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 13 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 C$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 13 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate eight quarterly dividends on the Class A Preference Shares, Series 13 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 13 are paid, the holders of the Corporation Class A Preference Shares, Series 13 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meeting of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat, except in the election of directors in which case the holders of the Class A Preference Shares, Series 13 shall be entitled to one vote per share (provided that holders of the Series 13 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 13 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

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, each Class A Preference Share, Series 13 will have one vote.

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 13:

(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 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13; 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 13) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 13;

(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 13, 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 13;

(c) redeem or call for redemption, purchase or otherwise pay off or retire for value less than all of the Class A Preference Shares, Series 13;

(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 for value any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 13; or

(e) issue any additional Class A Preference Shares, Series 13 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 13;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 13 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 13 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 13 will be entitled to payment of an amount equal to C$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 13. Upon such payment, the holders of Class A Preference Shares, Series 13 will not be entitled to share in any future distribution of assets of the Corporation.

Certain Provisions of the Class A Preference Shares, Series 14 as a Series

Dividends

The holders of the Class A Preference Shares, Series 14 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month in an amount per share equal to C$100.00 multiplied by one twelfth of 63% of the "Average Prime Rate" (as defined in the share conditions).

Redemption

Each of the Class A Preference Shares, Series 14 is redeemable on any March 1, June 1, September 1 and December 1 in whole or in part from time to time at the option of the Corporation at a redemption price of C$100.00 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 14 is retractable by the holder on any March 1, June 1, September 1 and December 1 at a price of C$100.00 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 fro retraction.

Purchase for Cancellation

The Corporation may purchase (if obtainable) for cancellation the whole or any part of the Class A Preference Shares, Series 14 in the open market or by invitation for tenders at a price not exceeding C$100.00 per share plus accrued and unpaid dividends thereon.

Voting

At any time the Corporation fails to pay in the aggregate 24 monthly dividends on the Class A Preference Shares, Series 14 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 14 are paid, the holders of Class A Preference Shares, Series 14 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 14 shall be entitled to four votes in respect of each C$100.00 of the issue price of the Class A Preference Shares, Series 14 held. Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 14 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting (provided that holders of the Series 14 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors).

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, each Class A Preference Share, Series 14 will have four votes.

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 14:

(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 14) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 14;

(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 14, 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 junior to the Class A Preference Shares, Series 14;

(c) except pursuant to the retraction privilege attaching thereto, redeem or call for redemption or purchase or otherwise reduce or make any return of capital in respect of less than all the Class A Preference Shares, Series 14;

(d) pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions 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 14; or

(e) issue any additional Class A Preference Shares, Series 14 or any shares ranking as to dividends or capital on a parity with the Class A Preference Shares, Series 14;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 14 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 14 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 14 will be entitled to payment of an amount equal to C$100.00 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 14. Upon such payment, the holders of Class A Preference Shares, Series 14 will not be entitled to share in any future distribution of assets of the Corporation.

Certain Provisions of the Class A Preference Shares, Series 15 as a Series

Dividends

The holders of the Class A Preference Shares, Series 15 are entitled to receive cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable quarterly on the last day of March, June, September and December in each year in an amount per share equal to C$25.00 multiplied by the rate determined by negotiation, bid or auction. If the amount is not determinable by negotiation, bid or auction, it shall be the Bankers' Acceptable Rate (defined in the share conditions) plus 0.40%.

Redemption

Each of the Class A Preference Shares, Series 15 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 C$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 15 in the open market or by invitation for tenders at a price not exceeding C$25.00 per share plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 15 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 15 are paid, the holders of Class A Preference Shares, Series 15 shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation other than any meetings of the holders of any other class or series of shares of the Corporation held separately as a class or series, but shall not be entitled to vote thereat except in the election of directors in which case the holders of the Class A Preference Shares, Series 15 shall be entitled to one vote per share (provided that holders of the Series 15 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of one-half of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 15 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

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, each Class A Preference Share, Series 15 will have one vote.

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 15:

(a) 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 15) on shares of the Corporation ranking as to dividends junior to the Class A Preference Shares, Series 15;

(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 15, 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 junior to the Class A Preference Shares, Series 15;

(c) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions 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 15;

(d) 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 15; or

(e) issue any additional Class A Preference Shares, Series 15 or any shares ranking as dividends or capital on a parity with the Class A Preference Shares, Series 15;

unless, in each such case, all dividends then payable on the Class A Preferences Shares, Series 15 then outstanding and on all other shares of the Corporation ranking as to dividends on a parity with the Class A Preference Shares, Series 15 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 15 will be entitled to payment of an amount equal to C$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 15. Upon such payment, the holders of Class A Preference Shares, Series 15 will not be entitled to share in any future distribution of assets of the Corporation.

Certain Provisions of the Class A Preference Shares, Series 16 as a Series

Dividends

The holders of the Class A Preference Shares, Series 16 are entitled to receive annual floating rate cumulative preferential cash dividends, accruing daily, as and when declared by the board of directors of the Corporation, payable monthly in respect of each calendar month, equal to 75% of the "Prime Rate" (as defined in the share conditions). The dividend rate will be adjusted upwards or downwards on a monthly basis whenever the inferred trading price of the Class A Preference Shares, Series 16 (as determined by the Corporation's management based on the trading price of the Class A Preference Shares, Series 8) is C$24.875 or less, or C$25.125 or more, respectively. The maximum monthly adjustment for changes will be 4% of the Prime Rate, subject to a floor of 50% of the Prime Rate and a ceiling of 150% of the Prime Rate.

Redemption

Each of the Class A Preference Shares, Series 16 is redeemable at any time in whole from time to time at the option of the Corporation at a redemption price of C$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 16 in the open market or by private agreement or otherwise, at the lowest price obtainable, in the opinion of the board of directors of the Corporation plus accrued and unpaid dividends and reasonable costs of purchase.

Voting

At any time that the Corporation fails to pay in the aggregate dividends for 24 months on the Class A Preference Shares, Series 16 and thereafter until such time as all arrears of dividends on the Class A Preference Shares, Series 16 are paid, the holders of Class A Preference Shares, Series 16 shall be entitled to receive notice of and to attend all meetings of shareholders of

the Corporation which takes place more than 60 days after the date such failure first occurs and to one vote for each Class A Preference Share, Series 16 held (provided that holders of the Series 16 Preference Shares shall vote together with holders of Class A Limited Voting Shares in the election of 1/2 of the board of directors). Except as aforesaid or as permitted by law, the holders of Class A Preference Shares, Series 16 are not entitled to notice of or to attend any meeting of the shareholders of the Corporation or to vote at any such meeting.

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, each Class A Preference Share, Series 16 will have one vote.

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 16:

(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 16) on shares of the Corporation ranking junior as to dividends to the Class A Preference Shares, Series 16;

(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 16, redeem or call for redemption, purchase or otherwise retire or make any capital distribution on or in respect of any shares of the Corporation ranking as to capital junior to the Class A Preference Shares, Series 16;

(c) except pursuant to any purchase obligation, retraction privilege or mandatory redemption provisions attaching thereto, redeem, purchase or otherwise retire any shares of the Corporation ranking as to capital on a parity with the Class A Preference Shares, Series 16;

(d) purchase or otherwise retire less than all of the Class A Preference Shares, Series 16 then outstanding; 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 16;

unless, in each such case, all dividends then payable on the Class A Preference Shares, Series 16 then outstanding 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.

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 Preference Shares, Series 16 will be entitled to payment of an amount equal to C$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 16. Upon such payment, the holders of Class A Preference Shares, Series 16 will not be entitled to share in any future distribution of 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 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 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.

APPENDIX C

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE CORPORATION

A committee of the board of directors of the Corporation to be known as the Audit Committee (the "Committee") shall have the following terms of reference.

MEMBERSHIP AND CHAIRPERSON

Following each annual meeting of shareholders, the board of directors of the Corporation (the "board") shall appoint from its number three or more directors (the "Members" and each a "Member") to serve on the Committee until the close of the next annual meeting of shareholders of the Corporation or until the Member ceases to be a director, resigns or is replaced, whichever occurs first.

The Members will be selected by the board on the recommendation of the Governance and Nominating Committee. Any Member may be removed from office or replaced at any time by the board. All of the Members will be Independent Directors. In addition, every Member will be Financially Literate and at least one Member will be an Audit Committee Financial Expert. Members may not serve on more than two other public company audit committees, except with the prior approval of the board.

The board shall appoint one Member as the chairperson of the Committee. If the chairperson is absent from a meeting, the Members shall select a chairperson from those in attendance to act as chairperson of the meeting.

RESPONSIBILITIES

The Committee shall:

a) oversee the work of the Corporation's external auditor (the "auditor") engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;

b) review and evaluate the auditor's independence, experience, qualifications and performance and determine whether the auditor should be appointed or re-appointed and nominate the auditor for appointment or re-appointment by the shareholders;

c) where appropriate, terminate the auditor;

d) when a change of auditor is proposed, review all issues related to the change, including the information to be included in the notice of change of auditor required, and the orderly transition of such change;

e) review the terms of the auditor's engagement and the appropriateness and reasonableness of the proposed audit fees;

f) at least annually, obtain and review a report by the auditor describing:

   (i) the auditor's internal quality-control procedures; and

   (ii) any material issues raised by the most recent internal quality control review, or peer review, of the auditor, or review by any independent oversight body such as the Canadian Public Accountability board or the Public Company Accounting Oversight board, or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the auditor, and the steps taken to deal with any issues raised in any such review;

g) at least annually, confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation; discuss with the auditor any disclosed relationships or services that may affect its objectivity and independence; obtain written confirmation from the auditor that it is objective within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs and is an independent public accountant within the meaning of the federal securities legislation administered by the United States Securities and Exchange Commission and of the Independence Standards of the Canadian Institute of Chartered Accountants, and is in compliance with any independence requirements adopted by the Public Company Accounting Oversight board; and, confirm that it has complied with applicable laws with the rotation of certain members of the audit engagement team;

h) review and evaluate the lead partner of the auditor;

i) ensure the regular rotation of the audit engagement team members as required by law, and periodically consider whether there should be regular rotation of the auditor firm;

j) meet privately with the auditor as frequently as the Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Committee or the auditor, including:

   (i) planning and staffing of the audit;

   (ii) any material written communications between the auditor and management;

   (iii) whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;

   (iv) the extent to which the auditor is satisfied with the nature and scope of its examination;

   (v) whether or not the auditor has received the full co-operation of management of the Corporation;

   (vi) the auditor's opinion of the competence and performance of the Chief Financial Officer and other key financial personnel;

   (vii) the items required to be communicated to the Committee in accordance with generally accepted auditing standards;

   (viii) all critical accounting policies and practices to be used by the Corporation;

   (ix) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor;

   (x) any difficulties encountered in the course of the audit work, any restrictions imposed on the scope of activities or access to requested information, any significant disagreements with management and management's response; and

   (xi) any illegal act that may have occurred and the discovery of which is required to be disclosed to the Committee pursuant to the United States Securities Exchange Act of 1934;

k) pre-approve or approve, if permitted by law, the appointment of the auditor to provide any audit service or non-prohibited non-audit service and, if desired, establish detailed policies and procedures for the pre-approval of audit services and non-prohibited non-audit services by the auditor. The Committee may delegate this responsibility to one or more Members to the extent permitted by applicable law provided that any pre-approvals granted pursuant to such delegation must be detailed as to the particular service to be provided, may not delegate Committee responsibilities to management and must be reported to the full Committee at its next scheduled meeting;

l) resolve any disagreements between management and the auditor regarding financial reporting;

m) review, and, where appropriate, recommend for approval by the board, the following:

   (i) audited annual financial statements, in conjunction with the report of the external auditor;

   (ii) interim financial statements;

   (iii) annual and interim management discussion and analysis of financial condition and results of operation;

   (iv) reconciliations of the annual or interim financial statement; and

   (v) all other audited or unaudited financial information contained in public disclosure documents, including without limitation, any prospectus, or other offering or public disclosure documents and financial statements required by regulatory authorities;

n) discuss earnings press releases and other press releases containing financial information (to ensure consistency of the disclosure to the financial statement), as well as financial information and earnings guidance provided to analysts and rating agencies including the use of "pro forma" or "adjusted" non-GAAP information in such press releases and financial information. Such review may consist of a general discussion of the types of information to be disclosed or the types of presentations to be made;

o) review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements;

p) review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and any fraud involving management or other employees;

q) review the effectiveness of management's policies and practices concerning financial reporting, any proposed changes in major accounting policies, the appointment and replacement of management responsible for financial reporting and the internal audit function;

r) review the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use and to verify the accuracy of the financial records and any special audit steps adopted in light of material control deficiencies;

s) meet privately with the person responsible for the Corporation's internal audit function as frequently as the Committee feels appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern;

t) review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the auditor; review the appointment and replacement of the person in charge of the Corporation's internal audit and review the significant reports to management prepared by the internal auditor and management's responses;

u) review the controls and procedures that have been adopted to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed and to review the public disclosure of financial information extracted or derived from the issuer's financial statements and periodically assess the adequacy of these procedures;

v) review periodically, the Corporation's policies with respect to risk assessment and management, particularly financial risk exposure, including the steps taken to monitor and control risks;

w) review periodically, the status of taxation matters of the Corporation;

x) set clear policies for hiring partners and employees and former partners and employees of the external auditor;

y) review, with legal counsel where required, such litigation, claims, tax assessments, transactions, material inquiries from regulators and governmental agencies or other contingencies which may have a material impact on financial results or which may otherwise adversely affect the financial well-being of the Corporation;

z) review periodically the Corporation's susceptibility to fraud and oversee management's processes for identifying and managing the risks of fraud; and

aa) consider other matters of a financial nature as directed by the board.

REPORTING

The Committee will regularly report to the board on:

a) the auditor's independence;

b) the performance of the auditor and the Committee's recommendations regarding its reappointment or termination;

c) the performance of the internal audit function department;

d) the adequacy of the Corporation's internal controls and disclosure controls;

e) its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;

f) its review of any other public disclosure document including the annual information form and the annual and interim management's discussion and analysis of financial condition and results of operations;

g) the Corporation's compliance with legal and regulatory requirements, particularly those related to financial reporting; and

h) all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

COMPLAINTS PROCEDURE

The Committee will establish a procedure for the receipt, retention and follow-up of complaints received by the Corporation regarding accounting, internal controls, disclosure controls or auditing matters and a procedure for the confidential, anonymous submission of concerns by employees of the Corporation regarding such matters.

REVIEW AND DISCLOSURE

The Committee will review this Charter at least annually and submit it to the Governance and Nominating Committee together with any proposed amendments. The Governance and Nominating Committee will review the Charter and submit it to the board for approval with such further amendments as it deems necessary and appropriate.

This Charter will be posted on the Corporation's web site and the annual report or the management information circular of the Corporation will state that this Charter is available on the web site or is available in print to any shareholder who requests a copy.

ASSESSMENT

At least annually, the Governance and Nominating Committee will review the effectiveness of this Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the board. The Committee will also conduct its own assessment of the Committee's performance on an annual basis.

ACCESS TO OUTSIDE ADVISORS AND SENIOR MANAGEMENT

The Committee may retain any outside advisor including legal counsel, at the expense of the Corporation, without the board's approval, at any time. The Committee has the authority to determine any such advisor's fees.

The Corporation will provide for appropriate funding, for payment of compensation to any auditor engaged to prepare or issue an audit report or perform other audit, review or attest services, and ordinary administrative expenses of the Committee.

Members will meet privately with senior management as frequently as they feel is appropriate to fulfill the Committee's responsibilities, but not less than annually.

MEETINGS

Meetings of the Committee may be called by any Member, the Chairman of the board, the Chief Executive Officer or Chief Financial Officer of the Corporation, the internal auditor or the auditor. Meetings will be held each quarter and at such additional times as is necessary for the Committee to fulfill its responsibilities. The Committee shall appoint a secretary to be the secretary of each meeting of the Committee and to maintain minutes of the meeting and deliberations of the Committee.

The powers of the Committee shall be exercisable at a meeting at which a quorum is present. A quorum shall be not less than a majority of the Members from time to time. Matters decided by the Committee shall be decided by majority vote. Subject to the foregoing, the Business Corporations Act *(Canada)* and the by-laws, and unless otherwise determined by the board, the Committee shall have the power to regulate its procedure.

Notice of each meeting shall be given to each Member, the internal auditor, the auditor, and to the Chairman of the board and the Chief Executive Officer of the Corporation. Notice of meeting may be given verbally or by letter, by facsimile or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting and attendance at a meeting is deemed waiver of notice. The notice need not state the purpose or purposes for which the meeting is being held.

The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee. The Committee may require the auditors to attend any or all meetings.

DEFINITIONS

Capitalized terms used in this Charter and not otherwise defined have the meaning attributed to them below:

"**Independent Director**" means a director who has been affirmatively determined by the board to have no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation. In addition to any other requirement of applicable securities laws or stock exchange provisions, a director who:

a) is an employee, or whose immediate family member is an executive officer of the Corporation is not independent until three years after the end of such employment relationship;

b) is receiving, or whose immediate family member receives, more than US$50,000 per year in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) is not independent until three years after he or she ceases to receive more than US$50,000 per year in compensation;

c) is affiliated with or employed by, or whose immediate family member is employed in a professional capacity by a present or former internal or external auditor of the Corporation is not independent until three years after the end of the affiliation or employment of the auditing relationship;

d) is employed as, or whose immediate family member is employed as, an executive officer of another company where any of the present (at the time of review) members of senior management of the Corporation serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship; and

e) is an executive officer or an employee of, or whose immediate family member is an executive officer of, another company for which the Corporation accounts for at least 2% or US$1 million, whichever is greater, of such other company's consolidated gross revenues, in each case is not independent until three years after falling below such threshold.

For the purposes of the definition above, the term Corporation includes any parent, subsidiary or other affiliated entity of the Corporation.

Additionally, an Independent Director for the purpose of the Audit Committee specifically may not:

f) accept any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); or

g) be an affiliated person of the Corporation or any of its subsidiaries (within the meaning of applicable rules and regulations).

"**Financially Literate**" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

"**Audit Committee Financial Expert**" means a person who has the following attributes:

a) an understanding of generally accepted accounting principles and financial statements;

b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;

d) an understanding of internal controls and procedures for financial reporting; and

e) an understanding of audit committee functions;

acquired through any one or more of the following:

f) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

g) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

h) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or other relevant experience; or

i) other relevant experience.

This charter of the Audit Committee was approved by the board of directors of the Corporation on February 9, 2006.

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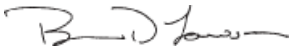
Consolidated Financial Statements 60

This section of our annual report includes management's discussion and analysis of our financial results ("MD&A"), our consolidated financial statements for the most recent year and the report of the Corporation's auditors. The MD&A is intended to provide you with an assessment of our performance over the past two years as well as our financial position, performance objectives and future prospects.

The information in this section should be read in conjunction with our audited consolidated financial statements, which are included on pages 59 through 96 of this report. Additional information, including the company's Annual Information Form, is available on the company's web site at **www.brookfield.com** and 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 97 of this report.

Disclosure Controls

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators Multilateral Instrument 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure controls and procedures were effective as of December 31, 2005 in providing reasonable assurance that material information relating to the company and our consolidated subsidiaries would be made known to them within those entities.



Brian D. Lawson
Managing Partner and Chief Financial Officer



Bryan K. Davis
Managing Partner, Finance

February 10, 2006

Management's Discussion and Analysis of Financial Results

INTRODUCTION

Brookfield is an asset management company. Our cash flows and earnings are based on the profits generated by our operations, as well as the fees that we earn by managing these activities on behalf of co-investors. The value of our company will grow to the extent that we increase the value of our invested capital and the contribution received from asset management fees.

We conduct most of our operations through public and private entities that are owned in partnership with institutional and other investors. A number of these entities are funds that are managed by us pursuant to contractual arrangements whereby we earn asset management and other fees. Our ability to earn management fees is important to our success in that it enables us to increase our returns on invested assets without compromising on quality or our disciplined approach to financing.

We typically commit to invest between 25% and 50% of the capital in our managed funds. We believe that our ability to commit a meaningful amount of capital to a fund strongly aligns our interests with our co-investors and differentiates us from many of our competitors. Furthermore, it gives us the opportunity to earn an attractive return on our capital. The fees we earn for managing these funds typically includes a base fee in respect of ongoing services, a performance fee that represents a portion of the amount by which investment returns exceed a predetermined threshold, and transaction fees in respect of certain activities.

Funds are established in several ways. Often we establish a fund with co-investors to complete a specific acquisition. This fund may then, in certain circumstances, serve as a platform to expand the assets and operations within the fund. Alternatively, we may establish a fund with a specific mandate to seek out investment opportunities. The strength of our balance sheet enables us to establish a dedicated team, build a portfolio and then market the portfolio and track record to potential investors. Finally, the breadth of our operating platform provides us the opportunity to seed funds with assets that we have owned and operated for many years, and which represent attractive investment opportunities for our co-investors.

We prudently finance our operations with debt and other forms of leverage that match the profile of the business and without any recourse to the Corporation. The leverage employed is reflective of the liquidity and duration of the assets and operations being financed and varies from fund to fund and operation to operation. Our policy is not to guarantee the obligations of any fund or operating entity other than our equity commitment. Funds also have the ability to raise additional equity capital from their stakeholders, including us, from the public capital markets or through private issuances.

To ensure we are able to react to investment opportunities quickly and on a value basis, we typically maintain a high level of liquidity at the corporate level. This takes the form of financial assets and committed bank term facilities. We also hold a number of direct investments that are non-core and represent additional sources of liquidity. Finally, our operations generate significant free cash flows each year, which in 2005 totalled nearly $1 billion. Our liquidity at the end of 2005 is significantly higher than usual due to the sale of a major investment during the year for proceeds of $2.7 billion.

A key objective for us is to increase assets managed on behalf of others and as a result, increase the contribution from asset management fees.

Basis of Presentation

The discussion and analysis of our financial results is organized to illustrate how our capital is invested in terms of assets under management, to show which assets are beneficially owned by us, to present the net capital invested by us in each of our operations, and to show you the returns that we earn from our invested capital and our fee generating activities. This is reflective of how we manage the business.

All financial data included in Management's Discussion and Analysis have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), with two principal exceptions. First, the assets and liabilities are organized by business unit; and second, we measure our returns in terms of operating cash flow as opposed to net income. We present the information in this format because this is consistent with how we manage the business and believe this format is more informative for readers. We provide a reconciliation between the basis of presentation in this section and our consolidated financial statements in the Consolidated Financial Analysis commencing on page 43, and we specifically reconcile operating cash flow and net income on page 12. Note 24 to our Consolidated Financial Statements describes the impact of significant differences between Canadian GAAP and U.S. GAAP on our consolidated balance sheets and the statements of income, retained earnings and cash flow. Unless the context indicates otherwise, references in this section of the annual report to the "Corporation" refer to Brookfield Asset Management Inc., and references to "Brookfield" or "the company" refer to the Corporation and its direct and indirect subsidiaries. All figures are presented in U.S. dollars, unless otherwise noted.

PERFORMANCE MEASUREMENT

Our single most important performance measurement is operating cash flow measured on a per share basis. Our principal objective is to increase operating cash flow per share at a reasonable annualized rate, which we currently consider to be 12%, over the long term. We believe that this is the most important measure because it reflects the value of our underlying businesses and should translate into greater intrinsic value for our company over time.

Operating Cash Flow

We define operating cash flow as net income prior to items such as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations. Operating cash flow also includes dividends from our principal equity and cost accounted investments that would not otherwise be included in net income under GAAP, and excludes any equity accounted earnings from such investments. We discuss each of these items in detail on pages 49 and 50 of this report. Operating cash flow is a non-GAAP measure, and may differ from definitions of operating cash flow used by other companies.

Return on Invested Capital

We define cash return on capital as the operating cash flow per share as a percentage of the average book value per common share during the period, and for an individual operation by the operating cash flow as a percentage of the net invested capital.

One of the major opportunities to increase returns is to effectively re-invest our considerable surplus financial liquidity into higher yielding investments. At year end, we held cash and financial assets of approximately $2.6 billion that earned an average yield of 6% on equity. We also hold a number of investments and development properties that are not yet generating their full return potential. Accordingly, a key objective for us is to continually reinvest capital and convert non-income producing assets, that are not earning a current return, into opportunities that have the potential to earn an appropriate return. Having said that, it is likely that we will have a meaningful level of liquidity at any point in time to ensure we can capitalize on opportunities as they arise, and given the dynamic nature of our business there will most often be some component of our asset base that is transitional in nature.

The other opportunity to increase returns is to continue to optimize our existing operations by managing them more effectively and financing them in a manner that enhances financial returns without taking on an inappropriate level of risk. Our management teams are charged with the responsibility of doing so, and this is an important component of their own performance assessment. We have had considerable success in achieving this over the years and will continue to maintain a strong focus on this area.

Contribution from Fee Generating Activities

Fees earned during 2005 totalled $282 million, resulting in a net contribution of $98 million or $0.37 per share, after deducting directly attributable operating expenses. This is an increase of 34% over the $73 million contributed in 2004 and nearly three times the contribution in 2003. Nevertheless, we are still in our early stages of building these operations and this represented only 11% of our operating cash flow for 2005. The contribution from these fees represents cash flow above and beyond the investment

return, and therefore our ability to increase this contribution will have a significant impact on the operating cash flow per share in the future.

We plan to increase the contribution from fee generating activities by introducing new funds and increasing the capital deployed within existing funds. Furthermore, as our existing funds mature, we expect to earn performance fees that will also increase returns. Our ability to increase fees will be dependent on our ability to introduce new funds, leverage our operating base to contain costs and the achievement of strong returns in order to earn performance fees.

OVERVIEW OF 2005 PERFORMANCE

Our 2005 financial results were the highest in the history of our company. This reflects a number of important accomplishments within our operations, which we will highlight throughout the next few pages. Results for the past three years are summarized as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER SHARE AMOUNTS)	***2005***	*2004[1]*	*2003[1]*
Revenues	**$ 5,256**	$ 3,899	$ 3,370
Net income	**$ 1,662**	$ 555	$ 232
Per share	**$ 6.12**	$ 2.02	$ 0.78
Operating cash flow	**$ 908**	$ 626	$ 590
Per share	**$ 3.28**	$ 2.32	$ 2.14
Assets under management	**$ 49,700**	$ 27,146	$ 23,108

1 Revised to conform to current presentation

Revenues increased to $5.3 billion during 2005, an increase of $1.3 billion over 2004. Property revenues increased by $0.5 billion relative to 2004, driven in large part by continued growth in residential property operations. Revenues from our power operations increased by $0.3 billion during the year. Approximately $0.5 billion of the additional revenues were generated by timberland and associated forest product operations acquired during 2005. The increase in 2004 revenues relative to 2003 was due largely to the expansion of our power operations and higher prices and volumes in our residential property operations.

Net income totalled $1.7 billion, or $6.12 per share, including an after tax gain of $1.1 billion on the disposition of our investment in Falconbridge. Operating cash flow, which excludes this gain, increased by 45% to $908 million or $3.28 per share compared with $626 million or $2.32 per share during 2004. The growth in cash flow is due to improved results within almost all of our operations.

Our principal financial objective is to increase operating cash flow per share, with a target of 12% annualized growth rate over the long term. We achieved 41% growth during 2005, and 27% annualized growth over the last three years. These results exceed our long-term expectations and, accordingly, shareholders should not expect us to generate this rate of growth on an ongoing basis. Our financial targets and results are set out in the following table:

		Three Year	*Annual Results*		
YEARS ENDED DECEMBER 31	*Objective*	*Results*	***2005***	*2004*	*2003*
Operating cash flow and gains per share					
Annual growth	12%	27%	**41%**	8%	35%
Cash return on equity per share	20%	19%	**21%**	19%	18%

Our cash return on equity reached 21% in 2005 as a result of the continued growth in operating cash flow, although the substantial increase in the book value of our equity due to the net income recorded during the year has increased the level of cash flow required to meet our 20% objective during 2006 to $3.87 per share based on the book value per common share at year end.

Assets under management nearly doubled to approximately $50 billion due to the continued expansion of our asset management activities, in particular within our public securities operation and through the formation of several funds during the year, including two major property and timberlands funds.

Summary of Operating Results

The following is a summary of our financial position and operating results over the past two years:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	Assets Under Management	Invested Capital1				Operating Cash Flow2				Return on Capital	
		Total		Net		Total		Net		Total	Net
MILLIONS, EXCEPT PER SHARE AMOUNTS	2005	2005	2004	2005	2004	2005	2004	2005	2004	2005	2005
Fees earned						$ 282	$ 199	$ 98	$ 73		
Operating assets											
Property	$ 16,073	$ 11,859	$ 9,802	$ 4,181	$ 3,988	1,393	973	811	540	13%	20%
Power	4,752	4,752	3,550	1,197	1,176	469	268	230	169	11%	19%
Timber and infrastructure	1,213	1,213	215	346	91	64	26	38	21	9%	17%
Specialty investment funds	19,927	499	897	499	897	54	48	54	48	8%	8%
Investments	3,386	3,386	3,606	1,293	2,375	120	124	68	113	3%	4%
Cash and financial assets	2,558	2,558	985	2,130	646	193	128	184	124	11%	13%
Other assets / disposition gains	1,791	1,791	952	1,791	952	49	123	49	123	4%	4%
	$ 49,700	26,058	20,007	11,437	10,125	2,624	1,889	1,532	1,211	11%	14%
Financial obligations											
Corporate debt / interest		(1,620)	(1,675)	(1,620)	(1,675)	(119)	(103)	(119)	(103)	7%	6%
Property specific mortgages / interest		(8,756)	(6,045)	—	—	(519)	(321)	—	—	7%	—
Subsidiary borrowings / interest		(2,510)	(2,373)	(605)	(664)	(153)	(105)	(69)	(61)	6%	10%
Other liabilities / operating expense		(4,561)	(2,719)	(1,386)	(1,097)	(449)	(295)	(103)	(92)	7%	6%
Capital securities / interest		(1,598)	(1,548)	(1,598)	(1,548)	(90)	(79)	(90)	(79)	6%	6%
Non-controlling interests in net assets		(1,984)	(1,780)	(1,199)	(1,274)	(386)	(360)	(243)	(250)	21%	20%
Net assets / operating cash flow		5,029	3,867	5,029	3,867	908	626	908	626	20%	20%
Preferred equity / distributions		(515)	(590)	(515)	(590)	(35)	(24)	(35)	(24)	6%	6%
Common equity / operating cash flow		$ 4,514	$ 3,277	$ 4,514	$ 3,277	$ 873	$ 602	$ 873	$ 602	22%	22%
Per share		$ 17.72	$ 12.76	$ 17.72	$ 12.76	$ 3.28	$ 2.32	$ 3.28	$ 2.32	21%	21%

1 Brookfield's invested capital, at book value

2 Brookfield's share of operating cash flows

Operating Cash Flow

We discuss our operating results in more detail within the Operations Review starting on page 14. The principal highlights are as follows:

Fees earned increased to $282 million in 2005 with a net contribution of $98 million after associated expenses, up from a net contribution of $73 million in 2004. The increase is due to the continued expansion of our asset management activities. Highlights included acquisitions and the formation of new funds which increased assets under management by $20 billion, and provided $30 million of additional fees during the year.

