

05.



# Management's Discussion and Analysis of Financial Results

## **PART 1 – INTRODUCTION**

The information in this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with our consolidated financial statements, which are included on pages 45 through 51 of this report.

### **BUSINESS OVERVIEW**

Brascan Brazil is an asset management company, focused on real estate, renewable power generation, timberlands, agrilands and financial & advisory services.

We have established leading operating platforms in these sectors and, through them, own and manage a broad portfolio of high quality assets that generate long-term cash flows and opportunities for value creation for our clients and us. We create value for our shareholders by increasing, over time, the cash flows generated by managing these assets for our clients as well as from the capital that we have invested alongside our clients.

### **BASIS OF PRESENTATION**

We have organized the MD&A on a basis that is consistent with how we operate the business. We organize our activities into individual operating platforms that focus on specific business segment. These platforms include residential properties, retail properties, renewable power generation, agrilands, timberlands, and financial and advisory services.

We use operating cash flow as a key measure of our financial performance. This is a non-GAAP measure and differs from net income, and may differ from definitions of operating cash flow used by other companies. We define operating cash flow as net income prior to such items as depreciation and amortization, future income tax expense and certain non-cash items that in our view are not reflective of the underlying operations.

We provide reconciliations between this basis of presentation in the MD&A and our consolidated financial statements. In particular, we reconcile operating cash flow and net income on page 38. The tables on pages 42, 43 and 44 provide reconciliation between our consolidated financial statements and basis of presentation used herein.

All financial data included in this Annual Report has been prepared in accordance with accounting practices adopted in Brazil (“BRGAAP”) and specified non-GAAP measures unless otherwise noted. All figures are presented in U.S. dollars, for the convenience of users, and result from the translation using the exchange rates prevailing at the end of each period (2007 – USD1.00:R\$1.771, 2006 – USD1.00:R\$2.138). Such conversion method shall not be construed as if the amounts in U.S. dollars represent or might be translated into Brazilian reais, using the abovementioned foreign exchange rates or any other.

Sérgio L. Campos – Chief Financial Officer

Nilton L. F. Oliveira – Controller

## PART 2 – PERFORMANCE REVIEW

### SUMMARY

Operating cash flow totaled \$377.4 million for the year compared with \$483.3 million in 2006. This represents a decrease of 22% over 2006. Excluding the impact of realization gains operating cash flows increased by 276% over the comparable 2006 results.

For the years ended December 31 (million)	2007	2006
OPERATING CASH FLOW		
TOTAL	\$ 377.4	\$ 483.3
PRIOR TO REALIZATION GAINS	173.5	46.1

We continued to make progress in expanding our activities and associated income through the acquisition of additional assets, expansion of existing assets and new projects in different areas of Brazil. This has resulted in increases in both assets and capital under management.

The decrease in 2007 operating cash flow from the 2006 results reflected a higher level of realization gains in the previous year despite the expansion of our operating platform through acquisitions and the development of greenfield projects.

Realization gains contributed \$203.9 million during 2007 compared with \$437.2 million in 2006. Realization gains are gains or losses that arise on transactions involving long-term assets and liabilities, such as a disposition or change in ownership. The timing of realization gains is, due to their nature, difficult to predict, however, they do reflect a portion of the increase in the underlying value of our operations and represent an important part of our long-term returns.

The following table presents net income for the past two years. We do not utilize net income as a key metric in assessing the performance of our business because, in our view, it contains measures that may distort the ongoing performance and intrinsic value of the underlying operations. Nevertheless we recognize the importance of net income as a key measure for many users and provide a full discussion of our net income and a reconciliation to operating cash flow.

For the years ended December 31 (million)	2007	2006
NET INCOME		
TOTAL	\$ 319.2	\$ 433.3
PRIOR TO REALIZATION GAINS	115.3	(3.9)

Net income prior to realization gains was \$115.3 million compared with a loss of \$3.9 million last year. The increase in 2007 over 2006 reflects increases in operating cash flow noted above. We reconcile net income to operating cash flow on page 38.

We measure our performance against specific criteria which are set out in the following table together with our annual performance over the past two years:

For the years ended December 31 (million)	2007	2006
OPERATING CASH FLOW	\$ 377.4	\$ 483.3
CASH RETURN ON BOOK EQUITY	26%	57%

We achieved a 26% cash return on equity during 2007 and a 41% average return over the past two years.

## SEGMENTED OPERATING RESULTS

The following table presents our operating cash flow for the past two years on a segmented operating results basis:

For the years ended December 31 (million)	2007	2006
OPERATING PLATFORMS	\$ 220.5	\$ 154.4
CASH AND FINANCIAL ASSETS	181.8	94.0
REALIZATIONS GAINS	203.9	437.2
	606.2	685.6
UNALLOCATED COSTS	(228.8)	(202.3)
	<u>\$ 377.4</u>	<u>\$ 483.3</u>

Our operating platforms contributed with \$173.5 million of operating cash flow prior to realization gains, representing an increase of 276% over 2006, due to continued growth and strong performance in a number of our operations. We discuss these results in greater detail in the Operating Platforms Section beginning on page 33.

Investment income generated from our financial assets increased to \$181.8 million reflecting a higher level of investment gains over the prior year.

Realization gains were significantly higher in 2006, as we realized gains on the monetization of a number of our long-term assets during that year.

## ASSETS UNDER MANAGEMENT

The following table presents the book values of total Assets under Management at the end of December 31, 2007 and December 31, 2006, including our interests and those of our co-investors.

As at December 31 (million)	Total assets under management		Consolidated assets	
	2007	2006	2007	2006
OPERATING PLATFORMS				
RESIDENTIAL PROPERTIES	\$ 1,097.9	\$ 1,183.8	\$ 1,097.9	\$ 1,183.8
RETAIL PROPERTIES	1,578.2	317.8	1,578.2	317.8
RENEWABLE POWER GENERATION	891.5	420.1	728.9	359.4
AGRILANDS	184.1	76.1	184.1	76.1
TIMBERLANDS	70.0	52.3	70.0	52.3
FINANCE & ADVISORY	1,136.0	764.1	811.4	549.2
	4,957.7	2,814.2	4,470.5	2,538.6
PRIVATE EQUITY INVESTMENTS	39.9	186.0	39.9	186.0
CASH AND FINANCE ASSETS	216.2	108.0	216.2	108.0
OTHER ASSETS	218.1	39.4	218.1	39.4
TOTAL ASSETS	<u>\$ 5,431.9</u>	<u>\$ 3,147.6</u>	<u>\$ 4,944.7</u>	<u>\$ 2,872.0</u>

Assets under Management were impacted by significant transactions during 2007. The acquisition of Plaza Shopping Trust increased total Assets under Management within our operating platforms by \$948 million.

