Brookfield

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

Brookfield Renewable Power Inc. is a subsidiary of Brookfield Asset Management Inc.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

MANAGEMENT'S RESPONSIBILITY

To the Shareholder of Brookfield Renewable Power Inc.

The attached consolidated financial statements have been prepared by Brookfield Renewable Power Inc.'s (the "Company") management which is responsible for their integrity and objectivity. To fulfill this responsibility, the Company maintains systems of internal control and policies and procedures 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. These statements have been prepared in conformity with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on judgments of management.

Deloitte & Touche LLP, the independent auditors appointed by the shareholder, have examined the financial statements of the Company in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholder their opinion on the financial statements. Their report as auditors is attached.

/s/ Donald Tremblay

Donald Tremblay
Executive Vice-President and Chief Financial Officer
February 24, 2010

AUDITORS' REPORT

To the Shareholder of Brookfield Renewable Power Inc.

We have audited the consolidated balance sheets of Brookfield Renewable Power Inc. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of income, deficit, comprehensive income, accumulated other comprehensive income (loss) 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
February 24, 2010

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED BALANCE SHEETS

As at December 31 *$US millions*	notes	**2009**	2008
Assets			
Current assets			
Cash and cash equivalents	10	**$ 149**	$ 144
Accounts receivable and other	9, 11	**386**	302
Due from related parties	9	**514**	371
Securities in related parties	9	**138**	121
		1,187	938
Due from related parties	9	**585**	1,564
Equity-accounted and long-term investments	12	**878**	-
Power generating assets	13	**4,979**	4,498
Other assets	7, 14	**1,231**	1,033
		$ 8,860	$ 8,033
Liabilities			
Current liabilities			
Accounts payable and other	16	**$ 341**	$ 253
Credit facilities	17	**339**	101
Due to related party	9	**32**	-
Current portion of long-term debt	18	**201**	697
		913	1,051
Due to related parties	9	**196**	1,329
Long-term debt	18	**4,735**	3,603
Future income tax liability	19	**221**	201
Convertible debentures	9, 20	**951**	-
Other long-term liabilities	21	**459**	237
		7,475	6,421
Non-controlling interests	23	**208**	239
Shareholder's equity	24	**1,177**	1,373
		$ 8,860	$ 8,033

See accompanying notes to the consolidated financial statements.

Approved on behalf of Brookfield Renewable Power Inc.:

/s/ Richard Legault

Richard Legault
Director

/s/ Edward C. Kress

Edward C. Kress
Director

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31

$US millions	notes		**2009**		2008
Revenues	9	**$**	**1,167**	$	1,184
Operating expenses (excluding depreciation and amortization)					
Operations, maintenance and administration			**249**		226
Fuel and power purchases			**59**		78
Property, capital and other generation taxes			**90**		73
			769		807
Investment and other income	9, 12		**237**		20
Unrealized derivative (loss) gain	6		**(39)**		96
			967		923
Expenses					
Interest and financing fees	9, 25		**359**		316
Interest on capital securities	9		**-**		31
Interest on convertible debentures	9, 20		**44**		-
Depreciation and amortization	13,14		**201**		169
Non-controlling interests			**(55)**		77
(Recovery of) provision for income taxes	19		**(6)**		53
			543		646
Net income		$	**424**	$	277

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF DEFICIT

Years ended December 31

$US millions	notes		**2009**		2008
Deficit, beginning of year		**$**	**(536)**	$	(261)
Impact of amalgamation			**-**		(441)
Adjustment due to acquisition from related party	7		**-**		(55)
Adjustment due to redemption of preferred shares	24		**(10)**		-
Net income			**424**		277
Distributions to holder of common shares and capital securities	9, 24		**(1,156)**		(56)
Deficit, end of year		**$**	**(1,278)**	$	(536)

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

$US millions	note		2009		2008
Net income		**$**	**424**	$	277
Available-for-sale financial assets					
Unrealized gains (losses) on available-for-sale financial assets, net of income taxes of $nil (2008 - $1)			**2**		(5)
			2		(5)
Foreign currency translation					
Unrealized foreign currency translation gains (losses) of self-sustaining foreign operations			**347**		(186)
Net unrealized (losses) gains on hedges of investments in self-sustaining foreign operations			**(95)**		84
			252		(102)
Derivatives designated as cash flow hedges					
Unrealized net gains on derivatives designated as cash flow hedges, net of income taxes of $14 (2008 – $11)			**56**		25
Recognition in income of gains on derivatives designated as cash flow hedges, net of income taxes of $3 (2008 – $1)	6		**(31)**		-
	6		**25**		25
Other comprehensive loss related to equity-accounted investments			**(12)**		-
Other comprehensive income (loss)			**267**		(82)
Comprehensive income		**$**	**691**	$	195

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Years ended December 31

$US millions		2009		2008
Accumulated other comprehensive loss, beginning of year	**$**	**(104)**	$	(22)
Other comprehensive income (loss)		**267**		(82)
Accumulated other comprehensive income (loss), end of year	**$**	**163**	$	(104)

See accompanying notes to the consolidated financial statements.

BROOKFIELD RENEWABLE POWER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 *$US millions*	notes		**2009**		2008
Operating activities					
Net income		**$**	**424**	**$**	277
Add (deduct) non-cash items:					
Depreciation and amortization			**201**		169
Unrealized derivative loss (gain)	6		**39**		(96)
Non-controlling interests			**(55)**		77
Future income tax (recovery) expense	19		**(35)**		40
Gain on disposition of assets	8		**(215)**		-
Income from equity-accounted investments	12		**(12)**		-
Accrued levelized revenues and royalty expenses	14, 21		**62**		31
Other			**41**		7
			450		505
Net change in non-cash working capital	26		**82**		55
			532		560
Financing activities and shareholder distributions					
Borrowings	18		**1,298**		338
Debt repayments	18		**(881)**		(165)
Due to/from related party	9		**(36)**		(13)
Financing fees			**(7)**		(5)
Issuance of units to unitholders of the Fund	8		**375**		-
Issuance of common shares			**-**		200
Distributions:					
- To non-controlling interests			**(81)**		(59)
- To common shareholder and holder of capital securities	24		**(56)**		(56)
Contribution from non-controlling interest			**4**		8
			616		248
Investing activities					
Dividends received from equity-accounted investments			**3**		-
Purchase of securities and long-term investments			**(1)**		(15)
Additions to power generating assets			**(165)**		(148)
Acquisitions of power generating assets			**-**		(48)
Acquisition of business			**-**		(217)
Acquisition of equity-accounted investments	7		**(435)**		-
Disposition of business	8		**71**		92
Due to/from related party			**(574)**		(347)
Change in restricted cash and other			**(74)**		(34)
			(1,175)		(717)
Effect of foreign exchange rate changes on cash and cash equivalents			**32**		(8)
Cash and cash equivalents					
Increase			**5**		83
Balance, beginning of year			**144**		61
Balance, end of year	10	**$**	**149**	$	144
Supplementary information					
Interest paid		**$**	**332**	$	331
Taxes paid		**$**	**34**	$	13

See accompanying notes to the consolidated financial statements.

Brookfield Renewable Power Inc.
Notes to Consolidated Financial Statements
December 31, 2009

1. NATURE AND DESCRIPTION OF THE COMPANY

Brookfield Renewable Power Inc. ("Brookfield Renewable" or the "Company") is incorporated under the laws of Ontario and develops and operates hydroelectric, wind and other power generating facilities in Canada, the United States and Brazil. The Company also holds investments in infrastructure assets in North America, South America, Europe and Australasia through its interests in Brookfield Infrastructure L.P. ("BILP") and ETC Holdings Ltd. ("ETC"). Refer to note 7 for additional details. The Company is wholly owned by Brookfield Asset Management Inc. ("Brookfield").

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP"), applied on a basis consistent with the prior year, with the exception of the changes in accounting policies described in note 3. All figures are reported in United States ("US") dollars, unless otherwise noted.

The Company's significant accounting policies are summarized below:

Principles of consolidation

The consolidated financial statements include:

A. the accounts of all wholly-owned subsidiaries and other controlled entities of Brookfield Renewable including Brookfield Renewable Power Fund (the "Fund"), formerly Great Lakes Hydro Income Fund, Lake Superior Power LP, Brookfield Energy Marketing Inc. ("BEMI"), Brookfield Energy Marketing LP, Brookfield Power US Holding America Co., Beaver Power Corporation, Valemount Hydro GP Inc., Brookfield Power Wind Corporation, Itiquira Energética S.A. ("Itiquira") and Brookfield Energia Renovável S.A. ("BER"), formerly Brascan Energética S.A.;
B. the accounts of all holding companies;
C. the accounts of incorporated and unincorporated joint ventures and partnerships to the extent of the Company's proportionate interest in their respective assets, liabilities, revenues and expenses, including the Company's investment, as part of the Fund, in Pingston Creek Hydro Joint Venture ("Pingston");
D. the Company's equity-accounted investments, including an approximate 40% interest in BILP and a 10% interest in ETC; and
E. as a result of the adoption of Accounting Guideline 15, *Consolidation of Variable Interest Entities*, 100% of Catalyst Old River Hydroelectric Limited Partnership ("CORHLP"); 100% of Bear Swamp Power Company LLC; 100% of Galera Centrais Elétricas S.A.; and, as part of the Fund, 100% of Powell River Energy Inc. ("PREI"), and Powell River Energy Limited Partnership.

All intercompany balances and transactions have been eliminated upon consolidation.

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. During the years presented, management has made a number of estimates and valuation assumptions in the determination of accruals, levelized accounting, valuation of financial instruments including derivatives, useful lives, asset impairment, purchase price allocations, valuation of goodwill, future income tax liabilities, and pension amounts. Estimates are based on historical experience, current trends, and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Business combinations

The purchase price of acquired companies is allocated to the tangible assets acquired, liabilities assumed and intangible assets acquired, including construction in progress, based on their fair values. The excess of the purchase price over these fair values is recorded as goodwill. We engage independent third-party appraisal firms to assist us in determining the fair values of assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions.

Revenue and expense recognition

The Company records revenues from the sale of energy, energy-related products and energy services, under the accrual method of accounting, in the period when energy commodities or products are delivered or services are rendered. Sales contracts that are eligible for accrual accounting include non-derivative transactions and derivative commodity contracts that will be physically delivered.

CORHLP sells power at predetermined fixed rates. These rates increase and decrease over the term of the power sales contract, which expires on December 31, 2031. These power sales are recognized on a levelized basis over the term of the contract. The difference between the levelized power sales and the cash received is recorded as accrued levelized revenue on the balance sheet, within other assets. CORHLP also pays royalty expenses at a rate that fluctuates during the term of the power sales contract. These are also recognized on a levelized basis over the term of the contract.

Investment income is earned with the passage of time and is recorded on an accrual basis.

The Company maintains hydrological insurance which partially compensates for the effect of variations in water inflows when measured against long-term averages. Hydrology insurance income is recognized when insurance proceeds can be estimated and collection is reasonably assured.

Power purchases are recorded upon delivery.

Financing costs

Financing costs associated with the Company's credit facilities and finance debt obligation are recorded in other assets on the balance sheet at cost and are being amortized on a straight-line basis over the term of the respective underlying debts. Financing costs directly attributable to the issuance of property specific borrowings and other long-term debt are netted against the respective debts, and are amortized using the effective interest method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. To the extent that variable-rate bank borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Income taxes

The Company uses the asset and liability method to account for the effect of income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and the tax basis of assets and liabilities, and are measured using the enacted, or substantively enacted, tax rates and laws that will be in effect when the differences are expected to reverse, taking into account the organization of the Company's financial affairs and its impact on taxable income and tax losses.

