Management's Responsibility for the Financial Statements

The consolidated financial statements and management's financial analysis and review contained in this annual report are the responsibility of the management of the company. To fulfill this responsibility, the company maintains a system of internal controls to ensure that its reporting practices and accounting and administrative procedures are appropriate and provide assurance that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's best judgment in the circumstances. The financial information presented throughout this annual report is consistent with the information contained in the consolidated financial statements.

Deloitte LLP, the independent auditor appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Board of Directors and Shareholders their opinion on the consolidated financial statements. Their report as independent auditor is set out on the following page.

The consolidated financial statements have been further examined by the Board of Directors and by its Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors. The auditors have direct and full access to the Audit Committee and meet with the committee both with and without management present. The Board of Directors, directly and through its Audit Committee, oversees management responsibilities and is responsible for reviewing and approving the financial statements.

Dennis H. Friedrich
Chief Executive Officer
March 6, 2015

Bryan K. Davis
Chief Financial Officer

Independent Auditor’s Report

To the Board of Directors and Shareholders of Brookfield Office Properties Inc.

We have audited the accompanying consolidated financial statements of Brookfield Office Properties Inc. which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cashflow for the years then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Brookfield Office Properties Inc. as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

March 6, 2015
Toronto, Canada

Consolidated Balance Sheets

(U.S. Millions)	Note	Dec. 31, 2014	Dec. 31, 2013
Assets			
Non-current assets			
Investment properties			
Commercial properties	5	**$ 25,912**	$ 25,152
Commercial developments	5	**2,465**	1,673
Equity accounted investments and participating loan interests			
Investments in joint ventures	7	**1,794**	1,902
Investments in associates	9	**159**	157
Participating loan interests	10	**426**	550
Other non-current financial assets	11	**820**	220
		31,576	29,654
Current assets			
Receivables and other assets	12	**434**	382
Restricted cash and deposits	13	**162**	142
Cash and cash equivalents		**557**	713
		1,153	1,237
Assets held for sale	14	**1,676**	—
Total assets		**$ 34,405**	$ 30,891
Liabilities			
Non-current liabilities			
Commercial property debt	15	**$ 12,405**	$ 11,655
Capital securities – corporate	16	**129**	440
Capital securities – fund subsidiaries	17	**643**	491
Other non-current financial liabilities	18	**331**	153
Deferred tax liabilities	20	**1,400**	970
		14,908	13,709
Current liabilities			
Commercial property debt	15	**1,650**	2,130
Capital securities – corporate	16	**454**	188
Accounts payable and accrued liabilities	19	**1,032**	1,046
		3,136	3,364
Liabilities associated with assets held for sale	14	**825**	—
Total liabilities		**18,869**	17,073
Equity			
Preferred equity	21	**1,542**	1,542
Common equity	21	**11,985**	10,791
Total shareholders' equity		**13,527**	12,333
Non-controlling interests	21	**2,009**	1,485
Total equity		**15,536**	13,818
Total liabilities and equity		**$ 34,405**	$ 30,891

See accompanying notes to the consolidated financial statements

Consolidated Statements of Income

(U.S. Millions)	Note		2014		2013
Commercial property revenue	22	**$**	**2,372**	$	2,304
Direct commercial property expense	22		**1,061**		940
Interest and other income	22		**78**		90
Interest expense					
Commercial property debt	22		**640**		626
Capital securities – corporate	22		**32**		35
Capital securities – fund subsidiaries	22		**256**		—
Administrative expense	22		**162**		187
Fair value gains (losses), net	23		**2,929**		562
Share of net earnings from equity accounted investments	24		**245**		258
Income (loss) before income taxes			**3,473**		1,426
Income taxes	20		**655**		204
Net income (loss)		**$**	**2,818**	$	1,222
Net income (loss) attributable to					
Shareholders		**$**	**2,614**	$	1,091
Non-controlling interests			**204**		131
		$	**2,818**	$	1,222

See accompanying notes to the consolidated financial statements

Consolidated Statements of Comprehensive Income

(U.S. Millions)		2014		2013
Net income (loss)	**$**	**2,818**	$	1,222
Foreign currency translation				
Unrealized foreign currency translation gains (losses) in respect of foreign operations		**(517)**		(517)
Gains (losses) on hedges of net investments in foreign operations, net of income tax expense (benefit) for the year ended Dec. 31, 2014 of $21 million (2013 – $3 million)		**130**		65
		(387)		(452)
Derivatives designated as cash flow hedges				
Gains (losses) on derivatives designated as cash flow hedges, net of income tax expense (benefit) for the year ended Dec. 31, 2014 of ($65) million (2013 – $42 million)		**(186)**		125
Reclassification of losses (gains) on derivatives designated as cash flow hedges, net of income tax expense (benefit) for the year ended Dec. 31, 2014 of $9 million (2013 – $3 million)		**28**		11
		(158)		136
Unrealized gains (losses) on equity securities designated as available-for-sale, net of income tax expense (benefit) for the year ended Dec. 31, 2014 of nil (2013 – nil)		**6**		—
Revaluation surplus, net of incomes tax expense (benefit) for the year ended Dec. 31, 2014 of nil (2013 – nil)		**5**		7
Other comprehensive income (loss)		**(534)**		(309)
Comprehensive income (loss)	**$**	**2,284**	$	913
Comprehensive income (loss) attributable to				
Shareholders				
Net income	**$**	**2,614**	$	1,091
Other comprehensive income (loss)		**(453)**		(264)
		2,161		827
Non-controlling interests				
Net income		**204**		131
Other comprehensive income (loss)		**(81)**		(45)
	$	**123**	$	86

See accompanying notes to the consolidated financial statements

Consolidated Statements of Changes in Equity

(U.S. Millions)	Common Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	**Total Common Equity**	Preferred Equity	Non-Controlling Interests	**Total Equity**
Balance at Dec. 31, 2013	$ 3,371	$ 413	$ 7,195	$ (188)	**$ 10,791**	$ 1,542	$ 1,485	**$ 13,818**
Changes in period								
Net income (loss)	—	—	2,614	—	**2,614**	—	204	**2,818**
Other comprehensive income (loss)	—	—	—	(453)	**(453)**	—	(81)	**(534)**
Comprehensive income (loss)	—	—	2,614	(453)	**2,161**	—	123	**2,284**
Shareholder distributions								
Common equity	—	—	(409)	—	**(409)**	—	—	**(409)**
Preferred equity	—	—	(75)	—	**(75)**	—	—	**(75)**
Non-controlling interests	—	—	—	—	**—**	—	(69)	**(69)**
Other items								
Equity issuances	7	—	—	—	**7**	260	—	**267**
Equity redemptions	(149)	(341)	(46)	—	**(536)**	(260)	—	**(796)**
Dividend reinvestment	1	—	—	—	**1**	—	—	**1**
Share-based compensation	—	11	—	—	**11**	—	—	**11**
Ownership changes, net	—	117	(83)	—	**34**	—	470	**504**
Change in period	(141)	(213)	2,001	(453)	**1,194**	—	524	**1,718**
Balance at Dec. 31, 2014	$ 3,230	$ 200	$ 9,196	$ (641)	**$ 11,985**	$ 1,542	$ 2,009	**$ 15,536**

(U.S. Millions)	Common Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	**Total Common Equity**	Preferred Equity	Non-Controlling Interests	**Total Equity**
Balance at Dec. 31, 2012	$ 3,342	$ 193	$ 6,475	$ 76	**$ 10,086**	$ 1,345	$ 1,533	**$ 12,964**
Changes in period								
Net income (loss)	—	—	1,091	—	**1,091**	—	131	**1,222**
Other comprehensive income (loss)	—	—	—	(264)	**(264)**	—	(45)	**(309)**
Comprehensive income (loss)	—	—	1,091	(264)	**827**	—	86	**913**
Shareholder distributions								
Common equity	—	—	(283)	—	**(283)**	—	—	**(283)**
Preferred equity	—	—	(81)	—	**(81)**	—	—	**(81)**
Non-controlling interests	—	—	—	—	**—**	—	(43)	**(43)**
Other items								
Equity issuances	27	181	—	—	**208**	197	243	**648**
Equity redemptions	—	—	—	—	**—**	—	(385)	**(385)**
Dividend reinvestment	2	—	—	—	**2**	—	—	**2**
Share-based compensation	—	4	—	—	**4**	—	—	**4**
Ownership changes, net	—	35	(7)	—	**28**	—	51	**79**
Change in period	29	220	720	(264)	**705**	197	(48)	**854**
Balance at Dec. 31, 2013	$ 3,371	$ 413	$ 7,195	$ (188)	**$ 10,791**	$ 1,542	$ 1,485	**$ 13,818**