We also acquired \$8.9 million of private timberlands in the state of Minas Gerais, \$78.4 million of rural land in the states of Mato Grosso and Mato Grosso do Sul and \$160 million of hydroelectric plants in Minas Gerais.

Within our advisory group, Assets under Management at the end of 2007 reached \$1.1 billion.

Finally, the increase in the value of the Brazilian real against the U.S. dollar increased the carrying values of most of the assets.

## OPERATING PLATFORMS

In this section, we review the results of our principal operating platforms. Further details on our activities can be found in Section 2 – Investment Portfolio beginning on page 9.

The following table presents our operating cash flows for the past two years on a segmented basis. The results are classified by operating platforms.

For the years ended December 31 (million)	Operating Cash Flow	
	2007	2006
<b>OPERATING PLATFORMS</b>		
RESIDENTIAL PROPERTIES	\$ 91.2	\$ 55.0
RETAIL PROPERTIES	34.8	31.8
RENEWABLE POWER GENERATION	75.4	44.4
AGRILANDS	1.1	1.7
TIMBERLANDS	7.2	5.0
FINANCE & ADVISORY	10.8	16.5
CASH AND FINANCIAL ASSETS	181.8	94.0
REALIZATIONS GAINS	203.9	437.2
	606.2	685.6
<b>UNALLOCATED COSTS</b>		
FINANCING	(115.2)	(128.9)
OPERATING COSTS	(20.4)	(25.6)
CURRENT INCOME TAXES	(93.2)	(47.8)
	\$ 377.4	\$ 483.3

## RESIDENTIAL PROPERTIES

The total operating cash flows contributed by our residential properties operations reached \$91.2 million in 2007 a 66% increase when compared to 2006 (\$55 million).

Our residential properties operations achieved exceptional growth in 2007, boosted by stable economic growth and strong consumer demand for new housing in Brazil, and supported by the availability of mortgage financing at lower interest rates.

The following table summarizes main figures of our residential property operations:

Operating and Financial Information (million)	2007	2006	Change
CONTRACTED SALES	\$ 402.6	\$ 170.6	136.0%
LAUNCHES	\$ 566.3	\$ 176.8	220.3%
LAND BANK	\$ 5,851.3	\$ 2,610.4	124.2%
LAND BANK (SQUARE METERS)	\$ 4.6	\$ 2.2	109.4%

Brascan Residential Properties successfully launched projects in the mid-low, middle, mid-high and high income segments, achieving its plan in the metropolitan regions of the Rio de Janeiro and São Paulo cities of \$566.3 million in new projects – 220% over 2006.

The Company took advantage of the booming mortgage market by establishing partnerships with leading financial institutions to finance construction and client sales. Sales for 2007 increased 136% from 2006 as a result of increased launches and extended credit terms.

We started nine developments during 2007, which set a Company record of \$566.3 million in General Sales Value (GSV), a 220.3% increase over 2006. Of this total, the state of São Paulo represented 58.8% of the launches with the rest being launched in the state of Rio de Janeiro. In 2006, the Company only launched projects in the second half of the year whereas in 2007 it launched projects throughout the year. They were:

	State	Date	Area	Units	PSV *
SANTA MONICA JARDINS (2ND PHASE)	RJ	1Q07	58,393	80	48.0
ACQUARE CAMPOS BASIN BELLO	SP	1Q07	18,024	112	33.9
NORTE VILLAGE	RJ	2Q07	26,314	435	33.9
SANTA MONICA JARDINS CONDO. CLUB (2ND PHASE)	RJ	3Q07	39,208	160	91.5
BRASCAN CENTURY PLAZA	SP	3Q/4Q07	86,283	891	192.5
MOOCA CONDOMINIUM CLUB	SP	3Q07	16,039	132	29.9
ITAÚNA GOLD	RJ	4Q07	20,589	74	59.8
VILLA AMALFI (2ND PHASE)	SP	4Q07	29,975	178	48.0
UNIQUENESS	SP	4Q07	12,580	51	28.8
			307,405	2,113	566.3

\* PSV: Potential Sales Value

## RETAIL PROPERTIES

### Retail

The acquisition of properties within our retail fund resulted in increases in Assets under Management and consolidated assets, and the Brascan Brasil Real Estate Partners (Retail Fund) is now effectively fully invested.

Total operating cash flows increased to \$34.8 million in 2007 compared to \$31.8 million in 2006. The increase reflects the impact of acquisitions and higher sales within existing properties.

### RIO DE JANEIRO

	GLA 2007	Sales per m <sup>2</sup>	Occupancy rate	Visits per year
RIO SUL SHOPPING	50,000 M <sup>2</sup>	\$ 8,572	96.0%	19 MILLION
BOTAFOGO PRAIA SHOPPING	15,500 M <sup>2</sup>	\$ 6,269	99.6%	10 MILLION
MADUREIRA SHOPPING	38,500 M <sup>2</sup>	\$ 4,575	97.3%	16 MILLION

**SÃO PAULO**

	<b>GLA 2007</b>	<b>Sales per m<sup>2</sup></b>	<b>Occupancy rate</b>	<b>Visits per year</b>
SHOPPING PÁTIO PAULISTA	22,784 M <sup>2</sup>	\$ 9,790	93.50%	15 MILLION
SHOPPING PÁTIO HIGIENÓPOLIS	25,672 M <sup>2</sup>	\$ 10,235	95.40%	10 MILLION
WEST PLAZA SHOPPING	39,000 M <sup>2</sup>	\$ 5,789	84.00%	23 MILLION
BRASCAN OPEN MALL	3,100 M <sup>2</sup>	\$ 5,074	100.00%	2 MILLION
RAPOSO SHOPPING	14,824 M <sup>2</sup>	\$ 4,487	94.50%	5 MILLION
MOGI SHOPPING	29,138 M <sup>2</sup>	\$ 3,196	75.00%	5 MILLION
SHOPPING PIRACICABA	27,304 M <sup>2</sup>	\$ 3,683	94.40%	7 MILLION
MOGI MIRIM SHOPPING (1)	18,000 M <sup>2</sup>	N/A	N/A	N/A
SHOPPING VILA OLÍMPIA (1)	25,850 M <sup>2</sup>	N/A	N/A	N/A

(1) Property under construction

**MINAS GERAIS**

	<b>GLA 2007</b>	<b>Sales per m<sup>2</sup></b>	<b>Occupancy rate</b>	<b>Visits per year</b>
ITAÚPOWER SHOPPING	32,733 M <sup>2</sup>	\$ 4,296	84.50%	14 MILLION
SHOPPING CIDADE	18,630 M <sup>2</sup>	\$ 7,266	98.30%	20 MILLION

**PARANÁ**

	<b>GLA 2007</b>	<b>Sales per m<sup>2</sup></b>	<b>Occupancy Rate</b>	<b>Visits per year</b>
CRYSTAL SHOPPING	12,940 M <sup>2</sup>	\$ 4,530	97.10%	3.5 MILLION

Upon the creation of the Retail Fund, we received proceeds of \$251 million in 2006 and recorded a gain of \$78.1 million through the sale of some of our own assets to the Fund. The Plaza Trust acquisitions at the end of 2007 added 1.7 million feet of high quality retail space that is expected to generate increased cash flows in 2008.