Derivative financial instruments

The Company uses derivative financial instruments to manage commodity price risk, interest rate risk, and foreign exchange risk associated with the Company's production, operating, and risk management financing activities. Financial instruments approved and entered into to mitigate the risks described above are interest rate swaps, foreign exchange swaps, commodity options, electricity swaps, and gas swaps.

All derivatives are recorded on the balance sheet at fair value. Fair value adjustments to these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship, in which case they are reported in other comprehensive income (loss) ("OCI"). When a hedging relationship is terminated, amounts previously recognized in accumulated other comprehensive income (loss) ("AOCI") are reclassified to net income in the period in which the net income is affected by the variability in the cash flows of the hedged item. The use of hedging and of non-hedging derivative contracts related to commodity derivatives is governed by documented risk management policies and approved limits. Gains and losses related to hedge ineffectiveness are included in net income.

Deferred gains and losses on derivatives relate to the fair value of the long-term derivative contracts at inception, less amortization recorded. These balances are amortized on a straight line basis over the term of the contracts.

The fair value of derivative instruments is based on the spot rates, the forward rates or prices in effect at market closing at the balance sheet date. In the absence of this information for a given instrument, the Company uses the available forward rate or price for an equivalent instrument in order to estimate an appropriate forward rate.

Commodity derivative instruments

Some of the Company's generation is sold into the Ontario, New England, New York, and the Pennsylvania, New Jersey, Maryland wholesale markets at the prevailing market price. To reduce price risk caused by market fluctuations, the Company, through wholly owned subsidiaries, enters into derivative contracts to mitigate price exposure. For example, the Company enters into swaps that exchange the floating clearing price for a fixed price to manage the cash flow variability related to its anticipated exposures.

Interest rate hedging instruments

The Company enters into interest rate swap agreements to alter the interest characteristics of a portion of its outstanding debt. These agreements involve the receipt of amounts based on fixed interest rates in exchange for floating rate interest payments, or vice-versa, over the life of the agreement without an exchange of the underlying principal amount. The differential paid or received as a result of interest rate swap agreements designated as hedges is recognized on an accrual basis as an adjustment to interest expense related to the debt.

Foreign exchange and hedges of net investments in foreign operations

The accounts of self-sustaining Canadian and Brazilian operations are translated using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, and revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the period. Gains or losses on translation of these amounts are recorded in OCI. The effective portion of foreign exchange gains or losses on foreign currency liabilities and foreign exchange forward contracts that are designated as hedges of a net investment in self-sustaining foreign operations is recognized in OCI.

Cash and cash equivalents

All highly liquid investments with original maturities of three months or less are classified as cash and cash equivalents. The fair value of cash and cash equivalents approximates cost due to their short-term nature.

Securities in related parties

Securities in related parties consist of investments issued by Brookfield and its affiliates that are short-term in nature. When the actively quoted market information is readily determinable, the investment is recorded at fair value. The investment is presented at cost where market information is not readily determinable.

Equity-accounted investments

Equity-accounted investments consist of investments in entities over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Equity-accounted investments are accounted for using the equity method of accounting. Under the equity method, equity-accounted investments are carried on the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Company's share of the net assets of the entities, less any identified impairment losses. Refer to note 12 for additional details.

Power generating assets

Power generating assets are recorded at cost. The cost of the power generating assets less estimated residual value is depreciated over the service lives of the assets as follows:

	Method	Rate
Dams	Straight-line	40 to 60 years
Combined cycle natural gas-fired generating stations	Straight-line	10 to 40 years
Hydroelectric generating stations	Straight-line	19 to 60 years
Wind turbines	Straight-line	20 years
Buildings	Straight-line	5 to 60 years
Transmission and distribution systems[1]	Straight-line	5 to 50 years
Equipment	Straight-line	3 to 60 years
Dams, hydroelectric generating stations, land and buildings subject to concession arrangements	Straight-line	7 to 25 years
Water rights	Declining balance	2.5% per year

[1] Transmission assets were disposed of in 2008. Distribution assets were disposed of in 2009 – see Note 8 for more details.

The depreciation of power generating assets held in Brazil is based on the concession term. The objective is that at the end of the concession term, the assets will have a zero carrying value. The average concession term at the end of 2009 is 24 years (2008 – 20 years). Since the cost of land is part of the concession, this cost is also depreciated.

Power purchase agreements and licences

Power purchase agreements ("PPA") acquired through business combinations and Federal Energy Regulatory Commission ("FERC") licences are recorded at cost and amortized either on a straight-line basis over the remaining life of the agreements or licences, which is up to 45 years, or over the period for which the power purchase agreement prices are above or below forecasted market energy prices. PPA cost is defined as the amount by which the value of the PPA exceeds or is exceeded by the market terms using a discounted cash flow method.

Goodwill

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 excess of the cost of the acquisition over the fair value of the net assets acquired, including both tangible and intangible assets, has been allocated to goodwill, which is included in other assets. The Company evaluates, on an annual basis, the carrying value of these amounts for impairment. Any impairment is charged against income at that time.

Impairment of long-lived assets

Assets are tested for other than temporary impairment based on an assessment of net recoverable amounts in the event of adverse developments. A write-down to estimated net realizable value is recognized if an asset's estimated undiscounted future cash flow is less than its carrying value. The projections of future cash flow take into account operating plans and management's best estimate of the most probable set of economic conditions anticipated to prevail.

Asset retirement obligations

Obligations associated with the retirement of tangible long-lived assets are recorded when those obligations are incurred. The Company records the liability equal to the estimated fair value of the obligation for asset retirement, and records a corresponding increase to the carrying amount of the related long-lived asset. The asset is depreciated over the useful life of the related assets, and the liability is accreted over the period of expected cash flows with a corresponding charge to operating expenses. The fair value of the obligation for asset retirement is re-assessed annually, provided there are no changes to the timing or estimate of the obligation. If the fair value of a recorded asset retirement obligation changes, a revision is recorded to both the liability and related long-lived asset.

Pension and employee future benefits

The costs of retirement benefits for the Company's defined benefit pension plans and post-employment benefits are recognized as the benefits are earned by employees. The Company uses the projected benefit method pro-rated, based

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. Past service costs resulting from plan amendments are amortized on a straight-line basis over the average remaining service period of active members expected to receive benefits under the plan. Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of the plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plan. The average remaining service lives under the various plans as at December 31, 2009 varies from 5 to 21 years for the pension plans and from 10 to 18 years under the other post-employment benefit plans. For the defined contribution plan, the Company expenses payments based on employee entitlement.

Stock based compensation

The Company accounts 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 is charged to income over the vesting period. All options issued under the Company's plan are exercisable into Brookfield shares.

Translation of foreign currencies (other than hedges of investments in foreign operations)

Foreign-denominated monetary assets and liabilities of integrated operations have been translated at the exchange rates prevailing at the period end, and revenues and expenses at average rates of exchange during the period. Exchange gains and losses arising on the translation of these amounts have been included in investment and other income. Non-monetary assets and liabilities are translated at historical rates of exchange.

3. CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangible Assets – Handbook Section 3064

On January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, replacing Handbook Sections 3062, *Goodwill and Other Intangible Assets* and 3450, *Research and Development Costs*. Handbook Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangibles by profit-oriented enterprises. Implementation of Handbook Section 3064 did not have a material impact on the Company's financial statements.

Credit Risk and the Fair Value of Financial Assets and Liabilities – EIC-173

In January 2009, the Emerging Issues Committee of the CICA issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC, which was effective for the Company on January 1, 2009, had no impact on the financial position or results of operations because the Company had been incorporating the aforementioned credit risks into its valuation methodology before the EIC was issued.

Financial Instruments – Disclosures – Handbook Section 3862

In June 2009, the CICA amended Handbook Section 3862, *Financial Instruments – Disclosures*, to enhance disclosure requirements about the liquidity risk of financial instruments, to include new disclosure requirements about fair value measurements of financial instruments and to include implementation guidance about fair value measurement disclosures to assist in applying the Handbook Section. Handbook Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

i. Level 1 – inputs are based on unadjusted quoted prices in active markets for identical assets and liabilities;
ii. Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
iii. Level 3 – inputs for the asset or liability that are not based on observable market data.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments to Handbook Section 3862 had no impact on the Company's financial position or results of operations.

4. FUTURE ACCOUNTING POLICY CHANGES

Adoption of International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Canadian Securities Administrators has granted the Company exemptive relief to prepare its financial statements in accordance with IFRS earlier than January 1, 2011. The Company intends to transition to IFRS on January 1, 2010, and the first financial statements prepared in accordance with IFRS will be as at and for the three month period ending March 31, 2010. These financial statements will include comparative results for the period commencing January 1, 2009. While the adoption of IFRS should not materially change the operating cash flow generated by the Company, it will change its consolidated balance sheets and statements of income materially.

5. CAPITAL MANAGEMENT

The Company's primary capital management objective is to ensure the sustainability of its capital to support continuing operations, meet its financial obligations, allow for growth opportunities, and provide stable dividends to its common shareholder. The Company manages its capital to maintain an investment grade credit rating while leveraging prudently to enhance returns and ensure access to incremental borrowings needed to fund new growth initiatives.

Generally, acquisitions and developments are funded with external borrowings and equity. In order to adjust the capital structure, the Company may elect to adjust the dividend paid to its common and preferred shareholder, increase or reduce the equity participation in new and existing operations, adjust the level of capital spending or issue new preferred or common shares.

The Company manages its capital in order to maintain a debt to capitalization ratio below 75%. As at December 31, 2009, the ratio was 68% (December 31, 2008 – 61%). The table below presents the detail of the Company's capitalization and the calculation of the ratio:

$US millions	**December 31, 2009**	December 31, 2008
Debt		
Credit facilities	**$ 339**	$ 101
Property specific borrowings	**3,138**	2,816
Other long-term debt	**1,798**	1,484
	5,275	4,401
Shareholder's equity	**1,177**	1,373
Convertible debentures	**951**	-
Promissory notes payable to Brookfield	**133**	1,234
Non-controlling interest	**208**	239
Total capitalization	**$ 7,744**	$ 7,247
Debt to capitalization	**68%**	61%

The change in the debt to capitalization ratio during the year ended December 31, 2009 is due to the addition of project specific and corporate debt during the year and the reduction in related party balances with Brookfield. There were no changes in the Company's approach to capital management during the year.

The Company has provided covenants to certain of its lenders for its corporate debentures and the corporate credit facility. The covenants require the Company to meet minimum debt to capitalization ratios. Subsidiaries of the Company have provided covenants to certain of their lenders for their property specific borrowings. These covenants vary from one agreement to another and include ratios that address debt service coverage. Certain lenders have also put in place requirements that oblige the Company and its subsidiaries to maintain debt and capital expenditure reserve accounts. The consequences to the subsidiaries as a result of failure to comply with their covenants could include a limitation of distributions from the subsidiaries to the Company as well as a requirement for repayment of outstanding debt. The Company was in compliance with all covenants as at December 31, 2009.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company classifies its financial assets and liabilities as outlined below:

Cash and cash equivalents are designated as financial assets held for trading and are measured at fair value with any changes in fair value recorded in net income at each period end.

Securities in related parties and equity-accounted and long-term investments (excluding equity-accounted investments in infrastructure assets) are classified as available-for-sale and are recorded at fair value with changes in fair value recorded through OCI at each period end. Where the quoted market price in an active market is not readily determinable, the investment is presented at cost.