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cashflow

(U.S. Millions)	Note	2014	2013
Operating activities			
Net income (loss)		**$ 2,818**	$ 1,222
Share of undistributed net earnings from equity accounted investments		**(206)**	(208)
Fair value (gains) losses, net	23	**(2,929)**	(562)
Deferred income tax expense	20	**643**	232
Gain on modification of mortgage terms	22	**—**	(22)
Depreciation and amortization	22	**18**	19
Accretion of debt discount and transaction costs		**38**	24
Share-based compensation expense	25	**21**	9
Redemption of stock options	25	**(92)**	—
Initial direct leasing costs	5	**(107)**	(73)
Settlement of interest rate hedges on commercial property debt		**(15)**	(11)
Working capital and other		**47**	(263)
		236	367
Financing activities			
Commercial property debt arranged		**2,817**	4,543
Commercial property debt repaid		**(1,856)**	(3,924)
Corporate credit facilities arranged		**1,247**	1,107
Corporate credit facilities repaid		**(707)**	(826)
Capital securities – fund subsidiaries issued		**—**	392
Capital securities – corporate redeemed		**—**	(201)
Loan payable to affiliate repaid		**(257)**	—
Non-controlling interests issued		**15**	46
Non-controlling interest purchased		**(123)**	—
Distribution to co-investors in Brookfield DTLA Holding LLC (“DTLA”)		**(103)**	—
Distributions to non-controlling interests		**(69)**	(34)
Preferred shares issued		**260**	—
Preferred shares redeemed		**(260)**	—
Preferred share dividends	21	**(75)**	(81)
Common shares issued		**—**	27
Common shares redeemed	21	**(195)**	—
Common share dividends	21	**(409)**	(283)
		285	766
Investing activities			
Acquisition of real estate	30	**(513)**	(568)
Disposition of real estate	30	**980**	542
Investment in real estate joint ventures		**(73)**	(138)
Disposition of investment in associate		**103**	30
Investment in DTLA		**—**	(199)
Distributions from equity accounted investments		**252**	—
Cash acquired in business combinations		**8**	159
Foreign currency hedges of net investments		**48**	8
Loans receivable from affiliate arranged		**(144)**	(160)
Loans receivable from affiliate repaid		**—**	235
Restricted cash and deposits		**(20)**	2
Capital expenditures – development and redevelopment	5	**(586)**	(347)
Capital expenditures – commercial properties	5	**(732)**	(346)
		(677)	(782)
(Decrease) increase in cash resources		**(156)**	351
Cash and cash equivalents, beginning of period		**713**	362
Cash and cash equivalents, end of period		**$ 557**	$ 713

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

NOTE 1: NATURE AND DESCRIPTION OF THE COMPANY

Brookfield Office Properties Inc. (“Brookfield Office Properties” or “the company”) is incorporated under the laws of Canada. The company owns, develops and manages premier office properties in the United States (“U.S.”), Canada, Australia and the United Kingdom (“U.K.”). The company is an indirect subsidiary of Brookfield Property Partners L.P. (“BPY”), which owns 100% of the company’s common shares and Class A preferred voting shares. Brookfield Asset Management Inc. (“BAM”) is the company’s ultimate parent. The registered office of the company is P.O. Box 770, Suite 330, Brookfield Place, 181 Bay Street, Toronto, Ontario, M5J 2T3 and it operates head offices in New York, Toronto, Sydney and London.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

The financial statements have been prepared on a going concern basis and have been presented in U.S. dollars rounded to the nearest million unless otherwise indicated. The accounting policies set out below have been applied consistently in all material respects. Policies not effective for the current accounting period are described in Note 4, Future Accounting Policy Changes.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control is achieved when the company has power over the investee; is exposed, or has rights, to variable returns from its investment with the investee, and has the ability to use its power to affect its returns. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Profit or loss and each component of other comprehensive income are attributable to the owners of the company and to the non-controlling interests.

All intercompany assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the company are eliminated in full on consolidation.

(c) Investments in joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture or an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the company’s share of the profit or loss and other comprehensive income of the joint venture or associate. When the company’s share of losses of a joint venture or associate exceeds the company’s interest in that joint venture or associate, the company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the company has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

When a company entity transacts with a joint venture or an associate of the company, profits and losses resulting from the transactions with the joint venture or associate are recognized in the company’s consolidated financial statements only to the extent of interests in the joint venture or associate that are not related to the company.

(d) Investments in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. This usually results from a direct interest rather than through the establishment of a separate entity.

The company accounts for its share of the assets, liabilities, revenues and expenses of the joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the company sells or contributes assets to a joint operation in which it is a joint operator, the company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the company's consolidated financial statements only to the extent of other parties' interests in the joint operation. When the company purchases assets from a joint operation in which it is a joint operator, the company does not recognize its share of the gains and losses until it resells those assets to a third party.

(e) Investment properties

Investment properties include commercial properties held to earn rental income and commercial developments that are being constructed or developed for future use as commercial properties. Commercial properties and commercial developments are recorded at fair value, determined based on available market evidence, at the balance sheet date. Related fair value gains and losses are recorded in net income in the period in which they arise.

The cost of commercial developments includes direct development costs, realty taxes and borrowing costs directly attributable to the development. Borrowing costs associated with direct expenditures on properties under development or redevelopment are capitalized. Borrowing costs are also capitalized on the purchase cost of a site or property acquired specifically for redevelopment in the short-term, but only where activities necessary to prepare the asset for development or redevelopment are in progress. The amount of borrowing costs capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings specific to other developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. The company considers practical completion to have occurred when the property is capable of operating in the manner intended by management. Generally, this occurs upon completion of construction and receipt of all necessary occupancy and other material permits. Where the company has pre-leased space as of or prior to the start of the development and the lease requires the company to construct tenant improvements which enhance the value of the property, practical completion is considered to occur on completion of such improvements.

Initial direct leasing costs incurred by the company in negotiating and arranging tenant leases are added to the carrying amount of investment properties.

(f) Assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities which comprise disposal groups are presented as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Where an asset or disposal group is acquired with a view to resale, it is classified as a non-current asset held for sale if the disposal is expected to take place within one year of the acquisition, and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition. Non-current assets held for sale and disposal groups that are not investment properties are carried at the lesser of carrying amount and fair value less costs to sell. Investment properties that are held for sale are carried at fair value determined in accordance with IAS 40, "Investment Property".

Where a component of an entity has been disposed of, or is classified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations.

(g) Taxation

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that the income tax asset will be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Current and deferred income tax relating to items recognized directly in equity are also recognized directly in equity.

(h) Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

(i) Foreign currencies

The financial statements are presented in U.S. dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

Assets and liabilities of subsidiaries, joint ventures, associates or joint operations having a functional currency other than the U.S. dollar are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at average rates for the period, unless significant transactions occur during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income. Cumulative foreign currency translation gains are recognized in net income when there is a disposition or partial disposition of the foreign subsidiary.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Gains and losses on translation of monetary items are recognized in the income statement in interest and other income, except for those related to monetary liabilities qualifying as hedges of the company's investment in foreign operations or certain intercompany loans to or from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are included in other comprehensive income.

(j) Share-based compensation

The company and its subsidiaries issue share-based awards to certain employees and non-employee directors. The cost of equity-settled share-based transactions is determined as the fair value of the awards on the grant date using a fair value model. The cost of the stock-options is recognized on a proportionate basis consistent with the vesting features of each tranche of the grant. The cost of cash-settled share-based transactions is measured as the fair value at the grant date, and expensed over the vesting period with the recognition of a corresponding liability. The liability is measured at each reporting date at fair value with changes in fair value recognized in income.

(k) Revenue recognition

(i) Commercial operations

The company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the company is required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property and capital taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

(ii) Recurring fee income

The company is entitled to management fees and performance fees on the management of properties for third parties. The company recognizes management fees as earned. The company recognizes performance fees in revenue when the amount receivable from its fund partners is determinable at the end of a contractually specified term.

(iii) Lease termination income

The company recognizes lease termination income when the amount of the termination fee can be reliably determined, it is probable the fee will be received and the costs associated with the termination can be measured reliability.

(iv) Interest and other income

Interest and other income includes interest earned on bank deposits, loans, notes and mortgages receivables as well as miscellaneous income, not part of ordinary property operations. The company recognizes interest and other income as earned.

(l) Financial instruments and derivatives

The following summarizes the company's classification and measurement of financial assets and liabilities:

	Classification	Measurement[(1)]
Financial assets		
Participating loan interests	Loans and receivables	Amortized cost[(2)]
Other non-current financial assets		
Equity securities designated as available-for-sale ("AFS")	AFS	Fair value
Other loans receivable	Loans and receivables	Amortized cost
Other financial assets	—	Fair value[(3)]
Receivables and other assets		
Accounts receivable	Loans and receivables	Amortized cost
Loan receivable from affiliate	Loans and receivables	Amortized cost
Restricted cash and deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Commercial property debt	Other financial liabilities	Amortized cost[(2)]
Capital securities – corporate	Other financial liabilities	Amortized cost
Capital securities – fund subsidiaries	Other financial liabilities	Amortized cost
Other non-current financial liabilities		
Loan payable	Other financial liabilities	Amortized cost
Note payable	Other financial liabilities	Amortized cost
Other financial liabilities	—	Fair value[(3)]
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost[(2)]

(1) *Fair value gains and losses on AFS financial assets are recognized in other comprehensive income and reclassified to net income upon sale or impairment. Fair value gains and losses on financial instruments designated as fair value through profit and loss ("FVTPL") are recognized in fair value gains (losses), net*

(2) *Except for embedded derivatives that are classified as FVTPL and derivatives in cash flow hedge relationships*

(3) *Represents derivatives in cash flow hedge relationships*

Certain of the company's Class AAA preferred shares are presented as financial liabilities within capital securities – corporate on the basis that they may be settled, at the company's option, in cash or the equivalent value of a variable number of the company's common shares.