**PROPERTY MANAGEMENT**

Through Brascan Property Management Company we manage 14 retail properties – 12 of which are owned by the fund – located in the states of Rio de Janeiro, São Paulo and Minas Gerais. With a workforce of 120 management professionals and support staff, Brascan Property Management Company performs a full range of property management services. These services include permanent leasing, temporary leasing and other alternate income programs, individual property and portfolio wide marketing projects, facilities management and related services.

The Company emphasizes excellence in its leasing execution while staying focused on maintaining optimal operational efficiencies.

**RENEWABLE POWER GENERATION**

Our renewable power generation platform contributed total operating cash flow of \$75.4 million during 2007 compared to \$44.4 in 2006. This represents an increase of \$31 million or 70% over 2006 due to the acquisition of new power plants and the start up of the Ponte Alta and Jauru plants, increasing our installed capacity by 90.8 MW which represented a 40.9% increase over 2006.

The increase in operating cash flows over the past number of years has increased the value of our existing assets enabling us to arrange project financing while continuing to maintain a conservative investment grade capitalization.

We have added 15 facilities through acquisitions and development at a total cost of \$433 million.

We believe the intrinsic value of our power assets is much higher than the book value because the assets have either been acquired or developed at attractive prices.

We have also been successful in acquiring or developing our facilities on an attractive basis and higher fossil fuel prices have resulted in a significant increase in interest for hydroelectricity assets, which have very low operating costs.

Operating Plants	Ownership %	Capacity MW	2007 Generation (GWh)	River	State
PASSO DO MEIO	100	30.0	172.3	ANTAS	SUL
PEDRINHO	80	16.2	70.5	PEDRINHO	PARANÁ
SALTO NATAL	90	15.1	78.1	MOURÃO	PARANÁ
<b>TOTAL SOUTH REGION</b>		61.3	320.9		
SALTO CORGÃO	50	27.0	145.8	CORGÃO	MATO GROSSO
PONTE ALTA (1)	80	13.0	21.0	COXIM	MATO GROSSO DO SUL
PIRANHAS	70	18.0	67.1	PIRANHAS	GOIÁS
RIACHÃO (2)	100	13.4	50.7	PIRACANJUBA	GOIÁS
SALTO (3)	70	19.0	17.0	JAURU	MATO GROSSO
<b>TOTAL MID WEST REGION</b>		90.4	301.7		
PONTE	100	24.4	121.5	POMBA	MINAS GERAIS
GRANADA	100	15.8	63.9	MATIPÓ	MINAS GERAIS
ANNA MARIA	100	1.5	9.4	PINHO	MINAS GERAIS
GUARY	100	5.4	24.4	PINHO	MINAS GERAIS
BENJAMIN BAPTISTA	100	9.0	36.2	MANHUAÇU	MINAS GERAIS
ORMEO J. BOTELHO	100	22.7	95.4	GLÓRIA	MINAS GERAIS
IVAN BOTELHO II	100	12.4	60.0	POMBA	MINAS GERAIS
IVAN BOTELHO III	100	24.4	98.8	POMBA	MINAS GERAIS
EMBOQUE (4)	100	21.6	24.6	MATIPÓ	MINAS GERAIS
ERVÁLIA (4)	100	7.0	5.4	BAGRES	MINAS GERAIS
NEBLINA (4)	100	6.5	11.1	MANHUAÇU	MINAS GERAIS
CORONEL DOMICIANO (4)	100	5.0	7.7	FUMAÇA	MINAS GERAIS
SINCERIDADE (4)	100	1.4	1.4	MANHUAÇU	MINAS GERAIS
MAURÍCIO (4)	100	1.3	1.4	NOVO	MINAS GERAIS
ROÇA GRANDE (4)	100	0.8	0.5	MANHUAÇU	MINAS GERAIS
MIGUEL PEREIRA (4)	100	0.7	0.7	MURIAÉ	MINAS GERAIS
MATIPÓ (4)	100	0.4	0.6	MATIPÓ	MINAS GERAIS
SANTA CECILIA (4)	100	0.4	0.4	BOM SUCESSO	MINAS GERAIS
CACHOEIRA ALTA (4)	100	0.3	0.3	JEQUITIBÁ	MINAS GERAIS
<b>TOTAL SOUTH EAST REGION</b>		161.0	563.7		
<b>TOTAL OPERATING PLANTS</b>		312.7	1,186.2		

1 – Started operations on Jun/07. 2 – Started operations on Apr/07. 3 – Started operations on Oct/07. 4 – Acquired on Ago/07

## AGRILANDS

We manage a herd of approximately 70,000 head of cattle, produce rubber, soybeans, corn, and pineapple, and have approximately 13,000 hectares dedicated to sugarcane production linked to long-term contracts with sugar and ethanol mills.

Total operating cash flow decreased to \$1.1 million from \$1.7 million due to some non-recurring general and administrative expenses.

Improved management of current uses, converting land uses to higher and better use, and infrastructure investment is expected to increase both operating income and land value.

During 2007 we expanded our rural land investments by \$78.4 million through the acquisition of approximately 47,000 hectares of prime agricultural land in privately sourced transactions.

## TIMBERLANDS

Timberlands operations contributed operating cash flow of \$7.2 million during 2007 compared with \$5.0 million in 2006. The increased contribution during 2007 reflects improved performance by our operations, as we increased our harvesting activities, which provided us with surplus inventory to work with. Pricing was also better than expected.

The largest increase in the financial position of our timberlands operations was the acquisition from RDM, a subsidiary of Vale (formerly Vale do Rio Doce), of approximately 16,000 hectares of eucalyptus plantations and associated forest reserves for \$8.9 million in the state of Minas Gerais.

## FINANCE & ADVISORY SERVICES

### Finance services

The total contribution from the Finance & Advisory service reached \$217.8 million from \$16.5 million in 2006. 2007 results were heavily influenced by the realization of gains related to the sale of BOVESPA and BM&F shares on the companies' IPOs.