Accounts receivable and other, as well as due from related parties, are classified as loans and receivables; accounts payable and other, credit facilities, due to related parties, long-term debt, other long-term liabilities and convertible debentures are classified as other financial liabilities; each are measured at fair value at inception and, except for certain related party transactions, are subsequently measured at amortized cost using the effective interest method.

The carrying value approximates fair value for the Company's financial assets and liabilities, with the exception of certain short and long-term investments which are held at cost, as well as property specific borrowings and other long-term debt (excluding the finance debt obligation), whose fair values at December 31, 2009 were $3,178 million and $1,454 million, respectively (December 31, 2008 - $2,662 million and $759 million, respectively).

Fair value is calculated based on current market prices for debt with similar terms and risks.

The Company has exposure to the following risks from its use of financial instruments: market risk, credit risk and liquidity risk. The Company's management is responsible for determining the acceptable level of risk and only uses derivative financial instruments to manage existing and anticipated risks, and commitments or obligations based on its past experience.

Market Risk

Market risk, the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, is comprised of commodity price risk, interest rate risk, and foreign exchange risk.

At December 31, 2009 and December 31, 2008, the current and long-term portions of the fair value of the Company's derivative assets and liabilities were as follows:

$US millions	**Current derivative assets**	**Non-current derivative assets**	**Current derivative liabilities**	**Non-current derivative liabilities**	**Total**
Physical contracts	**$ 14**	**$ 23**	**$ (1)**	**$ (1)**	**$ 35**
Financial contracts	**72**	**8**	**(9)**	**(11)**	**60**
Carbon credits	**-**	**1**	**(1)**	**(4)**	**(4)**
LIPA[1] contracts	**18**	**129**	**(3)**	**(105)**	**39**
Foreign exchange contracts	**-**	**-**	**(2)**	**-**	**(2)**
Interest rate swaps	**-**	**-**	**(13)**	**(11)**	**(24)**
December 31, 2009	**$ 104**	**$ 161**	**$ (29)**	**$ (132)**	**$ 104**
Physical contracts	$ (3)	$ (5)	$ (5)	$ -	$ (13)
Financial contracts	66	63	(7)	(1)	121
LIPA[1] contract	(1)	30	1	(47)	(17)
Interest rate swaps	-	-	-	(33)	(33)
December 31, 2008	$ 62	$ 88	$ (11)	$ (81)	$ 58

(1) Long Island Power Authority

The following table presents the Company's derivative assets and liabilities measured at fair value classified by the fair value hierarchy as set out in note 3:

$US millions	Level 1	Level 2	Level 3	Net position
Physical contracts	**$ -**	**$ -**	**$ 36**	**$ 36**
Financial contracts	**(1)**	**(8)**	**68**	**59**
Carbon credits	**(4)**	**-**	**-**	**(4)**
LIPA contracts	**-**	**-**	**39**	**39**
Foreign exchange contracts	**-**	**-**	**(2)**	**(2)**
Interest rate swaps	**-**	**-**	**(24)**	**(24)**
December 31, 2009	**$ (5)**	**$ (8)**	**$ 117**	**$ 104**
Physical contracts	$ -	$ (3)	$ (10)	$ (13)
Financial contracts	(6)	11	116	121
LIPA contract	-	-	(17)	(17)
Interest rate swaps	-	-	(33)	(33)
December 31, 2008	$ (6)	$ 8	$ 56	$ 58

The net position determined using actively quoted prices is the Company's gas contracts traded on the New York Mercantile Exchange and is based on prices listed on that exchange. The net position of the Company's carbon credits are determined using actively quoted prices on the European climate exchange. The net position of the Company's participation in gas contracts traded in other markets are determined using observable data or market corroboration which mainly consists of broker quotes. The net position of the Company's contracts with LIPA, interest rate swaps, and its electricity contracts are determined using extrapolated data. See commodity prices and interest rate sections below for further details of assumptions used in determining the fair value of these derivative instruments.

The following table presents the changes in fair value measurements for the Company's derivative assets and liabilities included in Level 3 of the fair value hierarchy set out in Section 3862 and as set out in note 3:

	Level 3
Balance, January 1, 2009	**$ 56**
Additions	**114**
Settled	**(41)**
Price change for existing derivatives	**19**
Foreign exchange	**(2)**
Other	**(29)**
Balance, December 31, 2009	**$ 117**

Commodity Prices

Commodity price risk is managed through PPAs and energy contracts. As at December 31, 2009, approximately 70% of the Company's generation is sold pursuant to PPAs with an average remaining duration of 15 years. The Company's generation not sold under PPAs is delivered to wholesale power markets at the prevailing market price. The Company enters into energy derivative contracts to manage the price risk associated with these transactions. The use of such contracts is governed by an established risk management policy that, among other things, sets specific transaction limits. At a hedge's inception and on an ongoing basis, the Company formally assesses whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of the hedged items. In addition to financial contracts, the Company's commodity derivatives also include two long-term PPAs with LIPA, known as the LIPA I and LIPA II contracts, and a long-term power guarantee agreement with the Fund, which were all determined to be non-financial derivatives.

The current methodology for determining the net position of the Company's LIPA I contract uses observable data up to 2013, as the market is sufficiently liquid. Beyond that point, where there is insufficient liquidity in the electricity market to continue to use observable data, the remaining term of the contract is valued using management's best estimate of long-term market gas prices and heat rate to convert natural gas into electricity. As at December 31, 2009, a change of 5% in electricity prices, with all other variables remaining constant, would have decreased or increased the LIPA I contract's net position by $17 million. The net liability position of LIPA I on December 31, 2009 is $34 million.

During 2009, the Company signed a 10-year power purchase agreement ("LIPA II") with LIPA and the New York Power Authority ("NYPA"). LIPA II, which provides LIPA with 300 GWh annually of energy, commenced in July 2009. The Company recorded a deferred mark-to-market gain of $97 million at the inception of the agreement, included in other

long-term liabilities. LIPA II will be fair valued at each reporting date, with changes in fair value being recorded through net income. The net asset position of LIPA II on December 31, 2009 was $73 million.

Similar to the Company's LIPA I contract, the Company's LIPA II contract uses management's best estimate of long-term market gas prices and heat rates to convert natural gas into electricity beyond 2013. However, the LIPA II contract also provides the Company with the option to deliver energy to LIPA from various sources to various delivery points, as well as discretion in the timing of when energy can be delivered to LIPA. The Company uses a Monte Carlo simulation model to generate the outcome of a large number of possible scenarios and uses an average of these scenarios to determine the fair value associated with the LIPA II contract. As at December 31, 2009, an increase in electricity prices of 5%, with all other variables remaining constant, would have decreased the LIPA II contract's net position by $4 million. As at December 31, 2009, a decrease in electricity prices of 5%, with all other variables remaining constant, would have increased the LIPA II contract's net position by $10 million.

Commodity derivative assets and liabilities are recorded at their fair values based on the fair value method of accounting, using quoted market prices or, in their absence, a valuation model using third-party evidence and forecasts. At December 31, 2009, the current and long-term portions of the fair value of the Company's commodity derivative assets were $104 million and $161 million, respectively, (December 31, 2008 - $62 million and $88 million, respectively) and were included in accounts receivable and other, and other assets, respectively. At December 31, 2009, the current and long-term portions of the fair value of the Company's commodity derivative liabilities were $14 million and $121 million, respectively (December 31, 2008 - $11 million and $48 million, respectively) and were included in accounts payable and other, and other long-term liabilities, respectively.

The change in the fair values of the Company's commodity derivatives are a result of the current fluctuating price environment for power and fossil fuels.

For the year ended December 31, 2009, the realized component of the Company's commodity derivatives included in revenues was a $128 million gain (2008 - $20 million gain).

For the year ended December 31, 2009, the Company's unrealized commodity derivative loss was $39 million. The loss is comprised of the following components:

$US millions	**2009**	2008
(Loss) gain related to the LIPA contracts	**$ (38)**	$ 62
(Loss) gain on commodity derivatives not qualifying for hedge accounting	**(16)**	35
Gain related to the long-term PPA with an industrial company owned by Brookfield	**16**	1
Loss related to hedge ineffectiveness on derivatives qualifying for hedge accounting	**(1)**	(2)
	$ (39)	$ 96

The unrealized gain included in OCI for 2009 related to the Company's commodity derivatives, net of the reclass to net income of gains or losses on derivatives that settled during the year, was $16 million, net of $8 million income taxes (2008 – $47 million gain).

As at December 31, 2009, a 5% increase or decrease in the market price of electricity on the financial instruments recorded in the consolidated financial statements, with all other variables remaining constant, would have decreased or increased net income by $6 million and decreased or increased OCI by $4 million.

Interest Rates

Fluctuations in interest rates could impact the Company's cash flows, primarily with respect to the interest payable on the Company's variable rate debt, which is limited to certain property specific borrowings and long-term debt with a total principal value of $1,076 million. As such, the Company and its subsidiaries will, from time to time, enter into agreements designed to minimize the exposure to interest rate fluctuations on these debts. As at December 31, 2009, agreements with a total notional value of $546 million were outstanding resulting in recognition of fair value liabilities of $13 million and $11 million, included within accounts payable and other and other long-term liabilities, respectively (December 31, 2008 - $nil and $33 million, respectively). Included in the total notional value is a $90 million agreement to fix the interest rate on the non-revolving credit facility obtained by a subsidiary of the Fund. No amounts were drawn on the credit facility as of December 31, 2009. The fair value of the recognized liabilities was calculated using a valuation model with observable interest rates. As a result of interest rate swap agreements, the Company has $620 million of debt subject to interest rate variability, of which $495 million is related to Brazilian debt facilities and $125 million is related to debt facilities in the United States. For the year ended December 31, 2009, the gain included in OCI related to

interest rate swaps, net of the reclass to net income, was $10 million, net of $3 million income taxes (2008 - $22 million loss, net of $10 million income taxes). For the year ended December 31, 2009, a $1 million gain on interest rate swaps settled during the period, net of income taxes (2008 - $1 million gain), was reclassified to net income from OCI.

For the year ended December 31, 2009, a 100 basis point increase or decrease in interest rates, assuming that all other variables had remained the same, would have resulted in a $7 million decrease or increase in the Company's net income. Of the $7 million decrease or increase, $6 million would be attributable to debt issued in Brazil bearing variable interest rates. For the year ended December 31, 2009, a 100 basis point increase or decrease in interest rates, assuming that all other variables remained the same, would have resulted in a $10 million gain or loss in the Company's OCI due to changes in the fair value of the Company's interest rate swap agreements.

Foreign Exchange

The Company, as a US dollar functional currency entity, is exposed to foreign exchange risk on the translation of the accounts of its Canadian and Brazilian self-sustaining operations. In order to mitigate this risk, the Company designates certain monetary liabilities as hedges against its investment in self-sustaining Canadian operations. In addition, the Company monitors the risk associated with foreign exchange rate fluctuations and, from time to time, may enter into forward foreign exchange contracts or employ other hedging strategies. Derivatives that are not designated as part of an eligible hedge relationship are carried at fair value with changes in fair value recorded in net income in the period in which they occur.

The Company is also exposed to foreign exchange risk arising on the translation of foreign monetary assets and liabilities recorded in its integrated operations. Gains and losses arising on the translation of these operations are included in investment and other income. The total loss related to the translation of foreign currency included in investment and other income for 2009 was $7 million (2008 – $11 million gain).