Property operations contributed net operating cash flow of $811 million, an increase of 50% over 2004. Residential property results continued to exceed expectations. Core property operations benefitted from $183 million in dividends from Canary Wharf Group, which represents a 20% yield when measured over the life of our investment. The balance of our core property operations demonstrated stable growth over last year's results, due to acquisitions in London, U.K. and Washington, D.C.

The net operating cash flow from our power generation operations increased to $230 million, an increase of 36% over 2004. We continue to expand these operations through a combination of operational enhancements, acquisitions and select greenfield developments. Although hydrology conditions during 2005 were below long term averages, we did benefit from significantly higher prices during 2005. This will become more evident in our results going forward as we renew power sale contracts, assuming prices continue at these higher levels.

We expanded our timber and infrastructure operations substantially during the year with the formation of the Island Timberlands Fund, which owns 635,000 acres of high quality private timberlands on Vancouver Island. More recently, while not included in 2005 results, we established a publicly listed east coast timber fund. Our transmission and distribution operations in northern Ontario achieved planned results and completed a major upgrade during the year.

Contribution from our investments decreased to $68 million from $113 million in 2004 as a result of a challenging operating environment for our pulp and paper operations. This was offset in part by an increase in dividends received from our investment in Norbord.

Specialty funds include our bridge, restructuring, real estate finance and public securities operations. These operations generated net cash flow of $54 million in 2005, an increase relative to 2004 due to higher levels of invested capital.

The contribution from cash and financial assets increased relative to 2004 whereas the income from investments declined. This reflects the sale of our investment in Falconbridge during the year and the investment of the proceeds into cash and financial assets pending redeployment.

Financing charges, which represent carrying charges on debt and capital securities, totalled $278 million in 2005 compared with $243 million in 2004. The increase reflects the impact of our shift from floating to fixed rates which, despite increased carrying charges, should provide greater stability and lower cost of capital over the long term.

Operating expenses were higher in 2005, reflecting increased activity within our expanded operating platform. Non-controlling interest was higher in 2004 reflecting the interests of other shareholders in a higher level of disposition gains recorded by partially owned subsidiaries than in 2005.

Net Income

Net income increased substantially in 2005, reflecting the gain of $1.4 billion ($1.1 billion net of tax) on the sale of our investment in Falconbridge. This was offset in part by lower equity accounted earnings from Falconbridge and Norbord following the sale of our investments, and prior to reinvestment of the capital generated. Net income is reconciled to cash flow as set forth below:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004[1]*	*2003[1]*
Operating cash flow and gains	**$ 908**	$ 626	$ 590
Less: dividends from Falconbridge and Norbord	**(86)**	(64)	(67)
dividends from Canary Wharf	**(183)**	—	—
	639	562	523
Non-cash items, net of non-controlling interests			
Equity accounted income from investments	**219**	332	43
Gains on disposition of Falconbridge	**1,350**	—	—
Depreciation and amortization	**(290)**	(169)	(110)
Future income taxes and other provisions	**(256)**	(170)	(224)
Net income	**$ 1,662**	$ 555	$ 232

1 Revised to conform to current presentation

Equity accounted income from Falconbridge, Norbord and Fraser Papers contributed $219 million during the year compared to $332 million for the same period in 2004. The current year included only seven months of equity accounted earnings from our investment in Falconbridge, due to the monetization of our remaining investment. Norbord continued to benefit from a strong price environment for their principal products, as well as increases in production volumes, although the contribution was lower than last year when oriented strandboard prices were particularly strong and our ownership position was higher.

We recorded a gain of $1.4 billion ($1.1 billion net of tax) on the monetization of our investment in Falconbridge during the year through the sale of approximately 121 million common shares for aggregate proceeds of approximately $2.7 billion.

Depreciation and amortization increased in 2005 due to the acquisition of additional property, power and timberland assets. We are required to record depreciation expense in a manner prescribed by GAAP; however we caution that this implies these assets decline in value on a pre-determined basis over time, whereas we believe that the value of these assets, as long as regular sustaining capital expenditures are made, will typically increase over time. This increase will inevitably vary based on a number of market and other conditions that cannot be determined in advance, and may sometimes be negative in a particular period.

Future income taxes and other provisions include non-cash charges in respect of GAAP prescribed tax obligations, including approximately $250 million related to the Falconbridge gain, as well as the impact of revaluation gains and losses. These items are discussed further on pages 49 and 50.

Financial Position

The following table summarizes key elements of our consolidated financial position at the end of the past three years:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*	*2003*
Total assets	**$ 26,058**	$20,007	$16,309
Net invested capital	**11,437**	10,125	8,913
Non-recourse borrowings	**$ 11,266**	$ 8,418	$ 6,956
Corporate borrowings	**1,620**	1,675	1,213
Capital securities	**1,598**	1,548	1,168
Shareholders' equity	**5,029**	3,867	3,250

Total assets increased to $26.1 billion at December 31, 2005 from $20.0 billion and $16.3 billion at the end of 2004 and 2003, respectively. The increase is due to the continued expansion of our operations in 2005. During 2005 and 2004, we acquired additional property and power assets and also acquired timberland assets in 2005. The sale of our investment in Falconbridge during the year for proceeds of $2.7 billion generated a $1.1 billion after tax gain which is included in net income. This resulted in a substantial increase in cash and financial assets, pending redeployment, and a decrease in investments.

The net capital (i.e. assets less associated liabilities) invested in our business increased by $1.3 billion overall during 2005. The amount of net capital invested in our property operations increased by approximately $200 million, reflecting growth in our opportunity investments and core office portfolio. Net capital invested in specialty funds declined by approximately $400 million as a number of larger bridge loans were repaid during the year. The capital in our timber and infrastructure operations increased by $255 million due principally to the capital invested in the Island Timberlands Fund that we established during the year.

Our corporate financial obligations were relatively unchanged during the year and consist principally of long-term fixed rate debt and equity securities. Non-recourse borrowings increased in line with the addition of property, power and timberland assets. We finance our high quality assets with long-term fixed-rate obligations that have no recourse to the Corporation. The book value of our common equity increased to $4.5 billion from $3.3 billion due to the substantial net income recorded during the year, offset in part by dividends and share buybacks. The market value of our common equity was $13.0 billion at year end, up from $9.3 billion at the end of 2004.

OPERATIONS REVIEW

Fees Earned

Fee income totalled $282 million during 2005, which contributed $98 million, net of associated expenses, compared with a contribution of $73 million for 2004.

	Total Operating Cash Flow		Net Operating Cash Flow	
YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*	***2005***	*2004*
Asset management	**$ 63**	$ 17	**$ 20**	$ 7
Property services	**200**	159	**59**	43
Investment	**19**	23	**19**	23
	$ 282	$ 199	**$ 98**	$ 73

The increasing contributions from fees enhances our return on capital because in most cases these fees either do not require an outlay of capital or are in addition to the existing investment. Our expansion of these activities will result in an increasing level of fees which, over time, should provide a very meaningful and stable component of our overall operating cash flows.

Asset Management Fees

Asset management fees represent an important area of growth for our company and will increase as we expand our assets under management. These fees typically include a stable base fee for providing regular ongoing services as well as performance fees that are earned when the performance of a fund exceeds certain predetermined benchmarks. We also earn transaction fees for investment and financing activities conducted on behalf of our funds and other clients. These fees are relatively modest in the current period as most of our funds are less than two years old and accordingly our results reflect partial year contributions. Furthermore, performance fees, which can add considerably to fee revenue, typically arise later in a fund's life cycle, and are therefore not fully reflected in these results.

The following table summarizes asset management fees and associated expenses for the past two years:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Base management fees	**$ 46**	$ 13
Transaction fees	**12**	—
Performance fees	**5**	4
Total operating cash flow	**63**	17
Less: expenses	**43**	10
Net operating cash flow	**$ 20**	$ 7

As at December 31, 2005, the base management fees on established funds represent $55 million on an annualized basis.

Property Services Fees

Property services include property and facilities management, leasing and project management, as well as investment banking advisory, and a range of residential real estate services.

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Facilities, leasing and project management *1*	**$ 47**	$ 42
Residential real estate services	**100**	75
Property advisory	**53**	42
Total operating cash flow	**200**	159
Less: direct operating costs	**141**	116
Net operating cash flow	**$ 59**	$ 43

1 Includes our 40% interest in the net income of a partnership with Johnson Controls

Leasing and project management fees in 2005 include a $30 million fee for assisting in the development of Goldman Sachs' headquarters at the World Financial Center, and in 2004 included $27 million in fees earned for completing subleases on behalf of the lead tenant at 300 Madison. Residential real estate includes a variety of services relating to residential properties, including home appraisal services, mortgage processing and executive home relocations.

Property advisory fees include fees earned from investment banking, property management and other related activities. We also earn transaction fees for investment and finance activities conducted on behalf of our funds and other clients. We sold our Royal LePage Commercial advisory business to Cushman & Wakefield in the third quarter of 2005 for a gain of $28 million. We will, however, continue to earn fees from our successful real estate advisory group that we established in 2004, as well as the property relocation, facilities management and other property related services that provide the majority of these fees.

Investment Fees

Investment fees are earned in respect of financing activities and include commitment fees, work fees and exit fees. These fees are amortized as income over the life span of the relative investment as appropriate and represent an important return from our investment activities.

PROPERTY OPERATIONS

We conduct a wide range of property operations in North America as well as in Europe and South America. Core office properties represent the largest component of our property business, with approximately 70% of net invested capital, and 68% of net operating cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	Assets Under Management	Invested Capital				Operating Cash Flow				Return on Capital	
		Total		Net		Total		Net		Total	Net
MILLIONS	2005	2005	2004	2005	2004	2005	2004	2005	2004	2005	2005
Core office properties	$ 12,574	$ 8,360	$ 7,177	$ 2,875	$ 2,729	$ 848	$ 641	$ 548	$ 387	11%	20%
Residential properties	2,033	2,033	1,444	245	203	496	305	225	137	29%	100%
Opportunity investments	468	468	83	147	72	19	3	13	2	7%	12%
Retail properties	270	270	271	186	157	25	23	20	13	9%	12%
Development properties	728	728	827	728	827	5	1	5	1	1%	1%
Net investment / operating cash flow	$ 16,073	$ 11,859	$ 9,802	$ 4,181	$ 3,988	$ 1,393	$ 973	$ 811	$ 540	13%	20%

Operating cash flow from our property operations in 2005 increased substantially over the prior year, due principally to dividends received on our Canary Wharf investment during 2005, as well as the continued growth in profits generated by our home building operations. A portion of this growth accrues to minority shareholders in certain partially-owned operations that are consolidated in the financial information. The amount of net capital deployed in this sector increased only modestly year over year.

Core Office Properties

We own and manage one of the highest quality core office portfolios in North America, which consists of 66 commercial properties totalling 48 million square feet of rentable area, as well as 10 developments sites with over 8 million square feet of potential developable area. Our strategy is to concentrate our operations in high growth, supply-constrained markets that have high barriers to entry and attractive tenant bases. Our goal is to maintain a meaningful presence in each of our primary markets so as to build on the strength of our tenant relationships. Currently our primary markets are the financial, energy and government centre cities of New York, Boston, Washington, D.C., Toronto, Calgary and Ottawa. Our North American operations are conducted through a 51%-owned subsidiary.

In London, U.K. we own an interest in 16 high quality commercial properties comprising 8.3 million square feet of rentable area and a further 5.7 million square feet of development density. The properties are located in the Canary Wharf Estate, one of the leading core office developments in Europe. We hold a direct 80% ownership interest in the 550,000 square foot 20 Canada Square property and hold an indirect interest in the balance of the portfolio through our 15% ownership interest in privately-owned Canary Wharf Group.

An important characteristic of our portfolio is the strong credit quality of our tenants. We direct special attention to credit quality in order to ensure the long-term sustainability of rental revenues through economic cycles. On average, the tenant profile exceeds an "A" credit rating. Major tenants with over 600,000 square feet of space in the portfolio include Merrill Lynch, Government of Canada, Barclays Bank, CIBC, Clifford Chance, Bank of Montreal, JPMorgan Chase, Lehman Brothers, RBC Financial Group, Petro-Canada, Target Corporation and Imperial Oil. Our strategy is to sign long-term leases in order to mitigate risk and reduce our overall retenanting costs. We typically commence discussions with tenants regarding their space requirements well in advance of the contractual expiration, and while each market is different, the majority of our leases, when signed, extend between 10 and 20 year terms. As a result of this strategy, approximately 5% of our leases mature annually. The long-term nature of our leases enable us to finance these properties on a long-term basis with no recourse to us.

As at December 31, 2005, the average term of our in-place leases in North America was nine years and expiries average 5.6% during each of the next five years. The average term of property specific financings was also in excess of 10 years. In our European portfolio, the average lease term is 20 years and the average term of property specific debt exceeds 20 years.

The following table summarizes our core office portfolio and related cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Assets Under Management*	*Invested Capital*				*Operating Cash Flow*			
		Total		*Net*		*Total*		*Net*	
MILLIONS	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
North America									
New York, New York	**$ 4,795**	**$ 3,885**	$ 3,576	**$ 3,885**	$ 3,576	**$ 348**	$ 371		
Boston, Massachusetts	**650**	**325**	328	**325**	328	**32**	34		
Toronto, Ontario	**3,090**	**1,400**	1,068	**1,400**	1,068	**96**	85		
Calgary, Alberta	**1,384**	**570**	448	**570**	448	**56**	53		
Washington, D.C.	**395**	**395**	439	**395**	439	**36**	22		
Ottawa, Ontario	**400**	**100**	—	**100**	—	**—**	—		
Denver, Colorado	**344**	**344**	370	**344**	370	**34**	32		
Minneapolis, Minnesota	**429**	**429**	414	**429**	414	**22**	20		
Other North America	**289**	**114**	84	**114**	84	**15**	24		
Total North America	**11,776**	**7,562**	6,727	**7,562**	6,727	**639**	641	**$ 639**	$ 641
United Kingdom									
Canary Wharf Group, plc	**267**	**267**	450	**267**	450	**183**	—	**183**	—
20 Canada Square	**531**	**531**	—	**492**	—	**26**	—	**26**	—
	12,574	**8,360**	7,177	**8,321**	7,177	**848**	641	**848**	641
Property specific mortgages / interest				**(5,446)**	(4,448)			**(300)**	(254)
Net investment / operating cash flow	**$ 12,574**	**$ 8,360**	$ 7,177	**$ 2,875**	$ 2,729	**$ 848**	$ 641	**$ 548**	$ 387

Operating Results

Operating cash flow increased to $848 million during 2005, a significant increase over the $641 million generated by the portfolio during 2004 and $585 million generated in 2003. After deducting interest expense associated with property specific financings, the net operating cash flow was $548 million in 2005, representing a 20% return on net invested capital and a 42% increase over the $387 million generated in 2004.

The increase was due to a substantial contribution from our U.K. operations which included $183 million in dividends received from our 15% investment in Canary Wharf, as well as operating cash flow of $26 million from our 20 Canada Square property. The Canary Wharf dividends, which are the first received since our initial investment in 2003, represent a 20% annualized return on our invested capital over that period.

Our North American portfolio produced operating cash flow of $639 million, which was slightly lower than 2004 due principally to acquisitions, offset in part by vacancies in higher rent space within our portfolio. The stable occupancy levels in our portfolio and our emphasis on long-term leases tends to moderate fluctuations in net operating income from existing properties.

Interest expense incurred on property specific financings increased from $254 million during 2004 to $300 million during 2005. Carrying charges on the U.K. property acquired during the year accounted for $21 million of the increase and the balance was due principally to financing associated with the acquisition of the Canadian core portfolio and the Washington properties acquired during 2004.

Portfolio Activity

During 2005, we expanded our core office portfolio by 11 million square feet and increased our net effective interest by 4.6 million square feet with the acquisition of a major Canadian portfolio and an acquisition in Europe. We also completed the redevelopment of Three World Financial Center, which was previously included in development properties. As a result, total core office assets increased to $8.4 billion at the end of 2005 compared with $7.2 billion at the end of 2004.

The Canadian portfolio acquisition enabled us to establish a Canadian core property fund that is 25% owned by Brookfield with two institutional investors owning the balance. The total cost of the portfolio was $1.8 billion, including the assumption of $1.3 billion of property specific debt. The Canadian core fund comprises 24 high quality office properties and one development site totalling 11.6 million square feet in five Canadian markets, principally Toronto, Calgary and Ottawa. The flagship property is the 2.8 million square foot First Canadian Place Tower in Toronto. The portfolio was 96% leased at year end.

In London, we acquired an 80% interest in 20 Canada Square located in the Canary Wharf Estate, which we acquired from Canary Wharf Group in the first quarter of 2005. The remaining 20% is owned by an institutional investment partner. The acquisition is consistent with our strategy of increasing our presence in London, which is an attractive base for us to expand our European asset management operations. This 12 floor property contains 550,000 square feet which was 100% leased at year end. Three properties within the Canary Wharf Estate, including 20 Canada Square, were sold by Canary Wharf Group during 2005 for proceeds totalling nearly £900 million ($1.6 billion).

Property specific debt, which is comprised principally of long-term mortgages secured by the underlying properties with no recourse to the Corporation, increased to $5.4 billion from $4.4 billion in 2004. The increase represented financing associated with the properties acquired during the year as well as financing put in place on the Washington properties acquired in 2004. As a result, the book value of the net capital deployed in core office properties increased to $2.9 billion during the year from $2.7 billion at the end of 2004.

Our core office property debt is primarily fixed-rate and non-recourse. These investment-grade financings typically reflect up to 70% loan-to-appraised value. In addition, in certain circumstances when a building is leased almost exclusively to a high-credit quality tenant, a higher loan-to-value financing, based on the tenant's credit quality, is put in place at rates commensurate with the cost of funds for the tenant. This reduces our equity requirements to finance core office properties, and as a result, enhances equity returns. Core office property debt at December 31, 2005 had an average interest rate of 6.5% and an average term to maturity of ten years.

Property valuations continued to increase in North America and the U.K., driven by the continued low interest rate environment, improving leasing fundamentals and strong investor demand.

Occupancy Levels

Our total portfolio occupancy rate at December 31, 2005 was 95% in our core North American markets, and 94% overall, as shown in the following table:

	2005			2004		
YEARS ENDED DECEMBER 31 (THOUSANDS)	**Gross Leasable Area**	**Net Leasable Area**	**Percentage Leased**	Gross Leasable Area	Net Leasable Area	Percentage Leased
New York, New York	**12,453**	**10,738**	**95%**	12,453	9,506	92%
Boston, Massachusetts	**2,163**	**1,103**	**92%**	2,163	1,103	97%
Toronto, Ontario	**12,278**	**6,147**	**93%**	7,882	4,777	93%
Calgary, Alberta	**8,936**	**3,816**	**99%**	6,331	3,166	98%
Washington, D.C.	**1,557**	**1,557**	**99%**	1,557	1,557	93%
Ottawa, Ontario	**2,935**	**734**	**99%**	—	—	—
Core North American markets	**40,322**	**24,095**	**95%**	30,386	20,109	94%
Denver, Colorado	**2,605**	**2,605**	**87%**	3,017	2,811	85%
Minneapolis, Minnesota	**3,008**	**3,008**	**88%**	3,008	3,008	86%
Other North America	**2,095**	**1,219**	**92%**	926	926	91%
Total North America	**48,030**	**30,927**	**94%**	37,337	26,854	92%
London, United Kingdom	**10,556**	**2,173**	**90%**	10,000	1,617	90%
Total*1*	**58,586**	**33,100**	**94%**	47,337	28,471	92%

1 Excludes development sites

We leased 3.8 million square feet in our North American portfolio during 2005, approximately three times the amount of space contractually expiring. This included 2.2 million square feet of new leases and 1.6 million square feet of renewals. Leasing fundamentals have improved in most of our markets with particular strength in Calgary and New York where markets are tightening. Boston has been weak recently but appears to have stabilized. Average net rents in our markets were $25 per square foot compared with an average in-place net rent in our portfolio of $23 per square foot, indicating that we should be able to maintain or increase net operating income as leases mature and are replaced, even if market rents do not increase.

Leasing fundamentals in London also continued to improve, and 900,000 square feet was leased during the year in properties in which we have an interest, bringing total occupancy across the portfolio to over 90%. Nearly 80% of the tenant rating profile is A+ or better.

Residential Property

We conduct residential property operations in the United States, Canada and Brazil.

	Assets Under Management	Invested Capital				Operating Cash Flow			
		Total		Net		Total		Net	
AS AT AND FOR THE YEARS ENDED DECEMBER 31 MILLIONS	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
United States	**$ 1,335**	**$ 1,335**	$ 967	**$ 1,063**	$ 769	**$ 350**	$ 238		
Canada	**166**	**166**	132	**166**	132	**106**	42		
Brazil	**532**	**532**	345	**396**	297	**40**	25		
	2,033	**2,033**	1,444	**1,625**	1,198	**496**	305	**$ 496**	$ 305
Cash taxes				**—**	—			**(141)**	(71)
Borrowings / interest *1*				**(1,238)**	(858)			**(21)**	(13)
Non-controlling interest in net assets				**(142)**	(137)			**(109)**	(84)
Net investment / operating cash flow	**$ 2,033**	**$ 2,033**	$ 1,444	**$ 245**	$ 203	**$ 496**	$ 305	**$ 225**	$ 137

1 Portion of interest expressed through cost of sales

Operating cash flow has more than doubled over the past two years as a result of strong growth in our U.S. operations and more recently in Canada, where our Alberta operations are benefitting from strong energy markets. Total assets and net capital invested in the business have increased with the level of activity. We focus on optioning lots and acquiring land that is well advanced through the entitlement process to minimize capital at risk, and sell lots to other builders on a bulk basis to capture appreciation in values and recover capital.

United States

Our U.S. residential operations are conducted through a 52%-owned subsidiary that had a $1.5 billion market capitalization at year end. These operations are concentrated in four major supply constrained markets: San Francisco, Los Angeles and San Diego in California, and the Washington, D.C. area. In these operations, we own or control 30,000 lots through direct ownership, options and joint ventures. We focus on the mid- to upper-end of the home building market and rank as one of the twenty largest home builders in the United States.

We have experienced substantial growth in margins in each of our U.S. markets and, although conditions remain favourable, it is unlikely that this pace of growth will continue. We are optimistic that, with orders representing approximately 35% of planned 2006 closings in hand, these operations should continue to provide solid returns in 2006.

Canada

Our Canadian operations are concentrated in Calgary, Edmonton and Toronto. We own over 36,000 lots in three operations of which approximately 4,100 were under development at December 31, 2005. We build and sell homes on our lots and we are a major supplier of lots to other homebuilders. These operations are conducted through a 51%-owned subsidiary.

Operating cash flow in the Canadian operations increased significantly in 2005 as our Alberta operations benefitted from the continued expansion of activity in the oil and gas industry. Most of the land holdings were purchased in the mid-1990's or earlier, and as a result have an embedded cost advantage today. This has led to particularly strong margins, although the high level of activity is creating some upward pressure on building costs and production delays. Nonetheless, unless the market environment changes, we expect another very strong year in 2006.

Brazil

Our Brazilian operations, which are focussed on building residential condominiums, produced strong growth in operating cash flow when converted to U.S. dollars as the Brazilian currency appreciated substantially in 2005. As discussed under development properties on pages 20 and 21, we own substantial density rights that will provide the basis for continued growth.

Home and Lot Sales

The following table summarizes home and lot sales over the past three years.

	Home Sales			*Lot Sales*[1]		
YEARS ENDED DECEMBER 31 (UNITS)	***2005***	*2004*	*2003*	***2005***	*2004*	*2003*
United States						
California	**1,040**	1,357	1,023	**2,103**	1,415	1,044
Washington, D.C. area	**614**	523	505	**1,065**	864	745
Other	**—**	—	—	**—**	468	448
Canada						
Ontario	**391**	339	318	**391**	339	318
Alberta	**556**	496	479	**3,173**	2,433	2,191
Brazil						
Rio de Janeiro and São Paulo	**528**	606	406	**528**	606	406
	3,129	3,321	2,731	**7,260**	6,125	5,152

1 Including lots associated with home sales

Opportunity Investments

We established a dedicated team in 2003 to invest in commercial properties other than core office. Our objective is to acquire property which, through our management, leasing and capital investment expertise, can be enhanced to provide a superior return on capital.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 MILLIONS	Assets Under Management **2005**	Invested Capital – Total **2005**	 2004	Invested Capital – Net **2005**	 2004	Operating Cash Flow – Total **2005**	 2004	Operating Cash Flow – Net **2005**	 2004
Commercial properties	**$ 468**	**$ 468**	$ 83	**$ 458**	$ 83	**$ 19**	$ 3	**$ 19**	$ 3
Property specific mortgages / interest				**(311)**	(11)			**(6)**	(1)
Net investment / operating cash flow	**$ 468**	**$ 468**	$ 83	**$ 147**	$ 72	**$ 19**	$ 3	**$ 13**	$ 2

Assets now exceed $500 million due to acquisitions in early 2006, and include office portfolios in Washington, Toronto and Indianapolis, and a 3.3 million square foot industrial, showroom and commercial portfolio located across the United States. The scale of our operating platform in the property sector increases the pipeline of investments for these operations and enables us to participate in a broad range of opportunities.

Opportunity investments tend to be more dynamic and typically have strong early stage value enhancement potential. Accordingly, financing tends to be shorter term in nature to enhance flexibility, and leverage for the portfolio as a whole tends to vary between 70% and 80% of loan to value.

Retail Properties

The following table summarizes our retail office property operations:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 MILLIONS	Assets Under Management **2005**	Invested Capital – Total **2005**	 2004	Invested Capital – Net **2005**	 2004	Operating Cash Flow – Total **2005**	 2004	Operating Cash Flow – Net **2005**	 2004
Retail properties	**$ 270**	**$ 270**	$ 271	**$ 270**	$ 271	**$ 25**	$ 23	**$ 25**	$ 23
Borrowings / interest				**(84)**	(114)			**(5)**	(10)
Net investment / operating cash flow	**$ 270**	**$ 270**	$ 271	**$ 186**	$ 157	**$ 25**	$ 23	**$ 20**	$ 13

The portfolio consists of three shopping centres and associated office space totalling 1.6 million square feet of net leasable area, located in Rio de Janeiro and São Paulo, and includes the one million square foot Rio Sul Centre, which is one of Brazil's premier shopping centres.

Development Properties

The composition of our development properties at December 31, 2005 and 2004, together with associated cash flows, was as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 MILLIONS	Potential Developments	Invested Capital – Total **2005**	 2004	Invested Capital – Net **2005**	 2004	Operating Cash Flow – Total **2005**	 2004	Operating Cash Flow – Net **2005**	 2004
Core office properties	15.4 million sq. ft.	**$ 296**	$ 449	**$ 296**	$ 449				
Residential lots									
United States *1*	23,000 lots	**—**	—	**—**	—				
Canada	32,000 lots	**225**	185	**225**	185				
Brazil	5.5 million sq. ft.	**157**	154	**157**	154				
Rural development									
Brazil	177,000 acres	**50**	39	**50**	39				
Canada *2*	32,000 acres	**—**	—	**—**	—				
	209,000 acres								
		$ 728	$ 827	**$ 728**	$ 827	**$ 5**	$ 1	**$ 5**	$ 1

1 Book values included in United States residential, see page 18

2 Book values included as higher and better use land in western North American timber operations, see page 25

Development properties consist predominantly of core office property development sites, density rights and related infrastructure; residential lots owned and under operation; and rural land held pending development into income producing properties or for sale to other users. We expect to enhance the value of these assets through the attainment of building entitlements and conversion into cash flow generating real estate.

The total book value of development properties, including those reflected in other business units, was relatively unchanged during 2005. Our Three World Financial Center and Hudson's Bay Centre core office properties reached the operational stage during the year and were transferred to our core office portfolio. This decrease was offset by the acquisition of the remaining 50% interest in the Bay-Adelaide Centre in Toronto as well as rural development land acquired in connection with the purchase of North American timberlands. This land will be developed into higher and better use, including residential properties.

We do not typically record ongoing cash flow in respect of development properties as the associated development costs are capitalized until the property is sold, at which time any disposition gain or loss is realized, or until the property is transferred into operations.

Core Office Properties

We maintain an in-house development capability to undertake development of the 15.4 million square feet of commercial density when the risk-adjusted returns are adequate and significant pre-leasing has been achieved. Development projects include our Penn Station development in midtown New York, which recently received increased permitting for 2.5 million square feet of office density. The Bay-Adelaide Centre development property, now 100%-owned, is located in Toronto's downtown financial district and zoned for up to 2.5 million square feet of office and residential use. We also own expansion rights for a third office tower at BCE Place, our flagship Toronto office complex, which would add approximately 800,000 square feet of density, and similar rights to develop 500,000 square feet of office space at Bankers Hall in Calgary. At Canary Wharf in London, we own our proportionate share of development density which totals approximately 6 million square feet of commercial space.

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 more than three years.

We have elected to increase our use of options to control lots for future years in our most active markets in order to reduce risk. To that end, we have acquired options on approximately 17,000 lots in our U.S. markets in return for providing planning and development expertise to obtain the required entitlements. In Brazil, we own rights to build residential and office condominium space of a further 9.0 million square feet, to be developed over the next 15 years in São Paulo, and a further 4.0 million square feet of condominium density in Rio de Janeiro which will be built over the next 10 years.