- BOVESPA and BM&F IPOs: We sold BOVESPA and BM&F shares with a net result (after tax) of \$170.3 million.
- BNYM: We sold our 20% stake in this JV for \$27.4 million with a net result of \$19 million.

### Insurance brokerage

Our insurance operations are conducted through Brascan Corretora de Seguros (BCS) a wholly-owned insurance brokerage company, in charge of managing insurance needs for all of our operations comprising property, civil and casualty insurance as well as third party services.

BCS capabilities on specific products, especially those related to hydro plants, real estate properties and performance bonds allowed the Company to serve third party clients.

## CASH AND FINANCIAL ASSETS

Income from our cash and financial assets increased to \$181.8 million from \$94.0 million in the previous year.

The Brazilian Central Bank process of decreasing domestic interest rates was maintained until the 3rd quarter of 2007. During the 4th quarter of 2007, concerns related to inflation pressures coming from the international markets as well as the effects of strong and constant appreciation of commodity and energy prices halt the declining interest rates process.

## FINANCING COSTS

Financing costs include interest expense on corporate borrowings and certain subsidiary borrowings as set out in the following table.

<b>For the years ended December 31 (million)</b>	<b>2007</b>	<b>2006</b>	<b>Variance</b>
CORPORATE BORROWINGS	\$ 22.0	\$ 29.9	\$ (7.8)
PROPERTY BORROWINGS	22.6	18.3	4.3
SUBSIDIARY BORROWINGS	70.6	80.7	(10.1)
	\$ 115.2	\$ 128.9	\$ (13.7)

Interest on corporate borrowings decreased during the year due to a lower level of average borrowings that were incurred in the course of expanding our operating base.

## OPERATING COSTS

Operating costs include the costs of our asset management activities as well as costs which are not directly attributable to specific business units. Corporate and asset management costs decreased from \$25.6 million in 2006 to \$20.4 million in 2007 on a net basis, due to non-recurring expenses which are not directly related to specific operating segment.

We have continued to invest in our business as we grow, which has resulted in higher operating costs. Furthermore we have and also incurred a number of transaction and other costs related to growth initiatives. We believe this investment will enable us to expand our business without a commensurate increase in costs, thereby resulting in expanded margins.

## NET INCOME

Net income was \$319.2 million in 2007, compared to \$433.3 million in 2006. The decline reflects the lower level of realization gains in 2007.

These items more than offset the increase in operating cash flow from our ongoing operations. Net income is also reduced by depreciation and amortization with respect to assets purchased since the latter portion of 2006. In our view, these assets will generate increasing cash flows over an extended period of time and require sustaining capital expenditures well below the amount of depreciation and amortization being recorded.

The following table reconciles net income and operating cash flow:

<b>For the years ended December 31 (million)</b>	<b>2007</b>	<b>2006</b>
OPERATING CASH FLOW	\$ 377.4	\$ 483.3
NON CASH ITEMS		
DEPRECIATION AND AMORTIZATION	(33.4)	(20.2)
EQUITY INCOME	25.7	12.2
FUTURE INCOME TAX	4.7	(12.9)
NON CONTROLLING INTERESTS	(55.2)	(29.1)
NET INCOME	\$ 319.2	\$ 433.3

Depreciation and amortization increased to \$33.4 million from \$20.2 million due to the acquisition of additional assets in a number of segments during 2006 and 2007.

## REALIZATION GAINS

Net realization gains in 2007 reached \$203.9 million and included the previously mentioned sale of BOVESPA and BM&F shares during their respective IPO's, a joint venture interest within our financial operation and the

sale of our interest in transmission lines to a related party – Brookfield Infrastructure Partners, a specialty issuer listed on the New York Stock Exchange.

Realization items during 2006 included gains on the formation of our publicly listed residential properties subsidiary, the formation of our Brazilian retail property fund and on the sale of our interests in a joint venture with the Accor Group of France.

#### CORPORATE BORROWINGS

Our corporate borrowings have an average term of 9 years and more than 50% of the maturities extend beyond 2012.

Additionally, to that we hold cash and financial assets and have committed undrawn bank facilities that are available to fund shorter-term maturities if we determine that this approach results in a lower cost of capital.

Years ended December 31 (million)	2008	2009	Beyond	Total
CORPORATE BORROWINGS – SHAREHOLDERS	\$ 3.3	\$ -	\$ 177.0	\$ 180.3
OTHERS	12.1	20.4	-	32.5
	\$ 15.4	\$ 20.4	\$ 177.0	\$ 212.8

#### PROPERTY-SPECIFIC AND SUBSIDIARY BORROWINGS

Property-specific financings and subsidiary borrowings have no recourse to the corporation except for a limited number of exceptions, and are typically secured only by the specific assets or operations being financed. In particular, subsidiary borrowings include \$86.9 million (2006 – \$73 million) of financial obligations that are guaranteed by the Corporation.

Years ended December 31 (million)	2008	2009	Beyond	Total
PROPERTY-SPECIFIC	\$ 54.5	\$ 19.7	\$ 74.6	\$ 148.8
SUBSIDIARY BORROWINGS	509.0	53.8	276.8	839.6

We have, as a subsidiary borrowing, a short-term debt of \$186.5 which matures in January 2008. As at December 31, 2007 the subsidiary had already entered in to on agreement with a creditor to be refinance this debt on a medium-term basis (up to three years).

#### SHAREHOLDERS' EQUITY

The book value of our equity increased by 59% during 2007 as illustrated in the following table:

As at December 31 (million)	2007	2006
COMMON EQUITY – BOOK VALUE	\$ 1,796.5	\$ 1,129.1

#### OUTLOOK

The fundamentals in most of our businesses are very positive. The country has been maintaining its conservative approach on monetary and fiscal policies for more than ten years and the results have been appearing in the last five. The surplus on the Balance of Trade and on the Budget, the levels of GDP's growth with inflation under control, and the appreciation of the currency have been generating enormous interest from our investment. Our 100-year plus history in Brazil is a significant competitive advantage compared to most of our competitors.

Historically, Brazil has experienced a period of high inflation, and as a result, in 1994, the Brazilian government adopted a stabilization plan and has achieved important progress on this matter. In 1999, the Brazilian Central Bank adopted the Inflation Target methodology. The Monetary Committee (COPOM) holds monthly meetings to evaluate the different macroeconomic indicators and establish the basic interest rate (Selic) for the next

period. CPI (IPCA) in 2006 was 3.14% and in 2007 was 4.46%, which was below the target core of 4.5%. The conservative budget approach generated a primary surplus of 4.32% of the country's GDP in 2006 and 3.98% in 2007. Between 2006 and 2007, the basic interest rate (Selic) decreased 150 basis points, falling from 13% in January 2006 to 11.5% in September 2007. In the 4th quarter of 2007, the COPOM maintained a stable Selic rate, responding to inflationary pressure stemming from world commodity price escalation.