For the year ended December 31, 2009, a 10% increase or decrease in the Canadian dollar against the US dollar on the Company's Canadian dollar denominated financial assets and liabilities, assuming that all other variables had remained the same, would have resulted in a $130 million and a $127 million decrease or increase in net income and OCI, respectively. The impact of this potential fluctuation is mitigated in part by the Company's hedges of its investment in self-sustaining foreign operations. In addition, a 10% increase or decrease in the Brazilian real against the US dollar on the Company's Brazilian real denominated financial assets and liabilities would have resulted in a decrease or increase in OCI of approximately $47 million and an decrease or increase of $nil in net income.

At December 31, 2009, the Fund had foreign exchange contracts to exchange CDN$64 million into Danish Kroner and US dollars, at various dates between January 12, 2010 and September 7, 2010, to reduce its exposure to foreign denominated development costs relating to the Fund's in-construction wind project. These contracts are designated as hedges and are recorded at fair value, on each reporting date, with any gain or loss included in OCI. For the year ended December 31, 2009, the loss included in OCI related to the Fund's foreign exchange contracts was $1 million, net of income taxes. The fair value of the Fund's foreign exchange contracts on December 31, 2009 is a $2 million liability, included in accounts payable and other.

Credit Risk

Credit risk is the risk that the counterparty to a financial asset will default resulting in the Company incurring a financial loss. The Company's cash flows could be negatively impacted in the event of non-performance by counterparties to its financial and physical electricity and gas contracts, as well at its foreign exchange and interest rate swap contracts. The Company minimizes credit risk with counterparties to financial instruments and physical electricity and gas transactions through the selection, monitoring and diversification of counterparties, and the use of standard trading contracts, collateral and other credit risk mitigation techniques. In addition, the Company's PPAs are reviewed regularly and are almost exclusively with customers having long standing credit histories or investment grade ratings, which limit the risk of non-collection.

As at December 31, 2009, 94% of the Company's trade accounts receivable of $194 million were current and included a total allowance for doubtful accounts of $3 million (December 31, 2008 - $3 million), which represented 2% of total trade accounts receivable, and was entirely related to three specific, non-recurring transactions. The Company's exposure to credit risk is mitigated by the Company's practice of ensuring a high level of current accounts receivable.

In order to engage in energy trading activities, the Company uses collateral deposits and treasury bills as requested by counterparties, the amounts of which vary based on the valuation of transactions that are outstanding, as well as the Company's credit rating. As at December 31, 2009, the Company had total outstanding collateral deposits and liabilities of $13 million and $15 million, respectively (December 31, 2008 - $2 million and $34 million, respectively). Their fair value approximates their carrying value due to the short-term nature of these investments.

Liquidity Risk

Liquidity risk is the risk the Company cannot meet a demand for cash or fund an obligation when due. Liquidity risk is mitigated by the Company's cash and cash equivalent balances, its access to un-drawn credit facilities and through the use and management of securities in related parties and amounts due from related parties. Accounts payable and interest expense are paid with cash flows from operations. The Company believes that its current resources are adequate to meet its requirements for working capital.

The Company is subject to risk associated with debt financing, including the ability to refinance its debt at maturity. This risk is mitigated by the long-term duration of the Company's debt secured by its power generating assets.

In 2009, the Company repaid CDN$450 million of its corporate debentures through the issuance of CDN$700 million in corporate debentures. The Company also refinanced its US$120 million Itiquira term loan, its R$165 million (US$95 million) Itiquira credit facility, and CDN$75 million PREI property specific borrowings. Refer to note 18 for additional details.

The cash obligations related to the Company's financial liabilities as at December 31, 2009 were:

$US millions	Less than 1 year	2-5 years	More than 5 years	Total
Accounts payable and other	$ 282	$ -	$ -	$ 282
Derivative liabilities [1]	12	11	-	23
Credit facilities	339	-	-	339
Long-term debt				
Property specific borrowings	162	1,190	1,824	3,176
Finance debt obligation	38	180	531	749
Corporate and other debt	-	416	638	1,054
Promissory notes	-	-	133	133
Other obligations [2]	1	8	96	105
Interest expense [3]				
Property specific borrowings	210	712	951	1,873
Finance debt obligation	77	265	491	833
Corporate and other debt	75	208	273	556
Total	$ 1,196	$ 2,990	$ 4,937	$ 9,123

[1] Derivative liabilities exclude amounts related to the PPAs with LIPA and the affiliate of Brookfield due to the fact that these have been determined to be non-financial derivatives.

[2] Payments for usage of public assets associated with two of the Company's subsidiaries in Brazil. Refer to note 14 for further details.

[3] Represents aggregate interest expense expected to be paid over the term of the obligations. Variable rate interest payments have been calculated based on rates in effect on December 31, 2009.

7. ACQUISITIONS AND INVESTMENTS

All acquisitions that represent business combinations have been accounted for using the purchase method of accounting. The results of the operations of the acquired businesses have been included in these consolidated financial statements from the date of acquisition.

The Company did not acquire a material controlling interest in any businesses in 2009. However, on November 13, 2009, the Company acquired, from its shareholder, infrastructure assets for total consideration of approximately $554 million. The assets acquired represent a 40% interest in BILP, preferred shares in subsidiaries of BILP, and a 10% interest in ETC, which owns and operates Transelec Chile SA, Chile's national transmission grid. As the Company has significant influence over BILP and ETC, it has accounted for its interests using equity accounting.

On November 17, 2009, in connection with a Brookfield Infrastructure Partners L.P. ("BIP") equity offering, the Company subscribed for additional units in BILP, for an aggregate amount of $283 million to maintain its 40% interest in BILP. Additionally, the Company subscribed for limited partnership units of Brookfield Infrastructure General Partner L.P. ("BIGP"), for consideration of $3 million. BIGP owns all of the general partner units in BILP. The units in BILP, including the units purchased on November 13, 2009, can be presented by the Company for redemption for either an approximate 40% interest in the limited partnership units of BIP or the cash-equivalent, at the option of BIP. The acquisition and subsequent subscription were funded by $435 million in cash, of which $283 million was provided by advances from Brookfield, shown in due to/from related party on the statements of cash flows, the issuance of 1,409,662 class B preferred shares for proceeds of $33 million and a reduction of deposits with Brookfield of $372 million.

2008 Acquisitions

On March 31, 2008, the Company completed the acquisition of a hydroelectric generating facility in Minnesota for cash consideration of $48 million. This 18 MW run-of-the-river merchant facility is located on the Mississippi River and has the capacity to generate on average approximately 107 GWh of electricity per year.

The assignment of fair values to the net assets acquired was as follows:

$US millions	
Power generating assets	**$ 46**
Other assets	**2**
Net assets acquired	**$ 48**

During 2008, the Company completed the acquisition of 100% of the common shares and 100% of the Series A, B and C preferred shares of Itiquira Energética S.A. ("Itiquira") in a series of transactions for total cash consideration of $393 million. On April 28, 2008, the Company purchased 99% of the common shares and 100% of the Series C preferred shares from NRG Energy Inc. for a total cash consideration of $302 million (including transaction costs and a working capital adjustment of $14 million). On August 25, 2008, the Company completed the purchase of the remaining 1% of the common shares and 100% of the Series A preferred shares for total cash consideration of $22 million (R$37.6 million), which was allocated primarily to power generating assets. The third transaction closed on October 7, 2008, when the Company purchased 100% of the Series B preferred shares for cash consideration of $69 million (R$153 million), including transaction costs of $2 million. Itiquira owns a 156 MW hydroelectric generating facility located in the state of Mato Grosso in Brazil. This facility has the capacity to generate approximately 940 GWh of electricity per year. All of the electricity produced by the facility is sold under a long-term PPA.

The assignment of fair values to the net assets acquired was as follows:

$US millions	
Cash	**$ 55**
Accounts receivable and other	**12**
Power generating assets	**436**
Accounts payable	**(7)**
Future income tax liability	**(59)**
Assumed debt	**(44)**
Net assets acquired	**$ 393**

On November 28, 2008, the Company completed the acquisition of 100% of the common shares of BER from Brascan Brazil Ltd. ("BBL"), a subsidiary of Brookfield, for total consideration equal to BER's Brazilian GAAP carrying value of $490 million. Consideration consisted of BBL preferred shares which were held by Brookfield Renewable, including preferred shares acquired in 2008 in the amount of $142 million (of which $15 million was paid in cash and $127 million was effected through reduction of an intercompany balance). BER's financial results have been consolidated with Brookfield Renewable's financial results since the closing date of the acquisition.

The purchase price allocation is as follows:

$US millions	
Cash	**$ 52**
Accounts receivable and other	**33**
Power generating assets	**624**
Intangible assets	**19**
Other assets	**120**
Accounts payable	**(19)**
Long-term debt	**(267)**
Other liabilities	**(111)**
Non-controlling interest	**(19)**
Contributed surplus and deficit	**58**
Total consideration	**$ 490**

There was a $58 million difference between the carrying value of BER and the net assets acquired due to a difference in the estimated useful lives used for calculating the value of the power generating assets acquired under Brazilian versus Canadian GAAP. The power generating assets are depreciated more quickly under Canadian GAAP, resulting in a lower carrying value. Consideration paid was determined based on the higher Brazilian GAAP carrying value. This difference

was treated as a reduction of contributed surplus in the amount of $3 million and a charge to deficit in the amount of $55 million. Included in the purchase price allocation is a deferred asset of $112 million, included in other assets, and future obligations of $1 million and $111 million, included in accounts payable and other liabilities, respectively. These balances relate to future payments for the usage of public assets, described further in note 14, and environmental liabilities.

8. SALES OF ASSETS

Sales of Canadian Renewable Portfolio to Related Party

On February 4, 2009, the Company sold the 189 MW Prince Wind farm in Ontario and a 50% joint venture interest in the 45 MW Pingston Hydro station in British Columbia to the Fund for a total consideration of CDN$135 million, including a CDN$5 million working capital adjustment. The transaction was financed through the issuance of CDN$65 million of Fund units to the public, as well as the subscription by the Company for CDN$65 million of shares in the subsidiary, jointly owned by Brookfield Renewable and the Fund, that owns the assets, that are exchangeable into 4,062,500 units of the Fund. Following the close of the sale, the Company owned a 50.01% interest in the Fund on a fully-exchanged basis and retains a 50.01% interest in the subsidiary that owns the assets until such time as the exchangeable shares are exchanged for units of the Fund. The transaction included a ten year agreement between the Company and the Fund in which any generation in excess of 506 GWh annually from the Prince Wind farm is to the benefit of the Company; however any shortfall of generation in relation to the 506 GWh annually must be compensated to the Fund by the Company. The Company's gain of $29 million as a result of the transaction has been recorded as investment and other income in the consolidated statements of income.

On August 31, 2009, the Company sold to the Fund substantially all of its Canadian renewable power generating businesses. As part of the transaction, the Company also increased the price it pays to the Fund, under a long-term power guarantee agreement and a long-term power purchase agreement, for purchasing generation output from the Fund's existing Lièvre and Mississagi facilities, respectively, to an initial fixed price of CDN$68 per MWh, escalated annually for inflation as provided for in the original agreements. The Company has also guaranteed to the Fund the price of each MWh of energy produced and delivered by the respective facilities of Great Lakes Power Limited ("GLPL") and Hydro-Pontiac for 20 years at an initial fixed price of CDN$68 per MWh, escalated annually at 40% of the increase in the CPI of the previous year. The guarantees automatically renew for successive 20-year periods unless both parties agree not to renew. The guarantee pricing was effective for GLPL on August 31, 2009, and for Hydro-Pontiac in 2019 and 2020, when its existing power purchase agreements with third parties expire. The transaction was completed for total proceeds of CDN$945 million, comprised of CDN$365 million in cash, a CDN$200 million senior unsecured note of the Fund issued to the Company, and the issuance to the Company of 25,562,500 trust units of the Fund. In conjunction with this transaction, the Fund also issued 25,562,500 units in public and private placement offerings for gross proceeds of CDN$380 million, maintaining the Company's ownership of the Fund at 50.01% on a fully-exchanged basis. An amount of CDN$349 million was allocated to the Lièvre and Mississagi contract amendments, using a discounted cash flow method, and supported by an independent valuator. The contract amendment payment was expensed by the Fund resulting in the Company recording a reduction to non-controlling interests of $165 million in the consolidated statements of income, resulting in the Company reflecting a net gain on the contract amendment.