Rural Development Properties

We acquired 65,000 acres of additional rural land in Mato Grosso State and now own 177,000 acres of prime rural development land in the States of São Paulo, Minas Gerais and Mato Grosso in Brazil. These properties are being used to harvest sugar cane for its use in the production of ethanol as a gasoline substitute. A substantial increase in the world-wide consumption of ethanol for use as a substitute for gasoline has resulted in a significant increase in the value of lands which are suitable for sugar cane growing. During the past two years we completed leases with an average term of 20 years on approximately 35,000 acres to operators of large sugar cane processing facilities and expect to earn growing annual cash flows significantly in excess of those previously received. The leases have floor payments plus participations on a combination of sugar and ethanol prices.

We also hold 32,000 acres of potentially higher and better use land adjacent to our western North American timberlands acquired during 2005, which we intend to convert into residential and other purpose land over time.

Power Generating Operations

Our power generating operations are predominantly hydroelectric facilities located on river systems in North America. As at December 31, 2005, we owned and managed approximately 130 power generating stations with a combined generating capacity of 3,400 megawatts. All of our existing stations are hydroelectric facilities located on river systems in seven geographic regions, specifically Ontario, Quebec, British Columbia, New York, New England, Louisiana and southern Brazil, with the exception of two natural gas-fired facilities. This geographic distribution provides diversification of water flows to minimize the overall impact of fluctuating hydrology. Our storage reservoirs contain sufficient water to produce approximately 20% of our total annual generation and provide partial protection against short-term changes in water supply. The reservoirs also enable us to optimize selling prices by generating and selling power during higher-priced peak periods. Our facilities produced nearly 11,000 gigawatt hours of electricity in 2005, more than double our annual generation of five years ago.

The capital invested in our power generating operations and the associated cash flows are as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	Capacity		Assets Under Management	Invested Capital				Operating Cash Flow			
				Total		Net		Total		Net	
MILLIONS	**2005**	2004	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	(MW)										
Hydroelectric generation											
Ontario	**847**	847	**$ 944**	**$ 944**	$ 914	**$ 944**	$ 914	**$ 83**	$ 82		
Quebec	**277**	266	**374**	**374**	359	**374**	359	**54**	47		
British Columbia	**127**	127	**131**	**131**	127	**131**	127	**13**	11		
New England	**201**	174	**259**	**259**	262	**259**	262	**38**	32		
New York	**730**	674	**889**	**889**	839	**889**	839	**123**	17		
Louisiana	**192**	192	**497**	**497**	243	**497**	243	**112**	26		
Brazil	**205**	102	**220**	**220**	60	**220**	60	**30**	14		
Total hydroelectric generation	**2,579**	2,382	**3,314**	**3,314**	2,804	**3,314**	2,804	**453**	229		
Other operations	**815**	240	**254**	**254**	147	**254**	147	**16**	39		
Total power generation	**3,394**	2,622	**3,568**	**3,568**	2,951	**3,568**	2,951	**469**	268	**$ 469**	$ 268
Other assets, net			**1,184**	**1,184**	599	**693**	503			**—**	—
Property specific and subsidiary debt / interest						**(2,839)**	(2,084)			**(215)**	(78)
Minority interests of others in net assets						**(225)**	(194)			**(24)**	(21)
Net investment / operating cash flow	**3,394**	2,622	**$ 4,752**	**$ 4,752**	$ 3,550	**$ 1,197**	$ 1,176	**$ 469**	$ 268	**$ 230**	$ 169

Operating cash flow from our power generating assets increased to $469 million in 2005, compared with $268 million in 2004, due to expanded capacity and higher prices, offset by lower hydrology. After deducting interest expense and distributions to owners of partial interests in our business, these operations generated $230 million of cash flow on net invested capital of $1.2 billion, representing a 19% return. The book value of invested capital was largely unchanged as the acquisition of power facilities during the year was funded largely by long-term property specific debt financing. Property specific debt totalled $2.3 billion at year end and corporate unsecured debt issued by our power generating operations totalled $0.5 billion.

Operating Results

The following table illustrates the components of the change in operating cash flows from our power generating operations, prior to interest expense and distributions, during the past two years:

YEARS ENDED DECEMBER 31 (MILLIONS)	**2005**	2004
Prior year's net operating cash flow	**$ 268**	$ 154
Hydrology variations within existing capacity	**(23)**	27
Variations in prices and operational improvements	**11**	53
Capacity additions	**129**	34
Louisiana HydroElectric Power	**84**	—
Current year's net operating cash flow	**$ 469**	$ 268

Acquisitions and selective development of additional capacity added $129 million of cash flow during 2005. The most significant step in this regard was the acquisition of our New York operations in late 2004, which contributed meaningfully during 2005. The additional facilities furthered the diversification of our watersheds, thereby reducing hydrology risk, and position us as an important participant in the Ontario, New York and New England electricity markets.

The continued increase in fossil fuel prices has led to an increase in power prices as most of the price setting capacity in our operating regions is primarily natural gas. This increases our revenues and our operating margins as hydroelectric generation requires minimal fuel costs. To date, the impact of price increases has been somewhat muted by our policy of forward selling a significant amount of our production, but we expect to benefit from higher prices as these contracts expire. The total benefit from price and operational improvements in 2005 was $11 million and more details on this are set out on pages 24 and 25.

Generation increased to 10,930 gigawatt hours during the year, from the 8,796 gigawatt hours generated in 2004. The increase of 2,134 gigawatt hours is comprised of approximately 3,000 gigawatt hours of generation from facilities acquired during the past two years, partially offset by a reduction in generation of 900 gigawatt hours on facilities owned throughout those two years due to below average hydrology in Quebec and Ontario following above average water flows in 2004. As a result, cash flows were $23 million lower during 2005 on a relative basis. Water conditions have improved substantially in recent months and, as a result, our facilities are currently operating at approximately 15% above average generation levels. The following table summarizes generation over the past two years:

	2005			*2004*		
YEARS ENDED DECEMBER 31 (GIGAWATT HOURS)	***Long-term Average***	***Actual Production***	***Variance***	*Long-term Average*	*Actual Production*	*Variance*
Existing capacity						
Ontario	**3,262**	**2,562**	**(700)**	3,262	3,190	(72)
Quebec	**1,639**	**1,475**	**(164)**	1,639	1,661	22
New England	**1,010**	**1,172**	**162**	1,010	953	(57)
Other	**732**	**716**	**(16)**	667	725	58
	6,643	**5,925**	**(718)**	6,578	6,529	(49)
Louisiana	**903**	**813**	**(90)**	903	1,099	196
	7,546	**6,738**	**(808)**	7,481	7,628	147
Acquisitions — during 2005	**885**	**751**	**(134)**	—	—	—
Acquisitions — during 2004	**3,268**	**3,441**	**173**	1,261	1,168	(93)
Total	**11,699**	**10,930**	**(769)**	8,742	8,796	54

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

	2005				*2004*			
YEARS ENDED DECEMBER 31 (GWH AND $ MILLIONS)	***Actual Production***	***Realized Revenues***	***Operating Costs***	***Operating Cash Flows***	*Actual Production*	*Realized Revenues*	*Operating Costs*	*Operating Cash Flows*
Ontario	**1,764**	**$ 118**	**$ 35**	**$ 83**	2,311	$ 127	$ 45	$ 82
Quebec	**1,475**	**75**	**21**	**54**	1,661	71	24	47
New England	**1,275**	**63**	**25**	**38**	1,056	51	19	32
New York	**3,089**	**195**	**72**	**123**	687	39	22	17
Other	**2,217**	**195**	**40**	**155**	2,201	55	4	51
Total	**9,820**	**$ 646**	**$ 193**	**$ 453**	7,916	$ 343	$ 114	$ 229
Per MWh		**$ 66**	**$ 20**	**$ 46**		$ 43	$ 14	$ 29

Realized prices, which include ancillary revenues and the impact of peak hour pricing in addition to contracted prices, increased to $66 per megawatt hour due to improved pricing and the acquisition of facilities in higher price regions. Generating costs per megawatt hour increased due to acquisitions of facilities with higher cost structures.

Portfolio Activity

We added 12 stations during 2005 with capacity of 736 megawatts that are capable of generating 885 gigawatt hours of annual production. The acquired stations are located in northeastern United States and Brazil and have been integrated into our current operations in these regions. The total acquisition cost was approximately $300 million and, together with the consolidation of our operations in Louisiana, resulted in a $700 million increase in the book value of our power generating assets to $3.6 billion from $2.9 billion at the end of 2004. We raised approximately $700 million of additional financing to fund acquisitions and establish appropriate leverage on existing assets and, as a result, the net capital invested in our portfolio was relatively unchanged year over year.

We finance our power generation facilities in the same manner as our core office properties with long-term debt that is recourse only to the assets being financed. We typically achieve approximately 50% loan to value before taking into account any power contract arrangements, which may enable significantly higher loan-to-value ratios to be achieved. At December 31, 2005, the average term of this debt was 11 years and the average interest rate was 7.9%.

We have expanded our power operations significantly since 2001, at which time the book value was less than $1 billion and capacity was less than 1,000 megawatts. We will continue our efforts to expand the portfolio and are pursuing a number of opportunities in this regard, including the development of wind power facilities in northern Ontario during 2006.

We believe the intrinsic value of our power assets is much higher than the book value because the assets have either been held for many years and therefore depreciated for accounting purposes which, in our view, is inconsistent with the nature of hydroelectric generating assets. In addition, we have been successful in acquiring, developing and upgrading many of our facilities on an attractive basis. In addition, higher fossil fuel prices have resulted in significantly expanded operating margins for hydroelectric facilities, which have minimal fuel costs.

Contract Profile

We endeavour to maximize the stability and predictability of our power generating revenues by contracting future power sales to minimize the impact of price fluctuations, by diversifying watersheds, and by utilizing water storage reservoirs to minimize fluctuations in annual generation levels.

Approximately 70% of our projected 2006 revenue is currently subject to long-term bilateral power sales agreements or shorter-term financial contracts. The remaining revenue is generated through the sale of power in wholesale electricity markets. Our long-term sales contracts, which cover approximately 45% of projected 2006 revenue, have an average term of 13 years and the counterparties are almost exclusively customers with long-standing favourable credit histories or have investment grade ratings. The financial contracts typically have a term of between one and three years.

All power that is produced and not otherwise sold under a contract is sold in wholesale electricity markets, and due to the low variable cost of hydroelectric power and the ability to concentrate generation during peak pricing periods, we are often able to generate highly attractive margins on power which is otherwise uncontracted. This approach provides an appropriate level of revenue stability, without exposing the company to undue risk of contractual shortfalls, and also provides the flexibility to enhance profitability through the production of power during peak price periods.

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

YEARS ENDED DECEMBER 31	*2006*	*2007*	*2008*	*2009*	*2010*
Generation (GWh)					
Contracted					
Power sales agreements	5,589	5,783	5,712	4,428	4,412
Financial contracts	3,684	2,886	497	293	287
Uncontracted	2,600	3,417	5,877	6,911	6,933
	11,873	12,086	12,086	11,632	11,632
Contracted generation					
Revenue ($millions)	597	583	446	375	375
Price ($/MWh)	64	67	72	80	80

The increase in the average selling price for contracted power over the next five years reflects contractual step-ups in long duration contracts with attractive locked-in prices and the expiry of lower priced contracts during the period. The recontracting of this power at market rates should result in increased revenues based on current electricity prices and the assumption that fossil fuels, particularly natural gas, continue to sell at higher prices than historical norms.

TIMBER AND INFRASTRUCTURE

We own and manage timber and infrastructure assets which have investment characteristics that are similar to our property and power operations. Our current operations consist of the following:

AS AT AND FOR THE YEARS ENDED DECEMBER 31		*Assets Under Management*	*Invested Capital*				*Operating Cash Flow*			
			Total		*Net*		*Total*		*Net*	
$ MILLIONS	*Acres*	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Timber										
Western North America										
Timberlands	635,000	**$ 801**	**$ 801**	$ —	**$ 801**	$ —	**$ 27**	$ —		
Higher and better use lands	32,000	**113**	**113**	—	**113**	—	**—**	—		
Eastern North America	311,000	**48**	**48**	50	**48**	50	**8**	7		
Brazil	140,000	**39**	**39**	37	**39**	37	**5**	4		
	1,118,000	**1,001**	**1,001**	87	**1,001**	87	**40**	11		
Electrical transmission		**130**	**130**	97	**130**	97	**24**	15		
Other assets, net		**82**	**82**	31	**17**	(6)	**—**	—		
		1,213	**1,213**	215	**1,148**	178	**64**	26	**$ 64**	$ 26
Project specific financing and other borrowings					**(547)**	(87)			**(19)**	(5)
Minority interests of others in net assets					**(255)**	—			**(7)**	—
Net investment / operating cash flow		**$ 1,213**	**$ 1,213**	$ 215	**$ 346**	$ 91	**$ 64**	$ 26	**$ 38**	$ 21

We have significantly expanded our timberland operations with the formation of the Island Timberland Fund in 2005 and the Acadian Timber Income Fund early in 2006, which acquired the eastern North America timberlands that were previously 100% owned by us. Our goals are to continue to prudently invest additional capital in our timber operations when opportunities are available, and to further expand our transmission operations to serve the needs of the underserviced electrical infrastructure sector in our geographic markets.

Timberland Operations

Western North America

We established the Island Timberlands Fund in 2005 with the purchase of 635,000 acres of high quality private timberlands on the west coast of Canada. We own 50% of the fund with the balance owned by institutional investors. The acquisition was funded in part by a $410 million 19-year average 6% term financing, completed during the year.

Timber operations performed in line with expectations and the prospects for 2006 are promising. Demand for high quality timber exported to the U.S. and Japan remains strong, although this continues to be offset somewhat by weak Canadian sales.

Eastern North America

We have owned and managed timberlands in Maine and New Brunswick for a number of years, both directly and through Fraser Papers. In early 2006, we established the Acadian Timber Income Fund, a publicly listed income fund that acquired the 311,000 acres of private timberlands previously owned by us as well as a further 765,000 acres held by Fraser Papers. Acadian, in which we hold a 27% interest, is managed by our timber management group and recently completed a C$85 million initial public offering.

Brazil

We hold 140,000 acres of timberlands located in the State of Paraná in Brazil and are actively pursuing acquisition opportunities to expand our timberland operations in this country, which benefit from rapid rates of growth for trees.

Electrical Transmission

We own and operate an electrical transmission system in northern Ontario. As a regulated rate base business, the operations produce stable and predictable cash flows and provide attractive returns for future investment. During the year we invested $50 million of capital to upgrade our system, thereby increasing its rate base. We are actively pursuing the further expansion of these operations in our current geographic areas of operation.

SPECIALTY FUNDS

We conduct bridge financing, real estate finance and restructuring activities through specialty investment funds. Our public securities operations manage funds with specific mandates to invest in public and private securities on behalf of institutional and retail investors. Although our primary industry focus is on property and power and long-life infrastructure assets, our mandates include other industries which have tangible assets and cash flows, and particularly where we have expertise as a result of previous investments.

We typically invest between 25% and 50% of the capital committed to our specialty funds, with institutional investors committing the balance. We earn fees for managing the activities on behalf of our co-investors, which include base administration fees, performance fees to the extent returns exceed predetermined thresholds, and we often earn transaction fees for specific activities. We also earn base management and performance fees in many of our public securities operations. We typically do not own interests in the funds being managed in our public securities operations, as they are either widely held publicly listed funds or securities portfolios managed on behalf of their beneficial owners pursuant to specific mandates.

The following table shows the assets currently under management and the invested capital at December 31, 2005 and 2004, together with the associated operating cash flows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31 MILLIONS	Assets Under Management[1] 2005	Invested Capital Total 2005	Invested Capital Total 2004	Invested Capital Net 2005	Invested Capital Net 2004	Operating Cash Flow Total 2005	Operating Cash Flow Total 2004	Operating Cash Flow Net 2005	Operating Cash Flow Net 2004
Bridge Lending	**$ 900**	**$ 268**	$ 698	**$ 268**	$ 698	**$ 31**	$ 25		
Real Estate Finance	**627**	**149**	103	**149**	103	**14**	11		
Restructuring	**400**	**82**	96	**82**	96	**9**	12		
Public securities	**18,000**	**—**	—	**—**	—	**—**	—		
Net investment / operating cash flow	**$ 19,927**	**$ 499**	$ 897	**$ 499**	$ 897	**$ 54**	$ 48	**$ 54**	$ 48

1 Represents capital committed or pledged by Brookfield and co-investors, including the book value of our invested capital

Operating cash flows, which represent the investment returns from our capital deployed in these activities, totalled $54 million in 2005, an increase of 13% over 2004, which was in turn higher than 2003. In addition, these operations generated net fee income of $26 million in 2005, which is included in Fees Earned. The contribution from fees is similar to the same period in 2004 but up significantly from 2003, as a result of acquisitions and a higher level of activity. Higher investment income reflects higher average levels of interest bearing securities and loans held during the year.

Bridge Lending

We provide bridge loans to entities operating in industries where we have operating expertise, leveraging our 20-year history of offering tailored lending solutions to companies in need of short-term financing.

Our portfolio declined from $698 million to $268 million during the year. Loans to Atlas Cold Storage and Uniboard, the two largest positions at the end of 2004, were repaid in full towards the end of 2005, as both these companies executed their business plans as contemplated. We continued to be active in 2005, reviewing many financing opportunities and issuing funding commitments totalling $900 million to 11 clients. Our portfolio at year end was comprised of 15 loans, and the largest single exposure at that date was $42 million. The portfolio has an average term of nine months excluding extension privileges and an average yield of approximately 10%. We do not employ any direct financial leverage, although loans may be structured with senior and junior tranches, and may be subordinate to other debt in the borrower's capital structure.

Operating cash flows, which represent the return on our capital and exclude management fees, increased during the year due to the higher level of invested capital during the year compared to 2004.

Real Estate Finance

Our real estate finance operations were established in 2002 to finance 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. Our investments typically represent financing at levels between 65% and 85% of the value of the property.

AS AT AND FOR THE YEARS ENDED DECEMBER 31 MILLIONS	Assets Under Management[1] 2005	Invested Capital Total 2005	Invested Capital Total 2004	Invested Capital Net 2005	Invested Capital Net 2004	Operating Cash Flow Total 2005	Operating Cash Flow Total 2004	Operating Cash Flow Net 2005	Operating Cash Flow Net 2004
Real estate finance investments	**$ 600**	**$ 366**	$ 228	**$ 366**	$ 228	**$ 36**	$ 33	**$ 36**	$ 33
Less: Co-investor interests		**(244)**	(152)	**(244)**	(152)	**(24)**	(22)	**(24)**	(22)
	600	**122**	76	**122**	76	**12**	11	**12**	11
Directly held	**27**	**27**	27	**27**	27	**2**	—	**2**	—
Net investment / cash flow	**$ 627**	**$ 149**	$ 103	**$ 149**	$ 103	**$ 14**	$ 11	**$ 14**	$ 11

1 Represents capital committed or pledged by Brookfield and co-investors, including the book value of our invested capital

During 2005, we acquired 35 loan positions with an aggregate investment of $436 million. The portfolio continues to perform in line with expectations. We also entered into an agreement to sell our interests in Criimi Mae, a U.S. public mortgage REIT, which closed in the first quarter of 2006.

We maintain credit facilities that provide financing for these investments on a non-recourse basis and we have also established two collateralized debt obligation facilities. These facilities represent $700 million of low cost debt funding for a seven-year term to finance the acquisition of mortgage loan securities within the collateralized debt obligation funds. This financing provides a stable, lower-risk source of funding that is intended to enhance investment returns. The quality and diversification of the portfolio enabled us to apply leverage of approximately 70% at year end.

Restructuring

Tricap was launched in 2002 to invest long-term capital for ourselves and other investors in companies facing financial or operational difficulties in industries which have tangible assets and cash flows, and in particular where we have expertise resulting from prior operating experience. Tricap benefits from our 20 year record of restructuring companies experiencing financial and operational difficulties. We currently have less than $100 million invested; however we expect the amount of capital invested to increase during 2006 as a result of current initiatives. Operating cash flow declined slightly during the year relative to 2004, which included realization gains.

Major initiatives during the year included the restructuring of Western Forest Products, a western Canadian forest products company in which Tricap owns an 18% interest. Western continued to rationalize its operations, including the shutdown of a pulp mill and agreed to merge with Cascadia Forest Products, another Vancouver Island lumber company that we acquired in connection with the purchase of timberlands from Weyerhaeuser in early 2005.

We continue to work with wholly owned Concert Industries, a leading manufacturer of air woven consumer tissue products, and in early 2006 Tricap sold its interests in Vicwest, a steel fabrication company, for a substantial gain. Tricap also facilitated the restructuring of Stelco, one of the two major Canadian integrated steel companies, that is expected to be completed in early 2006.

Public Securities

We manage a number of publicly listed and private portfolios of securities on behalf of institutions and retail investors with a particular emphasis on fixed income real estate securities. We also manage a number of structured products developed for retail and institutional investors.

While included separately in this report, fee revenues increased to $20 million in 2005, partly due to the acquisition of a New York-based asset manager. In addition, during 2005 we launched a private mortgage REIT in the United States raising $435 million of equity capital; a mortgage-backed offering in Canada that raised C$78 million; and two retail product offerings under the names of Brascan SoundVest Rising Distribution Split Trust and Brascan SoundVest Focused Business Trust, that invest in income trust securities.

We earn base management fees that vary from fund to fund depending on the mandate, and earn performance fees in respect of certain funds based on investment returns.

INVESTMENTS

We own direct interests in a number of investments which will be sold once value has been maximized, integrated into our core operations or used to seed new funds. Within our areas of expertise, we continue to seek new investments of this nature and dispose of more mature assets.

The following table sets out these investments, together with associated cash flows and gains:

AS AT AND FOR THE YEARS ENDED DECEMBER 31				Assets Under Management	Invested Capital				Operating Cash Flow			
					Total		Net		Total		Net	
MILLIONS	Location	Shares	Interest	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Forest products												
Norbord Inc.	North America / UK	33.8	23%	**$ 199**	**$ 199**	$ 177	**$ (12)**	$ (18)	**$ 62**	$ 19	**$ 37**	$ 19
Fraser Papers Inc.	North America	13.4	46%	**197**	**197**	204	**197**	204	**—**	—	**—**	—
Privately held	North America		100%	**428**	**428**	174	**285**	122	**(35)**	(1)	**(41)**	(1)
Business services												
Insurance	Various		80-100%	**2,028**	**2,028**	1,172	**495**	345	**27**	32	**20**	28
Banco Brascan, S.A.	Rio de Janeiro		51%	**69**	**69**	59	**69**	59	**6**	4	**6**	4
Privately held	Various		100%	**304**	**304**	299	**133**	172	**32**	17	**20**	11
Publicly listed	Canada		—	**84**	**84**	107	**49**	77	**—**	4	**(2)**	3
Mining and metals												
Coal lands	Alberta		100%	**77**	**77**	70	**77**	70	**4**	4	**4**	4
Falconbridge	Various		—	**—**	**—**	1,344	**—**	1,344	**24**	45	**24**	45
Net investment / operating cash flows				**$ 3,386**	**$ 3,386**	$ 3,606	**$ 1,293**	$ 2,375	**$ 120**	$ 124	**$ 68**	$ 113

We account for our non-controlled public investments such as Norbord and Fraser Papers using the equity method, and include dividends received from these investments in cash flow and our proportional share of their earnings in net income. We consolidate the results of our majority owned private companies and accordingly include our proportional share of their results in the operating cash flow shown above.

Forest Products

Norbord Inc.

We control 37% and own a net beneficial interest in approximately 23% or 34 million shares of Norbord Inc. ("Norbord"). Our net investment had a market value of approximately $360 million at year end.

AS AT AND FOR THE YEARS ENDED DECEMBER 31			Assets Under Management	Invested Capital				Operating Cash Flow			
				Total		Net		Total		Net	
MILLIONS	Shares	Interest	**2005**	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Common shares owned	53.8	37%	**$ 199**	**$ 199**	$ 177	**$ 199**	$ 177	**$ 62**	$ 19	**$ 62**	$ 19
Exchangeable debenture	(20.0)	(14%)	**—**	**—**	—	**(211)**	(195)			**(25)**	—
Net investment / operating cash flows	33.8	23%	**$ 199**	**$ 199**	$ 177	**$ (12)**	$ (18)	**$ 62**	$ 19	**$ 37**	$ 19

Norbord is an international producer of wood panels with operations in the United States, Canada and Europe. The company's principal product is oriented strandboard. Norbord contributed $62 million of dividends to our cash flow during the current year resulting in a net contribution of $37 million after deducting exchangeable debenture interest. Norbord is traded on the Toronto Stock Exchange. Further information on Norbord is available through its web site at **www.norbord.com**.

Fraser Papers Inc.

We own approximately 13 million common shares of Fraser Papers, which we received on the distribution of this business from Norbord during 2004. These shares represent a 46% equity interest in the company. Fraser Papers produces a wide range of specialty paper products from its operations which are located principally in Maine and New Brunswick. Fraser Papers is traded on the Toronto Stock Exchange. Further information on Fraser Papers is available through its web site at **www.fraserpapers.com**.

Privately Held

We own two private forest products companies that we acquired in connection with the purchase of core timberland and power generation operations. Cascadia is a coastal British Columbia lumber producer that operates five sawmills and two remanufacturing facilities, together with crown rights for 3.6 million cubic metres of annual timber harvesting. We acquired these operations from Weyerhaeuser in connection with the purchase of private timberlands by our timber fund. We recently reached agreement to merge Cascadia with Western Forest Products, which is 18%-owned by our restructuring fund.

Katahdin Paper owns a 280,000 ton per year directory paper mill and a 185,000 ton per year super-calender fine paper mill. These operations, located in Maine, were acquired out of bankruptcy in April 2003. Katahdin faced a difficult operating environment during 2005, which resulted in $30 million of operating and restructuring charges, but we believe its results will improve in 2006.

Business Services

Insurance Operations

Our insurance operations are conducted through 80%-owned Imagine Insurance, a specialty reinsurance business which operates internationally, and Hermitage Insurance, a property and casualty insurer which operates principally in the northeast United States. We manage the securities portfolios of these companies, which total $1.8 billion and consist primarily of highly rated government and corporate bonds, through our public securities operations. Imagine is rated A (strong) and A- (excellent) by Fitch and AM Best, respectively and Hermitage is rated B++ (very good) by AM Best. These operations continued to generate attractive returns despite larger than expected underwriting losses during 2005. We continue to explore a variety of options to surface the value of our insurance business, which could result in a reduced ownership interest in the future.

Banco Brascan, S.A.

We own a 51% interest in Banco Brascan, which is a Brazilian investment bank based in Rio de Janeiro and São Paulo. The balance of the company is owned 40% by Mellon Financial Group and 9% by management. Banco Brascan advises, lends to and provides asset management services to domestic and foreign companies in Brazil.

Other Privately Held

Privately held business service investments include a joint venture with the Accor Group of France which owns and manages the Accor Group hotel brands in Brazil, including Novotel, Sofitel, Ibis and Formula One, and a voucher services business in Brazil, which provides paper and electronic vouchers to corporations which utilize them in their compensation programs for employees and for the purchase of motor fuel and other purposes.

Other Publicly Listed

Publicly listed business service investments include controlling interests in NBS Technologies Inc. and MediSolution Ltd. NBS provides secure identification solutions, financial transaction services and operates a commerce gateway that facilitates electronic payment processing. MediSolution develops and manages medical human resources management software and systems for the health industry, primarily in Canada.

Mining and Metals

Coal Lands

Brookfield owns the coal rights under approximately 475,000 acres of freehold lands in central Alberta. These lands supply approximately 11% of Alberta's coal-fired power generation through the production of approximately 12 million tonnes of coal annually. Royalties from this production generate $4 million of operating cash flow and provide a stable source of income as they are free of crown royalties and require no holdings costs. In addition, we own a 3.5% net profit interest in 75 million tonnes of proven reserves, and 25 million tonnes of potential reserves of high quality metallurgical coal in British Columbia.

Falconbridge

We monetized our investment in Falconbridge during 2005 for proceeds of $2.7 billion and an after tax gain of $1.1 billion. Operating cash flow during the past two years from this investment consisted of dividend receipts.

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 contractual revolving credit lines and invest in shorter term financial assets which generate higher returns while still providing a source of liquidity to fund investment initiatives. The market value of our financial assets approximates their realizable value. The following table shows the composition of these assets and associated cash flow:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Assets Under Management*	*Invested Capital*				*Operating Cash Flow*			
		Total		*Net*		*Total*		*Net*	
MILLIONS	***2005***	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Financial assets									
Government bonds	**$ 59**	**$ 59**	$ 42	**$ 59**	$ 42				
Corporate bonds — Xstrata convertible	**375**	**375**	—	**375**	—				
— Other	**247**	**247**	338	**247**	338				
Asset backed securities	**69**	**69**	—	**69**	—				
High yield bonds	**220**	**220**	150	**220**	150				
Preferred shares — Falconbridge	**570**	**570**	—	**570**	—				
— Other	**107**	**107**	92	**107**	92				
Common shares	**494**	**494**	224	**494**	224				
Total financial assets	**2,141**	**2,141**	846	**2,141**	846	**$ 188**	$ 126	**$ 188**	$ 126
Cash and cash equivalents	**417**	**417**	139	**417**	139	**5**	2	**5**	2
Deposit and other liabilities				**(428)**	(339)			**(9)**	(4)
Net investment / operating cash flow	**$ 2,558**	**$ 2,558**	$ 985	**$ 2,130**	$ 646	**$ 193**	$ 128	**$ 184**	$ 124

Invested capital increased substantially during the year due to the receipt of proceeds from the sale of Falconbridge. The increase in operating cash flow reflects the higher level of invested assets.

We invest surplus liquidity in a range of securities ranging from government securities to common shares. The composition of the portfolios varies depending on our assessment of risk adjusted returns and liquidity requirements. Our investing activities, which utilize the knowledge and experience gained from our operating activities, rely on careful due diligence and a value based investment philosophy. We tend to invest our Financial Assets in more senior instruments to maximize liquidity and capital preservation. From time to time, however, we take positions in equity and high yield securities in our areas of industry expertise which we believe to be under-valued. In the same regard, we will also sell short securities that we believe to be over valued or to protect the value of existing positions, although in such circumstances our position is typically partially hedged to contain downside risk.