The Brazilian macroeconomic scenario during 2006 and 2007 was characterized by a strong trade balance surplus, international reserves that exceed international debt, large volumes of foreign direct investment, and steady appreciation of the Brazilian currency (real). From January 1, 2006 to December 31, 2007 the real appreciated 23.9% over the U.S. dollar (8.5% on 2006 and 16.7% on 2007).

Today the Brazilian macroeconomic scenario is characterized by a strong trade balance surplus, international reserves that exceed international debt, large volumes of foreign direct investment, and steady appreciation of the Brazilian currency (real).

From January 1, 2006 to December 31, 2007 the real appreciated 23.9% over the U.S. dollar (8.5% on 2006 and 16.7% on 2007).

We continue to transition most of our operations to funds in order to expand our operations through asset management activities. Our client base and the amount of capital committed to us, which should increase the capital available to invest and lead to growth in asset management income and Assets under Management.

We are well capitalized with access to liquidity from our own balance sheet as well as our clients, financial partners and capital markets. We believe the breadth of our operating platform and our disciplined approach to investing should enable us to continue to invest capital on a favorable basis.

Residential properties markets remain very strong. The availability of long-term mortgage financing and lower interest rates have generated enormous demand, because of a residential deficit in the country estimated to be 8 million units. In response to this demand, our residential operations created a new line of products dedicated to mid-low clients. The first launchings of these products had very strong demand with a speed of sales higher than those seen on the high end products.

Our renewable power generation operations has been benefiting from strong demand as a result of consumption growth that is approximately 20% higher than GDP. Hydroelectric generation represents three-quarters of Brazil's generating capacity, but typically makes up more than 90% of energy production as the dispatch system is based on generation costs. Despite having developed close to 80,000 MW of hydroelectric capacity, Brazil has exploited slightly less than one-third of its technical potential (260,000 MW), which will allow for significant long-term hydroelectric development. However, very little of Brazil's hydroelectric potential is at an advanced stage of development, with only 4,200 MW of capacity currently under construction and only 1,200 MW of construction-ready projects, representing together only one year of projected capacity need. In addition, much of Brazil's remaining large scale hydroelectric capacity is located in increasingly remote areas, such as the Amazon, far from load centers in the more populous and industrialized southern regions of the country, and will need significant transmission infrastructure to provide new access to load centers. Even if Brazil is successful in bringing online all 30,000 MW of hydroelectric projects in the pipeline, 20,000 MW of new thermal capacity (more costly) would still be required to meet projected load growth over the next 10 years.

Retail properties sales have been growing at a Compound Average Growth Rate (CAGR) of 10% during the last 7 years and shopping center sales at a level of 12% *per annum*. This performance has been fueled by demographics, GDP growth, lower interest rates and longer terms for consumer credit. Further contributing to shopping center sales growth has been a high degree of social mobility in the country. Recent data showed 22 million people upgrading from E and D classes to C (middle class) in the last few years. In the shopping center industry, the correlation between sales and cost of leasing space is very high and in some of our properties we are achieving average lease prices higher than the U.S. average.

The global demand for food has been growing at rates higher than those of production and we have been seeing a constant appreciation of commodities prices. The prices of the main grains produced in the country rose sharply in 2007. As an example, soybean and corn prices rose 63% and 31%, respectively, and the price of beef reached record levels (36% increase over 2006). Ethanol consumption has been growing at very high rates (CAGR of 31% as in the last 7 years), as over 80% of new cars sold in the country are "flexfuel" vehicles, confirming our expectations and strategy.

We expect to experience high demand and good prices considering the shortage of forests. Brazilian and global pulp and paper industries are driving up demand. Brazil is well positioned to attend the global demand and, as a result, is receiving large investments in the sector, as Aracruz, Cenibra and VCP, among others, continue to aggressively expand their businesses. A similar effect on the steel industry, high local and global high demand is being supplied by Brazilian producers. Brazilian forests are environmentally and sustainably correct, guaranteeing special positioning in the international market. Brazilian exporters quickly adapted their export destinations to avoid the temporary depression of lower demand and pricing on some timber originally earmarked for the U.S. markets due the weakness in the homebuilding sector. On the other hand, the strong activity on the Brazilian residential market has generated an increase in the demand for some other kinds of timber appropriate for flooring, molding and doors.

We expect a continuous increase in the return of our Finance & Advisory operations as a result of the favorable business environment in the country and the growth of the M&A and capital markets activities.

We will continue to manage our business with the objective of reducing the impact of short-term market fluctuations through the use of long-term revenue contracts and long-term financings, among other measures. This approach to business makes us confident that we will meet our ongoing cash flow growth and value creation performance targets.

### **PART 3 – OUR STRATEGY**

We are a Brazilian asset management company focused on property, power, agriculture and timber assets. Our goal is to establish ourselves as an asset manager of choice for investment clients who wish to benefit from the ownership of these types of assets in Brazil. Being in the country for more than a century, we have spent many years building high quality operating platforms that enable us to acquire, finance and optimize the value of assets for our own benefit, and for our clients whose capital we manage.

We believe that the best way to create long-term value is to generate increasing operating cash flows, measured over a very long period of time. Accordingly, we concentrate on high quality long-life assets that generate sustainable cash flows, require minimal sustaining capital expenditures and tend to appreciate in value over time. Often these assets will benefit from some form of barrier to entry due to regulatory, physical or cost structure factors. Consistent with this focus, we own and operate large portfolios of urban land, retail properties, hydroelectric power generating stations, private timberlands and agrilands that, in our opinion, share these common characteristics. These assets represent important components of the infrastructure that supports the global economy.

We believe the demand from institutional investors to own assets of this nature is increasing as they seek to earn increasing yields to meet their investment objectives. This increased capital, when coupled with new investment opportunities, should increase our Assets under Management and the associated income as well as direct investment returns, thereby increasing shareholder value.

These assets, in our view, represent attractive alternatives to traditional fixed income investments, providing in many cases a “real return” that increases over time, relatively low volatility and strong capital protection. There is a substantial supply of investment opportunities in the form of existing assets as well as the need for continued development in an ever expanding Brazilian economy. At the same time there are relatively few organizations focused on managing assets of this nature as a primary focus on their strategy.