The net assets were transferred at their carrying values. The assets sold by the Company to the Fund included 15 hydroelectric plants with an installed capacity of 387 MW and a soon-to-be constructed 50 MW wind power project. In total, the Company recorded pre-tax income of $359 million due to this transaction, consisting of the $165 million reduction in non-controlling interests expense and a gain of $194 million in investment and other income.

Disposal of Distribution Business

On October 8, 2009, the Company sold its Ontario electric distribution business ("Distribution") to FortisOntario Inc. for consideration of CDN$75 million, subject to certain adjustments. Included within investment and other income was a loss of $6 million recognized on the disposal of Distribution.

Distribution had revenue of $11 million during 2009 prior to being sold (2008 - $17 million) and operating cash flows of $6 million (2008 - $9 million). Net income for the same period in 2009 was $1 million (2008 - $3 million). Distribution has been included in the "Other" reporting segment in the segmented information note (see note 27 for further details).

9. RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions, in addition to those disclosed in notes 7 and 8, in 2009:

A. Pursuant to a PPA expiring in January 2012, the Company provides Katahdin Paper Company ("KPC"), a company related by common ownership, with energy at a fixed rate. At December 31, 2009, the Company had a balance receivable from KPC in the amount of $10 million (December 31, 2008 - $1 million), which is included in accounts receivable and other on the balance sheet. The Company and KPC also have a profit-sharing agreement. During 2009, $20 million (2008 - $22 million) worth of energy was sold to KPC under the PPA and the KPC share of the profit-sharing agreement amounted to $15 million (2008 - $14 million).

B. Pursuant to a PPA expiring in December 2012, the Company provides Fraser New Hampshire ("FNH"), a company related by common ownership, with energy at a fixed rate. As at December 31, 2009, $1 million was included in accounts receivable and other related to this PPA (2008 – $1 million). During 2009, $4 million worth of energy was sold to FNH under the PPA (2008 - $6 million).

C. As at December 31, 2009, the Company had Canadian dollar denominated promissory notes in the amount of $29 million (2008 - $25 million) and demand deposits of $485 million (2008 - $346 million) with Brookfield, included in due from related parties. The Company earned $3 million of interest income from the demand deposits in 2009 (2008 - $1 million). The promissory notes are due on demand and pay interest at the Canadian prime rate. Interest earned on the notes in 2009 amounted to $1 million (2008 - $1 million).

D. The Company holds securities in related parties which produce investment income. The securities portfolio is comprised primarily of Canadian dollar denominated preferred shares. The portfolio consists of 46% floating rate securities (2008 – 46%) and 54% fixed rate securities (2008 – 54%) with an average yield at December 31, 2009 of 5.4% (2008 – 6.2%). At December 31, 2009, the Company had $138 million in securities in related parties (December 31, 2008 - $121 million). During 2009, the Company recorded $9 million (2008 - $10 million) of income from securities in related parties, included within investment and other income on the consolidated statements of income.

E. The Company issued notes payable to Brookfield and wholly owned subsidiaries of Brookfield. As at December 31, 2009, the balances payable on the notes were $32 million and $63 million, classified as current and long-term, respectively (December 31, 2008 - $nil and $95 million, respectively). During 2009, the Company recorded $7 million (2008 - $9 million) of interest expense related to these notes payable.

F. The Company holds notes receivable from Brookfield and a wholly-owned subsidiary of Brookfield. As at December 31, 2009, the balance receivable on the notes was $578 million (December 31, 2008 - $1,556 million). These notes are unsecured and non-interest bearing.

G. The Company has an unsecured, non-interest bearing note payable to Brookfield, maturing in February 2024. As at December 31, 2009, the balance owed on the note was $133 million (December 31, 2008 - $1,234 million).

H. The Company holds balances receivable from other owners of jointly controlled subsidiaries. As at December 31, 2009, the balances receivable were $7 million (December 31, 2008 - $8 million).

I. In the normal course of operations, Riskcorp Inc., an insurance broker related through common control, entered into transactions with the Company to provide insurance. These transactions are measured at the exchange value. The total cost incurred in 2009 for these services was $11 million (2008 - $11 million) and is included in operations, maintenance and administration expenses. $3 million has been included in 2009 revenues for insurance claims (2008 - $nil).

J. On September 1, 2009, the Company redeemed preferred shares issued to Brookfield in the amount of CDN$1,000 million in exchange for convertible debentures owed to Brookfield. The transaction was effected on a non-cash basis. The convertible debentures bear an interest rate of 14% per annum, have no fixed repayment schedule, and mature on September 1, 2019. At December 31, 2009, the Company had $951 million (December 31, 2008 - $nil) in convertible debentures outstanding with Brookfield. During 2009, the Company recorded $44 million in interest expense relating to the convertible debentures.

K. In February 2009, the Company declared and paid a one-time dividend to Brookfield in the amount of $1,100 million. Payment of the dividend was effected by reducing the note receivable from Brookfield. Immediately prior to declaring the dividend, the Company issued preferred shares to Brookfield in the amount of $1,100 million with proceeds being a reduction in the balance owing to Brookfield. Each of these transactions was effected on a non-cash basis. Refer to note 24 for additional details regarding the issuance of preferred shares to Brookfield.

L. From time to time, the Company enters into forward foreign exchange contracts with Brookfield, of which $nil remains outstanding at December 31, 2009 (December 31, 2008 - $nil). For the year ended December 31, 2009, the gain included in investment and other income related to these contracts was $7 million (2008 - $6 million loss).

The following table summarizes the income statement impact of related party transactions for the year:

$US millions	**2009**	2008
Revenues		
Sale of power to KPC	**$ 20**	$ 22
Sale of power to FNH	**4**	6
Receipt of insurance claims from Riskcorp Inc.	**3**	-
	$ 27	$ 28
Investment and other income		
Interest earned on demand deposits and promissory notes with Brookfield	**$ 4**	$ 2
Income from securities in affiliated companies	**9**	10
Gain (loss) related to foreign exchange contracts with Brookfield	**7**	(6)
	$ 20	$ 6
Expenses		
Interest on capital securities	**$ -**	$ 31
Interest on convertible debentures	**44**	-
Interest expense on notes payable to subsidiaries of Brookfield	**7**	9
Insurance services from Riskcorp Inc.	**11**	11
	$ 62	$ 51

The following table summarizes the balances receivable from/payable to related parties as at December 31:

$US millions	**2009**	2008
Due from related parties – short-term		
Demand deposits with Brookfield	**$ 485**	$ 346
Promissory notes with Brookfield	**29**	25
	$ 514	$ 371
Securities in related parties	**$ 138**	$ 121
Due from related parties		
Notes receivable from Brookfield and wholly-owned subsidiary of Brookfield	**$ 578**	$ 1,556
Due from other owners of jointly controlled subsidiaries	**7**	8
	$ 585	$ 1,564
Due to related party – short-term		
Note payable to wholly-owned subsidiary of Brookfield	**$ 32**	$ -
Due to related parties		
Note payable to Brookfield	**$ 133**	$ 1,234
Note payable to wholly-owned subsidiary of Brookfield	**63**	95
	$ 196	$ 1,329
Convertible debentures payable to Brookfield	**$ 951**	$ -

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were comprised of the following:

$US millions		**2009**		2008
Cash	**$**	**68**	$	48
Short-term deposits		**81**		96
	$	**149**	$	144

11. ACCOUNTS RECEIVABLE AND OTHER

The composition of accounts receivable and other was as follows:

$US millions		**2009**		2008
Trade receivables	**$**	**194**	$	150
Derivative assets (note 6)		**104**		62
Cash held in escrow for current liabilities		**31**		36
Prepaids and other		**44**		52
Collateral deposits		**13**		2
	$	**386**	$	302

12. EQUITY-ACCOUNTED AND LONG-TERM INVESTMENTS

$US millions		**2009**		2008
Equity-accounted investments	**$**	**860**	$	-
Other investments		**18**		-
	$	**878**	$	-

In 2009, the Company recorded $12 million of income from its interest in equity-accounted investments, which was recorded in investment and other income on the consolidated statements of income (2008 – $nil).

As at December 31, 2009, the Company's approximate 40% interest in BILP had a carrying value of $737 million (December 31, 2008 - $nil). The Company's interest in BILP has been pledged as collateral in respect of a $200 million revolving credit facility held by BILP. As at December 31, 2009, the Company's 10% interest in ETC had a carrying value of $123 million (December 31, 2008 - $nil). During 2009, the Company recorded dividends of $15 million from its interest in equity-accounted investments, which were applied against the Company's investment. See note 7 for additional details.

Other investments include preferred shares and infrastructure investments carried at cost.

13. POWER GENERATING ASSETS

The composition of the Company's power generating assets is shown below:

As at December 31

		2009		2008
$US millions	**Cost**	**Accumulated depreciation**	**Net book value**	Net book value
Land	**$ 77**	**$ 2**	**$ 75**	$ 60
Dams	**2,112**	**336**	**1,776**	1,015
Hydroelectric generating stations	**2,370**	**580**	**1,790**	2,070
Wind operations	**365**	**58**	**307**	280
Gas-fired generating stations	**226**	**145**	**81**	87
Buildings	**367**	**59**	**308**	38
Equipment	**469**	**88**	**381**	314
Water rights	**7**	**1**	**6**	431
Construction work in progress	**245**	**-**	**245**	5
Leasehold improvements	**4**	**-**	**4**	193
Asset retirement obligation	**6**	**-**	**6**	5
	$ 6,248	**$ 1,269**	**$ 4,979**	$ 4,498

Cost and accumulated depreciation for the year ended December 31, 2008 were $5,521 and $1,023, respectively. Depreciation expense for the year was $187 million (2008 - $152 million).

14. OTHER ASSETS

$US millions		**2009**		2008
	Cost	**Accumulated amortization**	**Net book value**	Net book value
Power purchase agreements	**$ 231**	**$ 49**	**$ 182**	$ 184
Deferred financing fees	**42**	**25**	**17**	14
FERC licences	**52**	**11**	**41**	43
Other depreciable assets	**146**	**1**	**145**	28
	471	**86**	**385**	269
Accrued levelized revenues	**456**	**-**	**456**	518
Cash held in escrow	**159**	**-**	**159**	75
Goodwill	**31**	**-**	**31**	27
Derivative assets (note 6)	**161**	**-**	**161**	88
Other	**39**	**-**	**39**	56
	$ 1,317	**$ 86**	**$ 1,231**	$ 1,033

Amortization of PPAs for the year was $11 million (2008 - $14 million). The remaining change in net book value is attributable to foreign exchange.

In 2009, the Company capitalized financing fees of $4 million (2008 - $2 million). Amortization of deferred financing fees included in other assets, was $1 million during 2009 (2008 – $1 million).