Deposit and other liabilities include broker deposit liabilities associated with our securities portfolio and borrowed securities sold short with a value of $182 million at December 31, 2005.

Other Assets

The following is a summary of other assets:

	Invested Capital		Operating Cash Flow	
YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*	***2005***	*2004*
Accounts receivable	**$ 605**	$ 538		
Restricted cash	**367**	29		
Goodwill and intangible assets	**160**	177		
Prepaid and other assets	**659**	208		
	$ 1,791	$ 952	**$ —**	$ —

Other assets include working capital balances employed in our business that are not directly attributable to specific operating units. These include accounts receivable in respect of contracted revenues owing but not yet collected, dividend, interest and fees owing to the company and the straight-lining of long-term contracted revenues in accordance with accounting guidelines. The magnitude of these balances varies somewhat based on seasonal variances and increased year-over-year with overall growth in business activity and expansion of our operating base.

Property and Disposition Gains

The following table sets out property and disposition gains over the past three years. While these events are opportunistic and difficult to predict, the dynamic nature of our asset base should generate varying levels of disposition gains in the future.

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*	*2003*
Property and disposition gains	**$ 49**	$ 123	$ 157

During 2005, we earned disposition gains of $49 million, including the sale of our Royal LePage Commercial advisory business to Cushman & Wakefield, and the sale of a small tin mining operation in Brazil.

During 2004, we earned a $63 million gain on the partial monetization of our investment in Norbord and lease termination income of $60 million from the cancellation of an existing lease and replacement with a new 20-year 460,000 square foot lease at One World Financial Center. Disposition gains during 2003 included $100 million related to the sale of a 49% interest in 245 Park Avenue and a $57 million gain on the sale of an investment in a gold-copper mining company in western Canada.

CAPITAL RESOURCES AND LIQUIDITY

The following sections describe our capitalization and liquidity profile. The strength of our capital structure and the liquidity that we maintain enables us to achieve a low cost of capital for our shareholders and at the same time provides us with the flexibility to react quickly to potential investment opportunities.

CAPITALIZATION

We maintain a strong and flexible capitalization structure that is comprised largely of long-term financings and permanent equity. We believe this is the most appropriate method of financing our long-term assets, and the high quality of the assets and the associated cash flows enable us to raise long-term financing in a cost effective manner.

Brookfield makes judicious use of debt and preferred equity to enhance returns to common shareholders. We arrange our financial affairs so as to maintain strong investment grade ratings, which lower our cost of borrowing and broadens our access to capital. We also endeavour to minimize liquidity and refinancing risks to the company by issuing long-dated securities and spreading out maturities.

Credit Profile

The credit ratings for the company at December 31, 2005, 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 endeavour to ensure that our principal operations 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 that are not available to non-investment grade borrowers.

The following outlines our targeted debt to capitalization levels:

	Objective	***2005***	*2004*	*2003*
Debt to capitalization				
Corporate borrowings and subsidiary obligations	20% to 30%	**20%**	22%	20%

Our deconsolidated capitalization, which totalled $11.4 billion at year end, includes corporate debt, subsidiary obligations, capital securities and preferred equity, as well as our common equity. These obligations are typically unsecured and have minimal covenants and operating requirements. The following table details our deconsolidated liabilities and shareholders' interests at the end of 2005 and 2004 and the related cash costs:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Cost of Capital[1]*		*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Corporate borrowings	**7%**	6%	**$ 1,620**	$ 1,675	**$ 119**	$ 103
Subsidiary obligations *3*	**10%**	10%	**605**	664	**69**	61
Other liabilities	**7%**	6%	**1,386**	1,097	**103**	92
Capital securities	**6%**	6%	**1,598**	1,548	**90**	79
Non-controlling interest in net assets	**22%**	22%	**1,199**	1,274	**243**	250
Preferred equity	**6%**	6%	**515**	590	**35**	24
Common equity	**21%**	18%	**4,514**	3,277	**873**	602
	16%	16%	**5,029**	3,867	**908**	626
	9.5%	9.5%	**$11,437**	$10,125	**$ 1,532**	$ 1,211

1 Based on operating cash flows as a percentage of average book value

2 Interest expense in the case of borrowings. Attributable operating cash flows in the case of minority and equity interests, including cash distributions. Current taxes and operating expenses in the case of accounts payable and other liabilities

3 Represents obligations of subsidiaries that are guaranteed by the Corporation

The principal components of our capitalization were relatively unchanged at the end of 2005 as compared with 2004, with the exception of the book value of our common equity which increased to $4.5 billion from $3.3 billion. The increase in common equity was due to the substantial net income recorded during the year, offset in part by dividends and share repurchases. We have been locking in longer term fixed rates and closing out floating rate swap positions since 2003. This resulted in a modest increase in our cost of capital during recent years, but should protect our returns over the longer term. Our financial obligations are almost entirely comprised of long-term fixed rate debt and equity securities.

Our consolidated capitalization, which includes obligations and equity interests held by others in entities that are consolidated in our statutory financial statements, totalled $26.1 billion as detailed on page 45. This includes long-term property specific debt which is secured by operating assets, typically core office properties and power generating stations, with no recourse to Brookfield as well as debt of subsidiaries which also has no recourse to Brookfield.

Corporate Borrowings

Corporate borrowings represent long-term and short-term obligations of the Corporation. Long-term corporate borrowings are in the form of bonds and debentures issued in 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 group of international banks.

The following table summarizes Brookfield's corporate credit facilities:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Cost of Capital[1]*		*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Commercial paper and bank borrowings	**4%**	3%	**$ —**	$ 249	**$ 8**	$ 5
Publicly traded term debt	**7%**	5%	**1,574**	1,413	**110**	90
Privately held term debt *3*	**6%**	8%	**46**	13	**1**	8
	7%	6%	**$ 1,620**	$ 1,675	**$ 119**	$ 103

1 As a percentage of average book value of debt

2 Interest expense

3 $43 million is secured by our coal assets

We issued C$300 million ($259 million) of 30-year debt during the year at an interest rate of 5.95% to capitalize on historically low interest rates and strong market liquidity. On December 31, 2004, we assumed C$375 million ($323 million) of public term debt previously issued by a subsidiary upon the amalgamation of our funds management business. As a result of these events, our average corporate term debt levels were higher than 2004, giving rise to higher carrying charges. During the year, we repaid all of our commercial paper following the sale of our investment in Falconbridge, and redeemed C$125 million ($108 million) of term debt on maturity.

The average interest rate on our term debt was 7% during 2005, compared with 6% during 2004, and the average term was 12 years (2004 – 9 years).

The Corporation has approximately $900 million of committed corporate credit facilities which are utilized principally as back-up credit lines to support commercial paper issuance. At December 31, 2005, none of these facilities were drawn, although approximately $95 million of the facilities were utilized (2004 – $31 million) for letters of credit issued principally on behalf of our power operations to support power sale contracts.

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

YEARS ENDED DECEMBER 31 (MILLIONS)	*2006*	*2007*	*2008*	*2009*	*2010*	*Beyond*	*Total*
Commercial paper and bank borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Publicly traded term debt	108	108	300	—	200	858	1,574
Privately held term debt	2	—	—	—	—	44	46
Total	$ 110	$ 108	$ 300	$ —	$ 200	$ 902	$ 1,620
Percentage of total	7%	7%	18%	—%	12%	56%	100%

Subsidiary Obligations

Subsidiary obligations include retractable preferred shares issued by corporate subsidiaries as well as financial obligations that are guaranteed by the Corporation as set forth in the following table:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Cost of Capital[1]*		*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Retractable preferred shares	**7%**	7%	**$ 172**	$ 271	**$ 17**	$ 15
Subsidiary debt	**11%**	11%	**433**	393	**52**	46
	10%	10%	**$ 605**	$ 664	**$ 69**	$ 61

1 As a percentage of average book value

2 Interest expense

The retractable preferred shares are to be redeemed no later than 2007 and earlier if requested by the holders. We redeemed C$125 million of these shares during 2005. The company does not typically guarantee the debts of subsidiaries, with the principal exception being a guarantee of subsidiary debt originally issued in 1990 that was assumed by the Corporation upon amalgamating with the original guarantor. The increase in the carrying amount during 2005 reflects accrued interest and advances that will be repaid on maturity of the underlying debt in 2015.

Capital Securities

Capital securities represent long-term preferred shares and preferred securities that can be settled by issuing, solely at our option, a variable number of our common shares and, as a result of new accounting guidelines, are no longer classified as equity in our financial statements. The following table summarizes capital securities issued by the company:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Cost of Capital[1]*		*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Corporate preferred shares and preferred securities	**6%**	6%	**$ 669**	$ 647	**$ 41**	$ 40
Subsidiary preferred shares	**6%**	6%	**929**	901	**49**	39
	6%	6%	**$ 1,598**	$ 1,548	**$ 90**	$ 79

1 As a percentage of average book value

2 Interest expense

The increase in distributions paid on subsidiary preferred shares relates to additional securities issued during 2004. Distributions paid on these securities are recorded as interest expense, even though the legal form for all but two of the issues are dividends. Principal repayments due on capital securities are as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	*2006 to 2010*	*2011 to 2015*	*2016 to 2020*	*2021 to 2025*	*Beyond*	*Total*
Corporate preferred shares and preferred securities	$ —	$ 303	$151	$ —	$ 215	$ 669
Subsidiary preferred shares	—	800	129	—	—	929
Total	$ —	$ 1,103	$280	$ —	$ 215	$ 1,598
Percentage of total	—	69%	18%	—%	13%	100%

The average distribution yield on the capital securities at December 31, 2005 was 6% (2004 – 6%) and the average term was 13 years (2004 – 14 years). We did not issue or redeem any capital securities during the year and changes in the book value are due to the impact of currency fluctuations on capital securities denominated in Canadian dollars.

Non-Controlling Interests in Net Assets

Non-controlling interests in net assets consist principally of the 49% equity ownership in Brookfield Properties Corporation held by shareholders other than us, as well as preferred share obligations issued by subsidiary companies that are consolidated in our segmented basis of presentation.

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Cost of Capital[1]*		*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Brookfield Properties common shares	**23%**	23%	**$ 999**	$ 1,024	**$ 230**	$ 235
Subsidiary preferred shares	**6%**	6%	**200**	250	**13**	15
	22%	22%	**$ 1,199**	$ 1,274	**$ 243**	$ 250

1 As a percentage of average book value

2 Dividends

The book value of common equity interests in Brookfield Properties declined during 2005 as a result of common shares repurchased by Brookfield Properties. Preferred share interests declined due to redemptions.

Other Liabilities and Operating Costs

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Invested Capital*				*Operating Cash Flow*			
	Total		*Net*		*Total*		*Net*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Accounts payable	**$ 2,037**	$ 1,365	**$ 1,001**	$ 516				
Insurance liabilities	**1,433**	767	**—**	—				
Deferred tax liability / (asset)	**14**	—	**(51)**	—				
Other liabilities	**1,077**	587	**436**	581				
Asset management					**$ 184**	$ 126	**$ —**	$ —
Other operating costs					**103**	83	**92**	82
Cash taxes					**162**	86	**11**	10
	$ 4,561	$ 2,719	**$ 1,386**	$ 1,097	**$ 449**	$ 295	**$ 103**	$ 92

Accounts payable and other liabilities increased during the year due to the assumption of working capital balances on the acquisition of additional operating assets, as well as overall growth in the level of business activity. Insurance liabilities include claims and deposit liabilities within our insurance operations. These liabilities increased during the year due to the expansion of these operations which resulted in a corresponding increase in the securities held within these operations. Other liabilities includes $211 million representing the debentures exchangeable into 20 million Norbord common shares.

Asset management expenses, which reflect direct attributable costs, increased from $126 million in 2004 to $184 million in 2005, consistent with the expansion of our business. We are continuing to build out our platform and expect to earn higher margins in the future. Other operating costs are those which are not directly attributable to specific business units and have increased in line with the overall level of business activity.

Cash taxes relate principally to the taxable income generated within our U.S. home building operations. This income cannot be sheltered with tax losses elsewhere in the business due to the separate public ownership of this operation.

Preferred Equity

Preferred equity represents perpetual floating rate preferred shares that provide an attractive form of permanent equity leverage to our common shares.

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Cost of Capital[1]*		*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Preferred equity	**6%**	6%	**$ 515**	$ 590	**$ 35**	$ 24

1 As a percentage of average book value

2 2 Dividends

On December 31, 2004, we issued $237 million of perpetual preferred shares in exchange for preferred shares issued previously by our funds management subsidiary. This, together with the impact of the higher Canadian dollar on preferred share dividends, resulted in an increase in distributions during 2005. We also redeemed $75 million of floating rate preferred shares during the year.

Common Equity

On a diluted basis, Brookfield had 270.2 million common shares outstanding at year end, a decrease of 1.5 million shares from December 31, 2004. During 2005, we repurchased 4.0 million common shares under issuer bids at an average price of $40.63 per share and issued 2.7 million options at an average price of $38.28 per share. During 2004, 0.8 million common shares and equivalents were repurchased at a price of $23.35 per share.

Brookfield has two classes of common shares outstanding: Class A and Class B. Each class of shares elects one-half of the Corporation's Board of Directors. The Class B shares are held by Partners Limited, a private company owned by 45 individuals, including a number of the senior executive officers of Brookfield, who collectively hold direct and indirect beneficial interests in approximately 45 million Class A shares representing an approximate 17% equity interest in the company. Further details on Partners Limited can be found in the company's management information circular.

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. Our principal sources of liquidity are financial assets, undrawn committed credit facilities, free cash flow and the turnover of assets on our balance sheet. We structure the ownership of our assets to enhance our ability to monetize their embedded value to provide additional liquidity if necessary.

Our financial assets and committed bank facilities are described further on pages 31, 34 and 35 of this report and represent aggregate liquidity of $3.6 billion as at December 31, 2005.

Our free cash flow represents the operating cash flow retained in the business after operating costs and cash taxes, interest payments, dividend payments to other shareholders of consolidated entities, preferred equity distributions and sustaining capital expenditures. This cash flow is available to pay common share dividends, invest for future growth, reduce borrowings or repurchase equity.

The following table summarizes our free cash flow on a consolidated basis:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*	*2003*
Cash flow from operations	**$ 908**	$ 626	$ 590
Disbursements			
Brookfield's share of sustaining capital investments	**(55)**	(55)	(45)
Preferred share dividends	**(35)**	(24)	(24)
Free cash flow before the following	**818**	547	521
Cash flow retained in operations, net of minority share of dividends and sustaining capital investments			
Brookfield Properties	**120**	175	156
Brookfield Homes	**103**	83	61
Consolidated free cash flow	**$ 1,041**	$ 805	$ 738

Corporate Guarantees, Commitments and Contingent Obligations

Our policy is to not guarantee liabilities of subsidiaries or affiliates. We do, however, provide limited guarantees and indemnities when required from time-to-time to further the growth of our power marketing and asset management businesses. The Corporation has guaranteed $434 million of subsidiary debt previously guaranteed by a company with which the Corporation amalgamated. The Corporation has also guaranteed obligations under power purchase agreements which amounted to $19 million at year end. Certain of these obligations, together with $229 million of obligations included in accounts payable and other liabilities, are subject to credit rating provisions and are supported by financial assets of the principal obligor. We also provide normal course commitments, none of which are material at the current time.

The company may be contingently liable with respect to regulatory proceedings, litigation and claims that arise in the normal course of business. The company does not believe it has any material exposure in this regard and has provided for any expected claims in its accounts. In addition, the company may execute agreements that provide indemnifications and guarantees to third parties. Disclosure of commitments, guarantees and contingencies can be found in the Notes to the Consolidated Financial Statements.

Off Balance Sheet Arrangements

We conduct our operations primarily through entities that are fully or proportionately consolidated in our financial statements. We do hold non-controlling interests in investment companies such as Norbord and Fraser Papers which are accounted for on an equity basis, as are interests in some of our funds, however we do not guarantee any financial obligations of these entities other than our contractual commitments to provide capital to a fund which are limited to predetermined amounts.

We utilize various financial instruments in our business to manage risk and make better use of our capital. The mark-to-notional values of these instruments that are not reflected on our balance sheet are disclosed in Note 15 to our Consolidated Financial Statements and discussed on page 41 under Financial Risk Management.

BUSINESS ENVIRONMENT AND RISKS

Brookfield's financial results are impacted by: the performance of each of our operations and various external factors influencing the specific sectors and geographic locations in which we operate; macro-economic factors such as economic growth, changes in currency, inflation and interest rates; regulatory requirements and initiatives; and litigation and claims that arise in the normal course of business.

Our strategy is to invest in high quality long-life 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 enables us to invest with confidence when opportunities arise.

The following is a review of the material factors and the potential impact these factors may have on the company's business operations. A more detailed discussion of the business environment and risks is contained in our Annual Information Form which is posted on our web site.

PROPERTY OPERATIONS

Core Office Properties

Our strategy is to invest in high quality core office properties as defined by the physical characteristics of the assets and, more importantly, the certainty of receiving rental payments from large corporate tenants which these properties attract. Nonetheless, we remain exposed to certain risks inherent in the core office property business.

Core office property 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 the markets in which we operate), the attractiveness of the properties to tenants, competition from other landlords with competitive space and our ability to provide adequate maintenance at an economical cost.

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 core office properties are subject to mortgages which require substantial debt service payments. If we become 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. We believe the stability and long-term nature of our contractual revenues is an effective mitigant to these risks.

Our core office properties generate a relatively stable source of income from contractual tenant rent payments. We endeavour to stagger our lease expiry profile so that we are not faced with a disproportionate amount of space expiring in any one year. 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 we believe the outlook for commercial office rents is positive for both 2006 and in the longer term, it is possible that rental rates could decline or that renewals may not be achieved. The company is, however, substantially protected against 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 over time on overall occupancy levels and net effective rents.

Our core office 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 reasonably 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 our residential land development and home building operations, markets have been favourable over the past five years with strong demand for well located building lots, particularly in the United States and Alberta. Our operations are concentrated in high growth areas which we believe have positive demographic and economic conditions.

Nonetheless, the residential home building and land development industry is cyclical and may be significantly affected by changes in general and local economic conditions such as consumer confidence, job stability, availability of financing for home buyers and higher interest rates due to their impact on home buyers' decisions. These conditions can affect the outlook of consumers and, in particular, the price and volume of home purchases. Furthermore, we are subject to risks related to the availability and cost of materials and labour, supply and cost of building lots, and adverse weather conditions that can cause delays in construction schedules and cost overruns.

In particular, interest rates in North America have supported robust housing sales. Should a substantial interest rate increase occur, potentially resulting in reduced consumer demand for residential property, both income and the intrinsic value of our land holdings could be negatively affected. On a book value basis, as our historical cost is well below intrinsic values, it would be remote that writedowns would occur.

Power Generating Operations

Our strategy is to own primarily hydroelectric generating facilities, which have operating costs significantly below that of most competing forms of generation. As a result, there is a high level of assurance that we will be able to deliver power on a profitable basis. In addition, we sell most of our generation pursuant to long-term contracts that protect us from variations in future prices. Nonetheless, we are subject to certain risks, the most significant of which are hydrology and price.

The revenues generated by our power facilities are proportional to the amount of electricity generated, which is dependent upon available water flows. Although annual deviations from long-term average water flows can be significant, we strive to mitigate this risk by increasing the geographic diversification of our facilities which assists in balancing the impact of generation fluctuations in any one geographic region.

Demand for electricity varies with economic activity. Accordingly, an economic slow down could have an adverse impact on prices. In addition, oversupply in our markets may result from excess generating capacity. Pricing risk is mitigated through fixed-price contracts, forward sales of electricity, and the regulated revenues we earn from our transmission and distribution business. Continued growth in pricing is dependent on favourable economic and supply conditions and the renewal of contracts on favourable terms.

Our power operations are typically financed with long-term debt. A prolonged decline in operating income due to unusually poor hydrology or extremely low pricing could impact our ability to meet our obligations to mortgagees and could result in losses as a result of the mortgagee's right of foreclosure or sale.

The operation of hydroelectric generating facilities and associated sales of electricity are regulated to varying degrees in most regions. Changes in regulation can affect the quantity of generation and the manner in which we produce it, which could impact revenues.

Lastly, electricity prices in North America are affected by fossil fuel prices, particularly natural gas. A sustained downward movement in fossil fuel prices could have an adverse impact on future cash flows and asset values.

Timberlands, Infrastructure and Specialty Funds Operations

Our specialty funds operations are focussed on the ownership and management of assets, the majority of which are long life physical assets, as well as debt and similar obligations, that are supported by underlying tangible assets and cash flows. The principal risks in this business are potential loss of invested capital as well as insufficient investment or fee income to cover operating expenses and cost of capital.

Unfavourable economic conditions could have a significant impact on our assets, which could negatively impact their ability to satisfy their obligations to us on a timely basis. This could reduce the value and liquidity of our investments and the level of investment income. Since most of our investments are in our areas of expertise and given that we strive to maintain adequate supplemental liquidity at all times, we are well positioned to assume ownership of and operate most of the assets and businesses that we finance. Furthermore, if this situation does arise, we typically acquire the assets at a discount to the underwritten value, which protects us from loss.

Timberlands, transmission and distribution operations are subject to various forms of regulatory oversight that can impact operating policies and, as a result, profitability. We address this risk by endeavouring to operate well within prescribed requirements and by maintaining a full understanding of the regulatory environment.

We finance many of our fund investments with debt capital, typically on a matched basis reflecting maturity and interest rate profiles. Nonetheless, a contraction of available credit could result in an increase in financing costs which would impact our profitability or cause us to dispose of assets sooner than otherwise planned and thereby reduce returns or result in a loss of capital. This risk is mitigated through the structuring of our financing arrangements and by maintaining adequate liquidity to refinance obligations if necessary.

Financial Risk Management

Our business is impacted by changes in currency rates, interest rates, commodity prices and other financial exposures. As a general policy, we endeavour to maintain balanced positions, although unmatched positions may be taken from time to time within predetermined limits. The company's risk management and derivative financial instruments are more fully described in the notes to our Consolidated Financial Statements. We selectively utilize financial instruments to manage these exposures.

Our 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, fluctuations in the value of the U.S. dollar relative to other currencies have a negligible impact on the company's net financial position. The company receives certain cash flows that are denominated in Canadian dollars that are not hedged. The estimated impact of a C$0.01 change in the Canada/U.S. exchange rate is a corresponding change in operating cash flow of less than $0.02 per share.

We typically finance assets that generate predictable long-term cash flows with long-term fixed rate debt in order to provide stability in cash flows and protect returns in the event of changes in interest rates. We also make use of fixed rate preferred equity financing as well as financial contracts to provide additional protection in this regard. Historically, the company and our subsidiaries have tended to maintain a net floating rate liability position because we believe that this results in lower financing costs over the long term.

As at December 31, 2005, our net floating rate liability position was $0.8 billion. As a result, a 100 basis point increase in interest rates would decrease operating cash flow by $8 million, or $0.03 per share. Our fixed-rate obligations at year end include a notional amount of $1.2 billion (2004 – $1.6 billion) which we are required to record at market value and any changes in value recorded as current income, with the result that a 10 basis point increase in long-term interest rates will result in a corresponding increase in income of $12 million before tax or $0.05 per share and vice versa, based on our year end positions. It is important for shareholders to keep in mind that these interest rate related revaluation gains or losses are offset by corresponding changes in values of the assets and cash flow streams that they relate to, which are not reflected in current income.

We selectively utilize credit default swaps and equity derivatives to hedge financial positions and may establish unhedged positions from time to time. These instruments are typically utilized as an alternative to purchasing or selling the underlying security when they are more effective from a capital employment perspective.

As at December 31, 2005, we held credit default swaps with an aggregate notional amount of $797 million, with a maximum exposure to any particular issuer of less than $50 million. We are entitled to receive payment in the event of predetermined credit events for $775 million of the notional amount, which protects us in the event of a deteriorating credit spread environment, and are required to make payment in respect of $22 million of the notional amount. We also held equity derivatives with a notional amount of $604 million as at December 31, 2005. Approximately one-half of the notional amount entitles us to purchase Brookfield common shares in order to hedge long-term compensation arrangements and the balance represents common equity positions established in connection with our capital markets investment activities. The replacement values of these instruments are reflected in our year end consolidated financial statements.

Execution of Strategy

Our strategy for building shareholder value is to develop or acquire high quality assets and businesses that generate sustainable and increasing cash flows on behalf of ourselves and co-investors, with the objective of achieving higher returns on capital invested and asset management fees over the long term.

We consider effective capital allocation to be one of the most important components to achieving long-term investment success. As a result, we apply a rigorous approach towards the allocation of capital among our operations. Capital is invested only when the expected returns exceed pre-determined thresholds, taking into consideration both the degree and magnitude of the relative risks and upside potential and, if appropriate, strategic considerations in the establishment of new business activities. We conduct post-investment reviews on capital allocation decisions to assess the results against anticipated returns.

We endeavour to maintain an appropriate level of liquidity in order to invest on a value basis when attractive opportunities arise. Our approach to business 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 acquire or develop additional high quality assets at attractive prices to supplement our growth.

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 experienced in a particular industry. Our diversified business base, liquidity and the sustainability of our cash flows provide important elements of strength in executing this strategy.

Conversely, overly favourable economic conditions can limit the number of attractive investment opportunities and thereby restrict our ability to increase assets under management and the related income streams. We mitigate this risk by exercising patience and by maintaining a relatively low level of administrative overhead.

Our ability to successfully expand our asset management business is dependent on our reputation with our current and potential investment partners. We believe that our track record and recent investments, as well as adherence to operating policies that emphasize a constructive management culture, will enable us to continue to develop productive relationships with institutional investors.

The conduct of our business and the execution of our growth strategy rely heavily on teamwork. We believe that co-operation among our operations and our team-oriented management structure are essential to responding promptly to opportunities and challenges as they arise. There is, however, no certainty that the ability to retain, or the appointment of, new senior executives will always be successfully executed.

OUTLOOK

We are optimistic as we review the outlook for our operations in 2006 and believe we are well positioned for growth.

In our core property sector, the leasing markets in which we operate appear to have stabilized and are improving on a measured basis with positive absorption rates in most markets. Our strong tenant lease profile and low vacancies give us a high level of confidence that we can achieve our operating targets in 2006.

Residential markets remain exceptionally strong in our core markets. Despite recent signs that sales growth is slowing, we expect another strong year in these operations based on sales in hand and regional conditions.

Our power operations benefitted from higher prices during 2005 and, although water flows were lower than 2004, current storage levels are consistent with long-term averages. As a result, we expect cash flows during 2006 to increase compared to 2005 should the current pricing environment continue and should water flows be consistent with long-term averages.

We continue to build our specialized funds and our timberlands and infrastructure operations by committing additional resources and launching new funds. During 2006, we are concentrating on investing the capital committed. This should positively impact our results in 2006.

The investment market continues to be competitive and acquisition prices have increased due in large part to the availability and the low cost of capital for many investors. The breadth of our operating platform, our disciplined approach to investing, and our ability to supplement returns with asset management fees should enable us to continue to invest capital on a favourable basis.

Needless to say, there are many factors that could impact our performance in 2006, both positively and negatively. We have described the principal risks earlier in this report, and we will continue to manage our business with the objective of reducing the impact of market fluctuations, for example, through the use of long-term revenue contracts and long-term financings. It is this measured approach to business that provides us with confidence that we will meet our 2006 performance objectives with respect to cash flow growth and value creation.

CONSOLIDATED FINANCIAL ANALYSIS

The discussion and analysis of our operating results and financial condition in the foregoing sections of this report is organized principally on a segmented basis, which is consistent with how we manage our business. As previously discussed, this segmented basis differs from our Consolidated Financial Statements which begin on page 59. The purpose of this section is to provide an analysis and discussion of our financial position and operating results as they are presented in our Consolidated Financial Statements, and to provide a reconciliation between our Consolidated Financial Statements and the segmented basis utilized in the preceding sections which provide a more detailed review.

To do this, we have provided a summary of our consolidated financial statements for the past two years and a review of the significant components and variances from a consolidated perspective. Pages 52 and 53 contain a reconciliation between the consolidated balance sheets and consolidated statements of operations to our segmented results. This is intended to assist the reader to cross reference the more detailed discussion in the Operations Review.

CONSOLIDATED BALANCE SHEET

Total assets at book value increased to $26.1 billion as at December 31, 2005 from $20.0 billion at the end of the preceding year, which was accompanied by a commensurate increase in our capitalization. The increase was due to the expansion of our operating platform in several business segments as reflected in the $3.5 billion increase in property, plant and equipment, as well as the sale of a major investment. The higher Canadian dollar increased the carrying value of the assets which we own and operate in Canada. Property specific mortgages, which finance our income producing physical assets without recourse to the Corporation, increased by $2.7 billion, and common equity increased by $1.3 billion due largely to net income recorded during 2005.

Consolidated Assets

The following is a summary of our consolidated assets for the past two years:

AS AT DECEMBER 31	*Book Value*	
MILLIONS	***2005***	*2004*
Assets		
Cash and cash equivalents	**$ 951**	$ 404
Financial assets	**2,171**	1,220
Investments	**595**	1,944
Accounts receivable and other	**4,148**	1,551
Operating assets		
Property, plant and equipment	**15,776**	12,231
Securities	**2,069**	1,757
Loans and notes receivable	**348**	900
	$ 26,058	$ 20,007

Cash and Cash Equivalents and Financial Assets

Cash and cash equivalents and financial assets, which consist of securities and other financial assets that are not actively deployed in our operations, increased to $3.1 billion on a consolidated basis at December 31, 2005, compared to an aggregate balance of $1.6 billion at the end of 2004. The increase over prior years is due principally to the $2.7 billion proceeds received on the sale of Falconbridge.

Investments

Investments represent equity accounted interests in partially owned companies including Norbord, Fraser Papers and, until 2005, Falconbridge. The sale of Falconbridge during the year accounts for the decline in Investments from $1.9 billion to $0.6 billion.

Accounts Receivable and Other

Accounts receivable and other increased to $4.2 billion from $1.6 billion at the end of 2004. The following table is a summary of consolidated accounts receivable and other assets.