Common equity related to the non-controlling interests in DTLA is presented as a financial liability within capital securities – fund subsidiaries on the basis that the holders of the non-controlling interests can cause DTLA to redeem their equity interests for cash at fair value on October 15, 2023, and on every fifth anniversary thereafter.

The company applies hedge accounting to derivative financial instruments in cashflow hedging relationships, and to derivative and non-derivative financial instruments designated as hedges of net investments in subsidiaries with a functional currency other than the U.S. dollar. Hedge accounting is discontinued prospectively when the hedge relationship is terminated or no longer qualifies as a hedge, or when the hedging item is sold or terminated.

In cashflow hedging relationships, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income while the ineffective portion is recognized in net income. Hedging gains and losses recognized in accumulated other comprehensive income are reclassified to net income in the periods when the hedged item affects net income. Gains and losses on derivatives are immediately reclassified to net income when the hedged item is sold or terminated or when it is determined a hedged forecasted transaction is no longer probable.

In a net investment hedging relationship, the effective portion of foreign exchange gains and losses on the hedging instruments is recognized in other comprehensive income and the ineffective portion is recognized in net income. The amounts recorded in accumulated other comprehensive income are recognized in net income when there is a disposition or partial disposition of the foreign subsidiary.

Derivative instruments are recorded in the consolidated balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts and which are not closely related to the host contract. Changes in the fair value of derivative instruments, including embedded derivatives, which are not designated as hedges for accounting purposes, are recognized in fair value gains (losses), net or administrative expense consistent with the underlying nature and purpose of the derivative instrument.

(m) Business combinations
The acquisition of businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" ("IFRS 3") are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held-for-sale and measured at fair value, less costs to sell. The interests of non-controlling shareholders in the acquiree are initially measured at fair value or at the non-controlling interests' proportionate share of identifiable assets, liabilities and contingent liabilities acquired.

To the extent the fair value of consideration paid is less than the fair value of net identifiable tangible and intangible assets, the excess is recognized in net income. To the extent the fair value of consideration paid exceeds the fair value of the net identifiable tangible and intangible assets, the excess is recorded as goodwill.

Where a business combination is achieved in stages, previously held interests in the acquired entity are re-measured to fair value at the acquisition date, which is the date control is obtained, and the resulting gain or loss, if any, is recognized in net income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income. Changes in the company's ownership interest of a subsidiary that do not result in a gain or loss of control are accounted for as equity transactions and are recorded as a component of equity. Acquisition costs are recorded as an expense in net income as incurred.

(n) Cash and cash equivalents
Cash and cash equivalents include cash and short-term investments with original maturities of three months or less.

(o) Critical judgments in applying accounting policies
The following are the critical judgments that have been made in applying the company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Control or influence over investees
When determining the appropriate basis of accounting for the company's investments, the company makes judgments and assumptions about the following: the degree of control or influence that the company exerts directly or through an arrangement; the amount of potential voting rights which provide the company or unrelated parties voting powers; the ability to appoint directors, the ability of other investors to remove the company as a manager or general partner in a controlled partnership; and the amount of benefit that the company receives relative to other investors. Also, the company makes judgements in respect of joint arrangements that are carried on through a separate vehicle in determining whether the company's interest represents an interest in the assets and liabilities of the arrangement (a joint operation) or in its net assets (a joint venture).

(ii) Investment in Brookfield Office Properties Australia
The company has an economic interest in a portfolio of properties in Australia owned by BAM in the form of participating loan agreements that provide the company with an interest in the results of operations and changes in fair values of the properties in the Australian portfolio. These participating loan interests are convertible by the company at any time into direct ownership interests in either the properties in the Australian portfolio or the entities that have direct ownership of the property (the "property subsidiaries"). The critical judgments made in the accounting for this investment relate to the company's determination that the economic interests held by the company in certain entities within the Australian portfolio represent controlling interests in those entities, the determination of unit of account where related financial instruments have been entered into in contemplation of each other, the identification of the terms of embedded derivatives within the company's participating loan interests, the recognition of certain amounts paid to the company's parent as financial assets or equity transactions, and the measurement of assets and liabilities recognized as a result of transactions with entities under common control.

As a result of these judgments, the company has accounted for its interests in certain property subsidiaries as a controlling interest in a subsidiary or an equity accounted interest in a jointly controlled entity. Interests in other properties and subsidiaries are accounted for as participating loan notes that give rise to interest income reflecting the results of operations of the underlying property and gain or losses on an embedded derivative that corresponds to the property's change in fair value. Refer to Note 10, Participating Loan Interests.

(iii) Income taxes
The company applies judgment in determining the tax rate applicable to its Real Estate Investment Trust ("REIT") subsidiaries and identifying the temporary differences related to such subsidiaries with respect to which deferred income taxes are recognized. Deferred taxes related to temporary differences arising in the company's REIT subsidiaries, joint ventures and associates are measured based on the tax rates applicable to distributions received by the investor entity on the basis that REITs can deduct dividends or distributions paid such that their liability for income taxes is substantially reduced or eliminated for the year, and the company intends that these entities will continue to distribute their taxable income and continue to qualify as REITs for the foreseeable future.

The company measures deferred income taxes associated with its investment properties based on its specific intention with respect to each asset at the end of the reporting period. Where the company has a specific intention to sell a property in the foreseeable future, deferred taxes on the building portion of the investment property are measured based on the tax consequences following from the disposition of the property. Otherwise, deferred taxes are measured on the basis the carrying value of the investment property will be recovered substantially through use. Judgment is required in determining the manner in which the carrying amount of each investment property will be recovered.

The company also makes judgments with respect to the taxation of gains inherent in its investments in foreign subsidiaries and joint ventures. While the company believes that the recovery of its original investment in these foreign subsidiaries and joint ventures will not result in additional taxes, certain unremitted gains inherent in those entities could be subject to foreign taxes depending on the manner of realization.

(iv) Leases

The company's policy for revenue recognition on commercial properties is described in Note 2(k)(i), Commercial operations. In applying this policy, the company makes judgments with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property which determines whether such amounts are treated as additions to commercial property as well as the point in time at which revenue recognition under the lease commences. In addition, where a lease allows a tenant to elect to take all or a portion of any unused tenant improvement allowance as a rent abatement, the company must exercise judgment in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

The company also makes judgments in determining whether certain leases, in particular those tenant leases with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the company is lessor, are operating or finance leases. The company has determined that all of its leases are operating leases.

(v) Investment property

The company's accounting policies relating to investment property are described in Note 2(e), Investment properties. In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

(vi) Financial instruments

The company's accounting policies relating to financial instruments are described in Note 2(l), Financial instruments and derivatives. The critical judgments inherent in these policies relate to applying the criteria set out in IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") to designate financial instruments as FVTPL, assessment of the effectiveness of hedging relationships, including evaluation of whether anticipated transactions are highly probable of occurring, determining whether the company has significant influence over investees with which it has contractual relationships in addition to the financial instrument it holds, and identification of embedded derivatives subject to fair value measurement in certain hybrid instruments. Furthermore, the company exercises judgment in applying criteria set out in IAS 32, "Financial Instruments: Presentation" to determine whether interests held by other entities in the company's subsidiaries should be classified as liabilities or as equity.

(vii) Assets held for sale and discontinued operations

The company's accounting policies relating to assets held for sale are described in Note 2(f), Assets held for sale and discontinued operations. In applying this policy, judgment is applied in determining whether sale of certain assets is highly probably, which is a necessary condition for being presented within assets held for sale. Also, judgment is applied in determining whether disposal groups represent a component of the entity, the results of which should be recorded in discontinued operations on the consolidated statements of income.

(viii) Common control transactions

IFRS does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, the company has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The company's policy is to record assets and liabilities recognized as a result of transfers of businesses or subsidiaries between entities under common control at the carrying value on the transferor's financial statements. Differences between the carrying amount of the consideration given or received, where the company is the transferor, and the carrying amount of the assets and liabilities transferred are recorded directly in equity.

(ix) Business combinations

The company's accounting policies relating to business combinations are described in Note 2(m), Business combinations. In applying this policy, judgment is applied in determining whether an acquisition meets the definition of a business combination or an asset acquisition by considering the nature of the assets acquired and the processes applied to those assets, or if the integrated set of assets and activities is capable of being conducted and managed for the purpose of providing a return to investors or other owners.