Our strategy for growth is centered on expanding our Assets under Management, which should lead to increased fee revenues and opportunities to earn performance returns. We plan to achieve this within our existing operating platforms by developing and acquiring platforms to operate new asset classes that demonstrate characteristics that are similar to our existing assets.

RECONCILIATION OF SEGMENTED DISCLOSURE TO CONSOLIDATED FINANCIAL STATEMENTS

Balance Sheet

As of December 31, 2007

(million)	Residential Properties	Retail Properties	Renewable Power Generation	Agrilands	Timberlands	Financial and Advisory	Corporate	Consolidated
<b>ASSETS</b>								
CASH AND EQUIVALENTS	\$ 292.2	\$ 145.7	\$ 13.0	\$ 19.6	\$ 7.6	\$ 536.7	\$ 216.2	\$ 1,231.0
ACCOUNTS RECEIVABLE	311.3	28.2	17.5	3.9	2.4	10.0	11.0	384.3
LENDING OPERATIONS	-	-	-	-	-	70.9	-	70.9
INVENTORIES	316.1	-	1.0	11.9	0.2	-	0.6	329.8
INTERBANK ACCOUNTS – RESTRICTED DEPOSITS	-	-	-	-	-	81.9	-	81.9
OTHER ASSETS	84.0	29.4	118.5	4.1	2.7	119.7	190.0	548.4
INVESTMENTS	3.1	-	174.0	12.2	4.2	(10.1)	39.4	222.8
FIXED AND DEFERRED ASSETS	<u>91.2</u>	<u>1,374.9</u>	<u>404.9</u>	<u>132.4</u>	<u>52.9</u>	<u>2.3</u>	<u>17.0</u>	<u>2,075.6</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,097.9</b>	<b>\$ 1,578.2</b>	<b>\$ 728.9</b>	<b>\$ 184.1</b>	<b>\$ 70.0</b>	<b>\$ 811.4</b>	<b>\$ 474.2</b>	<b>\$ 4,944.7</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>								
INTERBANK AND TIME DEPOSITS, AND MONEY								
MARKET FUNDING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309.8	\$ -	\$ 309.8
LOANS AND FINANCING	160.7	460.4	144.5	0.6	8.4	3.8	210.0	988.4
DEFERRED INCOME AND SOCIAL								
CONTRIBUTION TAXES	24.7	12.2	-	-	-	-	17.0	53.9
OTHER LIABILITIES	79.3	763.9	24.5	24.4	9.4	166.1	249.6	1,317.2
MINORITY INTEREST	280.2	179.2	15.8	1.4	2.1	0.2	-	478.9
EQUITY	<u>553.0</u>	<u>162.5</u>	<u>544.1</u>	<u>157.7</u>	<u>50.1</u>	<u>331.5</u>	<u>(2.4)</u>	<u>1,796.5</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,097.9</b>	<b>\$ 1,578.2</b>	<b>\$ 728.9</b>	<b>\$ 184.1</b>	<b>\$ 70.0</b>	<b>\$ 811.4</b>	<b>\$ 474.2</b>	<b>\$ 4,944.7</b>

## Balance Sheet

As of December 31, 2006

(million)	Residential Properties	Retail Properties	Renewable Power Generation	Agrilands	Timberlands	Financial and Advisory	Corporate	Consolidated
<b>ASSETS</b>								
CASH AND EQUIVALENTS	\$ 337.8	\$ 170.3	\$ 23.0	\$ 8.3	\$ 2.2	\$ 370.7	\$ 108.0	\$ 1,020.3
ACCOUNTS RECEIVABLE	291.7	18.3	13.9	4.6	2.2	13.0	1.8	345.5
LENDING OPERATIONS	-	-	-	-	-	64.9	-	64.9
INVENTORIES	215.8	0.4	-	4.9	0.2	-	1.9	223.2
INTERBANK ACCOUNTS – RESTRICTED DEPOSITS	-	-	-	-	-	0.1	-	0.1
OTHER ASSETS	260.2	10.2	33.7	2.5	3.0	82.9	28.6	421.1
INVESTMENTS	2.3	-	28.3	10.1	3.6	15.5	188.9	248.7
FIXED AND DEFERRED ASSETS	<u>76.0</u>	<u>118.6</u>	<u>260.5</u>	<u>45.7</u>	<u>41.1</u>	<u>2.1</u>	<u>4.2</u>	<u>548.2</u>
<b>TOTAL ASSETS</b>	<b>\$ 1,183.8</b>	<b>\$ 317.8</b>	<b>\$ 359.4</b>	<b>\$ 76.1</b>	<b>\$ 52.3</b>	<b>\$ 549.2</b>	<b>\$ 333.4</b>	<b>\$ 2,872.0</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>								
INTERBANK AND TIME DEPOSITS, AND MONEY								
MARKET FUNDING	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279.9	\$ -	\$ 279.9
LOANS AND FINANCING	171.2	105.1	100.4	0.9	6.6	2.8	6.2	393.2
DEFERRED INCOME AND SOCIAL								
CONTRIBUTION TAXES	47.2	-	-	-	-	-	15.7	62.9
OTHER LIABILITIES	66.8	12.8	19.2	13.0	3.8	86.9	470.5	673.0
MINORITY INTEREST	209.4	39.1	12.5	1.4	1.7	69.8	-	333.9
EQUITY	<u>689.2</u>	<u>160.8</u>	<u>227.3</u>	<u>60.8</u>	<u>40.2</u>	<u>109.8</u>	<u>(159.0)</u>	<u>1,129.1</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,183.8</b>	<b>\$ 317.8</b>	<b>\$ 359.4</b>	<b>\$ 76.1</b>	<b>\$ 52.3</b>	<b>\$ 549.2</b>	<b>\$ 333.4</b>	<b>\$ 2,872.0</b>

Results from Operation  
For the year ended December 31, 2007

(million)	Residential Properties	Retail Properties	Renewable Power Generation	Agrilands	Timberlands	Financial and Advisory	Corporate	Consolidated
REVENUES LESS DIRECT OPERATING COSTS	\$ 118.9	\$ 63.5	\$ 64.1	\$ 4.0	\$ 8.5	\$ 47.7	\$ 2.2	\$ 308.9
FINANCIAL REVENUE (EXPENSES)	13.8	(2.4)	(15.2)	1.3	(0.7)	1.9	67.9	66.6
GENERAL AND ADMINISTRATIVE EXPENSES	(30.2)	(38.2)	(4.7)	(4.3)	(4.4)	(36.9)	(23.5)	(142.2)
EQUITY IN INVESTMENTS	-	-	-	-	-	1.00	24.7	25.7
REALIZATION GAINS	(0.9)	0.0	(1.7)	(1.0)	0.3	234.3	(27.1)	203.9
	101.6	22.9	42.5	(0.0)	3.7	248.0	44.2	462.9
CURRENT AND DEFERRED INCOME TAXES	(17.6)	(8.3)	(9.6)	0.0	(0.1)	(49.0)	(3.9)	(88.5)
MINORITY INTEREST	(35.8)	(14.5)	(4.0)	0.0	(0.2)	(0.7)	-	(55.2)
NET INCOME	\$ 48.2	\$ 0.1	\$ 28.9	\$ (0.0)	\$ 3.4	\$ 198.3	\$ 40.3	\$ 319.2