AS AT DECEMBER 31	*Book Value*	
MILLIONS	***2005***	*2004*
Accounts receivable	**$ 1,709**	$ 1,187
Prepaid expenses and other assets	**1,541**	263
Restricted cash	**651**	29
Inventory	**247**	16
Future income tax assets	**—**	56
	$ 4,148	$ 1,551

The increase in 2005 is due to the expansion of our operating platform, and includes the consolidated working capital balances of the various operating companies including several businesses acquired during the year. These include amounts receivable by the company in respect of contracted revenues owing but not yet collected, and dividends, interest and fees owing to the company. Prepaid expenses and other assets include amounts accrued to reflect the straight-lining of long-term contracted revenues in accordance with accounting guidelines, including $470 million in respect of our Louisiana power generating operations which were consolidated during 2005. Restricted cash represents cash balances placed on deposit in connection with financing arrangements and insurance contracts, including the defeasement of long-term property specific mortgages.

Property, Plant and Equipment

Property, plant and equipment increased by $3.5 billion during 2005, due to acquisitions of core office properties, timberlands and power generating facilities. The following table is a summary of property, plant and equipment for the past two years:

AS AT DECEMBER 31	*Book Value*	
MILLIONS	***2005***	*2004*
Property		
Commercial properties	**$ 8,688**	$ 7,089
Residential properties	**1,205**	818
Development properties	**942**	950
Property services	**39**	51
	10,874	8,908
Power generation	**3,568**	2,951
Timberlands and infrastructure	**1,018**	184
Other plant and equipment	**316**	188
	$ 15,776	$ 12,231

Commercial property assets include core office, opportunity and retail properties. The net book value of these assets increased during 2005 with the acquisition of 20 Canada Square, located in the Canary Wharf Estate in London, U.K., and a Canadian office portfolio consisting of 24 high quality office properties and one development property in which we acquired a 25% interest, with two institutions owning the balance. More details on these operations are located on pages 15 through 18 of this report. Residential property assets increased due to the continued build-out of inventory, particularly in the United States market. More detail on our residential operations is included on pages 18 and 19.

Power generation facilities increased with the continued expansion of our operating platform and the consolidation of our Louisiana operations. During 2005, we acquired and built 14 stations with a total capacity of 772 megawatts for an aggregate investment of $300 million. We invested approximately $1 billion in additional hydroelectric facilities during 2004 including 72 power plants in New York State. More detail on our power generating operations is included on pages 22 through 25.

The increase in timberlands represents the acquisition of 635,000 acres of high quality private timberlands on the west coast of Canada as detailed on page 26.

Securities

Securities include $1.6 billion (2004 – $0.9 billion) of largely fixed income securities held through our insurance operations, which are described under Investments on page 30, as well as our $267 million (2004 – $450 million) common share investment in Canary Wharf Group, which is included in our core office property operations. We expanded our insurance operations during the year which gave rise to the increase in Securities, as well as an increase in Other Liabilities. The decrease in the carrying values for our Canary Wharf investment is due to dividends received during 2005.

Loans and Notes Receivable

Loans and notes receivable consist largely of loans advanced by our bridge lending operations, included in Specialty Funds. The outstanding balance was lower at the end of 2005 due to repayments and syndications of loan positions during 2005.

Consolidated Capitalization

Our consolidated capitalization, which includes liabilities and shareholders' equity, increased in line with the growth in our total assets. This increase is reflected mostly in property specific mortgages, accounts payable and other liabilities, and common equity. The increase in property specific mortgages reflects the financing associated with the acquisition of additional assets, in particular, power assets acquired during the year and the consolidation of Louisiana HydroElectric, the financing associated with the acquisition of our west coast timberland assets, as well as financings associated with our property acquisition in the United Kingdom and the continued expansion of our opportunity property investments.

Accounts payable increased as a result of the assumption of working capital balances on the acquisition of additional operating assets as well as the overall growth in the level of business activity, particularly within our insurance operations. Common equity increased due to the net income generated over the past two years, offset in part by dividends paid and shares repurchased.

The following table details our consolidated capitalization at the end of 2005 and 2004 and the related cash costs:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Cost of Capital[1]*		*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Non-recourse borrowings						
Property specific mortgages	**7%**	6%	**$ 8,756**	$ 6,045	**$ 519**	$ 321
Subsidiary borrowings	**5%**	5%	**2,510**	2,373	**153**	105
Corporate borrowings	**7%**	6%	**1,620**	1,675	**119**	103
Accounts payable and other liabilities	**7%**	7%	**4,561**	2,719	**449**	295
Capital securities	**6%**	6%	**1,598**	1,548	**90**	79
Non-controlling interest in net assets	**22%**	22%	**1,984**	1,780	**386**	360
Shareholders' equity						
Preferred equity	**6%**	6%	**515**	590	**35**	24
Common equity	**20%**	18%	**4,514**	3,277	**873**	602
	9.5%	9.5%	**$26,058**	$20,007	**$ 2,624**	$ 1,889

1 Based on operating cash flows as a percentage of average book value

2 Interest expense in the case of borrowings. Attributable operating cash flows in the case of shareholders' interests, including cash distributions, and current taxes and operating expenses in the case of accounts payable and other liabilities

Our overall weighted average cash cost of capital, using a 20% return objective for our common equity, is 9.5%, unchanged from 2004. This reflects the low cost of non-participating perpetual preferred equity issued over a number of years, as well as the low cost of term debt, capital securities and non-recourse investment grade financings, achievable due to the high quality of our core office properties and power generating plants.

Property Specific Mortgages

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

The composition of Brookfield's consolidated borrowings which have recourse only to the specific assets being financed is as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Average*	*Cost of Capital[1]*	*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	*Term*	***2005***	***2005***	*2004*	***2005***	*2004*
Commercial properties	11	7%	**$ 5,881**	$ 4,534	**$ 312**	$ 261
Power generation	10	8%	**2,365**	1,411	**191**	57
Timberlands and infrastructure	19	6%	**510**	100	**16**	3
	11	7%	**$ 8,756**	$ 6,045	**$ 519**	$ 321

1 Based on operating cash flows as a percentage of average book value

2 Interest expense

These borrowings leverage common shareholders' equity with long-term lower risk financing, which is largely fixed rate, with an average consolidated maturity of 11 years and a weighted average interest rate of 7%.

Commercial property borrowings consist primarily of mortgage debt on properties held within our core property and opportunity investment operations, which are described in more detail on pages 16 and 17 and page 20. Power generation borrowings consist of financings secured by specific power facilities and include $630 million of debt secured by our Louisiana facilities that were consolidated with effect from the beginning of 2005. Timber and infrastructure debt includes $410 million of long-term debt issued from the Island Timberland Fund, formed in 2005, which is secured by the timberlands and has an average maturity of 19 years and a blended interest rate of 6.0%, as well as $100 million secured by electricity transmission and distribution facilities.

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

YEARS ENDED DECEMBER 31 (MILLIONS)	*2006*	*2007*	*2008*	*2009*	*2010*	*Beyond*	*Total*
Commercial properties	$ 284	$ 674	$ 358	$ 841	$ 343	$ 3,381	$ 5,881
Power generation	30	29	27	83	12	2,184	2,365
Timberlands and infrastructure	—	—	—	—	—	510	510
Total	$ 314	$ 703	$ 385	$ 924	$ 355	$ 6,075	$ 8,756
Percentage of total	3%	8%	5%	11%	4%	69%	100%

Other Debt of Subsidiaries

These borrowings are largely corporate debt, issued by way of corporate bonds, bank credit facilities and other types of debt and financial obligations of subsidiaries. The composition of these borrowings on a consolidated basis is as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Average*	*Cost of Capital[1]*	*Book Value*		*Operating Cash Flow[2]*	
MILLIONS	*Term*	***2005***	***2005***	*2004*	***2005***	*2004*
Residential properties	2	5%	**$ 1,137**	$ 814	**$ 21**	$ 14
Power generation	4	6%	**474**	617	**24**	23
Timberlands and infrastructure	6	5%	**37**	37	**3**	1
International operations and other	7	6%	**862**	905	**105**	67
	3	5%	**$ 2,510**	$ 2,373	**$ 153**	$ 105

1 Based on operating cash flows as a percentage of average book value

2 Interest expense

Residential property debt consists primarily of construction financing which is repaid with the proceeds from sales of building lots, single family houses and condominiums and is generally renewed on a rolling basis as new construction commences. Power generation debt consists of C$450 million, 4.6% public notes which mature in 2009 and C$100 million floating rate public notes which mature in 2006. The notes are rated BBB by S&P and BBB(high) by DBRS.

Other subsidiary debt includes C$200 million of retractable preferred shares that will be repaid no later than 2011 and pay dividends at a rate of 6.1%, as well as debt obligations of various operating companies that are included on a deconsolidated basis as Investments in our segmented analysis. A portion of the outstanding debt of our international operations is denominated in their domestic currencies and is utilized to hedge their operating assets against local currency fluctuations, the most significant of which is the Brazilian *real*. The Corporation does not typically guarantee the debts of subsidiaries with the exception of $434 million included in other subsidiary debt.

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

YEARS ENDED DECEMBER 31 (MILLIONS)	*2006*	*2007*	*2008*	*2009*	*2010*	*Beyond*	*Total*
Residential properties	$ 701	$ 384	$ 41	$ 9	$ 2	$ —	$ 1,137
Power generation	86	—	—	388	—	—	474
Timberlands and infrastructure	2	—	1	1	2	31	37
International operations and other	192	11	47	6	—	606	862
Total	$ 981	$ 395	$ 89	$ 404	$ 4	$ 637	$ 2,510
Percentage of total	39%	16%	4%	16%	—%	25%	100%

Non-controlling Interests in Net Assets

Non-controlling interests in net assets are comprised of two components: participating interests of other shareholders in our operating assets and subsidiary companies; and non-participating preferred equity issued by the Corporation and its subsidiaries.

Interests of others in our operations at December 31, 2005 and 2004 on a fully consolidated basis were as follows:

AS AT AND FOR THE YEARS ENDED DECEMBER 31	*Number of Shares*	*Book Value*		*Operating Cash Flow*[1]	
MILLIONS	***2005***	***2005***	*2004*	***2005***	*2004*
Participating interests					
Property					
Brookfield Properties Corporation	115.0	**$ 999**	$ 1,024	**$ 221**	$ 238
Brookfield Homes Corporation	13.2	**128**	122	**108**	84
Retail and other		**69**	80	**1**	—
Power generation					
Great Lakes Hydro Income Fund		**180**	194	**16**	21
Louisiana HydroElectric		**45**	—	**6**	—
Timberlands		**255**	—	**7**	—
Other		**133**	110	**14**	2
		1,809	1.530	**373**	345
Non-participating interests		**175**	250	**13**	15
		$ 1,984	$ 1,780	**$ 386**	$ 360

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

The majority of our core office and residential property operations are conducted through Brookfield Properties Corporation and Brookfield Homes Corporation, respectively, in which shareholders other than the company own approximate 50% and 48% common share interests, respectively. Power generating interests represent the 50% interest of unitholders in the Great Lakes Hydro Income Fund, through which we own some of our power generating operations, and a 25% residual equity interest held by others in our Louisiana operations. Institutional partners provided $255 million of capital towards the formation of our Island Timberland Fund.

The book values of these interests vary each year, and typically increase with the excess of net income over normal cash distributions and decrease with share repurchases and special dividends. During 2005, our U.S. core office and residential operations repurchased common equity held by non-controlling interests for $132 million and $75 million, respectively, resulting in a decrease in the book value of these interests. Operating cash flow distributed to other non-controlling shareholders in the form of cash dividends totalled $109 million in 2005 compared with $73 million in 2004. The undistributed cash flows attributable to non-controlling shareholders are retained in the respective operating businesses and are available to expand their operations, reduce indebtedness or repurchase equity.

Consolidated Statement of Income

The following table summarizes our consolidated statement of net income:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Net operating income	**$ 2,355**	$ 1,825
Interest expenses	**(881)**	(608)
Operating and current taxes	**(449)**	(295)
Non-controlling interests in the foregoing	**(386)**	(360)
	639	562
Other items, net of non-controlling interests	**1,023**	(7)
Net income	**$ 1,662**	$ 555

Net Operating Income

Net operating income includes the following items from our consolidated statement of income: fees earned; other operating revenues less direct operating expenses; investment and other income; and disposition gains. These items are described for each business unit in the Operations Review beginning on page 14. The following table reconciles total operating cash flow in the segmented basis of presentation presented on page 11 and net operating income:

YEARS ENDED DECEMBER 31 (MILLIONS)	*Business Unit*	***2005***	*2004*
Total operating cash flow		**$ 2,624**	$ 1,889
Less dividends received:			
Canary Wharf Group	Core office	**(183)**	—
Falconbridge and Norbord	Investments	**(86)**	(64)
Net operating income		**$ 2,355**	$ 1,825

Interest Expenses

The following table summarizes interest expense during each of the past two years:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Corporate borrowings	**$ 119**	$ 103
Property specific mortgages	**519**	321
Subsidiary borrowings	**153**	105
Capital securities	**90**	79
	$ 881	$ 608

Further details for the individual components are provided in the Operations Review and Consolidated Capitalization sections.

Operations and Current Taxes

These items include expenses allocated to our asset management activities and other operating costs that are not attributed to specific business units. Current taxes relate principally to our U.S. home building operations. These items are summarized in the following table:

YEARS ENDED DECEMBER 31 (MILLIONS)	2005	2004
Asset management expenses	**$ 184**	$ 126
Other operating costs	**103**	83
Current income taxes	**162**	86
	$ 449	$ 295

These items are discussed further in the Operations Review beginning on page 14.

Non-controlling Interests

The interest of non-controlling parties in the foregoing items aggregated $386 million on a consolidated basis during 2005, compared with $360 million on a similar basis during 2004. The increase was due primarily to the overall increase in operating cash flows produced by our partially owned home building operations, offset by a decrease in lease termination gains recorded by our partially owned core property operations. The composition of non-controlling interests is detailed in the table on page 47.

Other Items

Other items are summarized in the following table, and include items that are either non-cash in nature or not considered by us to form part of our operating cash flow. Accordingly, they are included in the reconciliation between net income and operating cash flow presented on page 12.

YEARS ENDED DECEMBER 31 (MILLIONS)	2005	2004
Equity accounted income from investments	**$ 219**	$ 332
Gains on disposition of Falconbridge	**1,350**	—
Depreciation and amortization	**(374)**	(251)
Future income taxes and other provisions	**(324)**	(260)
Non-controlling interests in the foregoing items	**152**	172
	$ 1,023	$ (7)

Equity accounted income reflects our share of the net income recorded by Falconbridge, Norbord and Fraser Papers. The decline relative to 2004 is due to the monetization of our interest in Falconbridge during 2005 and a lower ownership interest in Norbord. In addition, Norbord realized prices in 2005 that, while very favourable, were lower compared to 2004 during which time prices were particularly strong.

Depreciation and amortization prior to non-controlling interests increased to $374 million from $251 million during 2004. The increase is due to the acquisition of additional property, power and timber assets during 2004 and 2005, as well as the inclusion of depreciation on the Louisiana power facilities that were consolidated during 2005.

Future income taxes and other provisions increased to $324 million from $260 million, before taking into account non-controlling interests, and are summarized in the following table:

YEARS ENDED DECEMBER 31 (MILLIONS)	2005	2004
Future income taxes	**$ 285**	$ 151
Revaluation gains and losses		
Interest rate contracts	**16**	—
Norbord exchangeable debentures	**10**	(6)
Intangible assets	**33**	—
Foreign exchange on capital securities	**—**	113
Tax effect of revaluation gains and losses	**(20)**	2
	$ 324	$ 260

Our future income tax provision was significantly higher than in the comparable period, due principally to the inclusion of an accounting tax provision of $251 million associated with the Falconbridge disposition gain. Brookfield has access to significant tax shields as a result of the nature of our asset base, and we do not expect to incur any meaningful cash tax liability in the near future, other than in our U.S. home building operations which, because they are owned separately, do not enjoy the benefits of tax shields from our other U.S. operations. Nonetheless, we record non-cash tax provisions as required under GAAP, which, in addition to the Falconbridge gain, also reflects any changes in the carrying value of our tax shield during the period, and tax provisions in respect of the non-cash equity earnings recorded on our investments in Falconbridge and Norbord. The tax provision for 2004 reflects the impact of property and disposition gains during that period.

Revaluation gains and losses include the impact of revaluing fixed rate financial contracts that we maintain in order to provide an economic hedge against the impact of possible higher interest rates on the value of our long duration interest sensitive assets. Accounting rules require that we revalue certain of these contracts each period even if the corresponding assets are not revalued. Over the course of the year we recorded a revaluation charge of $16 million. It is important to note that the corresponding increase in the value of our long duration interest sensitive assets is not reflected in earnings.

Provisions also include a revaluation charge of $10 million on debentures issued by us that are exchangeable into 20 million Norbord common shares, equal to the increase in the Norbord share price during the period, as required by accounting rules. We hold the 20 million shares into which the debentures are exchangeable, but are not permitted to mark the investment to market. In the second quarter we charged off intangible assets totalling $33 million that would otherwise have been expensed over time as depreciation and amortization, and in the prior year, provisions included the impact of foreign currency revaluation of capital securities that were reclassified as liabilities (See Changes in Accounting Policies beginning on page 56).

Consolidated Statement of Cash Flows

The following table summarizes the company's cash flows on a consolidated basis as set forth in the consolidated statement of cash flows on page 62:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Operating activities	**$ 830**	$ 872
Financing activities	**1,013**	1,731
Investing activities	**(1,296)**	(2,581)
Increase in cash and cash equivalents	**$ 547**	$ 22

Operating Activities

Cash flow from operating activities is reconciled to the operating cash flow measure utilized elsewhere in this report as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Cash flow from operating activities	**$ 830**	$ 872
Less: Net change in working capital balances and other	**(105)**	(198)
Norbord special dividend	**—**	(48)
Add: Dividends received from Canary Wharf Group	**183**	—
Operating cash flow	**$ 908**	$ 626

The dividends received from Canary Wharf Group are included in investing activities in our consolidated financial statements, whereas in our segmented basis of presentation we consider the dividends to form part of our operating cash flow. The Norbord special dividend was not included in operating cash flow during 2004 because a major portion of our investment was monetized during the same quarter, giving rise to a $63 million gain, which was included in operating cash flow, whereas there were no such monetizations during 2005.

Financing Activities

Financing activities generated $1.0 billion of cash during 2005 compared with $1.7 billion during 2004. Approximately $1 billion of property specific financings were arranged in each year to fund new property, power and timber assets acquired during each year, as well as increased financings on existing assets to better reflect current values and cash flows.

During 2005, institutional partners invested $263 million in our Island Timberland Fund. We utilized cash resources to repurchase $162 million (2004 – $19 million) of common shares and our subsidiaries repurchased an additional $187 million (2004 – $33 million) of common equity.

During 2004, subsidiaries issued $500 million (2005 – $101 million) of unsecured debt, net of repayments, including C$500 million of term debt issued by our power generating operations. We also issued $264 million of preferred shares from our core office property subsidiary. Our U.S. home building group distributed $280 million by way of a special dividend, which represented an outflow of $140 million to shareholders other than Brookfield.

We retained $265 million (2004 – $242 million) of operating cash flow within our consolidated subsidiaries in excess of that distributed by way of dividends and paid shareholder distributions to holders of our common and preferred shares totalling $190 million (2004 – $160 million).

Investing Activities

We invested net capital of $1.3 billion on a consolidated basis during 2005 compared with $2.6 billion during 2004.

Net investment in property assets totalled $1.0 billion during 2005, compared with $341 million during 2004. The current year's investment principally represents our share of the Canadian core office portfolio, offset by proceeds from the sale of a small property in Denver. During 2004, we acquired three properties in Washington, D.C.

We continued to expand our power generating operations during 2005 with the purchase of several hydroelectric facilities in North America and Brazil and a pump storage facility in New Hampshire. During 2004, we acquired a large portfolio of hydroelectric generating facilities in New York for approximately $900 million.

The net investment in securities during 2004 included a net increase in securities of $0.3 billion and loan advances net of repayment totalling $1.0 billion, largely through our bridge lending operations.

Proceeds from the disposition of Investments totalled $1.3 billion during 2005, net of acquisitions. We received $2.7 billion of proceeds from the sale of our investment in Falconbridge, of which $1.4 billion was received in cash and is reflected as proceeds from investing activities The balance in the form of preferred shares and exchangeable debentures is reflected as Investments in Financial Assets.

The dividends received from Canary Wharf Group during 2005 are presented as a reduction in the carrying value of our investment in our consolidated financial statements, whereas we consider the dividends to form part of our operating cash flow. The dividends, which are the first received since we acquired this investment, represent a 20% yield when measured over the life of our investment.

Reconciliation of Segmented Disclosure to Consolidated Financial Statements

The following tables present a reconciliation of our segmented disclosure, which forms the basis of presentation for much of the discussion and analysis in this annual report, to our consolidated financial statements which are prepared and audited in accordance with GAAP:

Balance Sheet

	AS AT DECEMBER 31, 2005								
MILLIONS	*Property*	*Power*	*Timber and Infrastructure*	*Specialty Funds*	*Investments*	*Cash and Financial Assets*	*Other Assets*	*Capitalization*	*Consolidated*
Assets									
Operating assets									
Property, plant and equipment									
Property	$10,722	$ —	$ 113	$ —	$ —	$ —	$ 39	$ —	$ 10,874
Power generation	—	3,568	—	—	—	—	—	—	3,568
Timberlands and infrastructure	—	—	1,018	—	—	—	—	—	1,018
Other plant and equipment	—	—	—	—	316	—	—	—	316
Securities	267	—	—	134	1,571	97	—	—	2,069
Loans and notes receivable	—	—	—	241	47	60	—	—	348
Cash and cash equivalents	253	115	23	—	143	417	—	—	951
Financial assets	—	187	—	—	—	1,984	—	—	2,171
Investments	—	—	—	122	473	—	—	—	595
Accounts receivable and other	617	882	59	2	836	—	1,752	—	4,148
Total assets	**$11,859**	**$4,752**	**$ 1,213**	**$ 499**	**$ 3,386**	**$ 2,558**	**$1,791**	**$ —**	**$ 26,058**
Liabilities and shareholders' equity									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,620	$ 1,620
Property specific financing	5,881	2,365	510	—	—	—	—	—	8,756
Other debt of subsidiaries	1,138	474	37	—	110	146	—	605	2,510
Accounts payable and other liabilities	463	491	65	—	1,874	282	—	1,386	4,561
Capital securities	—	—	—	—	—	—	—	1,598	1,598
Non-controlling interests in net assets	196	225	255	—	109	—	—	1,199	1,984
Preferred equity	—	—	—	—	—	—	—	515	515
Common equity / net invested capital	**4,181**	**1,197**	**346**	**499**	**1,293**	**2,130**	**1,791**	**(6,923)**	**4,514**
Total liabilities and shareholders' equity	**$11,859**	**$4,752**	**$ 1,213**	**$ 499**	**$ 3,386**	**$ 2,558**	**$1,791**	**$ —**	**$ 26,058**

Results from Operations

	YEAR ENDED DECEMBER 31, 2005								
MILLIONS	*Asset Management Services*	*Property*	*Power*	*Timber and Infrastructure*	*Specialty Funds*	*Investments*	*Investment Income and Gains*	*Capitalization*	*Consolidated*
Fees earned	$ 282	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 282
Revenues less direct operating costs									
Property	—	1,210	—	—	—	—	—	—	1,210
Power generation	—	—	469	—	—	—	—	—	469
Timberlands and infrastructure	—	—	—	64	—	—	—	—	64
Specialty funds	—	—	—	—	54	—	—	—	54
Investment and other income	—	—	—	—	—	34	193	—	227
Disposition gains	—	—	—	—	—	—	49	—	49
	282	1,210	469	64	54	34	242	—	2,355
Expenses									
Interest	—	332	215	19	—	28	9	278	881
Current income taxes	—	141	—	—	—	10	—	11	162
Asset management	184	—	—	—	—	—	—	—	184

Other operating costs	—	—	2	—	—	9	—	92	103
Non-controlling interests	—	109	22	7	—	5	—	243	386
Net income before the following	98	628	230	38	54	(18)	233	(624)	639
Dividends from Falconbridge	—	—	—	—	—	24	—	—	24
Dividends from Norbord	—	—	—	—	—	62	—	—	62
Dividends from Canary Wharf	—	183	—	—	—	—	—	—	183
Cash flow from operations	**98**	**811**	**230**	**38**	**54**	**68**	**233**	**(624)**	**908**
Preferred share dividends	—	—	—	—	—	—	—	35	35
Cash flow to common shareholders	**$ 98**	**$ 811**	**$ 230**	**$ 38**	**$ 54**	**$ 68**	**$ 233**	**$ (659)**	**$ 873**

Balance Sheet

	AS AT DECEMBER 31, 2004								
MILLIONS	*Property*	*Power*	*Timber and Infrastructure*	*Specialty Funds*	*Investments*	*Cash and Financial Assets*	*Other Assets*	*Capitalization*	*Consolidated*
Assets									
Operating assets									
Property, plant and equipment									
Property	$ 8,856	$ —	$ —	$ —	$ —	$ —	$ 52	$ —	$ 8,908
Power generation	—	2,951	—	—	—	—	—	—	2,951
Timberlands and infrastructure	—	—	184	—	—	—	—	—	184
Other plant and equipment	—	—	—	—	188	—	—	—	188
Securities	464	—	—	106	939	248	—	—	1,757
Loans and notes receivable	—	58	—	715	64	63	—	—	900
Cash and cash equivalents	75	83	6	—	101	139	—	—	404
Financial assets	109	560	—	—	16	535	—	—	1,220
Investments	—	—	—	76	1,868	—	—	—	1,944
Accounts receivable and other	298	(102)	25	—	430	—	900	—	1,551
Total assets	**$ 9,802**	**$ 3,550**	**$ 215**	**$ 897**	**$ 3,606**	**$ 985**	**$ 952**	**$ —**	**$ 20,007**
Liabilities and shareholders' equity									
Corporate borrowings	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,675	$ 1,675
Property specific financing	4,534	1,463	48	—	—	—	—	—	6,045
Other debt of subsidiaries	826	621	39	—	223	—	—	664	2,373
Accounts payable and other liabilities	252	96	37	—	898	339	—	1,097	2,719
Capital securities	—	—	—	—	—	—	—	1,548	1,548
Non-controlling interests in net assets	202	194	—	—	110	—	—	1,274	1,780
Preferred equity	—	—	—	—	—	—	—	590	590
Common equity / net invested capital	**3,988**	**1,176**	**91**	**897**	**2,375**	**646**	**952**	**(6,848)**	**3,277**
Total liabilities and shareholders' equity	**$ 9,802**	**$ 3,550**	**$ 215**	**$ 897**	**$ 3,606**	**$ 985**	**$ 952**	**$ —**	**$ 20,007**

Results from Operations

	YEAR ENDED DECEMBER 31, 2004								
MILLIONS	*Asset Management Services*	*Property*	*Power*	*Timber and Infrastructure*	*Specialty Funds*	*Investments*	*Investment Income and Gains*	*Capitalization*	*Consolidated*
Fees earned	$ 199	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 199
Revenues less direct operating costs									
Property	—	973	—	—	—	—	—	—	973
Power generation	—	—	268	—	—	—	—	—	268
Timberlands and infrastructure	—	—	—	26	—	—	—	—	26
Specialty funds	—	—	—	—	48	—	—	—	48
Investment and other income	—	—	—	—	—	60	128	—	188
Disposition gains	—	—	—	—	—	—	123	—	123
	199	973	268	26	48	60	251	—	1,825
Expenses									
Interest	—	274	78	5	—	4	4	243	608
Current income taxes	—	75	—	—	—	1	—	10	86
Asset management	126	—	—	—	—	—	—	—	126
Other operating costs	—	—	—	—	—	1	—	82	83
Non-controlling interests	—	84	21	—	—	5	—	250	360

Net income before the following	73	540	169	21	48	49	247	(585)	562
Dividends from Falconbridge	—	—	—	—	—	45	—	—	45
Dividends from Norbord	—	—	—	—	—	19	—	—	19
Cash flow from operations	**$ 73**	**$ 540**	**$ 169**	**$ 21**	**$ 48**	**$ 113**	**$ 247**	**$ (585)**	**$ 626**
Preferred share dividends	—	—	—	—	—	—	—	24	24
Cash flow to common shareholders	**$ 73**	**$ 540**	**$ 169**	**$ 21**	**$ 48**	**$ 113**	**$ 247**	**$ (609)**	**$ 602**

SUPPLEMENTAL INFORMATION

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

Quarterly Results

The 2005 and 2004 results by quarter are as follows:

	2005				2004[1]			
MILLIONS	***Q4***	***Q3***	***Q2***	***Q1***	*Q4*	*Q3*	*Q2*	*Q1*
Total revenues	**$ 1,740**	**$ 1,368**	**$ 1,174**	**$ 974**	$ 1,299	$ 994	$ 838	$ 768
Fees earned	**106**	**70**	**58**	**48**	54	45	43	57
Revenues less direct operating costs								
Property	**461**	**270**	**257**	**222**	335	231	214	193
Power generation	**128**	**92**	**115**	**134**	64	64	67	73
Timberlands and infrastructure	**15**	**19**	**20**	**10**	10	7	5	4
Specialty funds	**11**	**17**	**13**	**13**	20	11	7	10
Investment and other income	**8**	**67**	**77**	**75**	10	48	69	61
Disposition gains	**—**	**28**	**21**	**—**	—	63	60	—
	729	**563**	**561**	**502**	493	469	465	398
Expenses								
Interest	**229**	**218**	**235**	**199**	154	154	153	147
Current income taxes	**88**	**28**	**30**	**16**	46	16	16	8
Asset management	**52**	**51**	**43**	**38**	35	30	30	31
Other operating costs	**35**	**21**	**20**	**27**	30	22	13	18
Non-controlling interest in net income before the following	**151**	**74**	**78**	**83**	112	74	100	74
Net income before the following	**174**	**171**	**155**	**139**	116	173	153	120
Equity accounted income from investments	**9**	**34**	**73**	**103**	62	79	95	96
Gains on disposition of Falconbridge	**—**	**785**	**565**	**—**	—	—	—	—
Depreciation and amortization	**(103)**	**(102)**	**(92)**	**(77)**	(79)	(60)	(56)	(56)
Future income taxes and other provisions	**5**	**(180)**	**(121)**	**(28)**	(67)	(107)	(42)	(44)
Non-controlling interests in the foregoing items	**66**	**28**	**30**	**28**	55	48	40	29
Net income	**$ 151**	**$ 736**	**$ 610**	**$ 165**	$ 87	$ 133	$ 190	$ 145

1 2004 results have been revised to reflect adoption of new accounting standards which require capital securities to be presented as liabilities and distributions as interest expense, as well as any associated foreign currency revaluation and to conform to current presentation

The 2005 and 2004 cash flow from operations by quarter are as follows:

	2005				2004[1]			
MILLIONS	***Q4***	***Q3***	***Q2***	***Q1***	*Q4*	*Q3*	*Q2*	*Q1*
Net income before the following	**$ 174**	**$ 171**	**$ 155**	**$ 139**	$ 116	$ 173	$ 153	$ 120
Dividends from Falconbridge	**—**	**—**	**12**	**12**	12	11	11	11
Dividends from Norbord	**5**	**5**	**48**	**4**	5	4	5	5
Dividends from Canary Wharf	**73**	**110**	**—**	**—**	—	—	—	—
Cash flow from operations and gains	**252**	**286**	**215**	**155**	133	188	169	136
Preferred share dividends	**10**	**8**	**9**	**8**	7	6	6	5
Cash flow to common shareholders	**$ 242**	**$ 278**	**$ 206**	**$ 147**	$ 126	$ 182	$ 163	$ 131
Common equity – book value	**$ 4,514**	**$ 4,586**	**$ 3,872**	**$ 3,411**	$ 3,277	$ 3,229	$ 3,079	$ 2,981
Common shares outstanding	**257.6**	**261.1**	**260.2**	**259.5**	258.7	258.0	258.0	257.7
Per common share								
Cash flow from operations	**$ 0.91**	**$ 1.04**	**$ 0.78**	**$ 0.55**	$ 0.49	$ 0.70	$ 0.64	$ 0.49
Net income	**0.54**	**2.73**	**2.26**	**0.59**	0.29	0.49	0.71	0.53
Dividends	**0.15**	**0.15**	**0.15**	**0.14**	0.14	0.14	0.14	0.13
Book value	**17.72**	**17.74**	**15.07**	**13.37**	12.76	12.54	11.96	11.62

Market trading price (NYSE)	**50.33**	**46.60**	**38.16**	**37.75**	36.01	30.20	28.24	26.84
Market trading price (TSX) – C$	**58.61**	**54.14**	**46.80**	**45.70**	43.15	38.13	37.42	34.87

1 2004 results have been revised to reflect adoption of new accounting standards which require capital securities to be presented as liabilities and distributions as interest expense, as well as any associated foreign currency revaluation and to conform to current presentation

For the three months ended December 31, 2005, cash flow from operations and gains totalled $252 million ($0.91 per share) compared with $133 million ($0.49 per share) in 2004. The 2005 fourth quarter cash flows include a $73 million dividend received on our investment in Canary Wharf. Net income from the three months ended December 31, 2005 totalled $151 million ($0.54 per share) compared with $87 million ($0.29 per share) in 2004. This increase was largely due to improved margins in our residential home building business, as well as the investment of additional capital in our power generation operations. This was partially offset by a reduction in our equity accounted income as a result of the sale of our investment in Falconbridge during the year.