The Company holds licences for its US operations issued by FERC. During 2009, there was $1 million added to FERC licences relating to re-licensing (2008 - $2 million). Amortization of all FERC licences during 2009 was $2 million (2008 - $2 million).

The Company is required to pay the Brazilian Federal Government for the usage of public assets ("UBP payment") over the concession terms associated with two of its Brazilian facilities, payable on a monthly basis beginning in December 2009 and June 2012, respectively. Both concession terms expire during 2036. The UBP payment is monetarily adjusted on a quarterly basis by the Brazilian General Market Price Index. As at December 31, 2009, an asset of $105 million and corresponding liabilities of $1 million and $104 million were recorded within accounts and other payables, and other long-term liabilities, respectively, representing the net present value of the future payment obligation associated with UBP payments. The asset will be amortized over the respective concession terms, with amortization commencing when the monthly payments begin.

Cash held in escrow of $159 million (December 31, 2008 - $75 million) pertains to $95 million (December 31, 2008 - $74 million) in undistributed earnings related to CORHLP, as well as $64 million (December 31, 2008 - $1 million) held in the Company's Brazilian subsidiaries for debt service.

Of the goodwill recorded on the Company's balance sheet at December 31, 2009, $25 million was attributable to assets owned directly by the Company, $2 million related to a development project, and $4 million was attributable to a facility owned by the Fund.

15. JOINT VENTURES

The following amounts represent the Company's proportionate interest in the joint venture owned through the Fund, since February 2009, and directly by the Company in 2008. The Fund has proportionately consolidated Pingston. The results of operations and the financial position of Pingston included in the Company's financial statements are as follows:

$US millions	Ownership interest	Net income		Net assets	
		2009	2008	**2009**	2008
Pingston	50%	**$ 1**	$ 1	**$ 1**	$ 1

$US millions	**2009**	2008
Current assets	**$ 1**	$ 1
Long-term assets	**33**	29
Current liabilities	**1**	1
Long-term liabilities	**33**	28
Operating revenues	**4**	4
Operating expenses	**1**	3
Net income	**1**	1
Cash flows from operating activities	**2**	2
Cash flows used in financing activities	**(2)**	(2)

16. ACCOUNTS PAYABLE AND OTHER

The composition of accounts payable and other was as follows:

$US millions	**2009**	2008
Trade payables	**$ 173**	$ 151
Interest payable	**94**	41
Derivative liabilities (note 6)	**29**	11
Collateral liability	**15**	34
Other	**30**	16
	$ 341	$ 253

17. CREDIT FACILITIES

$US millions	Available		Drawn		Letters of credit	
	2009	2008	**2009**	2008	**2009**	2008
Credit facilities						
Lièvre Power LP	**$ 24**	$ 20	**$ -**	$ 1	**$ -**	$ 3
PREI	**5**	4	**-**	-	**5**	1
Brookfield Renewable Power Inc.	**350**	350	**150**	100	**145**	140
	$ 379	$ 374	**$ 150**	$ 101	**$ 150**	$ 144
BRPI Finance Holdco LP – Bankers' acceptance (CDN$200)	**189**	-	**189**	-	**-**	-
	$ 568	$ 374	**$ 339**	$ 101	**$ 150**	$ 144

Lièvre Power LP ("LPLP"), a wholly owned subsidiary of the Fund, has a credit facility in the amount of CDN$25 million, available by way of advances in Canadian dollars of (i) prime rate loans, (ii) Banker's Acceptance ("BA") loans, and (iii) letters of credit. Standby fees are charged on the undrawn LPLP credit facility. If not renewed, the proceeds drawn on the credit facility are due in October 2010. The credit facility is secured by the assets of LPLP and has a variable interest rate that is based on the Canadian Deposit Offering Rate ("CDOR") plus a stamping fee. At December 31, 2009, this fee was 2.00%.

PREI has a credit facility in the amount of CDN$5 million available by way of advances in Canadian dollars of (i) prime rate loans, (ii) BA loans, and (iii) letters of credit. Standby fees are charged on the undrawn PREI credit facility. If not renewed, the proceeds drawn on the credit facility are due in December 2010. The credit facility is secured by the assets of PREI and has a variable interest rate that is based on the CDOR rate plus a stamping fee. At December 31, 2009, this fee was 2.00%.

Brookfield Renewable has a $350 million revolving unsecured credit facility available in both Canadian dollars or US dollars by way of advances of (i) prime rate loans, (ii) BA loans, and (iii) letters of credit. The facility expires in two tranches; $50 million in April 2010 and $300 million in April 2011. The credit facility bears interest at BA or LIBOR, plus an applicable margin. The applicable margin refers to the spread applied on direct borrowings and the fee applied to issuances of letters of credit and is tiered on the basis of the Company's senior unsecured long term debt rating. At December 31, 2009, the margin was 0.75%. Standby fees are charged on the undrawn balance.

On December 23, 2009, the Company, through a wholly-owned subsidiary, borrowed CDN$200 million under a three-month credit facility. The facility can be extended for three additional months. The credit facility bears interest at a rate of CDOR plus 2.25% for the first three months, or 2.69%. This loan is secured by a promissory note received from the Fund, in connection with the transfer of the renewable portfolio to the Fund.

The Company and its subsidiaries issue letters of credit in support of various financing agreements used for general corporate purposes, which include, but are not limited to, guarantees for debt service reserve accounts and collateral for energy trading purposes. As at December 31, 2009, the Company had $150 million in letters of credit outstanding (December 31, 2008 - $144 million). See note 28 for more details.

18. LONG-TERM DEBT

Long-term debt consists of:

$US millions	As at December 31 **2009**	2008
Property specific borrowings	**$ 3,138**	$ 2,816
Corporate debt	**993**	654
Other long-term debt	**805**	830
Total long-term debt	**$ 4,936**	$ 4,300
Less: Current portion of long-term debt	**(201)**	(697)
	$ 4,735	$ 3,603

Property Specific Borrowings

The following table presents the Company's property specific borrowings by region and segment, including certain of their underlying characteristics.

	As at December 31, 2009			As at December 31	
$US millions	Maturities	Weighted-Average Interest Rates	Principal Balance	**2009**	2008
Canada					
Conventional hydroelectric (CDN$1,094)	2011 – 2042	6.76%	$ 1,040	**$ 1,030**	$ 881
Wind (CDN$280)	2012	5.60%	266	**265**	237
Other	-	-	-	**-**	6
		6.52%	**$ 1,306**	**$ 1,295**	$ 1,124
United States					
Conventional hydroelectric	2010 – 2030	5.48%	$ 1,125	**$ 1,108**	$ 1,105
Pumped storage	2012	2.33%	125	**124**	124
		5.17%	**$ 1,250**	**$ 1,232**	$ 1,229
Brazil					
Itiquira term loan	-	-	-	**$ -**	$ 117
Itiquira credit facility	-	-	-	**-**	68
Itiquira term loan (R$370)	2013	13.50%	212	**205**	-
BNDES[1] debt facilities (R$478)	2012 - 2023	8.91%	275	**277**	180
Galera Centrais Elétricas (R$7)	2012	12.00%	4	**4**	4
BER – Corporate credit facility (R$220)	2015	CDI + 3.05%	126	**122**	90
BER – Research and project financing (R$6)	2012	TJLP + 5.00%	3	**3**	4
		10.92%	**$ 620**	**$ 611**	$ 463
Company total					
Total property specific borrowings	2010 - 2042	6.68%	$ 3,176	**$ 3,138**	$ 2,816
Less: Current portion				**(163)**	(298)
				$ 2,975	$ 2,518

(1) Brazil National Bank for Economic Development

The Company incurred $1 million of deferred financing fees in 2009 related to its property specific borrowings (2008 - $5 million). In 2009, interest and financing fees expense included $6 million (2008 - $4 million) of deferred financing fees amortization related to property specific borrowings.

Details regarding certain significant property specific borrowings, including those coming to maturity in 2010, are detailed below by geographic segment.

Canada Property Specific Borrowings

The principal balances, and associated interest payments, of all Canada property specific borrowings are denominated and repayable in Canadian dollars, and are generally secured by the assets of the related property. With the exception of the wind property specific borrowing, interest rates on all Canada property specific borrowings are fixed and range from 4.75% to 11.6%. The debts mature on various dates from 2011 to 2042.

On July 24, 2009, PREI refinanced CDN$75 million of first mortgage bonds maturing on that same day with CDN$95 million of first mortgage bonds maturing in July 2016. The first mortgage bonds bear a fixed interest rate of 6.45%, payable semi-annually.

The wind property specific borrowing disclosed in the table above is a non-revolving credit facility, made available by way of advances in Canadian dollars of (i) prime rate loans, (ii) BA loans and (iii) BA equivalent notes. The debt is secured by the wind generating assets of Brookfield Power Wind Prince LP, a subsidiary of the Fund, and bears interest at a variable rate of CDOR plus 1.10%. The Company has a swap agreement to fix the interest rate on the debt at 5.60%.

The other property specific borrowings disclosed in the table above were comprised of first mortgage bonds secured by the property of the Company's Lake Superior Power subsidiary. The Lake Superior Power first mortgage bonds matured during 2009.

United States Property Specific Borrowings

The principal balances, and associated interest payments, of all US property specific borrowings are denominated and repayable in US dollars, and are generally secured by the assets of the related property.

The Company has non-revolving debt facilities secured by the properties of its Rumford Falls and Bear Swamp subsidiaries. The Rumford Falls debt is classified in the conventional hydroelectric segment in the table above while the Bear Swamp credit facility is classified in the pumped storage segment. The credit facilities will mature between 2010 and 2012 and bear interest at variable rates of LIBOR (London Interbank Offering Rate) plus 1.13% and 0.75%, respectively. The Company entered into a swap agreement to fix the interest rate on the $95 million Rumford Falls debt facility at 3.84%.

Brazil Property Specific Borrowings

The principal balances, and associated interest payments, of all Brazil property specific borrowings are denominated and repayable in Brazilian reais, with the exception of the Itiquira term loan as of December 31, 2008, which was denominated in US dollars. Brazil property specific borrowings are all classified in the conventional hydroelectric segment for segment disclosure purposes.

In 2009, the Itiquira term loan and credit facility were refinanced through the issuance of a R$370 million (US$212 million) term loan, which is secured by the power generating assets of Itiquira and bears interest at a variable rate of the Interbank Deposit Certificate ("CDI") plus 4.5% per annum.

On July 21, 2009, the Company obtained R$84 million (US$48 million) in financing relating to construction of the Angelina generating facility in Brazil maturing in August 2020. The Company received the financing through disbursements received in July, October and December 2009. The loan bears an interest rate of TJLP, the BNDES' long-term interest rate, plus 2.05%, with annual principal repayments beginning in 2010.

Certain of the Company's Brazilian subsidiaries have debt facilities provided by BNDES and secured by the property of each respective subsidiary. The BNDES debt facilities bear interest at variable rates of TJLP plus margins ranging from 1.93% to 5.50%. Certain of the Company's Brazilian subsidiaries also have non-revolving term loans, provided by BNDES, secured by their respective properties. The term loans bear interest at the Brazilian B.C. ("Basket-of-currency") rate plus margins ranging from 3.00% to 5.50%.

Galera Centrais Elétricas, a subsidiary of the Company through BER, has a debt facility provided by Brazil's Middle West Financing Fund. The debt facility bears a fixed rate of interest, with annual principal repayments beginning in 2010.