(p) Critical accounting estimates and assumptions

The company makes estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings for the period. Actual results could differ from estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the financial statements relate to the following:

(i) Investment property

The critical estimates and assumptions underlying the valuation of commercial properties and commercial developments are set out in Note 5, Investment Properties.

(ii) Financial instruments

The company has certain financial assets and liabilities with embedded participation features related to the values of investment properties. The fair values of these features are based on the fair values of the related investment properties and are subject to the estimates and assumption associated with investment properties discussed in Note 5, Investment Properties.

The company holds other financial instruments that represent equity interests in commercial properties that are measured at fair value as AFS financial assets. Estimation of the fair value of these instruments is also subject to the estimates and assumptions associated with investment properties.

Application of the effective interest method to certain financial instruments involves estimates and assumptions about the timing and amount of future principal and interest payments.

(iii) Assets held for sale and discontinued operations

The company makes estimates and assumptions about the fair value and selling costs of non-current assets held for sale and disposal groups in determining their carrying amounts.

NOTE 3: ADOPTION OF ACCOUNTING STANDARDS

The company adopted IFRIC 21, “Levies” (“IFRIC 21”) effective January 1, 2014. IFRIC 21 addresses when an entity should recognize a liability to pay a government levy other than income taxes. IFRIC 21 is an interpretation of IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” (“IAS 37”). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this guidance did not have a significant impact on the company’s consolidated financial statements.

NOTE 4: FUTURE ACCOUNTING POLICY CHANGES

The following are the accounting policies that the company expects to adopt in the future:

Financial Instruments

On July 25, 2014, the IASB issued its final version of IFRS 9, “Financial Instruments”(“IFRS 9”). IFRS 9, as amended, introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model results in a single impairment model being applied to all financial instruments, thereby removing a source of complexity associated with previous accounting requirements. It also introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and should be applied retrospectively. The company is currently evaluating the impact to the consolidated financial statements.

Joint Arrangements

In May 2014, the IASB issued Amendments to IFRS 11, “Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations”(“IFRS 11”). The objective of the amendments is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, “Business Combinations”(“IFRS 3”). Acquirers of such interests are to apply the relevant principles on business combination accounting in IFRS 3 and other standards, as well as disclosing the relevant information specified in these standards for business combinations. This amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016 and should be applied prospectively. The company is currently evaluating the impact to the consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the IASB issued its new revenue standard, IFRS 15, “Revenue from Contracts with Customers”(“IFRS 15”). IFRS 15 specifies how and when revenue should be recognized as well as requiring more informative and relevant disclosures. IFRS 15 supersedes IAS 18, “Revenue Recognition”, IAS 11, “Construction Contracts” and a number of revenue-related interpretations. Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is effective for annual periods on or after January 1, 2017 and should be applied retrospectively. The company is currently evaluating the impact to the consolidated financial statements.

NOTE 5: INVESTMENT PROPERTIES

	Dec. 31, 2014		Dec. 31, 2013	
(Millions)	**Commercial Properties**	**Commercial Developments**	Commercial Properties	Commercial Developments
Balance, beginning of period	**$ 25,152**	**$ 1,673**	$ 22,442	$ 1,138
Additions				
Property acquisitions and investments	**1,115**	**—**	2,858	136
Capital expenditures	**732**	**586**	346	348
Initial direct leasing costs	**107**	**—**	68	5
Dispositions	**(1,594)**	**(6)**	(343)	(67)
Reclassification to assets held for sale	**(1,638)**	**—**		
Fair value gains (losses)	**2,676**	**257**	430	122
Foreign currency translation	**(719)**	**(103)**	(791)	(13)
Other changes	**81**	**58**	142	4
Balance, end of period	**$ 25,912**	**$ 2,465**	$ 25,152	$ 1,673

During the fourth quarter of 2014, the company sold Continental Center II in Houston for $69 million in addition to 2401 Pennsylvania Avenue in Washington D.C. for $75 million. On December 18, 2014, the company acquired Moor Place in London for £211 million. The purchase was funded by way of £138 million debt and £73 million cash. The acquisition represents a business combination accounted for in accordance with IFRS 3.

During the third quarter of 2014, the company sold 125 Old Broad Street in London for £320 million.

On June 20, 2014, the company acquired an additional 50% interest in KPMG Tower in Sydney for approximately A$138 million in cash consideration bringing its ownership in the commercial property to 100%. The acquisition represents a business combination accounted for in accordance with IFRS 3. Prior to the acquisition date, KPMG Tower was accounted for as an investment in joint operations. In addition, during the second quarter of 2014, the company sold a 50% interest in Republic Plaza in Denver, which was previously consolidated within commercial properties, for proceeds of approximately $98 million, net of assumed debt and has recognized its retained interest within investments in joint ventures.

On January 28, 2014, the company acquired an additional 23.6% interest in Five Manhattan West in Midtown New York for $50 million in cash consideration and the settlement of a $7 million loan receivable. The company acquired an additional 0.4% interest on December 31, 2014 for $1 million, bringing its ownership in the commercial property to 99.0%. The acquisition represents a business combination accounted for in accordance with IFRS 3. Prior to the acquisition date, Five Manhattan West was accounted for within investments in joint ventures under the equity method of accounting with a carrying value of $191 million. In addition, during the first quarter of 2014, the company sold a 41% interest in Heritage Plaza in Houston for approximately $118 million including a fee of $9 million. Prior to the disposition, Heritage Plaza was consolidated with a 49% non-controlling interest. The remaining 10% interest is accounted for as an AFS within other non-current financial assets.

The company determines the fair value of each commercial property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflows in respect of such leases. Fair values are primarily determined by discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows. Commercial developments under active development are also measured using a discounted cash flow model, net of costs to complete, as of the balance sheet date. Development sites in the planning phases are measured using comparable market values for similar assets. In accordance with its policy, the company measures its commercial properties and commercial developments using valuations prepared by management. The company does not measure its investment properties based on valuations prepared by external valuation professionals.

The key valuation metrics for commercial properties, including properties accounted for under the equity method ("EAIs"), are set out in the following table:

	Dec. 31, 2014			Dec. 31, 2013		
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Consolidated Properties and EAIs						
United States						
Discount rate	**9.25%**	**6.00%**	**6.87%**	10.00%	6.00%	7.31%
Terminal cap rate	**7.00%**	**5.00%**	**5.72%**	8.75%	5.03%	6.16%
Investment horizon (years)	**19**	**3**	**10**	20	4	11
Canada						
Discount rate	**7.00%**	**6.00%**	**6.32%**	8.00%	6.00%	6.43%
Terminal cap rate	**6.50%**	**5.25%**	**5.63%**	7.00%	5.25%	5.66%
Investment horizon (years)	**15**	**10**	**11**	13	10	11
Australia						
Discount rate	**8.51%**	**8.00%**	**8.24%**	9.00%	8.00%	8.53%
Terminal cap rate	**7.50%**	**6.73%**	**6.78%**	9.00%	7.00%	7.22%
Investment horizon (years)	**10**	**10**	**10**	10	10	10
United Kingdom						
Discount rate	**8.40%**	**6.50%**	**7.25%**	7.00%	7.00%	7.00%
Terminal cap rate	**5.00%**	**5.00%**	**5.00%**	5.50%	5.25%	5.37%
Investment horizon (years)	**10**	**2**	**7**	10	10	10

Fair values are most sensitive to changes in discount rates and timing or variability of cashflows. A 25 basis point decrease in the discount and terminal capitalization rates will impact the fair value of commercial properties by $554 million and $795 million or 2.1% and 3.1%, respectively at December 31, 2014.

The following table outlines investment properties measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined below.

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

	Dec. 31, 2014		
(Millions)	Level 1	Level 2	Level 3
Investment properties			
Commercial properties	$ —	$ —	$ 25,912
Commercial developments	—	—	2,465

There were no transfers between Level 1 and Level 2 during the year.

During the year ended December 31, 2014, the company capitalized a total of $586 million (2013 – $353 million) of costs related to commercial developments. Included in this amount is $510 million (2013 – $305 million) of construction and related costs and $76 million (2013 – $48 million) of capitalized borrowing costs. The weighted average capitalization rate used for capitalization of borrowing costs to commercial developments is 4.92% (December 31, 2013 – 5.01%). Included in construction and related costs for the year ended December 31, 2014 is $188 million (2013 – $99 million) paid to a subsidiary of BAM pursuant to contracts to construct investment properties.

Commercial properties with a fair value of approximately $7,349 million (December 31, 2013 – $6,096 million) are situated on land held under leases or other agreements largely expiring after the year 2065. Commercial properties do not include any properties held under operating leases.

Investment properties with a fair value of approximately $26,368 million (December 31, 2013 – $25,199 million) are pledged as security for commercial property debt. In addition, investment properties with a fair value of approximately $788 million (December 31, 2013 – $780 million) are pledged as security for liabilities of other subsidiaries of BAM as part of cross-collateralized financing pools that are also secured by investment properties owned by BAM that have a fair value of approximately $490 million (December 31, 2013 – $836 million).