For the year ended December 31, 2006

(million)	Residential Properties	Retail Properties	Renewable Power Generation	Agrilands	Timberlands	Financial and Advisory	Corporate	Consolidated
REVENUES LESS DIRECT OPERATING COSTS	\$ 89.0	\$ 39.6	\$ 46.9	\$ 1.7	\$ 6.5	\$ 44.2	\$ 1.3	\$ 229.2
FINANCIAL REVENUE (EXPENSES)	(17.4)	(11.7)	(12.1)	1.2	(0.7)	0.2	5.6	(34.9)
GENERAL AND ADMINISTRATIVE EXPENSES	(36.5)	(12.0)	(10.0)	(1.3)	(3.4)	(28.2)	(29.2)	(120.6)
EQUITY IN INVESTMENTS	-	-	-	-	-	1.3	11.0	12.3
REALIZATION GAINS	358.5	(1.5)	1.6	0.3	0.1	(0.1)	78.3	437.2
	393.6	14.4	26.4	1.9	2.5	17.4	67.0	523.2
CURRENT AND DEFERRED INCOME TAXES	(30.8)	(6.2)	(5.3)	-	(0.1)	(2.5)	(16.0)	(60.9)
MINORITY INTEREST	(6.7)	(10.5)	(3.9)	-	(0.1)	(7.8)	-	(29.0)
NET INCOME	\$ 356.1	\$ (2.3)	\$ 17.2	\$ 1.9	\$ 2.3	\$ 7.1	\$ 51.0	\$ 433.3

06.



# Financial Statements

# CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2007

AND 2006 (AUDITED<sup>1</sup>)

(In thousands of U.S. dollars – US\$)

	Notes	Consolidated	
		2007	2006
<b>Assets</b>			
CASH AND EQUIVALENTS		\$ 1,230,909	\$ 1,020,239
ACCOUNTS AND MORTGAGE LOANS RECEIVABLE	3	384,429	345,656
LOANS RECEIVABLE	4	313,127	92,073
INVENTORIES	5	329,856	223,137
INVESTMENTS	6	222,762	248,604
FIXED ASSETS	7	2,075,437	548,072
OTHER ASSETS		388,154	394,220
		<u>4,944,674</u>	<u>2,872,001</u>
<b>Liabilities and shareholders' equity</b>			
INTERBANK AND TIME DEPOSITS, AND MONEY MARKET FUNDING		309,778	279,933
LOANS PAYABLE	8	988,447	393,315
OTHER PAYABLES	9	1,066,479	222,311
DEFERRED REVENUE AND TAXES PAYABLE		91,717	95,074
MINORITY INTEREST		478,952	333,906
<b>CAPITAL BASE</b>			
DUE TO SHAREHOLDER'S		212,836	418,389
SHAREHOLDER'S EQUITY		<u>1,796,465</u>	<u>1,129,073</u>
		<u>\$ 4,944,674</u>	<u>\$ 2,872,001</u>

The accompanying notes are an integral part of these financial statements.

<sup>1</sup> A complete set of audited financial statements, including note disclosure required under Brazilian GAAP and the report of the independent auditors, have been prepared by management.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006 (AUDITED<sup>1</sup>)

(In thousands of U.S. dollars – US\$)

	Notes	Consolidated	
		2007	2006
<b>REVENUES</b>			
NET SALES AND SERVICES		\$ 443,583	\$ 339,176
NET FINANCE INCOME		73,066	82,600
TOTAL REVENUES		516,649	421,776
<b>REVENUE LESS DIRECT OPERATING COSTS</b>			
		308,997	229,211
<b>REALIZATIONS GAINS</b>			
		203,916	437,270
INVESTMENT AND OTHER INCOME		66,590	(34,979)
		579,503	631,502
<b>EXPENSES</b>			
GENERAL AND ADMINISTRATIVE		(106,737)	(50,458)
OTHER OPERATING EXPENSES		(2,227)	(49,891)
		470,539	531,153
<b>OTHER ITEMS</b>			
EQUITY ACCOUNTED INCOME FROM INVESTMENTS		25,719	12,227
DEPRECIATION AND AMORTIZATION		(33,360)	(20,196)
CURRENT AND DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES		(88,480)	(60,802)
MINORITY INTEREST		(55,201)	(29,038)
		\$ 319,217	\$ 433,344

The accompanying notes are an integral part of these financial statements.

<sup>1</sup> A complete set of audited financial statements, including note disclosure required under Brazilian GAAP and the report of the independent auditors, have been prepared by management.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (AUDITED<sup>1</sup>)

(In thousands of U.S. dollars – US\$)

	<b>Capital stock</b>	<b>Retained earnings</b>	<b>Total</b>
BALANCES AS OF DECEMBER 31, 2005	\$ 627,817	\$ (69,229)	\$ 558,588
PAYMENT OF SUBSCRIBED CAPITAL	89,709		89,709
NET INCOME		433,344	433,344
CONVENIENCE TRANSLATION ADJUSTMENT	-	47,432	47,432
BALANCES AS OF DECEMBER 31, 2006	717,526	411,547	1,129,073
PAYMENT OF SUBSCRIBED CAPITAL	399,589		399,589
CAPITAL REDUCTION	(197,868)		(197,868)
NET INCOME		319,217	319,217
CONVENIENCE TRANSLATION ADJUSTMENT	-	146,454	146,454
BALANCES AS OF DECEMBER 31, 2007	\$ 919,247	\$ 877,218	\$ 1,796,465

The accompanying notes are an integral part of these financial statements.