The BER corporate credit facility in the amount of R$220 million (US$126 million) matures in September 2015. Principal repayments of R$31 million (US$18 million) will be made in March and September of each year until maturity, starting in September 2012. The facility bears interest at a rate of 3.05% plus CDI.

The BER – Research and project financing debt facility is an agreement to provide financial resources for the initial expenses incurred during project development. This long-term debt matures in January 2012, requires monthly principal repayments and bears an interest rate of TJLP + 5.00%.

Anticipated principal repayments on the Company's outstanding property specific borrowings due over the next five years and thereafter, by region, are as follows:

$US millions	Canada	United States	Brazil	**Total**
2010	$ 21	$ 98	$ 43	**$ 162**
2011	34	4	46	**84**
2012	251	343	60	**654**
2013	10	-	244	**254**
2014	12	125	61	**198**
Thereafter	978	680	166	**1,824**
	$ 1,306	$ 1,250	$ 620	**$ 3,176**

Corporate debt:

The following table presents the Company's corporate debt, including certain of their underlying characteristics. All corporate debt is unsecured.

	As at December 31, 2009			As at December 31	
$US millions	Maturity	Interest rates	Principal Balance	**2009**	2008
CDN Corporate debt					
Series 1 (CDN$450)	2009	4.65%	$ -	**$ -**	$ 369
Series 3 (CDN$200)	2018	5.25%	190	**189**	163
Series 4 (CDN$150)	2036	5.84%	143	**141**	122
Series 5 (CDN$400)	2012	8.75%	380	**379**	-
Series 6 (CDN$300)	2016	6.13%	285	**284**	-
Total corporate debt		6.92%	$ 998	**$ 993**	$ 654
Less: Current portion				**-**	(369)
				$ 993	$ 285

In February and April 2009, the Company completed the offerings of CDN$300 million and CDN$100 million, respectively, of Series 5 medium term notes (the "Series 5") issued under the short form base shelf prospectus dated July 28, 2008 and subsequently amended and restated prospectus supplements filed in February and April 2009. The Series 5 notes mature in February 2012, rank pari passu with all other existing debt, have semi-annual interest payments, and bear interest at a rate of 8.75% per annum. The Series 5 notes were issued at a price of $102.136 in April 2009 and at par in February 2009.

In November 2009, the Company completed the offering of CDN$300 million of Series 6 medium term notes (the "Series 6") issued under the short form base shelf prospectus dated July 28, 2008 and a related prospectus supplement filed in November 2009. The Series 6 notes mature in November 2016, rank pari passu with all other existing debt, have semi-annual interest payments, and bear interest at a rate of 6.132% per annum. During 2009, the Company utilized CDN$170 million and CDN$280 million of the proceeds from the Series 5 and Series 6 notes, respectively, to repay the Series 1 Canadian corporate debentures that matured in December 2009.

Other long-term debt:

The following table presents the Company's other long-term debt, including certain of their underlying characteristics.

	As at December 31, 2009			As at December 31	
$US millions	Maturity	Interest rates	Principal Balance	**2009**	2008
PREI – Shareholder notes (CDN$21)	2020	10% - 18.00%	$ 20	**$ 20**	$ 18
CORHLP					
Finance debt obligation	2031	10.30%	749	**749**	777
Note payable	2014	5.90%	36	**36**	35
Total other long-term debt			$ 805	**$ 805**	$ 830
Less: Current portion				**(38)**	(30)
				$ 767	$ 800

The CDN$21 million PREI shareholder notes consist of a CDN$2 million non-interest bearing subordinated promissory note due to a minority shareholder of PREI, and a CDN$19 million subordinated promissory note bearing interest, payable quarterly, based on PREI's previous year's income before interest, taxes, depreciation and amortization, subject to a maximum of 18% and a minimum of 10%. The interest rate charged in 2009 was 16% (2008 – 14%). The notes mature in 2020.

On August 25, 1990, CORHLP entered into a sale and leaseback agreement with regards to its power generating assets, for a term of 30 years, plus two renewal options: a fixed rate renewal option and periodic fair market renewal option. The finance debt obligation represents the proceeds from the sale and leaseback transaction plus accrued interest, has an implicit annual interest rate of 10.30% and lease payments are due on a semi-annual basis until November 1, 2031. All revenues generated by CORHLP are contractually required to be deposited into a series of trust accounts administered by an independent collateral agent pursuant to a disbursement agreement which provides for the disbursement of funds for operating costs, lease and royalty payments. Under the terms of the disbursement agreement, in May of each year, the funds held in trust for the partners are distributed, provided that all the terms of the agreement are satisfied. There are currently no restrictions on any partner distributions. At December 31, 2009, the net book value of the associated power generating assets and accrued levelized revenues was $300 million and $456 million, respectively (2008 - $313 million and $518 million, respectively). The CORHLP note payable is secured by 25% of the Company's partnership interest in CORHLP.

The Company incurred $7 million of deferred financing fees in 2009 related to its corporate and other long-term debt (2008 - $nil). In 2009, interest and financing fees expense included $5 million (2008 - $4 million) of deferred financing fees amortization related to corporate and other long-term debt.

Anticipated principal repayments on the Company's outstanding corporate and other long-term debt due over the next five years and thereafter, are as follows:

$US millions	Annual repayments
2010	**$ 38**
2011	**42**
2012	**427**
2013	**51**
2014	**76**
Thereafter	**1,169**
	$ 1,803

19. INCOME TAXES

The difference between taxes calculated at the statutory rate and those recorded is reconciled as follows:

$US millions	**2009**	2008
Net income	**$ 424**	$ 277
Current income tax expense	**29**	13
(Recovery of) provision for future income taxes	**(35)**	40
Non-controlling interests	**(55)**	77
Net income before tax and non-controlling interests	**363**	407
Statutory income tax rate	**33%**	33%
Statutory income tax rates applied to accounting income	**120**	134
Accounting gain on sale of assets to Fund	**(52)**	-
Adjustments for non-controlling interest income	**(22)**	(26)
Non-taxable dividends	**(3)**	(17)
Non-taxable portion of gains or losses	**5**	1
Impact of rate reduction	**(6)**	(6)
Difference in foreign tax rates	**(30)**	(8)
Exchange translation items	**(7)**	(6)
Exchange gain eliminated on amalgamation	**-**	(30)
Other	**(11)**	11
(Recovery of) provision for income taxes	**$ (6)**	$ 53

For the year ended December 31, 2009, the Company's current tax expense was $29 million (2008 – tax expense of $13 million) and future income tax recovery was $35 million (2008 – future income tax expense of $40 million).

The Company's future income tax liability of $221 million (2008 – $201 million) is comprised of the following tax effected temporary differences:

	2009	2008
Non-capital losses	**$ (62)**	$ (66)
Other comprehensive income	**21**	10
Net book value in excess of undepreciated capital cost	**262**	257
	$ 221	$ 201

The Company has $62 million (2008 - $66 million) in tax-effected, unused non-capital losses, which expire as follows.

$US millions	
2020	**$ 6**
2021	**4**
2022	**1**
2023	**1**
2024	**4**
Thereafter	**46**
	$ 62

20. CONVERTIBLE DEBENTURES

The Company's convertible debentures issued to Brookfield bear an interest rate of 14% per annum, have no fixed repayment schedule and mature on September 1, 2019. The convertible debentures are classified as a liability as repayment of both principal and accrued interest can be settled at the Company's discretion through cash or a floating number of common shares. At December 31, 2009, the Company had $951 million (December 31, 2008 - $nil) in convertible debentures outstanding to Brookfield.

For the year ended December 31, 2009, $44 million was recorded as interest expense on the convertible debentures on the consolidated statement of income (2008 - $nil).

21. OTHER LONG-TERM LIABILITIES

Other long-term liabilities are comprised of:

$US millions	**2009**	2008
Accrued levelized royalty expenses	**$ 82**	$ 82
Pension and employee future benefits (note 22)	**12**	15
Derivative liabilities (note 6)	**132**	81
Other	**233**	59
	$ 459	$ 237

Included within other long-term liabilities at December 31, 2009 is a future obligation relating to UBP payments of $104 million (December 31, 2008 - $nil). The future obligation will be settled through monthly payments made over the concession term. In 2009, a nominal amount of UBP payments were made to the Brazilian Federal Government. See note 14 for more details.

22. PENSION AND EMPLOYEE FUTURE BENEFITS

Canadian and US Operations Pension Plans:

Description of benefit plans

The Company offers a number of pension plans to its employees, as well as certain health care, dental care, life insurance and other benefits to certain retired employees pursuant to Company policy. The pension and employee future benefit liabilities represent the amount that the Company's employees and retirees have earned at year-end. The Company's obligation under these plans is determined through periodic actuarial reports which were based on the assumptions indicated in the following table.

$US millions	**2009**		2008	
	Defined benefit pension plans	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Benefit obligation				
Discount rate	**6.28%-7.50%**	**6.28%-7.50%**	5.50%-6.32%	5.50%-6.32%
Rate of compensation increase	**3.50%-4.00%**	**3.50%-4.00%**	3.50%-4.00%	3.50%-4.00%
Initial health care trend rate	**-**	**5.91%-9.00%**	-	5.92%-9.00%
Ultimate trend rate	**-**	**4.27%-5.00%**	-	4.24%-5.00%
Year ultimate rate reached	**-**	**2019-2029**	-	2016
Benefit expense				
Discount rate	**5.72%-6.70%**	**5.87%-6.70%**	6.28%-7.50%	6.28%-7.50%
Long-term rate of return on plan assets	**7.50%**	**-**	6.75%-7.50%	-
Rate of compensation increase	**3.50%-4.00%**	**3.50%-4.00%**	3.50%-4.00%	3.50%-4.00%
Initial health care trend rate	**-**	**5.67%-8.00%**	-	5.67%-9.00%
Ultimate trend rate	**-**	**4.24%-5.00%**	-	4.24%-5.00%
Year ultimate rate reached	**-**	**2019-2029**	-	2016
Accrued pension obligations				
Balance, beginning of year	**$ 66**	**$ 15**	$ 94	$ 21
Current service cost	**1**	**1**	2	-
Interest cost	**4**	**1**	5	1
Employee contributions	**1**	**-**	1	-
Benefits paid	**(7)**	**(1)**	(7)	(1)
(Divestitures) acquisitions	**(12)**	**(3)**	-	-
Actuarial loss (gain)	**6**	**4**	(16)	(3)
Foreign exchange rate changes	**7**	**1**	(13)	(3)
Balance, end of year	**$ 66**	**$ 18**	$ 66	$ 15

$US millions	2009		2008	
	Defined benefit pension plans	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Fair value plan assets				
Balance, beginning of year	**$ 55**	**$ -**	$ 82	$ (2)
Employer contributions	**6**	**1**	6	2
Employee contributions	**1**	**-**	1	-
Benefits paid	**(7)**	**(1)**	(7)	-
Divestitures	**(13)**	**-**	-	-
Actual return (loss) on plan assets	**8**	**-**	(15)	-
Foreign exchange rate changes	**7**	**-**	(12)	-
Balance, end of year	**$ 57**	**$ -**	$ 55	$ -
Reconciliation of accrued benefit asset (liability)				
Plan deficit	**$ (9)**	**$ (18)**	$ (11)	$ (15)
Unamortized transitional obligation	**1**	**2**	2	3
Unamortized past service cost	**1**	**1**	1	-
Unamortized net actuarial loss (gain)	**10**	**-**	9	(4)
Accrued benefit asset (liability)	**$ 3**	**$ (15)**	$ 1	$ (16)

	2009		2008	
	Defined benefit pension plans	**Non-pension benefit plans**	Defined benefit pension plans	Non-pension benefit plans
Expense				
Current service costs	**$ 1**	**$ 1**	$ 2	$ -
Interest on accrued benefits	**4**	**1**	5	1
Actual return on plan assets	**(8)**	**-**	15	-
Actuarial loss (gain)	**6**	**4**	(16)	(3)
Plan amendments	**1**	**-**	-	-
Settlement/curtailment loss (gain)	**3**	**(3)**	1	-
Costs arising in the period	**$ 7**	**$ 3**	$ 7	$ (2)
Differences between costs arising in the period and costs recognized in the period in respect of:				
Actuarial (gain) loss	**(6)**	**(4)**	16	3
Return on plan assets	**4**	**-**	(20)	-
Transitional obligation	**-**	**-**	1	1
Net expense (recovery)	**$ 5**	**$ (1)**	$ 4	$ 2

For the year ended December 31, 2009, Brookfield Renewable incurred $2 million (2008 - $1 million) of pension expense in relation to its defined contribution pension plans.