NOTE 6: BUSINESS COMBINATIONS

For acquisitions that represent business combinations, the following is a summary of the amounts assigned to each major class of asset and liability of the entities that hold these properties at the dates the company acquired control:

(Millions)		
Commercial properties	$	1,115
Commercial property debt		(462)
Other		51
Net assets acquired	$	704
Previously recognized investment in joint venture		(191)
Aggregate consideration paid	$	513

In the period from the acquisition dates to December 31, 2014, the company recorded commercial property revenue and net income attributable to shareholders excluding fair value gains (losses), net in connection with these acquired properties of $40 million and $8 million, respectively. If the acquisitions had occurred as of January 1, 2014, the commercial property revenue and net income attributable to shareholders, excluding fair value gains (losses) on the acquired properties, of the combined entity would have been $2,382 million and $2,616 million, respectively, for the year ended December 31, 2014. In connection with these acquisitions, the company recognized acquisition related costs of $4 million through administrative expense.

NOTE 7: INVESTMENTS IN JOINT VENTURES

The company has investments in joint arrangements that are joint ventures. These joint ventures hold individual commercial properties and commercial developments that the company owns together with co-investors.

Details of the company's investments in joint ventures, which have been accounted for following the equity method, are as follows:

				Proportion of Ownership Interest/Voting Rights Held by the Company	
Name of Entity	Name of Property	Principal Activity	Principal Place of Business/ Place of Incorporation	**Dec. 31, 2014**	Dec. 31, 2013
1114 6th Avenue Co. LLC	The Grace Building	Property holding company	Midtown New York/Delaware	**50%/50%**	50%/50%
Marina Airport Building, Ltd	Marina Towers	Property holding company	Los Angeles/California	**50%/50%**	50%/50%
BFP 245 Park Co. LLC[(1)]	245 Park Avenue	Property holding company	Midtown New York/Delaware	**51%/50%**	51%/50%
33rd Street Partners JV LLC	Five Manhattan West	Property holding company	Midtown New York/Delaware	**—**	75%/50%
Republic Plaza Holdings LLC	Republic Plaza	Property holding company	Denver/Colorado	**50%/50%**	—
Latitude Landowner Pty Ltd[(2)]	E&Y Centre	Property holding company	Sydney/Australia	**50%/50%**	50%/50%
London Wall Place Ltd	London Wall Place	Development property holding company	London/Jersey	**50%/50%**	50%/50%
Principal Place Tower Limited	Principal Place - Residential	Development property holding company	London/Jersey	**50%/50%**	50%/50%

(1) *The company exercises joint control over BFP 245 Park Co. LLC based on the rights assigned to the company and its joint venture partners under joint venture agreements*

(2) *The company exercises joint control over Latitude Landowner Pty Ltd through a participating loan agreement with BAM that is convertible at any time into a direct equity interest in the entity*

During the second quarter of 2014, the company sold a 50% interest in Republic Plaza in Denver, which was previously consolidated within commercial properties, for proceeds of approximately $98 million, net of assumed debt. The company retained joint control of the resulting joint venture and initially recognized the resulting equity accounted investment at its fair value of $98 million.

During the first quarter of 2014, the company acquired an additional 23.6% interest in Five Manhattan West in Midtown New York for $50 million in cash consideration. The company acquired an additional 0.4% interest during the fourth quarter of 2014 for $1 million, bringing its ownership in the commercial property to 99.0%. As a result, the company has consolidated its interest in the property.

The company has aggregated investments in joint ventures that share similar risk characteristics. Investments in joint ventures have been aggregated by principal investment activity and geography. Summarized financial information in respect of the company's aggregated investments in joint ventures is set out below:

	Dec. 31, 2014				Dec. 31, 2013			
	Commercial Property			**Development**	Commercial Property			Development
(Millions)	**U.S.**	**Australia**	**U.K.**	**U.K.**	U.S.	Australia	U.K.	U.K.
Non-current assets								
Commercial properties	**$ 4,708**	**$ 441**	**$ —**	**$ —**	$ 4,562	$ 473	$ —	$ —
Commercial developments	**6**	**—**	**—**	**386**	—	—	—	129
Other non-current assets	**—**	**—**	**—**	**—**	—	—	—	79
Current assets	**102**	**—**	**—**	**23**	98	—	—	4
Cash	**16**	**3**	**—**	**8**	5	2	—	2
Total assets	**$ 4,832**	**$ 444**	**$ —**	**$ 417**	$ 4,665	$ 475	$ —	$ 214
Non-current liabilities								
Commercial property debt	**1,984**	**—**	**—**	**1**	829	—	—	—
Other non-current liabilities	**—**	**—**	**—**	**68**	—	—	—	—
Current liabilities	**60**	**9**	**—**	**16**	851	2	—	22
Total liabilities	**2,044**	**9**	**—**	**85**	1,680	2	—	22
Net assets	**$ 2,788**	**$ 435**	**$ —**	**$ 332**	$ 2,985	$ 473	$ —	$ 192
Company's share of net assets	**$ 1,408**	**$ 218**	**$ —**	**$ 168**	$ 1,570	$ 236	$ —	$ 96

	2014				2013			
	Commercial Property			**Development**	Commercial Property			Development
(Millions)	**U.S.**	**Australia**	**U.K.**	**U.K.**	U.S.	Australia	U.K.	U.K.
Revenue	**$ 303**	**$ 43**	**$ —**	**$ —**	$ 319	$ 44	$ 6	$ —
Expense	**(177)**	**(10)**	**—**	**14**	(190)	(11)	(3)	6
Fair value gains (losses)	**280**	**—**	**—**	**—**	204	23	11	35
Net earnings	**$ 406**	**$ 33**	**$ —**	**$ 14**	$ 333	$ 56	$ 14	$ 41
Other comprehensive income (loss)	**—**	**—**	**—**	**—**	—	—	—	—
Total comprehensive income (loss)	**$ 406**	**$ 33**	**$ —**	**$ 14**	$ 333	$ 56	$ 14	$ 41
Dividends received	**(270)**	**(15)**	**—**	**—**	29	18	—	—
The above net earnings include the following:								
Interest income	**—**	**—**	**—**	**—**	—	—	—	—
Interest expense	**(65)**	**—**	**—**	**(14)**	(77)	—	(1)	7
Income tax expense (income)	**—**	**—**	**—**	**—**	—	—	—	—
Company's share of net earnings	**$ 203**	**$ 17**	**$ —**	**$ 7**	$ 189	$ 28	$ 7	$ 21

Certain of the company's investments in joint ventures are subject to restrictions over the extent to which they can remit funds to the company in the form of cash dividends, or repayment of loans and advances as a result of borrowing arrangements, regulatory restrictions and other contractual requirements.

NOTE 8: INVESTMENTS IN JOINT OPERATIONS

The company's interests in the following properties are subject to joint control and, accordingly, the company has recorded its share of the assets, liabilities, revenue and expenses of the properties in these consolidated financial statements:

Name of Entity and Name of Property	Principal Activity	Place of Incorporation and Principal Place of Business	Proportion of Ownership Interest and Voting Rights Held by the Company Dec. 31, 2014	Dec. 31, 2013
Brookfield Place – Retail & Parking	Property	Toronto	**56%**	56%
Brookfield Place III	Development property	Toronto	**54%**	54%
Exchange Tower	Property	Toronto	**50%**	50%
First Canadian Place[(1)]	Property	Toronto	**25%**	25%
151 Yonge Street	Property	Toronto	**25%**	25%
2 Queen Street East	Property	Toronto	**25%**	25%
Bankers Hall	Property	Calgary	**50%**	50%
Bankers Court	Property	Calgary	**50%**	50%
Bankers West Parkade	Development property	Calgary	**50%**	50%
Suncor Energy Centre	Property	Calgary	**50%**	50%
Fifth Avenue Place	Property	Calgary	**50%**	50%
Place de Ville I	Property	Ottawa	**25%**	25%
Place de Ville II	Property	Ottawa	**25%**	25%
Jean Edmonds Towers	Property	Ottawa	**25%**	25%
300 Queen Street	Development property	Ottawa	**25%**	25%
KPMG Tower[(2)]	Property	Sydney	**—**	50%
World Square Retail[(3)]	Property	Sydney	**50%**	50%
52 Goulburn Street[(3)]	Property	Sydney	**50%**	50%
235 St Georges Terrace[(3)]	Property	Perth	**50%**	50%
108 St Georges Terrace[(3)]	Property	Perth	**50%**	50%

(1) *First Canadian Place in Toronto is subject to a ground lease with respect to 50% of the land on which the property is situated. At the expiry of the ground lease, the other land owner will have the option to acquire, for a nominal amount, an undivided 50% beneficial interest in the property*

(2) *The company acquired an additional 50% interest in KPMG Tower in Sydney bringing its ownership in the commercial property to 100%. The acquisition represents a business combination*

(3) *The company exercises joint control over these jointly controlled assets through a participating loan agreement with BAM that is convertible by the company at any time into a direct equity interest in the entities that have a direct co-ownership interest in the underlying assets*

NOTE 9: INVESTMENTS IN ASSOCIATES

The company exercises significant influence over the following investments which have been accounted for using the equity method:

Name of Entity	Principal Activity	Place of Incorporation and Principal Place of Business	Proportion of Ownership Interest and Voting Rights Held by the Company Dec. 31, 2014	Dec. 31, 2013
BSREP Australia Trust	Investment properties	Australia	**31.5%**	31.5%
Brookfield Global FM Limited Partnership	Facilities management	Canada	**42.1%**	42.1%
Oakridges	Residential development	Canada	**23.8%**	23.8%

On March 1, 2013, the company sold a portion of its ownership interest in BSREP Australia Trust, the entity that owns the outstanding shares of Wynyard Holdings Group, to a fund that is controlled by a subsidiary of BAM for cash proceeds of $8 million. The sale decreased the company's ownership interest in the associate from 41.2% to 38.8%. During the second and third quarters of 2013, the company sold incremental interests in BSREP Australia Trust to the fund for cash proceeds of $25 million. The sales further decreased the company's ownership interest in the associate to 31.5%.