<sup>1</sup> A complete set of audited financial statements, including note disclosure required under Brazilian GAAP and the report of the independent auditors, have been prepared by management.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (AUDITED<sup>1</sup>)

(In thousands of U.S. dollars – US\$)

	<b>Consolidated</b>	
	<b>2007</b>	<b>2006</b>
<b>SOURCE OF FUNDS</b>		
<b>FROM OPERATIONS</b>		
NET INCOME	\$ 319,217	\$ 433,344
<b>ITEMS NOT AFFECTING NET WORKING CAPITAL:</b>		
DEPRECIATION	33,360	20,196
CONVENIENCE TRANSLATION ADJUSTMENT	146,454	47,432
INCOME FROM SALE OF ASSETS	(203,916)	(146,751)
DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES	(8,912)	39,577
EQUITY INCOME	(25,719)	(12,227)
	260,484	381,571
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES AND OTHER	671,161	180,809
MINORITY INTEREST	145,046	225,860
	1,076,691	788,240
<b>FINANCING ACTIVITIES</b>		
CAPITAL INCREASE	201,721	89,709
LOANS AND FINANCING	174,688	61,625
	376,409	151,334
<b>INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED AND DIFFERED ASSETS	(1,763,800)	(280,265)
PROCEEDS FROM SALE OF ASSETS	440,149	200,666
OTHERS	(83,994)	(128,219)
	(1,407,645)	(207,818)
INCREASE/DECREASE IN NET WORKING CAPITAL	45,455	731,756
<b>VARIATION IN NET WORKING CAPITAL</b>		
<b>CURRENT ASSETS:</b>		
AT THE BEGINNING OF THE YEAR	1,605,711	608,566
AT THE END OF THE YEAR	2,090,642	1,605,711
	484,931	997,145
<b>CURRENT LIABILITIES:</b>		
AT THE BEGINNING OF THE YEAR	(710,138)	(444,749)
AT THE END OF THE YEAR	(1,149,614)	(710,138)
	(439,476)	(265,389)
INCREASE/DECREASE IN NET WORKING CAPITAL	\$ 45,455	\$ 731,756

The accompanying notes are an integral part of these financial statements.

<sup>1</sup> A complete set of audited financial statements, including note disclosure required under Brazilian GAAP and the report of the independent auditors, have been prepared by management.

# SUMMARIZED NOTES TO THE AUDITED<sup>1</sup> CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(Amounts in thousands of U.S. dollars)

## **1. OPERATIONS**

Brascan Brazil Limited (“Company” or “Parent Company”) was incorporated on September 30, 1996, and is domiciled in the Cayman Islands. The Company is a wholly-owned subsidiary of Brookfield Asset Management Inc. and is an asset management company focused on property, power and infrastructure investments.

## **2. PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with Brazilian accounting practices established by Brazilian corporate law. These financial statements were prepared in U.S. dollars and result from the translation of the related financial statements in Brazilian reais, using the exchange rates prevailing at the end of each period (2007 – USD1.00: R\$ 1,771, 2006 – USD1.00: R\$ 2,138 and 2005 – USD1.00: R\$ 2.341). The effect of exchange rate fluctuations are recorded as “Convenience translation adjustments” in shareholders’ equity.

The consolidated financial statements as of December 31, 2007 and 2006 comprise the financial statements of the Company and all of its following direct and indirect subsidiaries.

## **3. ACCOUNTS AND MORTGAGE LOANS RECEIVABLE**

Includes mortgage loans receivable of \$311.3 million secured by residential homes sold to clients in our homebuilding business.

## **4. LOANS RECEIVABLE**

Comprises primarily loans to corporate clients in our investment banking business. The loans are generally secured and have fixed maturities no later than 7 years.

## **5. INVENTORIES**

Inventories represent lands purchased for future development, real estate units in progress and real estate units completed for sale.

## **6. INVESTMENTS**

Includes an investment in Tafisa S.A., that represents a 46% equity interest, and goodwill related to consolidated investments. Tafisa produces medium-density panelboards used in the furniture industry

<sup>1</sup> A complete set of audited financial statements, including note disclosure required under Brazilian GAAP and the report of the independent auditors, have been prepared by management

## 7. FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and comprise the following:

<b>As at December 31</b>	<b>2007</b>	<b>2006</b>
RETAIL SHOPPING CENTERS	\$ 1,372,575	\$ 116,089
HYDRO-POWER GENERATING PLANTS	365,707	244,883
AGRICULTURAL LAND	129,630	43,057
REAL ESTATE HELD FOR SALE	84,275	69,851
TIMBERLANDS	42,267	33,023
OTHER	17,792	6,908
DEFERRED CHARGES	63,191	34,261
<b>TOTAL FIXED ASSETS</b>	<b>\$ 2,075,437</b>	<b>\$ 548,072</b>

## 8. LOANS PAYABLE

Loans payable comprise financings raised to Malls acquisition and development in the amount of \$460.3 million and hydro-plants in the amount of \$144.5 million, represented by debt balances plus monetary or exchange variation and interest incurred through the balance sheet date, when applicable.

## 9. OTHER PAYABLES

Other payables include an amount equal to \$715.6 million in 2007 relating to the acquisition of the Plaza Shopping Trust mall.

## 10. REALIZATION GAINS

Non operating income in 2007 arises from (i) the sale of shares of BM&F (Commodities & Futures Exchange) and BOVESPA (São Paulo Stock Exchange) in the amount of \$206.9 million; (ii) the sale of shares in Mellon Serviços Financeiros Distribuidora de Títulos e Valores Imobiliários S.A. in the amount of \$27.4 million; and (iii) loss on the transfer on interest in transmission lines, in the amount of \$31.9 million to a related party company.

The Company recorded a gain of \$199.2 million on the primary and secondary public offering Brascan Residential Properties S.A.'s common shares which was completed on November 13, 2006.

In September 2006, Brascan Brazil Ltd. recorded a gain in the amount of \$78.1 million on the sale of its shopping centers into Brascan Real Estate Partners Inc., a fund that was sponsored and managed by the Company. The Company owns a 28.6% limited-partnership interest in the fund.

On December 1, 2006, Brascan sold 100% of its joint venture interest in a partnership with Accor France recording a gain of \$144.7 million.

## **07. CORPORATE INFORMATION**

### **HEAD OFFICE**

Rua Lauro Muller, 116 – 21 floor

Torre do Rio Sul, Botafogo – Rio de Janeiro – RJ

Cep: 22290-160

Tel.: (55 21) 3527-7800

Fax: (55 21) 3527-7799

### **INVESTOR RELATIONS**

Manager: Michelle Paganoti Sartório

Tel.: (55 21) 3527-7820

E-mail: [mps@brascan.com.br](mailto:mps@brascan.com.br)

## **CREDITS**

### **CONTENT COORDINATION, TEXT AND TRANSLATION**

Brascan, Global RI

### **GRAPHIC PROJECT**

TheMediaGroup

### **PHOTOGRAPHY**

Brascan's archive

OSB – Juliana Coutinho

Stockxpert