Plan assets by category

Brookfield Renewable's defined benefit pension plan asset allocation at December 31, by asset category was as follows:

	% of total plan assets	
Asset category	**2009**	2008
Equity securities	**61%**	60%
Debt securities	**39%**	40%
Total	**100%**	100%

Sensitivity analysis

For the year ended December 31, 2009, a 1% increase or decrease in the health care cost trend rate would have resulted in a $2 million increase or decrease in the non-pension benefit plan obligation and expense.

Actuarial valuations

Actuarial valuations for Brookfield Renewable's pension plans are required every three years. The dates of the most recent actuarial valuations for Brookfield Renewable's pension and non-pension benefit plans ranges from December 31, 2006 to December 31, 2009. Brookfield Renewable measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31st of each year. Brookfield Renewable may choose to perform valuations for these plans prior to the earliest required dates.

23. NON-CONTROLLING INTERESTS

The amounts recorded as non-controlling interests as at December 31, 2009 and 2008 relate to the following consolidated subsidiaries:

$US millions	**2009**	2008
Catalyst Old River Hydroelectric Partnership	**$ 37**	$ 40
Powell River Energy Inc. and other subsidiary	**32**	33
Brookfield Renewable Power Fund	**112**	146
Bear Swamp Power Co. LLC	**1**	2
Subsidiaries of Brookfield Energia Renovável S.A.	**26**	18
	$ 208	$ 239

24. SHAREHOLDER'S EQUITY

The Company is authorized to issue an unlimited number of common shares. At December 31, 2009, 2,488,278 common shares were issued and outstanding (December 31, 2008 – 2,488,278). The Company is also authorized to issue an unlimited number of Class A, Class B and Class C preferred shares, of which no Class A preferred shares and 73,191,974 Class B preferred shares were outstanding as at December 31, 2009 (December 31, 2008 – 57,077,112 Class A preferred shares and no Class B preferred shares). No Class C preferred shares were outstanding as at December 31, 2009 (December 31, 2008 – nil).

$US millions	**2009**	2008
Common shares	**$ 622**	$ 622
Preferred shares	**1,633**	1,391
Deficit	**(1,278)**	(536)
Contributed surplus	**37**	-
Accumulated other comprehensive income (loss)	**163**	(104)
	$ 1,177	$ 1,373

In February 2009, the Company issued 54,705,200 Class A preferred shares in exchange for a $1,100 million reduction of the balance of promissory notes owed to Brookfield. On September 1, 2009, the Company redeemed 40,000,000 Class A preferred shares in exchange for CDN$1,000 million in convertible debentures owed to Brookfield. On November 13, 2009, the Company exchanged the remaining 71,782,312 Class A preferred shares for the same number of Class B preferred shares. The Class B preferred shares are non-voting, can be redeemed at the Company's discretion at CDN$25 per share, and are entitled to receive dividends if declared by the Board of Directors of the Company.

The Company's distributions to the holder of common shares and capital securities consisted of a one-time dividend of $1,100 million (2008 - $nil), effected by reducing a note receivable from Brookfield, and $56 million of cash dividends (2008 - $56 million).

Stock based compensation expense related to the granting of stock options and deferred share units of Brookfield is recorded as a $6 million increase to contributed surplus in 2009 (2008 - $4 million).

The preferred shares redeemed on September 1, 2009 were redeemed at a value of $15 million higher than previously issued. The loss on redemption has been applied as a decrease in equity, of which $5 million was applied as a decrease to contributed surplus. The remaining decrease was recorded as an adjustment to deficit.

As part of the transaction to acquire the infrastructure assets, the Company issued 1,409,662 Class B preferred shares having a value of $33 million.

The Company's acquisition of infrastructure assets on November 13, 2009 was recorded at their carrying value. The carrying value on acquisition of $605 million was $36 million higher than the value exchanged, net of $15 million in income taxes. The increase has been recorded as an increase to contributed surplus.

25. INTEREST AND FINANCING FEES

Interest and financing fees are comprised of:

$US millions		**2009**		2008
Interest and financing fees on property specific borrowings	**$**	**181**	$	161
Interest on corporate and other long-term debt		**165**		148
Other interest and financing fees		**13**		7
	$	**359**	$	316

During the year, the Company capitalized a nominal amount of interest costs (2008 – nominal amount).

26. CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital is comprised of the following:

$US millions		**2009**		2008
Accounts receivable and other	**$**	**(163)**	$	56
Accounts payable and other		**140**		19
Effect of foreign exchange		**105**		(20)
	$	**82**	$	55

27. SEGMENTED INFORMATION

The Company operates mostly renewable power assets which include conventional hydroelectric generating assets located in Canada, the United States and Brazil ("Conventional Hydroelectric"), a pumped storage hydroelectric facility located in the United States ("Pumped storage") and a wind farm located in Canada ("Wind"). The Company also operates two combined cycle natural gas-fired generating stations, one in Canada and one in the United States, has equity-accounted investments in infrastructure assets, and, up to October 9, 2009, owned an electricity distribution business in Northern Ontario ("Other"). These segments represent the Company's reportable segments, which are used to manage the business. The accounting policies of these reportable segments are the same as those described in notes 2 and 3 of these financial statements. Management evaluates business performance by type of power generation (Conventional Hydroelectric, Pumped Storage, Wind and Other). Hydroelectric is further evaluated by major region (Canada, the United States and Brazil) for conventional hydroelectric generation and pumped storage.

The Company analyzes the performance of its operating segments based on operating cash flow, which consists of revenues from the Company's power operations, net of operations, maintenance and administration costs, fuel purchases for its combined cycle natural gas-fired generating stations, power purchases and property, capital and other generation taxes on its facilities. Operating cash flow is not a measure of performance under Canadian GAAP. However, management uses this measure to assess the performance of its operating segments.

	Hydroelectric				**Wind**	**Total**	**Other**	**2009**
	Conventional Hydroelectric			**Pumped**		**Renewable**		
$US millions	**Canada**	**United States**	**Brazil**	**Storage**		**Power**		
Revenues	**$ 288**	**$ 494**	**$ 227**	**$ 66**	**$ 35**	**$ 1,110**	**$ 57**	**$ 1,167**
Operating cash flow	**184**	**363**	**158**	**35**	**29**	**769**	**-**	**769**
Interest and financing fees	**68**	**153**	**60**	**3**	**15**	**299**	**60**	**359**
Depreciation and amortization	**38**	**65**	**58**	**2**	**17**	**180**	**21**	**201**
Power generating assets	**1,352**	**1,731**	**1,183**	**97**	**314**	**4,677**	**302**	**4,979**
Total assets [(1)]	**1,581**	**2,760**	**1,623**	**182**	**370**	**6,516**	**2,344**	**8,860**
Property specific borrowings	**1,030**	**1,108**	**611**	**124**	**265**	**3,138**	**-**	**3,138**

(1) Included within total assets for the "Other" operating segment is $860 million relating to equity-accounted investments. Refer to note 12.

$US millions	Hydroelectric Conventional Hydroelectric Canada	United States	Brazil	Pumped Storage	Wind	Total Renewable Power	Other	2008
Revenues	$ 361	$ 551	$ 51	$ 86	$ 40	$ 1,089	$ 95	$ 1,184
Operating cash flow	271	397	33	37	32	770	37	807
Interest and financing fees	73	160	17	7	16	273	43	316
Depreciation and amortization	40	66	18	2	18	144	25	169
Power generating assets	1,209	1,744	930	100	287	4,270	228	4,498
Total assets	1,629	2,808	1,080	214	319	6,050	1,983	8,033
Property specific borrowings	881	1,105	463	124	237	2,810	6	2,816

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company and its subsidiaries are, from time to time, involved in legal proceedings that arise in the ordinary course of business which the Company believes would not reasonably be expected to have a material adverse effect on the financial condition of the Company.

In the course of its operations, the Company has entered into agreements for the use of water, land and/or dams. Payment under those agreements depends on the amount of power generated. The various agreements are renewable and extend as far as the year 2054.

In the normal course of operations, the Company and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties in transactions such as energy trading and marketing, business dispositions, capital project purchases, business acquisitions, and sales and purchases of assets and services.

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 that the Company could be required to pay third parties as the agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the Company nor its subsidiaries have made significant payments under such indemnification agreements.

The Company and its subsidiaries also issue letters of credit under the various credit facilities to be used for general corporate purposes, which include, but are not limited to, guarantees for debt service reserve accounts and collateral for energy trading purposes. As at December 31, 2009, the Company had $150 million in letters of credit outstanding (December 31, 2008 - $144 million).

As of December 31, 2009, the total nominal amount of Parental Guarantees ("PGs") issued by Brookfield Renewable to support energy trading activities was CDN$339 million (December 31, 2008 – CDN$358 million). The Company's credit covenants require that the mark-to-market of PGs issued be lower than CDN$350 million. As of December 31, 2009, the mark-to-market exposure of the PGs issued was CDN$90 million (December 31, 2008 - CDN$63 million). Historically, the Company has not been obligated to make significant payments for these guarantees. No amount was included in the Company's consolidated balance sheets for December 31, 2009 and December 31, 2008 relating to these guarantees.

In the normal course of operations, the Company has committed as at December 31, 2009 to spend approximately $161 million (2008 - $93 million) on capital projects in the next year. The Company also has $96 million in lease commitments for future years (2008 - $87 million), which is illustrated in the following table:

$US millions	Annual lease payments
2010	**$ 5**
2011	**5**
2012	**4**
2013	**4**
2014	**4**
Thereafter	**74**
	$ 96

The Company has asset retirement obligations associated with its power generating assets. The retirement date for the majority of the power generating assets cannot be reasonably estimated, and therefore the fair value of the associated liability cannot be estimated at this time. An asset retirement obligation of $6 million has been established for a specific lease within the Company's wind operations for the removal of all structures from the property upon expiry of the lease in 2033 (2008 - $5 million).

29. SUBSEQUENT EVENTS

On February 18, 2010, the Fund announced that a wholly-owned subsidiary of the Fund will issue CDN$250 million of Series 1 preferred shares. The holders of the preferred shares will be entitled to receive, for the initial five-year period ending April 30, 2015, fixed cumulative dividends at an annual rate of $1.3125 per share, a yield of 5.25%. The dividend rate will reset on April 30, 2015 and every five years thereafter at a rate equal to the then five-year Government of Canada Bond yield plus 2.62%. The Fund intends to use the net proceeds of the offering to repay the CDN$200 million promissory note issued to Brookfield Renewable, and for general corporate purposes.

Brookfield

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