Brookfield Global FM Limited Partnership ("FM Co.") was created on October 1, 2013 through the consolidation of four core facilities management businesses. As a result of the restructuring, the company acquired an interest in Brookfield Johnson Controls Australia in various Middle Eastern and Asian facilities management businesses in exchange for the transfer of a portion of its interest in Brookfield Johnson Controls Canada ("BJCC") and Brookfield Condominium Services Ltd.("BCSL") formally known as Brookfield Residential Services Ltd. The company's ownership interest in FM Co. is 42.1% with a subsidiary of BAM acquiring a 57.9% interest. The difference between the carrying value of FM Co. and the interests transferred was recorded in contributed surplus. Previously, on February 1, 2013, BJCC, formerly Brookfield LePage Johnson Controls, was restructured. The company's ownership interest in the associate effectively decreased from 39.9% to 33.1% and a subsidiary of BAM acquired a 16.8% ownership interest in the associate. Also included in investments in associates is the company's 23.8% investment in Oakridges, which is a residential development project in Toronto.

Summarized financial information in respect of the company's material investments in associates are set out below:

	Dec. 31, 2014		Dec. 31, 2013	
(Millions)	**BSREP Australia Trust**	**FM Co.**	BSREP Australia Trust	FM Co.
Non-current assets	**$ 807**	**$ 108**	$ 840	$ 115
Current assets	**101**	**15**	59	16
Total assets	**908**	**123**	899	131
Non-current liabilities	**554**	**—**	18	—
Current liabilities	**5**	**7**	548	11
Total liabilities	**559**	**7**	566	11
Net assets	**$ 349**	**$ 116**	$ 333	$ 120
Company's share of net assets	**$ 110**	**$ 47**	$ 105	$ 50

	2014		2013	
(Millions)	**BSREP Australia Trust**	**FM Co.**	BSREP Australia Trust	FM Co.[1]
Revenue	**$ 24**	**$ 47**	$ 26	$ 470
Expense	**(23)**	**(26)**	(7)	(450)
Net earnings	**1**	**21**	19	20
Other comprehensive income (loss)	**26**	**—**	8	—
Total comprehensive income (loss)	**27**	**21**	27	20
Dividends received from the joint ventures	**—**	**—**	—	3
Company's share of net earnings	**$ 9**	**$ 9**	$ 6	$ 7

[1] *Includes BJCC for the period prior to the creation of FM Co. on October 1, 2013*

Summarized financial information in respect of the company's aggregate investments in associates that are not individually material is set out below:

(Millions)	**Dec. 31, 2014**	Dec. 31, 2013
Company's share of net assets	**$ 2**	$ 2

Certain of the company's investments in associates are subject to restrictions over the extent to which they can remit funds to the company in the form of cash dividends, or repayment of loans and advances as a result of borrowing arrangements, regulatory restrictions and other contractual requirements.

NOTE 10: PARTICIPATING LOAN INTERESTS

Participating loan interests represents interests in certain properties in Australia that do not provide the company with control over the entity that owns the underlying property and are accounted for as loans and receivables. The instruments, which are receivable from a wholly-owned subsidiary of BAM, have a contractual maturity date of September 26, 2020, subject to the company's prior right to convert them into direct ownership interests in the underlying commercial properties, and a contractual interest rate that varies with the results of operations of those properties.

During the first quarter of 2014, the company sold its 25% participating loan interest in NAB House in Sydney for A$116 million.

The outstanding principal of the participating loan interests relates to the following commercial properties:

(Millions) Name of Property	Participation Interest	**Dec. 31, 2014**	Dec. 31, 2013
Darling Park Complex, Sydney	30%	**$ 155**	$ 161
IAG House, Sydney	50%	**103**	110
NAB House, Sydney	—	**—**	105
Bourke Place Trust, Melbourne	43%	**168**	174
Total participating loan interests		**$ 426**	$ 550

Included in the balance of participating loan interests is an embedded derivative representing the company's right to participate in the changes in the fair value of the referenced properties. The embedded derivative is measured at fair value with changes in fair value reported through earnings in fair value gains (losses), net. The carrying value of the embedded derivative at December 31, 2014 was $43 million (December 31, 2013 – $56 million). For the year ended December 31, 2014, the company recognized interest income of $34 million (2013 – $37 million) on the participating loan interests and fair value gains (losses) on the associated embedded derivative of $1 million (2013 – $21 million).

Summarized financial information in respect of the properties underlying the company's investment in participating loan interests is set out below:

(Millions)		**Dec. 31, 2014**		Dec. 31, 2013
Non-current assets	**$**	**1,741**	$	2,282
Current assets		**33**		53
Total assets		**1,774**		2,335
Non-current liabilities		**690**		166
Current liabilities		**16**		660
Total liabilities		**706**		826
Net assets	**$**	**1,068**	$	1,509
Company's share of net assets	**$**	**426**	$	550

(Millions)		**2014**		2013
Revenue	**$**	**162**	$	202
Expense		**(76)**		(101)
Fair value gains (losses)		**14**		54
Net earnings	**$**	**100**	$	155
Company's share of net earnings	**$**	**35**	$	58

NOTE 11: OTHER NON-CURRENT FINANCIAL ASSETS

The components of other non-current financial assets are as follows:

(Millions)		**Dec. 31, 2014**		Dec. 31, 2013
Preferred shares in affiliate	**$**	**293**	$	—
Notes from affiliates		**308**		—
Equity securities designated as AFS		**137**		105
Other loans receivable		**82**		89
Other financial assets		—		26
Total other non-current financial assets	**$**	**820**	$	220

(a) Preferred shares in affiliate

Preferred shares in affiliate consists of 13,629,794 Class C Junior preferred shares of a subsidiary of BPY with a fair value of $293 million. The preferred shares in affiliate were obtained as consideration along with C$186 million ($160 million) of 4.5% interest bearing notes as a result of the sale of 10,564,117 units of BOX and 9,220,000 Class B LP units of Brookfield Office Properties Canada LP to a subsidiary of BPY during the second quarter of 2014.

(b) Notes from affiliates

Notes from affiliates includes $164 million (December 31, 2013 – nil) of 4.5% interest bearing notes including accrued interest as a result of the transaction noted above and $144 million of 3.6% interest bearing notes including accrued interest from subsidiaries of BPY.

(c) Equity securities designated as AFS

Equity securities designated as AFS includes $106 million at December 31, 2014 (December 31, 2013 – $105 million) which represents the company's 10% common equity interest and $92 million preferred equity interest in 1625 Eye Street in Washington, D.C. The preferred equity securities, bearing a fixed dividend of 6.5%, are redeemable by issuer at par in 2016 and are pledged as security for a loan payable to the issuer in the amount of $92 million at December 31, 2014 (December 31, 2013 – $92 million) recognized in other non-current financial liabilities.

Equity securities designated as AFS also includes $31 million at December 31, 2014 which represents our 10% common equity interest in Heritage Plaza in Houston that was retained following the disposition in the first quarter of 2014 of a 41% interest, net of a 49% non-controlling interest in the property.

(d) Other loans receivable

At December 31, 2014, other loans receivable includes an $82 million (December 31, 2013 – $89 million) receivable from BAM upon the earlier of the exercise of the company's option to convert its participating loan interests into direct ownership of the Australian portfolio or the maturity of the participating loan notes.

(e) Other financial assets

Included in other financial assets are derivative assets with a carrying amount of nil at December 31, 2014 (December 31, 2013 – $26 million). Refer to Note 28, Financial Instruments.

NOTE 12: RECEIVABLES AND OTHER ASSETS

The components of receivables and other assets are as follows:

(Millions)		**Dec. 31, 2014**		Dec. 31, 2013
Accounts receivable	**$**	**321**	$	235
Prepaid expenses and other assets		**113**		147
Total receivables and other assets	**$**	**434**	$	382

Included in receivables and other assets are derivative assets with a carrying value of $19 million at December 31, 2014 (December 31, 2013 – nil). Refer to Note 28, Financial Instruments.