Core property operations tend to produce consistent results throughout the year due to the long-term nature of the contractual lease arrangements. Quarterly seasonality does exist in our residential property and power generation operations. With respect to our residential operations, the fourth quarter tends to be the strongest as this is the period during which most of the construction is completed and homes are delivered. With respect to our power generation operations, seasonality exists in water inflows and pricing. During the fall rainy season and spring thaw, water inflows tend to be the highest leading to higher generation during those periods; however prices tend not to be as strong as the summer and winter seasons due to the more moderate weather conditions during those periods and associated reductions in demand for electricity. We periodically record property disposition and other gains, special distributions, as well as gains on losses or any unhedged financial positions throughout our operations and, while the timing of these items is difficult to predict, the dynamic nature of our asset base tends to result in these items occurring on a relatively frequent basis.

Contractual Obligations

The following table presents the contractual obligations of the company by payment periods:

		Payments Due by Period			
MILLIONS	***Total***	*Less than One Year*	*1- 3 Years*	*4 - 5 Years*	*After 5 Years*
Long-term debt					
Property specific mortgages	**$ 8,756**	$ 314	$ 2,012	$ 1,306	$ 5,124
Other debt of subsidiaries	**2,510**	981	888	207	434
Corporate borrowings	**1,620**	110	408	200	902
Capital securities	**1,598**	—	—	172	1,426
Lease obligations	**8**	1	3	2	2
Commitments	**737**	737	—	—	—
Interest expense[1]					
Long-term debt	**7,008**	195	1,859	961	3,993
Capital securities	**1,387**	89	267	169	862
Interest rate swaps	**117**	13	39	26	39

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

Contractual obligations include $737 million of commitments by the company and its subsidiaries provided 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, of which $81 million is included as liabilities in the consolidated balance sheet and the balance treated as contingent obligations.

Related Party Transactions

In the normal course of operations, the company enters into various transactions on market terms with related parties which have been measured at exchange value and are recognized in the consolidated financial statements. There were no transactions, individually or in aggregate, that were material to the overall operations, other than the company tendered 48 million common shares of Falconbridge into an issuer bid in exchange for $950 million of Falconbridge preferred shares.

Corporate Dividends

The distributions paid by Brookfield on outstanding securities during the past three years are as follows:

	Distribution per Security		
	2005	2004	2003
Class A Common Shares	**$ 0.59**	$ 0.55	$ 0.49
Class A Preferred Shares			
Series 1[1]	**—**	0.30	0.54
Series 2	**0.63**	0.54	0.59
Series 3[2]	**2,012.46**	1,744.04	2,112.47
Series 4 + Series 7	**0.63**	0.54	0.59
Series 8	**0.74**	0.56	0.81
Series 9	**1.16**	1.08	1.01
Series 10	**1.19**	1.11	1.03
Series 11	**1.14**	1.06	0.98
Series 12	**1.12**	1.04	0.83
Series 13	**0.63**	—	—
Series 14	**2.25**	—	—
Series 15	**0.65**	—	—
Preferred Securities			
Due 2050	**1.73**	1.61	1.49
Due 2051	**1.71**	1.60	1.48

1 Redeemed July 30, 2004

2 Redeemed November 8, 2005

Critical Accounting Policies And Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to select appropriate accounting policies 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. In particular, critical accounting policies and estimates utilized in the normal course of preparing the company's financial statements require 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; the determination of the primary beneficiary of variable interest activities; effectiveness of financial hedges for accounting purposes; and fair values for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates have been applied in a manner consistent with that in the prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. The estimates are impacted by, among other things, movements in interest rates and other factors, some of which are highly uncertain, as described in the analysis of Business Environment and Risks beginning on page 38 and in the section entitled Financial Risk Management beginning on page 41. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the company's financial statements in a meaningful way. For further reference on critical accounting policies, see our significant accounting policies contained in Note 1 and Changes in Accounting Policies as described below.

Changes in Accounting Policies

Effective January 1, 2005, the company adopted the following new accounting policies, none of which individually or collectively had a material impact on the consolidated financial statements of the company, unless otherwise noted. These changes were the result of changes to the Canadian Institute of Chartered Accountants ("CICA") Handbook, Accounting Guidelines ("AcG") and Emerging Issues Committee Abstracts ("EIC").

Consolidation of variable interest entities, AcG 15

Effective January 1, 2005, the company adopted CICA Accounting Guideline ("AcG") 15, "Consolidation of Variable Interest Entities" without restatement of prior periods. AcG 15 provides guidance for applying the principles in handbook 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. There was no impact on common equity as a result of implementing the new guidelines.

As a result of AcG 15, the company commenced consolidating the accounts of Louisiana HydroElectric, in which the company holds a 75% residual equity interest. The following table shows the consolidated balances related to Louisiana HydroElectric as at December 31, 2005 and 2004.

		Book Value	
	December 31	*December 31, 2004*	
MILLIONS	***2005***	*If Consolidated*	*Actual*
Assets			
Cash and financial assets	**$ 3**	$ 52	$ —
Accounts receivables and other	**545**	608	—
Property, plant and equipment	**458**	474	244
	1,006	1,134	244
Liabilities			
Property specific mortgages	**684**	636	—
Accounts payable and other liabilities	**43**	210	—
Non-controlling interests of others in assets	**37**	44	—
Net assets	**$ 242**	$ 244	$ 244

		Year Ended	
	December 31	*December 31, 2004*	
MILLIONS	***2005***	*If Consolidated*	*Actual*
Revenue less direct operating expenses			
Power generation	**$ 112**	$ 135	$ 26
Expenses			
Property specific mortgages	**95**	88	—
Non-controlling interests in net income before the following	**6**	12	—
	11	35	26
Depreciation, amortization and non-cash taxes	**(18)**	(13)	—
Non-controlling interests in the foregoing items	**5**	4	—
Net income (loss)	**$ (2)**	$ 26	$ 26

Liabilities and Equity, CICA Handbook Section 3860

Effective January 1, 2005, the company adopted the amendment to CICA Handbook Section 3860, "Financial Instruments: Disclosure and Presentation" with retroactive restatement of prior periods. The amendment requires 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. Accordingly, certain of the company's preferred shares and securities that were previously included in equity were reclassified as liabilities under the caption "Capital Securities," and the dividends paid on these preferred shares were reclassified as interest expense. As a result of the reclassification, preferred equity shares have been translated into U.S. dollars at period-end rates whereas they were previously translated at historical rates of exchange and the resultant impact of changes in the foreign exchange rates have been recorded in income on a retroactive basis. Similar reclassifications were adopted for the preferred equity securities issued by the company's subsidiaries. The retroactive adoption of this amendment resulted in a cumulative adjustment to opening retained earnings at

January 1, 2004 of $110 million representing the sum of the capital securities issue costs, net of amortization, and the cumulative impact to that date of changes in the U.S. dollar equivalent of Canadian denominated capital securities. Net income attributable to common shares for the year ended December 31, 2004 was reduced by $93 million reflecting the foregoing items.

Asset Retirement Obligations, CICA Handbook Section 3110

Obligations associated with the retirement of tangible long-lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liabilities 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.

Hedging Relationship, AcG 13

AcG 13 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.

Impairment of Long-lived Assets, CICA Handbook Section 3063

Section 3063 provides that an impairment loss be recognized when the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment recognized is measured as the amount by which the carrying value exceeds its fair value.

ADDITIONAL SHARE DATA

Issued and Outstanding Common Shares

During 2005 and 2004, the number of issued and outstanding common shares changed as follows:

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Outstanding at beginning of year	**258.7**	256.1
Issued (repurchased)		
Dividend reinvestment plan	**—**	0.1
Management share option plan	**1.6**	0.4
Conversion of debentures and minority interests	**1.3**	2.9
Issuer bid purchases	**(4.0)**	(0.8)
Outstanding at end of year	**257.6**	258.7
Unexercised options	**12.6**	12.2
Reserved for conversion of subordinated notes	**—**	0.8
Total diluted common shares	**270.2**	271.7

Basic and Diluted Earnings Per Share

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

YEARS ENDED DECEMBER 31 (MILLIONS)	***2005***	*2004*
Net income	**$ 1,662**	$ 555
Convertible note interest	**—**	(1)
Preferred share dividends	**(35)**	(24)
Net income available for common shareholders	**$ 1,627**	$ 530
Weighted average	**260**	258
Dilutive effect of the conversion of notes and options using treasury stock method	**6**	6
Common shares and common share equivalents	**266**	264

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

These consolidated financial statements have been prepared in conformity with 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 registered chartered accountants appointed by the shareholders, have examined the consolidated financial statements set out on pages 60 through 96 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 reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.





Toronto, Canada February 8, 2006	J. Bruce Flatt *Chief Executive Officer*	Brian D. Lawson *Chief Financial Officer*

REPORT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

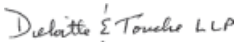
To the Shareholders of Brookfield Asset Management Inc.:

We have audited the consolidated balance sheets of Brookfield Asset Management Inc. (formerly Brascan Corporation) as at December 31, 2005 and 2004 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, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion.



Toronto, Canada February 8, 2006	Deloitte & Touche, LLP *Independent Registered Chartered Accountants*

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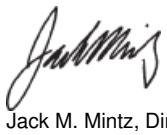
Consolidated Balance Sheet

AS AT DECEMBER 31 *MILLIONS*	*Note*	***2005***	*2004*
			(Note 1)
Assets			
Cash and cash equivalents		**$ 951**	$ 404
Financial assets	*2*	**2,171**	1,220
Investments	*3*	**595**	1,944
Accounts receivable and other	*4*	**4,148**	1,551
Operating assets			
Property, plant and equipment	*5*	**15,776**	12,231
Securities	*6*	**2,069**	1,757
Loans and notes receivable	*7*	**348**	900
		$26,058	$20,007
Liabilities and shareholders' equity			
Non-recourse borrowings			
Property specific mortgages	*8*	**$ 8,756**	$ 6,045
Subsidiary borrowings	*8*	**2,510**	2,373
Corporate borrowings	*9*	**1,620**	1,675
Accounts payable and other liabilities	*10*	**4,561**	2,719
Capital securities	*11*	**1,598**	1,548
Non-controlling interests in net assets	*12*	**1,984**	1,780
Shareholders' equity			
Preferred equity	*13*	**515**	590
Common equity	*14*	**4,514**	3,277
		$26,058	$20,007

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	**2005**	2004
			(Note 1)
Total revenues		**$ 5,256**	$ 3,899
Fees earned		**282**	199
Revenues less direct operating costs	*16*		
Property		**1,210**	973
Power generation		**469**	268
Timberlands and infrastructure		**64**	26
Specialty funds		**54**	48
		1,797	1,315
Investment and other income		**227**	188
Disposition gains		**49**	123
		2,355	1,825
Expenses			
Interest		**881**	608
Current income taxes	*18*	**162**	86
Asset management		**184**	126
Other operating costs		**103**	83
Non-controlling interests in net income before the following	*17*	**386**	360
		639	562
Other items			
Equity accounted income from investments	*19*	**219**	332
Gains on disposition of Falconbridge	*3*	**1,350**	—
Depreciation and amortization		**(374)**	(251)
Future income taxes and other provisions	*18*	**(324)**	(260)
Non-controlling interests in the foregoing items	*17*	**152**	172
Net income		**$ 1,662**	$ 555
Net income per common share	*14*		
Diluted		**$ 6.12**	$ 2.02
Basic		**$ 6.27**	$ 2.06

Consolidated Statement of Retained Earnings

YEARS ENDED DECEMBER 31 MILLIONS	Note	**2005**	2004
			(Note 1)
Retained earnings, beginning of year		**$ 1,944**	$ 1,669
Change in accounting policy	*1*	**—**	(110)
Net income		**1,662**	555
Shareholder distributions — Preferred equity	*23*	**(35)**	(24)
— Common equity	*23*	**(155)**	(136)
Amount paid in excess of the book value of common shares purchased for cancellation		**(95)**	(10)
Retained earnings, end of year		**$ 3,321**	$ 1,944

Consolidated Statement of Cash Flows

YEARS ENDED DECEMBER 31 *MILLIONS*	*Note*	***2005***	*2004*
			(Note 1)
Operating activities			
Net income		**$ 1,662**	$ 555
Adjusted for the following non-cash items			
Depreciation and amortization		**374**	251
Future income taxes and other provisions		**324**	260
Gains on disposition of Falconbridge		**(1,350)**	—
Non-controlling interest in non-cash items	*17*	**(152)**	(172)
Excess of equity income over dividends received		**(175)**	(268)
		683	626
Special dividend from Norbord Inc.		**42**	48
Net change in non-cash working capital balances and other		**105**	198
		830	872
Financing activities			
Corporate borrowings, net of repayments	*22*	**(79)**	97
Property specific mortgages, net of repayments	*22*	**1,057**	980
Other debt of subsidiaries, net of repayments	*22*	**101**	493
Capital provided by non-controlling interests in funds		**263**	—
Preferred equity redeemed		**(76)**	—
Preferred equity of subsidiaries issued		**—**	264
Common shares and equivalents repurchased, net of issuances	*22*	**(141)**	(12)
Common shares of subsidiaries repurchased, net of issuances		**(187)**	(33)
Special dividend distributed to minority shareholders		**—**	(140)
Undistributed non-controlling interests of cash flow		**265**	242
Shareholder distributions	*23*	**(190)**	(160)
		1,013	1,731
Investing activities			
Investment in or sale of operating assets, net			
Property	*22*	**(1,004)**	(341)
Power generation		**(431)**	(1,082)
Timber and infrastructure		**(905)**	(23)
Securities	*22*	**(223)**	(1,305)
Financial assets	*22*	**(33)**	74
Investments		**1,277**	96
Other property, plant and equipment		**(160)**	—
Dividends from Canary Wharf Group, plc		**183**	—
		(1,296)	(2,581)
Cash and cash equivalents			
Increase		**547**	22
Balance, beginning of year		**404**	382
Balance, end of year		**$ 951**	$ 404

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").

(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 Brookfield Asset Management Inc. (formerly Brascan Corporation) and the entities over which it has voting control, as well as Variable Interest Entities ("VIEs") in which the company is considered to be the primary beneficiary (see Note 1(u)(i)).

The company accounts for its investments in Norbord Inc. ("Norbord"), Fraser Papers Inc. ("Fraser Papers"), Falconbridge Limited ("Falconbridge") (formerly Noranda Inc.) 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. The company sold its investment in Falconbridge in 2005.

Certain comparative information has been restated due to the adoption of amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3860, "Financial Instruments – Disclosure and Presentation" See Note 1(u)(ii).

(b) Acquisitions

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. 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 allocated to 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 at least annually for impairment. Significant acquisitions include the following:

During 2005, the company completed the acquisition of a 25% interest in O&Y Properties Corporation and O&Y Real Estate Investment Trust (collectively "O&Y"). The O&Y portfolio consists of 27 office buildings and one development site totalling 11.6 million square feet in Toronto, Calgary, Ottawa, Edmonton and Winnipeg.

During 2005, the company completed the acquisition of timberlands on the Canadian west coast for an aggregate purchase price of $935 million. The acquisition included approximately 600,000 acres of freehold timberlands and 35,000 acres of development lands for $805 million and $120 million, respectively. The company holds a 50% interest in these assets and the 50% ownership held by institutional investors is reflected in non-controlling interests in net assets. In connection with the timberland agreement, the company also acquired a direct interest in 3.6 million cubic metres of annual crown harvest rights, also with associated sawmills and remanufacturing facilities for approximately $200 million, including working capital.

During 2005 the company, along with a 50% partner, completed the acquisition of a 610 megawatt hydroelectric generating facility located in New England for approximately $98 million. The company also completed the acquisition of two hydroelectric generating stations representing 48 megawatts of capacity for $43 million. These facilities are located in Pennsylvania and Maryland.

During 2004, the company completed the acquisition of 71 hydroelectric power generating plants and one co-generation facility in upstate New York for approximately $881 million. These assets have a combined generating capacity of 674 megawatts.

(c) Property

(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 fair value is recognized when a property's estimated undiscounted future cash flow is less than its carried value. The projections of 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 during the year ended December 31, 2005 on a straight-line basis over the useful lives of the properties to a maximum of 60 years. 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 estimated fair value.

EIC 140 requires that when a company acquires real estate in either an asset acquisition or business combination, a portion of the purchase price should be allocated to the in-place leases to reflect the intangible amounts of leasing costs, above or below market leases and tenant relationship values, if any. These intangible costs are amortized over their respective lease terms.

(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 estimated fair 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 estimated fair 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. The carried values of facilities are tested for impairment when appropriate, based on an assessment of net recoverable amounts. A write-down to estimated fair 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.

Power generating facilities under development are recorded at cost, including pre-development expenditures, unless impairment is identified requiring a write-down to estimated fair value.

(e) Timber and Infrastructure

Timber and infrastructure assets are carried at cost, less accumulated depletion and depreciation. A write-down to estimated fair value is recognized if the estimated undiscounted future cash flow from the timber and infrastructure assets is less than their carried value. The projections of future cash flow take into account the operating plan for the timber and infrastructure assets and management's best estimate of the most probable set of economic conditions anticipated to prevail in the market. Depletion of timber assets is determined based on the number of cubic metres of timber harvested annually at a fixed rate. Depreciation on infrastructure transmission and distribution facilities is provided at various rates on a straight-line basis over the estimated service lives of the assets, which is up to 40 years.

(f) Investments, Securities and Loans and Notes Receivable

Investments in securities that are not an active component of the company's asset management operations are classified as Financial Assets. Investments in securities that are deployed in the company's operations are classified as Securities. Investments in securities that are accounted for under the equity method are classified as Investments.

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 portfolios, which are designated as trading securities at the time of acquisition, are recorded at fair value and any valuation adjustments charged to 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.

Provisions are established in instances where, in the opinion of management, the repayment of loans or the realization of the carrying values of portfolio securities or portfolio investments has been impaired.

(g) Inventory

Lumber and logs associated with the company's sawmills acquired during the year are carried at the lower of average cost and net realizable value. Processing materials and supplies are valued at the lower of average cost and replacement cost.

(h) Revenue and Expense Recognition

(i) Commercial property operations

Revenue from a commercial property is recognized upon the earlier of attaining a break-even point in cash flow after debt servicing, or the expiration of a reasonable period of time following substantial completion, subject to the time limitation determined when the project is approved, but no later than one year following substantial completion. Prior to this, the property is categorized as a property under development, and related revenue is applied to reduce development costs.

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

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

(ii) Residential property operations

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

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

(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) Timberlands and infrastructure

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

Revenue from infrastructure assets is derived from the transmission and distribution of electricity to industrial and retail customers. Revenue is recognized at regulated rates when the electricity is delivered, and collectibility is reasonably assured.

(v) Securities and loans and notes receivable

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

(vi) Real estate services

Commissions from property brokerage are recognized at the time of the closing of the related real estate transaction.

(vii) Fee income

Revenues from performance-based incentive fees are recorded on the accrual basis based upon the amount that would be due under the incentive fee formula as if the relevant management contract was terminated at the relevant reporting date. If actual performance in a future period results in a decrease in the incentive fee below the amount previously accrued, then the reduction will be charged against income during the subsequent period.

(viii) Other

Gains on the exchange of assets which do not result from transactions of commercial substance 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.

(i) Capitalized Costs

Capitalized costs on assets under development and redevelopment include all expenditures incurred in connection with the acquisition, development and construction of the asset until it is available for its intended use. These expenditures consist of costs 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.

(j) 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.

(k) Derivative Financial Instruments

The company and its subsidiaries selectively 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 hedge based on an expectation of off setting cash flows or fair value. 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 revenue. 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. Once discontinued, the cumulative change in fair value of a derivative that was previously 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 the period the changes occur. Unrealized gains and losses on interest rate swaps carried to offset corresponding changes in the values of assets and cash flow streams that are not reflected in the consolidated financial statements at December 31, 2005 and 2004 are recorded in future income taxes and other provisions. Realized and unrealized gains and losses on equity derivatives used to offset the change in share prices in respect of vested Deferred Share Units and Restricted Share Appreciation Units are recorded as an adjustment to other operating costs, along with the corresponding compensation expense. Realized and unrealized gains on other derivatives not designated as hedges are recorded in investment income and other. 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.

(l) 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.

(m) Reporting Currency and Foreign Currency Translation

The U.S. dollar is the functional currency of the company's head office operations and the U.S. dollar is the company's reporting currency.

The accounts of self-sustaining 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.

(n) Stock-Based Compensation

The company and most of 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. The company's publicly traded U.S. home building subsidiary records the liability and expense of stock options based on their intrinsic value using variable plan accounting, reflecting differences in how this plan operates. Under this method, vested options are revalued each reporting period, and any change in value is included in earnings.

(o) Carrying Value of Assets

The company assesses the carrying values of long-lived assets, when events necessitate a review, 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.

(p) Asset Retirement Obligations, CICA Handbook Section 3110

Obligations associated with the retirement of tangible long-lived assets are recorded as liabilities when those obligations are incurred, with the amount of the liabilities 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.

(q) Hedging Relationship, AcG 13

AcG 13 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.

(r) Impairment of Long-lived Assets, CICA Handbook Section 3063

Section 3063 provides that an impairment loss be recognized when the carrying value of an asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment recognized is measured as the amount by which the carrying value exceeds its fair value.

(s) Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

(t) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and all highly liquid short-term investments with original maturities less than 90 days.

(u) Changes in Accounting Policies

Effective January 1, 2005 the company adopted the following new accounting policies, none of which individually or collectively had a material impact on the consolidated financial statements of the company, unless otherwise noted. These changes were the result of changes to the Canadian Institute of Chartered Accountants ("CICA") Handbook, Accounting Guidelines ("AcG") and Emerging Issues Committee Abstracts ("EIC").

(i) Consolidation of variable interest entities, AcG 15

Effective January 1, 2005, the company adopted CICA Accounting Guideline ("AcG") 15, "Consolidation of Variable Interest Entities" without restatement of prior periods. AcG 15 provides guidance for applying the principles in handbook 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. There was no impact on common equity as a result of implementing the new guidelines.

As a result of AcG 15, the company commenced consolidating the accounts of Louisiana HydroElectric, in which the company holds a 75% residual equity interest. The following table shows the consolidated balances related to Louisiana HydroElectric as at December 31, 2005 and 2004.

MILLIONS	December 31 2005	Book Value December 31, 2004 If Consolidated	Actual
Assets			
Cash and financial assets	**$ 3**	$ 52	$ —
Accounts receivables and other	**545**	608	—
Property, plant and equipment	**458**	474	244
	1,006	1,134	244
Liabilities			
Property specific mortgages	**684**	636	—
Accounts payable and other liabilities	**43**	210	—
Non-controlling interests of others in assets	**37**	44	—
Net assets	**$ 242**	$ 244	$ 244

MILLIONS	December 31 2005	Year Ended December 31, 2004 If Consolidated	Actual
Revenue less direct operating expenses			
Power generation	**$ 112**	$ 135	$ 26
Expenses			
Property specific mortgages	**95**	88	—
Non-controlling interests of net income before the following	**6**	12	—
	11	35	26
Depreciation, amortization and non-cash taxes	**(18)**	(13)	—
Non-controlling interests in the foregoing items	**5**	4	—
Net income (loss)	**$ (2)**	$ 26	$ 26

(ii) Liabilities and Equity, CICA Handbook Section 3860

Effective January 1, 2005, the company adopted the amendment to CICA Handbook Section 3860, "Financial Instruments: Disclosure and Presentation" with retroactive restatement of prior periods. The amendment requires 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. Accordingly, certain of the company's preferred shares and securities that were previously included in equity were reclassified as liabilities under the caption "Capital Securities," and the dividends paid on these preferred shares were reclassified as interest expense. As a result of the reclassification, preferred equity shares have been translated into U.S. dollars at period-end rates whereas they were previously translated at historical rates of exchange and the resultant impact of changes in the foreign exchange rates have been recorded in income on a retroactive basis. Similar reclassifications were adopted for the preferred equity securities issued by the company's subsidiaries. The retroactive adoption of this amendment resulted in a cumulative adjustment to opening retained earnings at January 1, 2004 of $110 million representing the sum of the capital securities issue costs, net of amortization, and the cumulative impact to that date of changes in the U.S. dollar equivalent of Canadian denominated capital securities. Net income attributable to common shares for the year ended December 31, 2004 was reduced by $93 million reflecting the foregoing items.

(v) 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.

On January 27, 2005, the CICA issued the following three new accounting standards: Handbook Section 1530, "Comprehensive Income," Handbook Section 3855, "Financial Instruments – Recognition and Measurement," and Handbook Section 3865, "Hedges." These standards will take effect on January 1, 2007.

(i) Comprehensive Income, CICA Handbook Section 1530

As a result of adopting this standard, a new category, Accumulated Other Comprehensive Income, will be added to Shareholders' Equity on the Consolidated Balance Sheets. Major components for this category will include: unrealized gains and losses on financial assets classified as available-for-sale; unrealized foreign currency translation amounts, net of hedging, arising from self-sustaining foreign operations; and changes in the fair value of the effective portion of cash flow hedging instruments.

(ii) Financial Instruments — Recognition and Measurement, CICA Handbook Section 3855

Under the new standard, all financial instruments will be classified as one of the following: Held-to-maturity; Loans and Receivables; Held-for-trading; or Available-for-sale. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in Net Income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income. The standard also permits designation of any financial instrument as held-for-trading upon initial recognition.

(iii) Hedges, CICA Handbook Section 3865

This new standard now specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed for each of the permitted hedging strategies: fair value hedges, cash flow hedges and hedges on a foreign currency exposure of a net investment in a self-sustaining foreign operation. In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk which are recognized in Net Income and are offset by changes in the fair value of the derivative to the extent that the hedging relationship is effective, which are also recognized in Net Income. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative will be recognized in Other Comprehensive Income. The ineffective portion will be recognized in Net Income. The amounts recognized in Accumulated Other Comprehensive Income will be recorded in or recognized as Net Income in the periods in which Net Income is affected by the variability in the cash flows of the hedged item. In hedging a foreign currency exposure of a net investment in a self-sustaining foreign operation, foreign exchange gains and losses on the hedging instruments will be recognized in Other Comprehensive Income, whereas they are currently recognized in the company's Cumulative Translation Account.

(iv) Implicit Variable Interests, Emerging Issues Committee Abstract 157

In October 2005, the Emerging Issues Committee issued Abstract No. 157, "Implicit Variable Interests Under AcG 15" ("EIC 157"). This EIC clarifies that implicit variable interests are implied financial interests in an entity that change with changes in the fair value of the entity's net assets exclusive of variable interests. An implicit variable interest is similar to an explicit variable interest except that it involves absorbing and/or receiving variability indirectly from the entity. The identification of an implicit variable interest is a matter of judgement that depends on the relevant facts and circumstances.

(v) Conditional Asset Retirement Obligations, Emerging Issues Committee Abstract 159

In December 2005, the Emerging Issues Committee issued Abstract No. 159 "Conditional Asset Retirement Obligations" ("EIC 159"). This EIC requires an entity to recognize the fair value of a legal obligation to perform asset retirement activities, even though the timing and/or method of settlement may be uncertain.

(w) Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the 2005 presentation.