NOTE 13: RESTRICTED CASH AND DEPOSITS

Cash and deposits are considered restricted when they are subject to contingent rights of third parties. Restricted cash and deposits totaled $162 million at December 31, 2014 (December 31, 2013 – $142 million).

NOTE 14: ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the fourth quarter of 2014, the company reclassified 1250 Connecticut Avenue, 650 Massachusetts, 77 K Street, 799 9th Street, 1400 K Street, 1200 K Street, Bethesda Crescent, and Victor Building, all in Washington D.C., Metropolitan Park East & West in Seattle and 151 Yonge in Toronto to assets held for sale as it intends to sell controlling interests in these properties to third parties in the next 12 months.

(Millions)		**Dec. 31, 2014**		Dec. 31, 2013
Assets				
Commercial properties	**$**	**1,638**	$	—
Receivables and other assets		**38**		—
Assets held for sale	**$**	**1,676**	$	—
Liabilities				
Commercial property debt	**$**	**794**	$	—
Accounts payable and other liabilities		**31**		—
Liabilities associated with assets held for sale	**$**	**825**	$	—

NOTE 15: COMMERCIAL PROPERTY DEBT

	Dec. 31, 2014			Dec. 31, 2013		
(Millions)	**Weighted Average Rate**		**Debt Balance**	Weighted Average Rate		Debt Balance
Unsecured corporate debt						
Corporate revolving facility	**1.86%**	**$**	**683**	3.45%	$	336
Senior unsecured notes	**4.17%**		**299**	4.17%		327
BOX revolver facility	**2.73%**		**159**	—		—
Australian property loans[1]	**4.37%**		**397**	4.66%		168
Secured commercial property debt						
Fixed rate property debt	**5.10%**		**7,533**	5.10%		8,779
Variable rate property debt	**3.25%**		**5,778**	3.36%		4,175
Total	**4.16%**	**$**	**14,849**	4.50%	$	13,785
Current		**$**	**1,650**		$	2,130
Non-current			**12,405**			11,655
Associated with assets held for sale			**794**			—
Total		**$**	**14,849**		$	13,785

[1] *Property level debt payable to a subsidiary of BAM*

Commercial property debt includes foreign currency denominated debt payable in the functional currencies of the borrowing subsidiaries. Commercial property debt by currency is as follows:

	Dec. 31, 2014				Dec. 31, 2013			
(Millions)		**U.S. Dollars**		**Local Currency**		U.S. Dollars		Local Currency
U.S. dollars	**$**	**10,035**	**$**	**10,035**	$	8,938	$	8,938
Canadian dollars		**2,621**	**C$**	**3,324**		2,776	C$	2,949
Australian dollars		**1,731**	**A$**	**2,119**		1,507	A$	1,689
British pounds		**462**	**£**	**296**		564	£	341
Total	**$**	**14,849**			$	13,785		

Included in commercial property debt is $1,731 million (December 31, 2013 – $1,507 million) of commercial property debt related to properties located in Australia that the company controls or accounts for as jointly controlled assets through a participating loan agreement with BAM. Refer to Note 5, Investment Properties, and Note 8, Investments in Joint Operations.

NOTE 16: CAPITAL SECURITIES – CORPORATE

The company has the following capital securities – corporate outstanding:

(Millions, except share information)	Shares Outstanding	Cumulative Dividend Rate	**Dec. 31, 2014**	Dec. 31, 2013
Class AAA Series E[1]	8,000,000	70% of bank prime	**$ —**	$ —
Class AAA Series G	4,400,000	5.25%	**110**	110
Class AAA Series H	8,000,000	5.75%	**172**	188
Class AAA Series J	8,000,000	5.00%	**172**	188
Class AAA Series K	6,000,000	5.20%	**129**	142
Total capital securities – corporate			**$ 583**	$ 628
Current			**$ 454**	$ 188
Non-current			**129**	440
Total capital securities – corporate			**$ 583**	$ 628

(1) *Class AAA Series E capital securities are owned by BPY, the company's parent. The company has an offsetting loan receivable against these securities earning interest at 108% of bank prime*

The terms of the company's capital securities – corporate, Class AAA Series G, H, J and K preferred shares, were amended in June 2014 so that they are convertible into BPY units and no longer convertible into the company's common shares. Shareholders had a choice to retain the amended capital securities – corporate or exchange them for senior preferred shares of Brookfield Property Split Corp., an indirect subsidiary of BPY, subject to proration and a limit of $25 million per series in their respective natural currency. As a result of this transaction, 1,000,000 shares each of Class AAA Series G, H, J and K preferred shares are owned by a subsidiary of BPY.

At December 31, 2014, capital securities – corporate includes $473 million (December 31, 2013 – $518 million) repayable in Canadian dollars of C$550 million (December 31, 2013 – C$550 million).

Cumulative preferred dividends are payable quarterly, as and when declared by the Board of Directors, on the last business day of March, June, September and December. On February 5, 2015 the Board of Directors of the company declared quarterly dividends payable for the Class AAA Series G, H, J and K preferred shares.

The amended redemption and conversion terms of capital securities – corporate are as follows:

	Redemption Date[1]	Redemption Price[1,2]	Company's Option[3]	Holder's Option[4]
Class AAA Series E	Retractable at par	—	—	—
Class AAA Series G	June 30, 2011	$25.00	June 30, 2011	September 30, 2015
Class AAA Series H	December 31, 2011	C$25.00	December 31, 2011	December 31, 2015
Class AAA Series J	June 30, 2010	C$25.00	June 30, 2010	December 31, 2014
Class AAA Series K	December 31, 2012	C$25.33	December 31, 2012	December 31, 2016

(1) *Subject to applicable law and the company's rights, the company may, on or after the dates specified above, redeem Class AAA preferred shares Series K at a price of C$26.00 if redeemed during the 12 months commencing December 31, 2012 and decreasing by C$0.33 each 12-month period thereafter to a price per share of C$25.00 if redeemed on or after December 31, 2015*

(2) *Subject to applicable law and rights of the company, the company may purchase Class AAA preferred shares for cancellation at the lowest price or prices at which, in the opinion of the Board of Directors of the company, such shares are obtainable*

(3) *Subject to applicable law and, if required, other regulatory approvals, the company may, on or after the dates specified above, convert the Class AAA, Series G, H, J and K into units of BPY. The Class AAA Series H, J and K preferred shares may be converted into that number of BPY units determined by dividing the then applicable redemption price by the greater of C$2.00 (Series G - $2.00) or 95% of the weighted average trading price of BPY units at such time*

(4) *Subject to applicable law, BPY's call rights and the company's right to redeem or find substitute purchasers, the holder may, on the dates specified above and on specified dates thereafter, convert Class AAA, Series G, H, J and K preferred shares into that number of BPY units determined by dividing the then applicable redemption price by the greater of C$2.00 (Series G - $2.00) or 95% of the weighted average trading price of units at such time*

NOTE 17: CAPITAL SECURITIES – FUND SUBSIDIARIES

The company has $643 million of capital securities – fund subsidiaries outstanding at December 31, 2014 (December 31, 2013 – $491 million). Capital securities – fund subsidiaries represent the equity interests in DTLA held by the company's co-investors in the fund which have been classified as a liability, rather than as non-controlling interest, due to the fact that on October 15, 2023, and on every fifth anniversary thereafter, the holders of these interests can cause DTLA to redeem their interests in the fund for cash equivalent to the fair value of the interests. Capital securities – fund subsidiaries are measured at redemption amount. Earnings attributable to the equity interests presented as capital securities – fund subsidiaries, including changes in the redemption amount, are recognized as interest expense in the statement of income.

NOTE 18: OTHER NON-CURRENT FINANCIAL LIABILITIES

The components of other non-current financial liabilities are as follows:

(Millions)	**Dec. 31, 2014**	Dec. 31, 2013
Loan payable	**$ 100**	$ 92
Other financial liabilities	**231**	61
Total other non-current financial liabilities	**$ 331**	$ 153

Included in other non-current financial liabilities is a loan payable of $92 million at December 31, 2014 (December 31, 2013 – $92 million) maturing in 2019, bearing interest at 7% and secured by the company's preferred equity interest in 1625 Eye Street in Washington, D.C.

At December 31, 2014, other non-current financial liabilities also includes derivative liabilities with a carrying amount of $142 million (December 31, 2013 – $32 million) and obligations under ground leases accounted for as finance leases in the United Kingdom of $89 million (December 31, 2013 – $29 million).

NOTE 19: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities was $1,032 million at December 31, 2014 (December 31, 2013 – $1,046 million). Current tax liabilities included in accounts payable amount to $27 million at December 31, 2014 (December 31, 2013 – $78 million).

Included in accounts payable and accrued liabilities are derivative liabilities with a carrying amount of $161 million at December 31, 2014 (December 31, 2013 – $56 million). Refer to Note 28, Financial Instruments.

NOTE 20: INCOME TAXES

At December 31, 2014, the company had a net deferred tax liability of $1,400 million (December 31, 2013 – $970 million).