2. FINANCIAL ASSETS

MILLIONS	***2005***	*2004*
Government bonds	**$ 59**	$ 42
Corporate bonds	**916**	687
Asset backed securities	**69**	—
Preferred shares	**629**	351
Common shares	**498**	140
Total	**$ 2,171**	$ 1,220

Financial assets represent financial resources which are currently not an active component of the company's asset management operations (see Note 6). The fair value of financial assets as at December 31, 2005 was $2,162 million (2004 – $1,255 million). The portfolio includes $1,517 million (2004 – $344 million) fixed rate securities with an average yield of 5.7% (2004 – 4.0%) and $41 million (2004 – $335 million) of securities of affiliates, principally equity accounted investees. Revenue earned during the year from securities of affiliates amounted to $18 million (2004 – $17 million).

3. INVESTMENTS

Equity accounted investments include the following:

	Number of Shares		% of Investment		Book Values	
MILLIONS	***2005***	*2004*	***2005***	*2004*	***2005***	*2004*
Norbord Inc.	53.8	53.8	37%	36%	**$ 199**	$ 177
Fraser Papers Inc.	13.4	12.8	46%	42%	**197**	204
Falconbridge Inc.	—	122.6	—	42%	**—**	1,344
Other					**199**	219
Total					**$ 595**	$ 1,944

During the second quarter of 2005 there was a substantial reorganization of Falconbridge which involved the repurchase by Falconbridge (formerly Noranda) of approximately 64 million common shares in exchange for $1.25 billion of preferred shares and the subsequent issuance of 132.8 million shares to minority shareholders of Falconbridge to effect the privatization. As a result, Brookfield received $950 million retractable preferred shares in exchange for 48 million common shares and the company's common share interest in Falconbridge decreased to 20% from 42%. The company subsequently sold 73 million common shares, or substantially all of its remaining 20% ownership for proceeds of $1.7 billion, consisting of $1.3 billion cash and a $375 million convertible debenture. These transactions resulted in an aggregate pre-tax gain of $1,350 million. Falconbridge redeemed $380 million of the $950 million retractable preferred shares previously received by the company as part of the exchange. The company's remaining investment in these preferred shares is included in Financial Assets as at December 31, 2005.

4. ACCOUNTS RECEIVABLE AND OTHER

MILLIONS	*Note*	***2005***	*2004*
Accounts receivable	*(a)*	**$ 1,709**	$ 1,187
Prepaid expenses and other assets	*(b)*	**1,541**	263
Restricted cash	*(c)*	**651**	29
Inventory		**247**	16
Future income tax assets	*10(c)*	**—**	56
Total		**$ 4,148**	$ 1,551

(a) Accounts Receivable

MILLIONS	***2005***	*2004*
Property	**$ 865**	$ 733
Power generation	**345**	156
Timberlands and infrastructure	**28**	13
Other	**471**	285
Total	**$ 1,709**	$ 1,187

Included in accounts receivable are executive share ownership plan loans receivable from executives of the company and consolidated subsidiaries of $19 million (C$22 million) (2004 – $31 million (C$38 million)). No loans have been made since July 2002.

(b) Prepaid Expenses and Other Assets

MILLIONS	***2005***	*2004*
Property	**$ 504**	$ 180
Power generation	**566**	44
Timberlands and infrastructure	**7**	14
Other	**464**	25
Total	**$ 1,541**	$ 263

Prepaid expenses and other assets includes $125 million (2004 – $70 million) of intangible assets related to leases and tenant relationships allocated from the purchase price on the acquisition of commercial properties. The consolidation of Louisiana HydroElectric included $470 million (2004 – $nil), representing levelized receivables arising from straight-line revenue recognition for a contract which expires in 2031.

Included in prepaid expenses and other assets is $92 million (2004 – $93 million) of goodwill principally arising from the privatization of the company's funds management subsidiary during 2002 and $22 million (2004 – $62 million) of goodwill and other intangibles associated with Brookfield's business services investments including contracts and intellectual property. In addition, the company added $40 million of goodwill and other intangibles associated with the acquisition of its asset management operations in New York during 2005.

(c) Restricted Cash

MILLIONS	***2005***	*2004*
Property	**$ 355**	$ 29
Power generation	**83**	—
Other	**213**	—
	$ 651	$ 29

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

5. PROPERTY, PLANT AND EQUIPMENT

MILLIONS	*Note*	***2005***	*2004*
Property	*(a)*	**$10,874**	$ 8,908
Power generation	*(b)*	**3,568**	2,951
Timberlands and infrastructure	*(c)*	**1,018**	184
Other plant and equipment	*(d)*	**316**	188
Total		**$15,776**	$12,231

(a) Property

MILLIONS	*Note*	***2005***	*2004*
Commercial properties	*(i)*	**$ 8,688**	$ 7,089
Residential properties	*(ii)*	**1,205**	818
Development properties	*(iii)*	**942**	950
Property services		**39**	51
Total		**$10,874**	$ 8,908

(i) Commercial Properties

MILLIONS	***2005***	*2004*
Commercial properties	**$ 9,485**	$ 7,740
Less: accumulated depreciation	**797**	651
Total	**$ 8,688**	$ 7,089

Commercial properties carried at a net book value of approximately $3,545 million (2004 – $2,400 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 (2004 – $22 million) annually for the next five years and $959 million (2004 – $973 million) in total on an undiscounted basis.

Construction costs of $18 million (2004 – $15 million) were capitalized to the commercial property portfolio for properties undergoing redevelopment in 2005.

(ii) Residential Properties

Residential properties include infrastructure, land and construction in progress for single family homes and condominiums.

(iii) Development Properties

MILLIONS	***2005***	*2004*
Commercial development properties	**$ 452**	$ 603
Residential lots – owned	**264**	263
– optioned	**62**	45
Rural development properties	**164**	39
Total	**$ 942**	$ 950

Development properties include commercial development land and density rights, residential land owned and under option and rural lands held for future development in agricultural or residential purposes.

During 2005, the company capitalized construction and related costs of $17 million (2004 – $26 million) and interest costs of $15 million (2004 – $14 million) to its commercial development sites, and interest costs of $38 million (2004 – $32 million) to its residential land operations.

The company acquired 35,000 acres of rural development properties during 2005 at a cost of $120 million as further described in Note 5(c).

(b) Power Generation

MILLIONS	***2005***	*2004*
Hydroelectric power facilities	**$ 3,830**	$ 2,730
Cogeneration facilities	**212**	239
	4,042	2,969
Less: accumulated depreciation	**582**	314
	3,460	2,655
Investment in Louisiana HydroElectric Power	**—**	244
Generating facilities under development	**108**	52
Total	**$ 3,568**	$ 2,951

Generation assets includes the cost of the company's approximately 130 hydroelectric generating stations and two gas-fired cogeneration facilities. The company's hydroelectric power facilities operate under various agreements for water rights which extend to or are renewable over terms through the years 2006 to 2044.

During 2005 the company, along with a 50% partner, completed the acquisition of a 610 megawatt hydroelectric generating pump storage facility and related assets located in New England for cash totalling $98 million. The company also completed the acquisition of two hydroelectric generating stations located in Pennsylvania and Maryland with total capacity of 48 megawatts for cash totalling $43 million which was allocated to hydroelectric power facilities.

During 2004, the company completed the acquisition of 71 hydroelectric power generating plants and one cogeneration facility in upstate New York from Reliant Energy for $881 million. These facilities have a combined generating capacity of 674 megawatts.

Effective January 1, 2005, the company consolidated its investment in Louisiana HydroElectric as described in Note 1(u)(i).

(c) Timberlands and Infrastructure

MILLIONS	***2005***	*2004*
Timberlands	**$ 888**	$ 87
Infrastructure	**130**	97
Total	**$ 1,018**	$ 184

During 2005, the company completed the acquisition of timberlands on the Canadian west coast for an aggregate purchase price of $775 million. The acquisition included approximately 600,000 acres of freehold timberlands and 35,000 acres of rural development lands for $655 million and $120 million, respectively. The company holds a 50% interest in these assets and the 50% ownership held by institutional investors is reflected in non-controlling interests in net assets.

The company's infrastructure assets are comprised of power transmission and distribution networks which are operated under a regulated rate base arrangement that is applied to the company's invested capital.

(d) Other Plant and Equipment

Other plant and equipment includes capital assets of $316 million (2004 – $188 million) associated primarily with the company's two private forest products companies, Cascadia and Katahdin Paper. The Cascadia acquisition was completed during 2005 and included 3.6 million cubic metres of annual crown harvest rights, sawmills and remanufacturing facilities.

6. SECURITIES

MILLIONS	***2005***	*2004*
Government bonds	**$ 930**	$ 684
Corporate bonds	**480**	170
Asset backed securities	**195**	142
Common shares	**197**	311
Canary Wharf Group common shares	**267**	450
Total	**$ 2,069**	$ 1,757

Securities represent holdings that are actively deployed in the company's financial operations and include $1,570 million (2004 – $917 million) owned through the company's Insurance operations, as described in Note 15(g).

The securities are carried at the lower of cost and their net realizable value. The fair value of securities at December 31, 2005 was $2,220 million (2004 – $1,895 million). During 2005, the company received dividends of $183 million from Canary Wharf Group (2004 – $nil) which were accounted for as a return of investment.

Corporate bonds include fixed rate securities totalling $284 million (2004 – $172 million) with an average yield of 5.5% (2004 – 6.5%) and an average maturity of approximately five years. Government bonds and asset backed securities include predominantly fixed rate securities.

7. LOANS AND NOTES RECEIVABLE

Loans and notes receivable include corporate loans, bridge loans and other loans, either advanced directly or acquired in the secondary market.

The fair value of the company's loans and notes receivable at December 31, 2005 and 2004 approximated their carrying value based on expected future cash flows, discounted at market rates for assets with similar terms and investment risks.

The loan portfolio matures over the next three years, with an average maturity of approximately one year and includes fixed rate loans totalling $39 million (2004 – $67 million) with an average yield of 5.8% (2004 – 6.5%).

8. NON-RECOURSE BORROWINGS

(a) Property Specific Mortgages

MILLIONS	***2005***	*2004*
Commercial and residential properties	**$ 5,881**	$ 4,534
Power generation	**2,365**	1,411
Timberlands and infrastructure	**510**	100
Total	**$ 8,756**	$ 6,045

Property specific mortgages include $2,247 million (2004 – $1,786 million) repayable in Canadian dollars equivalent to C$2,606 million (2004 – C$2,143 million), $194 million (2004 – $113 million) in Brazilian *reais* equivalent to R$454 million (2004 – R$301 million) and $404 million (2004 – $nil) in British pounds equivalent to £234 million (2004 – £nil). The weighted average interest rate at December 31, 2005 was 6.9% (2004 – 6.4%).

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

MILLIONS	*Commercial Properties*	*Power Generation*	*Timberlands & Infrastructure*	*Annual Repayments*
2006	$ 284	$ 30	$ —	$ 314
2007	674	29	—	703
2008	358	27	—	385
2009	841	83	—	924
2010	343	12	—	355
Thereafter	3,381	2,184	510	6,075
Total	$ 5,881	$ 2,365	$ 510	$ 8,756

(b) Subsidiary Borrowings

MILLIONS	***2005***	*2004*
Residential properties	**$ 1,137**	$ 814
Power generation	**474**	617
Timberlands and infrastructure	**37**	37
Other	**862**	905
Total	**$ 2,510**	$ 2,373

Subsidiary borrowings include $805 million (2004 – $883 million) repayable in Canadian dollars equivalent to C$934 million (2004 – C$1,059 million) and $13 million (2004 – $14 million) in Brazilian *reais* equivalent to R$30 million (2004 – R$38 million). The weighted average interest rate at December 31, 2005 was 6.9% (2004 – 6.8%).

Residential properties debt represents amounts 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 homes and condominiums and redrawn to finance the construction of new homes.

Subsidiary borrowings include obligations pursuant to financial instruments which are recorded as liabilities. These amounts include $434 million (2004 – $393 million) of subsidiary obligations relating to the company's international operations subject to credit rating provisions, which are supported by corporate guarantees.

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

MILLIONS	*Residential Properties*	*Power Generation*	*Timberlands & Infrastructure*	*Other*	*Total*
2006	$ 701	$ 86	$ 2	$ 192	$ 981
2007	384	—	—	11	395
2008	41	—	1	47	89
2009	9	388	1	6	404
2010	2	—	2	—	4
Thereafter	—	—	31	606	637
Total	$ 1,137	$ 474	$ 37	$ 862	$ 2,510

The fair value of property specific mortgages and subsidiary borrowings exceeds the company's carrying values by $284 million (2004 – $205 million), determined by way of discounted cash flows using market rates adjusted for credit spreads applicable to the debt.

9. CORPORATE BORROWINGS

MILLIONS	*Market*	*Maturity*	*Annual Rate*	*Currency*	***2005***	*2004*
Term debt	Public – Canadian	October 5, 2005	7.35%	C$	**$ —**	$ 104
	Public – Canadian	December 1, 2006	8.35%	C$	**108**	104
	Public – Canadian	June 1, 2007	7.25%	C$	**108**	105
	Public – U.S.	December 12, 2008	8.13%	US$	**300**	300
	Public – U.S.	March 1, 2010	5.75%	US$	**200**	200
	Public – U.S.	June 15, 2012	7.13%	US$	**350**	350
	Private – Canadian	July 16, 2021	5.50%	C$	**43**	—
	Public – U.S.	March 1, 2033	7.38%	US$	**250**	250
	Public – Canadian	June 14, 2035	5.95%	C$	**258**	—
	Private – Canadian	Various		C$	**3**	13
Commercial paper and bank borrowings		Various	BA-based	C$ / US$	**—**	249
Total					**$ 1,620**	$ 1,675

Term debt borrowings have a weighted average interest rate of 7.1% (2004 – 7.3%), and include $520 million (2004 – $326 million) repayable in Canadian dollars equivalent to C$603 million (2004 – C$390 million).

Commercial paper and bank borrowings is principally commercial paper issued by the company. Commercial paper obligations are backed by the company's bank credit facilities, which are in the form of a four year revolving term facility. These borrowings are at floating rates and had a weighted average interest rate of 2.5% as at December 31, 2004.

During 2005, the company issued C$300 million of 5.95% publicly traded term debt due June 2035, and C$50 million of privately held term debt due July 2021, secured by coal royalty assets held by the company.

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

MILLIONS	*Annual Repayments*
2006	$ 110
2007	108
2008	300
2009	—
2010	200
Thereafter	902
Total	$ 1,620

The fair value of corporate borrowings at December 31, 2005 exceeds the company's carrying values by $113 million (2004 – $167 million), determined by way of discounted cash flows using market rates adjusted for the company's credit spreads.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

MILLIONS	*Note*	***2005***	*2004*
Accounts payable	*(a)*	**$ 2,707**	$ 1,749
Other liabilities	*(b)*	**1,629**	970
Future income tax liability	*(c)*	**14**	—
Exchangeable debentures	*(d)*	**211**	—
Total		**$ 4,561**	$ 2,719

(a) Accounts Payable

MILLIONS	***2005***	*2004*
Property	**$ 708**	$ 578
Power generation	**208**	100
Timberlands and infrastructure	**30**	—
Specialty funds	**30**	—
Insurance deposits, claims and other	**1,376**	717
Other	**355**	354
Total	**$ 2,707**	$ 1,749

(b) Other Liabilities

Other liabilities include the fair value of the company's obligations to deliver securities it did not own at the time of sale and obligations pursuant to financial instruments recorded as liabilities. Levelized interest expense balances related to the consolidation of Louisiana HydroElectric during the year are also included in other liabilities.

(c) Future Income Tax Liabilities / Assets

MILLIONS	***2005***	*2004*
Tax assets related to operating and capital losses	**$ (910)**	$ (941)
Tax liabilities related to differences between tax and book base	**924**	885
Future income tax liability	**$ 14**	$ (56)

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 $694 million (2004 – $739 million) that relate to non-capital losses which expire over the next seven to ten years, and $72 million (2004 – $52 million) that relate to capital losses which have no expiry. The company's U.S. subsidiaries have future income tax assets of $144 million (2004 – $150 million) that relate to net operating losses which expire over the next 16 years. The amount of non-capital losses and deductible temporary differences for which no future income tax assets have been recognized is approximately $456 million (2004 – $400 million). The tax liabilities represent the cumulative amount of tax payable on the differences between the book values and tax values of the company's assets and liabilities at the rates expected to be effective at the time differences are anticipated to reverse.

(d) Exchangeable Debentures

A subsidiary of the company issued debentures that are exchangeable for and secured by 20 million common shares of Norbord and mature on September 30, 2029. The carrying value of the debentures is adjusted to reflect the market value of the underlying Norbord shares, which at December 31, 2005 was $211 million, and any change in value is recorded in income. While the company was required to deconsolidate the subsidiary that holds the exchangeable debenture under variable interest accounting, and presents its obligation as a secured demand loan in accounts payable, the underlying obligation remains that of the exchangeable debenture.

11. CAPITAL SECURITIES

The company has the following capital securities outstanding:

MILLIONS	*Note*	***2005***	*2004*
Corporate preferred shares and preferred securities	*(a)*	**$ 669**	$ 647
Subsidiary preferred shares	*(b)*	**929**	901
Total		**$ 1,598**	$ 1,548

(a) Corporate Preferred Shares and Preferred Securities

	Shares Outstanding	*Description*	*Cumulative Distribution Rate*	*Currency*	***2005***	*2004*
					(MILLIONS)	
Class A Preferred Shares	10,000,000	Series 10	5.75%	C$	**$ 215**	$ 209
	4,032,401	Series 11	5.50%	C$	**87**	84
	7,000,000	Series 12	5.40%	C$	**151**	146
Preferred Securities	5,000,000	due 2050	8.35%	C$	**108**	104
	5,000,000	due 2051	8.30%	C$	**108**	104
Total					**$ 669**	$ 647

Subject to the Toronto Stock Exchange, the Series 10, 11 and 12 shares, unless redeemed by the company for cash, are convertible into Class A common 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:

Class A Preferred Shares	*Earliest Permitted Redemption Date*	*Company's Conversion Option*	*Holder's Conversion 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

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 or the delivery to a trustee for sale of sufficient preferred shares or common shares of the company.

(b) Subsidiary Preferred Shares

	Shares Outstanding	*Description*	*Cumulative Dividend Rate*	*Currency*	***2005***	*2004*
					(MILLIONS)	
Class AAA Preferred Shares	8,000,000	Series F	6.00%	C$	**$ 172**	$ 167
	4,400,000	Series G	5.25%	US$	**110**	110
	8,000,000	Series H	5.75%	C$	**173**	167
	8,000,000	Series I	5.20%	C$	**172**	167
	8,000,000	Series J	5.00%	C$	**172**	166
	6,000,000	Series K	5.20%	C$	**130**	124
Total					**$ 929**	$ 901

During 2004, the company's real estate operations issued 8,000,000 Class AAA, Series J preferred shares and 6,000,000 Class AAA, Series K preferred shares for total cash proceeds of C$350 million.

Class AAA Preferred Shares	*Earliest Permitted Redemption Date*	*Company's Conversion Option*	*Holder's Conversion Option*
Series F	September 30, 2009	September 30, 2009	March 31, 2013
Series G	June 30, 2011	June 30, 2011	September 30, 2015
Series H	December 31, 2011	December 31, 2011	December 31, 2015
Series I	December 31, 2008	December 31, 2008	December 31, 2010
Series J	June 30, 2010	June 30, 2010	December 31, 2014
Series K	December 31, 2012	December 31, 2012	December 31, 2016

12. NON-CONTROLLING INTERESTS IN NET ASSETS

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

MILLIONS	***2005***	*2004*
Common equity		
Property operations	**$ 1,196**	$ 1,226
Power generation	**213**	194
Timberlands and infrastructure	**257**	—
Other	**143**	110
	1,809	1,530
Preferred equity	**175**	250
Total	**$ 1,984**	$ 1,780

13. PREFERRED EQUITY

The following Class A preferred shares are issued and outstanding:

			Issued and Outstanding			
	Rate	*Term*	***2005***	*2004*	***2005***	*2004*
					(MILLIONS)	
Class A Preferred Shares						
Series 2	70% P	Perpetual	**10,465,100**	10,465,100	**$ 169**	$ 169
Series 3[1]	B.A. + 40 b.p.	Perpetual	**—**	1,171	**—**	75
Series 4	70% P/8.5%	Perpetual	**2,800,000**	2,800,000	**45**	45
Series 8	Variable up to P	Perpetual	**1,049,792**	1,049,792	**17**	17
Series 9	5.63%	Perpetual	**2,950,208**	2,950,208	**47**	47
Series 13	70% P	Perpetual	**9,297,700**	9,297,700	**195**	195
Series 15	B.A. + 40 b.p. [2]	Perpetual	**2,000,000**	2,000,000	**42**	42
					$ 515	$ 590

1 Redeemed November 8, 2005

2 Rate determined in a quarterly 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 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 had a par value of C$100,000 per share.

During 2005, the company redeemed all of the outstanding Class A, Series 3 preferred shares.

On December 31, 2004, the company issued 9,297,700 Series 13 preferred shares and 2,000,000 Series 15 preferred shares as a result of the amalgamation of the company and its wholly-owned funds management subsidiary.

14. 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*	***2005***	*2004*
Convertible Notes				
Series I[1]	B.A. + 40 b.p.[2]	2085	**$ —**	$ 9
Series II[1]	3.9%[3]	2088	**—**	2
			—	11
Class A and B common shares			**1,199**	1,226
Retained earnings			**3,321**	1,944
Cumulative translation adjustment			**(6)**	96
Common equity			**$ 4,514**	$ 3,277
NUMBER OF SHARES				
Class A common shares			**257,502,448**	258,620,702
Class B common shares			**85,120**	85,120
			257,587,568	258,705,822
Unexercised options			**12,612,987**	12,181,392
Reserved for conversion of subordinated notes			**—**	824,927
Total diluted common shares			**270,200,555**	271,712,141

1 Fully converted and redeemed in 2005

2 Rate determined in a semi-annual auction, maximum 10%

3 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 were subordinate to the company's senior debt and the company could, 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 which were not otherwise converted were redeemed in 2005.

(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 2005 and 2004, the number of issued and outstanding common shares changed as follows:

MILLIONS	***2005***	*2004*
Outstanding at beginning of year	**258,705,822**	256,120,610
Issued (repurchased):		
Dividend reinvestment plan	**48,356**	72,539
Management share option plan	**1,542,880**	382,430
Conversion of debentures and other	**1,269,122**	2,967,334
Fractional shares cancelled in relation to stock split	**—**	(12,186)
Issuer bid purchases	**(3,978,612)**	(824,905)
Outstanding at end of year	**257,587,568**	258,705,822

In 2005, under substantial and normal course issuer bids, the company repurchased 3,978,612 (2004 – 824,905) Class A common shares at a cost of $162 million (2004 – $19 million). Proceeds from the issuance of common shares pursuant to the company's dividend reinvestment plan and management share option plan ("MSOP"), totalled $21 million (2004 – $6 million).

(c) Earnings Per Share

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

MILLIONS	***2005***	*2004*
Net income	**$ 1,662**	$ 555
Convertible note interest	**—**	(1)
Preferred share dividends	**(35)**	(24)
Net income available for common shareholders	**$ 1,627**	$ 530
Weighted average outstanding common shares	**259.6**	257.6
Dilutive effect of the conversion of notes and options using treasury stock method	**6.4**	6.1
Common shares and common share equivalents	**266.0**	263.7

The holders of Class A Limited Voting Shares and Class B Limited Voting Shares rank on parity with each other with respect to the payment of dividends and the return of capital on the liquidation, dissolution or winding up of the company or any other distribution of the assets of the company among its shareholders for the purpose of winding up its affairs. With respect to the Class A and Class B common shares, there are no dilutive factors, material or otherwise, that would result in different diluted earnings per share. This relationship holds true irrespective of the number of dilutive instruments issued in either one of the respective classes of common stock, as both classes of common stock share equally, on a pro rata basis in the dividends, earnings and net assets of the company, whether taken before or after dilutive instruments, regardless of which class of common stock is diluted.

(d) Stock-Based Compensation

Options issued under the company's MSOP typically 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 2005, the company granted 2,694,150 (2004 – 1,527,545) options with an average exercise price of C$46.25 (2004 – C$30.07) per share. The cost of the options granted was determined using the Black-Scholes model of valuation, assuming a 7.5 year term to exercise (2004 – 7.5 year), 12% volatility (2004 – 12%), a weighted average expected dividend yield of 1.5% (2004 – 2.3%) annually and an interest rate of 3.9% (2004 – 4.0%). The cost of $13 million (2004 – $5 million) is charged to employee compensation expense on an equal basis over the five-year vesting period of the options granted.

The changes in the number of options during 2005 and 2004 were as follows:

	2005			2004		
	Number of Options (000'S)		**Weighted Average Exercise Price**	Number of Options (000'S)		Weighted Average Exercise Price
Outstanding at beginning of year	**12,181**	**C$**	**18.70**	11,363	C$	16.94
Granted	**2,694**		**46.25**	1,527		30.07
Exercised	**(1,543)**		**15.28**	(382)		15.13
Cancelled	**(236)**		**26.84**	(327)		14.95
Converted	**(483)**		**13.33**	—		—
Outstanding at end of year	**12,613**	**C$**	**25.05**	12,181	C$	18.70
Exercisable at end of year	**6,793**			7,069		

At December 31, 2005, 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)*
1,285	C$8.80 – C$12.80	3.8 yrs.	1,285
2,710	C$12.87 – C$19.27	4.4 yrs.	2,135
4,512	C$19.60 – C$27.64	4.9 yrs.	3,085
1,462	C$30.07 – C$37.42	8.1 yrs.	288
2,644	C$45.94 – C$54.68	9.2 yrs.	—
12,613			6,793

A Restricted Share Unit Plan is offered to executive officers and non-employee directors of the company. Under this plan, qualifying officers and directors may choose to receive all or a percentage of their 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 periods of up to five years, 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, and the market price on the date the RSAUs are granted. The company uses equity derivative contracts to match its exposure to the change in share prices in respect of vested DSUs and RSAUs, although its operating subsidiaries do not. The value of the vested and unvested DSUs and RSAUs as at December 31, 2005 was $189 million (2004 – $87 million), which is partially offset by the receivable in respect of hedging arrangements.

Employee compensation expense for these plans is charged against income over the vesting period of the DSUs and RSAUs. The amount payable by the company in respect of vested DSUs and RSAUs changes as a result of dividends and share price movements. All of the amounts attributable to changes in the amounts payable by the company are recorded as employee compensation expense in the period of the change, and for the year ended December 31, 2005, including those of operating subsidiaries, totalled $66 million (2004 – $39 million), net of the impact of hedging arrangements.

15. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The company and its subsidiaries use selectively derivative financial instruments principally to manage risk.

Management evaluates and monitors the credit risk of its derivative financial instruments and endeavours to minimize counterparty credit risk through 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.

The notional amount of the company's derivative positions at the end of 2005 and 2004 are as follows:

MILLIONS	*Note*	*Units*	***2005***	*2004*
Foreign exchange	*(a)*	US$	**$ 1,450**	$ 5,369
Interest rates	*(b)*	US$	**1,240**	2,079
Credit default swaps	*(c)*	US$	**797**	—
Equity derivatives	*(d)*	US$	**604**	106
Commodity instruments (energy)	*(e)*	GWh	**6.7**	5.5

(a) Foreign Exchange

At December 31, 2005, the company held foreign exchange contracts with a notional amount of $1,113 million (2004 – $2,911 million) at an average exchange rate of $1.280 (2004 – $1.270) to manage its Canadian dollar exposure. At December 31, 2005, the company held foreign exchange contracts with a notional amount of $337 million (2004 – $574 million) at an average exchange rate of $1.784 (2004 – $1.904) to manage its British pounds exposure. All of the foreign exchange contracts at December 31, 2005 had a maturity of less than two years.

At December 31, 2004, the company's Canadian dollar functional subsidiaries held U.S. dollar foreign exchange contracts with a notional amount of $1,884 million at an average exchange rate of $1.249. All foreign exchange contracts held by the company in 2005 and 2004 were carried in the company's accounts at market value. No such contracts were held by the company's Canadian dollar functional subsidiaries as at December 31, 2005.

Included in 2005 income are net gains on foreign currency amounting to $76 million (2004 – losses of $3 million) and included in the cumulative translation adjustment account are gains net of taxes in respect of foreign currency contracts entered into for hedging purposes amounting to $11 million (2004 – losses of $154 million), which offset translation gains on the underlying net assets.

(b) Interest Rates

At December 31, 2005, the company also held interest rate swap contracts having a notional amount of $840 million (2004 – $1,300 million) with a replacement value in excess of that recorded in the company's accounts of $13 million (2004 – $32 million). These contracts expire over a 10-year period.

At December 31, 2005, the company's subsidiaries held interest rate swap contracts having a notional amount of $400 million (2004 – $779 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 $nil (2004 – $5 million), and contracts with a replacement value in excess of that recorded in the company's accounts of $nil (2004 – $5 million).

(c) Credit Default Swaps

As at December 31, 2005, the company was counterparty to credit default swaps with an aggregate notional amount of $797 million 2004 – $nil). Credit default swaps are over-the-counter contracts which are designed to compensate the purchaser for any deterioration in value of an underlying reference asset upon the occurrence of predetermined credit events. The company is entitled to receive payment in the event of a predetermined credit event for up to $775 million of the notional amount and could be required to make payment in respect of $22 million of the notional amount.

(d) Equity Derivatives

At December 31, 2005, the company held equity derivatives with a notional amount of $604 million (2004 – $106 million) recorded in the balance sheet at an amount equal to replacement value. Approximately one-half of the notional amount represents a hedge of long-term compensation arrangements and the balance represents common equity positions established in connection with the company's capital markets investment activities. The replacement values of these instruments were reflected in the company's consolidated financial statements at year end.

(e) Commodity Instruments

The company has entered into energy derivative contracts primarily to hedge the sale of generated power. The company endeavours to link forward electricity sale derivatives to specific periods in which it expects to generate electricity for sale. 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, 2005, the energy derivative contracts were comprised of contracts with a replacement cost in excess of that recorded in the company's accounts of $88 million (2004 – $70 million), as well as contracts with a replacement value below that recorded in the company's accounts of $32 million (2004 – in excess of that recorded in the company's accounts of $63 million), which represents a net payable to the company of $120 million (2004 – $7 million).

(f) 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 2005, the company and its subsidiaries had $737 million (2004 – $445 million) of such commitments outstanding. The company maintains credit facilities and other financial assets to fund these commitments.

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.

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.

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

(g) Insurance

The company conducts insurance operations as part of its asset management activities and accounts for the assets and liabilities associated with such contracts as deposits. As at December 31, 2005, the company held insurances assets of $445 million (2004 – $532 million) which were offset in each year by an equal amount of reserves and other liabilities. Net underwriting income earned on reinsurance operations was $3 million (2004 – $15 million) representing $550 million (2004 – $637 million) of premium and other revenues offset by $547 million (2004 – $622 million) of reserves and other expenses.

MILLIONS	***2005***	*2004*
Assets		
Cash and equivalents	**$ 92**	$ 58
Restricted cash	**146**	95
Securities	**1,570**	917
Loans and notes receivable	**48**	21
Accounts receivable and other	**171**	131
	$ 2,027	$ 1,222
Liabilities		
Accounts payable		
Deposit liabilities	**$ 848**	$ 483
Claims and other	**528**	234
Borrowings	**57**	10
Non-controlling interests	**99**	100
Net Assets	**$ 495**	$ 395

16. REVENUES LESS DIRECT OPERATING COSTS

Direct operating costs include all attributable expenses except interest, depreciation and amortization, non-controlling interest in income and tax expenses. The details are as follows:

	2005			*2004*		
MILLIONS	***Revenue***	***Expenses***	***Net***	*Revenue*	*Expenses*	*Net*
Property operations	**$ 3,161**	**$ 1,951**	**$ 1,210**	$ 2,687	$ 1,714	$ 973
Power generation	**800**	**331**	**469**	469	201	268
Timberlands and infrastructure	**170**	**106**	**64**	99	73	26
Specialty funds	**58**	**4**	**54**	58	10	48
Investment and other income	**785**	**558**	**227**	387	199	188
	$ 4,974	**$ 2,950**	**$ 2,024**	$ 3,700	$ 2,197	$ 1,503

17. NON-CONTROLLING INTERESTS

Non-controlling interests of others is segregated into the share of income before certain items and their share of those items, which include depreciation and amortization and taxes and other provisions attributable to the non-controlling interest.

MILLIONS	***2005***	*2004*
Distributed as recurring dividends		
Preferred	**$ 12**	$ 15
Common	**109**	73
Undistributed	**113**	100
Non-controlling interests expense	**$ 234**	$ 188
Non-controlling interests share of income prior to the following	**$ 386**	$ 360
Non-controlling interests share of depreciation and amortization, and future income taxes and other provisions	**(152)**	(172)
Non-controlling interests expense	**$ 234**	$ 188

During 2004, the company's residential home building subsidiary paid a special dividend of $140 million to the holders of non-controlling interests in addition to recurring dividends as noted above.

18. FUTURE INCOME TAXES AND OTHER PROVISIONS

The following table reflects the company's effective tax rate at December 31, 2005 and 2004:

	2005	2004
Statutory income tax rate	**37%**	37%
Increase (reduction) in rate resulting from		
Dividends subject to tax prior to receipt by the company	**(1)**	(1)
Portion of gains not subject to tax	**(11)**	—
Equity accounted earnings that have been tax effected by the investees	**(2)**	(14)
Other	**(1)**	1
Effective income tax rate	**22%**	23%

Future income taxes and other provisions include the following:

YEARS ENDED DECEMBER 31 (MILLIONS)	**2005**	2004
Future income taxes	**$ 285**	$ 151
Revaluation (gains) losses		
Interest rate contracts	**16**	—
Norbord exchangeable debentures	**10**	(6)
Intangible assets	**33**	—
Foreign exchange on capital securities	**—**	113
Tax effect of revaluation gains and losses	**(20)**	2
	$ 324	$ 260

19. EQUITY ACCOUNTED INCOME

Equity accounted income (loss) includes the following:

MILLIONS	**2005**	2004
Falconbridge	**$ 145**	$ 205
Norbord	**87**	135
Fraser Papers	**(13)**	(8)
Total	**$ 219**	$ 332

20. JOINT VENTURES

The following amounts represent the company's proportionate interest in incorporated and unincorporated joint ventures reflected in the company's accounts.

MILLIONS	**2005**	2004
Assets	**$ 2,947**	$ 2,419
Liabilities	**1,857**	1,456
Operating revenues	**573**	501
Operating expenses	**279**	233
Net income	**109**	116
Cash flows from operating activities	**157**	163
Cash flows from investing activities	**(136)**	23
Cash flows from financing activities	**(76)**	(5)

21. POST-EMPLOYMENT BENEFITS

The company offers 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. The benefit plan expense for 2005 was $4 million (2004 – $3 million). The discount rate used was 5% (2004 – 6%) with an increase in the rate of compensation of 4% (2004 – 4%) and an investment rate of 7% (2004 – 7%).

MILLIONS	***2005***	*2004*
Plan assets	**$ 65**	$ 57
Less: Accrued benefit obligation		
Defined benefit pension plan	**(86)**	(71)
Other post unemployment benefits	**(19)**	(15)
Net liability	**(40)**	(29)
Less: Unamortized transitional obligations and net actuarial losses	**23**	11
Accrued benefit liability	**$ (17)**	$ (18)

22. SUPPLEMENTAL CASH FLOW INFORMATION

MILLIONS	***2005***	*2004*
Corporate borrowings		
Issuances	**$ 283**	$ 207
Repayments	**(362)**	(110)
Net	**$ (79)**	$ 97
Property specific mortgages		
Issuances	**$ 1,190**	$ 1,192
Repayments	**(133)**	(212)
Net	**$ 1,057**	$ 980
Other debt of subsidiaries		
Issuances	**$ 467**	$ 726
Repayments	**(366)**	(233)
Net	**$ 101**	$ 493
Common shares		
Issuances	**$ 21**	$ 7
Repurchases	**(162)**	(19)
Net	**$ (141)**	$ (12)
Property		
Proceeds of dispositions	**$ 159**	$ 222
Investments	**(1,163)**	(563)
Net	**$ (1,004)**	$ (341)
Securities		
Securities sold	**$ 36**	$ 345
Securities purchased	**(469)**	(617)
Loans collected	**291**	108
Loans advanced	**(81)**	(1,141)
Net	**$ (223)**	$ (1,305)
Financial assets		
Securities sold	**$ 649**	$ 241
Securities purchased	**(682)**	(167)
Net	**$ (33)**	$ 74

Cash taxes paid were $172 million (2004 – $93 million) and are included in current income taxes. Cash interest paid totalled $867 million (2004 – $613 million). Capital expenditures in the company's power generating operations were $35 million (2004 – $35 million), and in property operations, were $40 million (2004 – $40 million).

23. SHAREHOLDER DISTRIBUTIONS

MILLIONS	***2005***	*2004*
Preferred equity	**$ 35**	$ 24
Common equity		
Common share dividends	**155**	135
Convertible note interest	**—**	1
	155	136
Total	**$ 190**	$ 160

24. 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 ("U.S. GAAP").

The effects of the significant accounting differences between Canadian GAAP and U.S. GAAP on the company's balance sheet and statement 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 statement and those prepared under U.S. GAAP are summarized in the following table:

MILLIONS, EXCEPT PER SHARE AMOUNTS	*Note*	***2005***	*2004*
			(restated - Note x)
Net income as reported under Canadian GAAP		**$ 1,662**	$ 555
Adjustments			
Increase (reduction) of equity accounted income	*(i)*	**4**	(13)
Change in deferred income taxes	*(ii)*	**(37)**	10
Convertible note distributions	*(iii)*	**—**	(1)
Conversion of convertible notes	*(iv)*	**4**	—
Market value adjustments	*(v)*	**18**	1
Increase (decrease) in commercial property income	*(vi)*	**(17)**	24
Decrease in commercial property depreciation	*(vii)*	**8**	5
Decrease in residential property income	*(viii)*	**(26)**	—
Falconbridge equity accounted income and gains	*(ix)*	**41**	—
Foreign exchange and dividends on convertible preferred shares	*(x)*	**88**	128
Start-up costs and other	*(xi)*	**(2)**	(73)
Net income under U.S. GAAP		**$ 1,743**	$ 636
Preferred share dividends		**(35)**	(23)
Convertible preferred share dividends	*(x)*	**(24)**	(23)
Net income to shareholders under U.S. GAAP		**$ 1,684**	$ 590
Per share amounts under U.S. GAAP			
Basic earnings per share		**$ 6.49**	$ 2.29
Diluted earnings per share		**$ 6.33**	$ 2.23

The company's current policy is to redeem the preferred shares Series 10, 11 and 12, through the payment of cash in the event that holders of the preferred shares exercise their conversion option. As a result, the impact of the conversion of these preferred shares has been excluded from the company's diluted EPS calculation. However, the company is not legally obliged to redeem these preferred shares for cash and reserves the right to settle the conversion option in Class A common shares.

(i) Equity accounted income

Under U.S. 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*	*U.S. GAAP*
Start-up costs	Defer and amortize	Expense as incurred
Pension accounting	Valuation allowance	No valuation allowance / additional minimum liability
Derivative instruments and hedging	See Note 1 and Note 15	See Note 24(a)(v)

Canadian GAAP requires recognition of a pension valuation allowance for an 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. U.S. GAAP does not specifically address pension valuation allowances. In 2002, U.S. regulators determined that such allowances would not be permitted under U.S. GAAP. In light of these developments, Falconbridge, Norbord and Fraser Papers eliminate the effects of recognizing pension valuation allowances.

(ii) Deferred income taxes

The change in deferred income taxes includes the tax effect of the income statement adjustments under U.S. GAAP. Also, under Canadian GAAP the tax rates applied to temporary differences and losses carried forward are those which are substantively enacted. Under U.S. GAAP, tax rates are applied to temporary differences and losses carried forward only when they are enacted. In 2005 and 2004, there were no differences between the substantively enacted rates used under Canadian GAAP and the enacted rates used under U.S. GAAP.

(iii) Convertible note distributions

Under Canadian GAAP, the company's subordinated convertible notes 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 U.S. GAAP, the subordinated convertible notes 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. The company redeemed all of its remaining subordinated convertible note obligations during 2005.

(iv) Conversion of convertible notes

Under Canadian GAAP, the company's subordinated convertible notes are treated as equity and converted into the company's functional currency at historic rates. Under U.S. GAAP, the subordinated convertible notes are 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) 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 U.S. GAAP, all trading securities are carried at market, with unrealized gains losses included in the determination of net income.

Under Canadian GAAP, derivatives that qualify for hedge accounting are generally off balance sheet. Under U.S. 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 fair value or cash flows. For derivatives designated as cash flow hedges, the effective portions of the 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, as well as the portions of hedges that are ineffective, are recognized in income.

Market value adjustments for trading securities and derivative contracts carried at fair value for U.S. GAAP are as follows:

MILLIONS	***2005***	*2004*
Securities designated as Trading for U.S. GAAP	**$ 1**	$ 7
Derivative contracts recognized at fair value for U.S. GAAP	**17**	(6)
	$ 18	$ 1

The effects of accounting for derivatives in accordance with U.S. GAAP for the year ended December 31, 2005 resulted in a decrease in assets of $98 million (2004 – increase of $112 million), an increase in liabilities of $59 million (2004 – $72 million), a decrease in other comprehensive income of $156 million (2004 – $30 million) and a decrease in net income of $1 million (2004 –$8 million) as outlined in the table above. In 2004, there was a $2 million decrease in net income associated with the company's equity accounted investments, which was included as a reduction of equity accounted income in note 24(a)(i). During the year ended December 31, 2005, there were no net derivative gains reclassified from other comprehensive income to income (2004 – $22 million).

(vi) Commercial property income

Prior to January 1, 2004, Canadian GAAP permitted the recognition of rental revenue over the term of the lease as it became due where increases in rent were intended to offset the estimated effects of inflation, whereas U.S. GAAP required that rental revenue be recognized on a straight-line basis over the term of the lease. The company adopted straight-line recognition of rental revenue for all its properties from January 1, 2004 onward, thereby harmonizing this policy with U.S. GAAP. In 2005, the company recorded a decrease to commercial property income of $15 million (2004 – $18 million) to reflect the adjustment required if straight-line rental revenue had been recognized from the outset of the lease as opposed to January 1, 2004 onward. The recognition of lease termination income can differ between U.S. GAAP and Canadian GAAP, and and resulted in a decrease to commercial property income in 2005 of $2 million (2004 – increase of $42 million).

(vii) Commercial depreciation

Straight-line depreciation was adopted by the company from January 1, 2004 onward which effectively harmonized Canadian GAAP with U.S. GAAP. In 2005, the company recorded an increase to U.S. GAAP net income of $8 million (2004 – $5 million) to reflect the adjustment required if straight-line depreciation had been recognized from the outset as opposed to January 1, 2004 onward.

(viii) Residential development income

The company's revenue recognition policy for land sales requires, in part, that the significant risks and rewards of ownership have passed to the purchaser prior to the recognition of revenue by the vendor. Primarily in the province of Alberta, land sales transactions substantially transfer the risks and rewards of ownership to the purchaser when both parties are bound to the terms of the sale agreement and possession passes to the purchaser. In certain instances, title may not have transferred. Under FAS No. 66, "Sales of Real Estate," transfer of title is a requirement for recognizing revenue under U.S. GAAP, whereas this is not necessarily required under Canadian GAAP. Accordingly, residential development income decreases by $26 million for U.S. GAAP purposes.

(ix) Falconbridge

During 2005, the company sold substantially all of its interest in Falconbridge for proceeds of $2.7 billion. Under U.S. GAAP, the company's carrying value of its investment in Falconbridge was $157 million lower than under Canadian GAAP due to U.S. GAAP adjustments in prior years. As a result, the gain on the disposition of the company's interest in Falconbridge was increased by $41 million under U.S. GAAP.

(x) Foreign exchange and dividends on convertible preferred shares

Effective January 1, 2005, the company adopted the amendment to CICA Handbook Section 3860. The amendment requires certain of the company's preferred share obligations that could be settled with a variable number of the company's common equity to be classified as liabilities and corresponding distributions as interest expense for Canadian GAAP, whereas under U.S. GAAP, they continue to be treated as equity and corresponding distributions as dividends. Under Canadian GAAP, these preferred share liabilities are converted into the company's functional currency at current rates. Under U.S. GAAP, these preferred shares are treated

as equity and are converted into the company's functional currency at historical rates. As a result, the company has recorded the following adjustments for U.S. GAAP:

MILLIONS	***2005***	*2004*
Decrease to interest expense	**$ 73**	$ 62
Revaluation at historical rates	**15**	66
	88	128
Other preferred share adjustmens		
Equity accounted income	**—**	12
Preferred security distributions	**16**	16
Conversion of preferred securities	**15**	16
Non-controlling interests	**(49)**	(39)
Preferred share dividends	**(24)**	(23)
	$ 46	$ 110

(xi) Start-up costs and other

Start-up costs and other has been adjusted for the differences between Canadian GAAP and U.S. GAAP and includes $10 million of income (2004 – $30 million of expense) related to start-up costs which are deferred and amortized under Canadian GAAP and expensed under U.S. GAAP, and $12 million of expense (2004 – $43 million) related to differences from the company's operations in Brazil and non-controlling interests in the company's property operations.

(b) Comprehensive Income

U.S. GAAP requires a statement of comprehensive income which incorporates net income and certain changes in equity. Comprehensive income is as follows:

MILLIONS	*Note*	***2005***	*2004*
Net income under U.S. GAAP		**$ 1,743**	$ 636
Market value adjustments	*(i)*	**(142)**	(52)
Minimum pension liability adjustment	*(ii)*	**(47)**	(7)
Foreign currency translation adjustments	*(iii)*	**15**	30
Taxes on other comprehensive income		**66**	10
Comprehensive income		**$ 1,635**	$ 617

(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 U.S. 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.

Under Canadian GAAP, changes in the fair value of derivatives that are designated as cash flow hedges are not recognized in income. Under U.S. 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.

Market value adjustments in other comprehensive income in 2005 and 2004 are recorded on the balance sheet as follows:

MILLIONS	***2005***	*2004*
Market value adjustments		
Available for sale securities classified as:		
Accounts receivable and other	**$ —**	$ 12
Securities	**12**	(34)
Derivative power sales contracts designated as cash flow hedges classified as:		
Accounts receivable and other	**(106)**	(20)
Accounts payable and other	**(50)**	—
Equity accounted investments	**2**	(10)
	$ (142)	$ (52)

(ii) Minimum pension liability adjustment

U.S. 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 Falconbridge, Norbord, Fraser Papers and Brookfield Power.

(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. U.S. 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 account. The resulting changes in the carrying values of assets which arise for 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 U.S. GAAP would result in the following presentation of the company's balance sheet:

MILLIONS	*Note*	***2005***	*2004*
Assets			
Cash and cash equivalents		**$ 951**	$ 455
Accounts receivable and other	*(i)*	**4,449**	3,055
Securities	*(ii)*	**4,344**	3,278
Loans and notes receivable		**332**	897
Property, plant and equipment	*(iii)*	**15,292**	11,621
Equity accounted investments	*(iv)*	**552**	1,680
Total assets under U.S. GAAP		**$ 25,920**	$ 20,986
Liabilities and shareholders' equity			
Non-recourse borrowings			
Property specific mortgages		**$ 8,756**	$ 6,890
Other debt of subsidiaries		**2,764**	2,586
Corporate borrowings		**1,620**	1,675
Accounts and other payables		**4,358**	2,806
Convertible and subordinated notes		**216**	223
Non-controlling interests		**2,740**	2,566
Preferred equity		**847**	912
Common equity	*(v)*	**4,619**	3,328
Total liabilities and equity under U.S. GAAP		**$ 25,920**	$ 20,986

Certain balances in 2004 have been adjusted to reflect the consolidation of variable interest entities ("VIEs"). The adjustments were primarily a result of the consolidation of the company's equity interests in Louisiana HydroElectric Power. In 2005, Canadian GAAP harmonized with U.S. GAAP following the adoption of AcG-15.

The significant difference in each category between Canadian GAAP and U.S. GAAP are as follows:

(i) Deferred income taxes

The deferred income tax asset under U.S. GAAP is included in accounts receivable and other and is calculated as follows:

MILLIONS	***2005***	*2004*
Tax assets related to operating and capital losses	**$ 1,074**	$ 1,085
Tax liabilities related to differences in tax and book basis	**(658)**	(653)
Valuation allowance	**(164)**	(144)
Deferred income tax asset under U.S. GAAP	**$ 252**	$ 288

(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 U.S. GAAP, trading securities, which include all of the company's short-term investments, are carried at market, with unrealized gains and losses in income.

Available for sale securities are accounted for as described in this note under (b)(i).

MILLIONS	***2005***	*2004*
Securities and financial assets under Canadian GAAP	**$ 4,240**	$ 2,977
Reclassification to equity accounted investments	**—**	(4)
Consolidation of VIEs	**—**	189
Net unrealized gains (losses) for trading securities	**(17)**	(19)
Net unrealized gains on available for sale securities	**121**	135
Securities under U.S. GAAP	**$ 4,344**	$ 3,278

(iii) Joint ventures

Under U.S. 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 for investments that would otherwise be equity accounted under U.S. GAAP and meet certain other requirements. See also Note 20.

(iv) Equity accounted investments

The company's equity accounted investments under U.S. GAAP include Norbord, Fraser Papers and other real estate and business services. During 2005, the company disposed of its investment in Falconbridge. These investments have been adjusted to reflect the cumulative impact of calculating equity accounted earnings under U.S. GAAP.

MILLIONS	***2005***	*2004*
Investment under Canadian GAAP	**$ 595**	$ 1,944
Reclassification from securities and accounts receivable and other	**—**	(94)
Accumulated other comprehensive income (loss)	**(134)**	(95)
Retained earnings adjustment	**91**	(75)
Equity accounted investments under U.S. GAAP	**$ 552**	$ 1,680

(v) Common equity

MILLIONS	***2005***	*2004*
Common equity under Canadian GAAP	**$ 4,514**	$ 3,277
Reversal of Canadian GAAP cumulative translation adjustment	**6**	(95)
Common shares	**8**	(1)
Paid in capital	**28**	45
Reclassification of convertible notes	**—**	(11)
Cumulative adjustments to retained earnings under U.S. GAAP	**61**	3
Accumulated other comprehensive income	**2**	110
Common equity under U.S. GAAP	**$ 4,619**	$ 3,328

As a result of the above adjustments, the components of common equity under U.S. GAAP are as follows:

MILLIONS	***2005***	*2004*
Common shares	**$ 1,207**	$ 1,226
Paid in capital	**28**	45
Accumulated other comprehensive income	**2**	110
Retained earnings	**3,382**	1,947
Common equity under U.S. GAAP	**$ 4,619**	$ 3,328

(d) Cash Flow Statement Differences

The summarized cash flow statement under U.S. GAAP is as follows:

MILLIONS	***2005***	*2004*
Cash flows provided from (used for) the following activities		
Operating under Canadian GAAP	**$ 830**	$ 872
Convertible note interest	**—**	(1)
Operating under U.S. GAAP	**830**	871
Financing	**1,013**	1,732
Investing	**(1,296)**	(2,581)
Net increase in cash and cash equivalents under U.S. GAAP	**$ 547**	$ 22

(e) Changes in Accounting Policies

(i) EITF 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share"

This EITF requires the measurement of the impact of certain securities or other instruments or contracts that entitle their holders to participate in undistributed earnings of the reporting entity, provided such entitlement is non-discretionary and objectively determinable in determining earnings per share. EITF 03-6 is effective for the company's 2005 fiscal year, and requires retroactive adjustment to earnings per share presented for prior periods. The adoption of this EITF did not have a material impact on the company.

(ii) FASB Interpretation 47, "Accounting for Conditional Asset Retirement Obligations"

Effective for December 31, 2005, the company adopted FASB Interpretation 47, "Accounting for Conditional Asset Retirement Obligations." This interpretation clarifies that the term, conditional asset retirement obligation, in FASB statement 143," Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value

of the liability can be reasonable estimated. The fair value of the liability for the conditional asset retirement obligation is recognized as incurred, generally when the asset is acquired, constructed or during the normal operations of the asset. The adoption of this interpretation did not have a material impact on the company.

(f) Future Accounting Policy Changes

(i) SFAS 154, "Accounting Changes and Error Corrections"

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections," which replaces APB Opinion 20, "Accounting Changes" and SFAS 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS requires retrospective application of changes in accounting principle to prior periods' financial statements unless it is impracticable to determine the period-specific effects or the cumulative effect of the change. This statement is effective for fiscal years beginning after December 15, 2005.

(ii) SFAS 123R, "Share-Based Payment"

In December 2004, the FASB issued SFAS 123R, "Share-Based Payment" ("SFAS 123R"), which establishes accounting standards for all transactions in which an entity exchanges its equity instruments for goods or services. SFAS 123R focuses primarily on accounting for transactions with employees, and carries forward without change prior guidance for share-based payments for transactions with non-employees.

SFAS 123R eliminates the intrinsic value measurement objective in APB Opinion 25 and generally requires the company to measure the cost of employee services received in exchange for an award of equity instruments based on the fair value of the award on the date of the grant. The standard requires grant date fair value to be estimated using either an option-pricing model which is consistent with the terms of the award or a market observed price, if such a price exists. Such cost must be recognized over the period during which an employee is required to provide service in exchange for the award. The standard also requires the company to estimate the number of instruments that will ultimately be issued, rather than accounting for forfeitures as they occur.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107, "Share-Based Payment," which expresses the SEC staff's views on SFAS 123R and is effective upon adoption of SFAS 123R. Pursuant to the SEC's announcement in April 2005, companies are allowed to implement the standard at the beginning of their next fiscal year, instead of their next reporting period, that begins after June 15, 2005. SFAS 123R and its related FSPs are effective for the company as of January 1, 2006. The company is assessing the impact of adopting SFAS 123R on our financial positions and results of operations, but believes that its adoption will not have a significant impact.

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) property operations, which are principally commercial 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) timberlands and infrastructure operations, which are predominantly high quality private timberlands on the west coast of Canada and in Brazil and electrical transmission and distribution systems located in northern Ontario; and

(d) specialty funds, which include the company's bridge lending, real estate finance and restructuring funds along with the company's public securities operations and are managed for the company and for institutional partners.

Non-operating assets and related revenue, cash flow and income are presented as financial assets and other.

Revenue, net income and assets by reportable segments are as follows:

	2005			2004		
MILLIONS	**Revenue**	**Net Income**	**Assets**	Revenue	Net Income	Assets
Property						
Core office properties	**$ 1,146**	**$ 690**	**$ 8,688**	$ 1,070	$ 662	$ 7,089
Residential properties	**1,936**	**496**	**1,205**	1,603	305	818
Development properties	**11**	**6**	**942**	5	1	950
Real estate services	**68**	**18**	**39**	9	5	51
Power generation	**800**	**469**	**3,568**	469	268	2,951
Timberlands and infrastructure	**170**	**64**	**1,018**	99	26	184
Specialty funds	**58**	**54**	**480**	58	48	873
Other	**282**	**147**	**6,523**	199	196	3,597
	4,471	**1,944**	**22,463**	3,512	1,511	16,513
Financial assets and other	**774**	**216**	**3,122**	383	188	1,624
Investments	**11**	**1,580**	**473**	4	332	1,870
	$ 5,256	**3,740**	**$ 26,058**	$ 3,899	2,031	$ 20,007
Cash interest and other cash expenses		**1,532**			1,137	
Depreciation, taxes and other non-cash items		**546**			339	
Net income from continuing operations		**$ 1,662**			$ 555	

Revenue and assets by geographic segments are as follows:

	2005		2004	
MILLIONS	**Revenue**	**Assets**	Revenue	Assets
United States	**$ 3,484**	**$ 12,633**	$ 2,374	$ 9,943
Canada	**1,323**	**9,463**	1,172	6,729
International	**449**	**3,962**	353	3,335
Revenue / Assets	**$ 5,256**	**$ 26,058**	$ 3,899	$ 20,007

AS AT AND FOR THE YEARS ENDED DECEMBER 31 *MILLIONS, EXCEPT PER SHARE AMOUNTS (UNAUDITED)*	***2005***	*2004*	*2003*	*2002*	*2001*
Per Common Share *(fully diluted)*					
Book value	**$ 17.72**	$ 12.76	$ 11.23	$ 9.90	$ 10.35
Cash flow from operations	**3.28**	2.32	2.14	1.58	1.37
Cash return on book equity	**21%**	19%	18%	16%	13%
Net income	**6.12**	2.02	0.78	0.14	0.65
Market trading price — NYSE	**$ 50.33**	$ 36.01	$ 20.36	$ 13.67	$ 12.04
Market trading price — TSX	**C$ 58.61**	C$ 43.15	C$ 26.49	C$ 21.17	C$ 19.17
Dividends paid	**$ 0.59**	$ 0.55	$ 0.49	$ 0.43	$ 0.43
Common shares outstanding					
Basic	**257.6**	258.7	256.1	261.2	254.7
Diluted	**270.2**	271.7	271.3	275.9	264.5
Total *(millions)*					
Total assets under management	**$49,700**	$27,146	$23,108	$19,000	$17,000
Consolidated balance sheet assets	**26,058**	20,007	16,309	14,422	13,792
Non-recourse borrowings					
Property specific mortgages	**8,756**	6,045	4,881	4,992	4,503
Other debt of subsidiaries	**2,510**	2,373	2,075	1,867	1,988
Corporate borrowings	**1,620**	1,675	1,213	1,035	826
Common equity	**4,514**	3,277	2,898	2,625	2,668
Revenues	**5,256**	3,899	3,370	3,064	3,042
Operating income	**2,355**	1,825	1,532	1,214	1,163
Cash flow from operations	**908**	626	590	469	388
Net income	**1,662**	555	232	83	201

Exhibit 99.4

CERTIFICATION

I, **J. Bruce Flatt**, certify that:

1. I have reviewed this annual report on Form 40-F of Brookfield Asset Management Inc.;

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: March 31, 2006

/s/ J. Bruce Flatt
J. Bruce Flatt
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 Brookfield Asset Management Inc.;
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: March 31, 2006

/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 Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **J. Bruce Flatt**, 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
Chief Executive Officer

March 31, 2006

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 Brookfield Asset Management Inc. (the "Company") on Form 40-F for the year ended December 31, 2005, 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

March 31, 2006

Exhibit 99.8

Deloitte.

Deloitte & Touche Corporate
Finance Canada Inc.
BCE Place
181 Bay Street
Suite 1400
Toronto ON M5J2V1
Canada

Tel: 416601-6150
Fax: 4166016151
www.deloitte.ca

INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS' CONSENT

We consent to the use of our report dated February 8, 2006, appearing in this Annual Report on Form 40-F of Brookfield Asset Management Inc. (the "Company") for the year ended December 31, 2005.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Toronto, Ontario, Canada
March 31, 2006

COMMENTS BY INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS ON CANADA — UNITED STATES OF AMERICA REPORTING DIFFERENCES

The standards of the Public Company Accounting Oversight Board (United States) require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's financial statements, such as certain of the changes described in Note 1(u) to the consolidated financial statements. Our report to the shareholders of the Company dated February 8, 2006 is expressed in accordance with Canadian reporting standards which do not require a reference to such changes in accounting principles in the report of Independent Registered Chartered Accountants when the change is properly accounted for and adequately disclosed in the financial statements.

As discussed in Note 1 (u) (i) to the consolidated financial statements, effective January 1, 2005, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline ("AcG") 15, "Consolidation of Variable Interest Entities" ("VIEs") without restatement of prior periods. AcG 15 requires consolidation of VIEs by the primary beneficiary, which is defined to include the party which has exposure to the majority of a VIE's expected losses and/or expected residual returns.

As discussed in Note 1(u) (ii) to the consolidated financial statements, the Company adopted an amendment to CICA Handbook Section 3860, "Financial Instruments — Disclosure and Presentation" ("CICA 3860"), retroactively with restatement of prior periods. The amendment to CICA 3860 requires financial instruments that may be settled in cash or the equivalent value of a variable number of the issuer's equity instruments to be presented as a liability.

Deloitte & Touche LLP

Independent Registered Chartered Accountants
Toronto, Ontario, Canada
March 31, 2006