The components of deferred income tax balances are as follows:

(Millions)	**Dec. 31, 2014**	Dec. 31, 2013
Deferred tax assets		
Loss carry forwards	**$ 219**	$ 214
Deferred financing costs	**31**	20
Foreign currency translation losses	**37**	4
Other	**32**	10
	319	248
Deferred tax liabilities		
Properties	**1,679**	1,214
Other	**40**	4
Net deferred tax liabilities	**$ 1,400**	$ 970

The movements of deferred income tax balances are as follows:

		Recognized in				
(Millions)	Dec. 31, 2013	Income	Equity	OCI	Reclassified	**Dec. 31, 2014**
Deferred tax assets related to non-capital losses and capital losses	$ 214	$ (12)	$ 13	$ 8	$ (4)	**$ 219**
Deferred tax liabilities related to differences in tax and book basis, net	(1,184)	(634)	123	72	4	**(1,619)**
Net deferred tax liabilities	$ (970)	$ (646)	$ 136	$ 80	$ —	**$ (1,400)**

		Recognized in				
(Millions)	Dec. 31, 2012	Income	Equity	OCI	Reclassified	Dec. 31, 2013
Deferred tax assets related to non-capital losses and capital losses	$ 280	$ (52)	$ —	$ (18)	$ 4	$ 214
Deferred tax liabilities related to differences in tax and book basis, net	(1,012)	(183)	(4)	15	—	(1,184)
Net deferred tax liabilities	$ (732)	$ (235)	$ (4)	$ (3)	$ 4	$ (970)

At December 31, 2014, the company and its Canadian subsidiaries have deferred tax assets of $94 million (December 31, 2013 – $96 million) related to non-capital losses that expire over the next 20 years, and $85 million (December 31, 2013 – $100 million) related to capital losses that have no expiry. The company's U.S. subsidiaries have deferred tax assets of $40 million (December 31, 2013 – $18 million) related to net operating losses that expire over the next 20 years.

In the second quarter of 2014, the company released approximately $111 million of deferred tax liabilities in connection with the sale of a 21.3% interest in BOX to BPY. The amount of deferred income tax liabilities released was determined in reference to the 21.3% interest's share of taxable temporary differences giving rise to such deferred income tax liabilities as the earnings of BOX are expected to be taxed at the investor level rather than in the REIT, net of the taxable temporary differences assumed in the consideration received. Accordingly, the release of the deferred income taxes has been credited directly to non-controlling interests in equity. The company continues to recognize deferred income tax in respect of its share of the REIT's net assets. Refer to Note 21 (d), Non-Controlling Interests.

The major components of income tax expense include the following:

(Millions)		**2014**		2013
Current tax expense (recovery)	**$**	**12**	$	(28)
Deferred tax expense[1]		**643**		232
Total income taxes	**$**	**655**	$	204

[1] *Includes $3 million tax benefit amortization recorded in accumulated other comprehensive income (loss) related to losses on derivatives designated as cash flow hedges for the year ended December 31, 2014 (2013 – $3 million)*

(Millions)		**2014**		2013
Income tax expense at the Canadian federal and provincial income tax rate of 26.5% (2013 – 26.5%)	**$**	**920**	$	378
Increase (decrease) in income tax expense due to				
Non-deductible preferred share dividends and other expenses		**7**		14
Lower income tax rates in other jurisdictions		**(427)**		(114)
Non-controlling interests in income of flow-through entities		**(54)**		(35)
Valuation allowance		**5**		5
Net reversal of reserves		**(40)**		(48)
Changes in tax rates		**249**		—
Other		**(5)**		4
Total income taxes	**$**	**655**	$	204

At December 31, 2014, the applicable tax rate is the aggregate of the Canadian Federal income tax rate of 15.0% (2013 – 15.0%) and the Provincial income tax rate of 11.5% (2013 – 11.5%).

At December 31, 2014, the company has approximately $2,300 million of temporary differences associated with its investments in foreign subsidiaries and joint ventures for which no deferred taxes have been provided on the basis that the company is able to the control the timing of the reversal of such temporary differences and such reversal is not probable in the foreseeable future.

NOTE 21: EQUITY

(a) Common Shares

The authorized common share capital consists of an unlimited number of common shares. Common shares issued and outstanding changed as follows:

	Dec. 31, 2014	Dec. 31, 2013
Common shares issued and outstanding, beginning of period	**506,701,648**	504,720,629
Shares cancelled as a result of the redemption alternative	**(22,536,647)**	—
Shares issued on exercise of options	**638,368**	1,824,291
Dividend reinvestment	**33,249**	135,922
Other(1)	**3,164**	20,806
Common shares issued and outstanding, end of period	**484,839,782**	506,701,648

(1) *At December 31, 2014 and December 31, 2013, other consists of shares sold to cover income taxes less dividends received net of shares repurchased in connection with the company's restricted stock plan*

On June 9, 2014 (the "closing date"), the company and BPY completed a plan of arrangement under which BPY and its subsidiaries acquired the remaining common shares in the company that it did not already own. Under the terms of the plan of arrangement, certain shareholders were provided with the alternative of electing to have their common shares redeemed by the company (the "redemption alternative"). Pursuant to the redemption alternative, the company cancelled 22,536,647 common shares in exchange for 12,932,112 Exchangeable LP units of Brookfield Office Properties Exchange LP, a subsidiary of BPY, whose shares are exchangeable into limited partnership units of BPY on a one-for-one basis and $195 million in cash.

Total common share dividends for the year ended December 31, 2014, were $409 million or $0.83 per share (December 31, 2013 – $283 million or $0.56 per share).

(b) Accumulated Other Comprehensive Income (Loss)

At December 31, 2014 and December 31, 2013, accumulated other comprehensive income (loss) consists of the following amounts:

(Millions)	**Dec. 31, 2014**	Dec. 31, 2013
Foreign currency translation gains (losses) on investments in subsidiaries, net of related hedging activities, net of income tax expense (benefit) of ($7) million (December 31, 2013 – ($28) million), net of non-controlling interest	**$ (398)**	$ (93)
Gains (losses) on derivatives designated as cash flow hedges, net of income tax expense (benefit) of ($89) million (December 31, 2013 – ($33) million)(1)	**(260)**	(101)
Unrealized gains (losses) on equity securities designated as AFS, net of income tax expense (benefit) of nil (December 31, 2013 – nil)	**4**	(2)
Net change in revaluation surplus, net of income tax expense (benefit) of nil (December 31, 2013 – nil)	**13**	8
Accumulated other comprehensive income (loss)(2)	**$ (641)**	$ (188)

(1) *Includes losses of $28 million at December 31, 2014 (December 31, 2013 - $14 million) which will be reclassified to interest expense over the next 12 months*
(2) *Each component of the company's accumulated other comprehensive income may be reclassified to profit (or loss) in the future*

(c) Preferred Equity

The company has the following preferred shares authorized and outstanding included in equity:

(Millions, except share information)	Shares Outstanding	Cumulative Dividend Rate	**Dec. 31, 2014**	Dec. 31, 2013
Class A Series A and B redeemable voting	13,797,320	7.50%	**$ 10**	$ 11
Class AA Series E	2,000,000	70% of bank prime	**34**	34
Class AAA Series L	—	6.75%	**—**	259
Class AAA Series N	11,000,000	6.15%	**257**	257
Class AAA Series P	12,000,000	5.15%	**287**	287
Class AAA Series R	10,000,000	5.10%	**247**	247
Class AAA Series T	10,000,000	4.60%	**250**	250
Class AAA Series V	1,805,489	70% of bank prime	**25**	25
Class AAA Series W	3,816,527	70% of bank prime	**55**	55
Class AAA Series X	300	30-day BA + 0.4%	**66**	66
Class AAA Series Y	2,847,711	70% of bank prime	**42**	42
Class AAA Series Z	800,000	30-day BA + 0.4%	**9**	9
Class AAA Series AA	12,000,000	4.75%	**260**	—
Total preferred equity			**$ 1,542**	$ 1,542

On October 23, 2014, the company issued 12,000,000 Class AAA Series AA preferred shares for C$300 million or C$25.00 per share.

On September 30, 2014, the company redeemed all of the Class AAA Series L preferred shares outstanding for C$288 million or C$25.00 a share.

On June 9, 2014, the company redeemed all Class A redeemable voting preferred shares owned by shareholders other than BPY and its affiliates for C$1 million or C$1.13074 per share, including declared and unpaid dividends.

For the year ended December 31, 2014, the company paid preferred dividends of $75 million (2013 – $81 million). Cumulative preferred dividends are payable, as and when declared by the Board of Directors, on the last business day of March, June, September and December, the 14th day of February, May, August and November or the Thursday following the third Wednesday of every month depending on the series of preferred shares. On February 5, 2015, the Board of Directors of the company declared dividends payable for the Class A, Class AA Series E and Class AAA Series N, P, R, T, V, W, X, Y, Z and AA preferred shares.

(d) Non-Controlling Interests

Non-controlling interests consist of the following:

(Millions)	**Dec. 31, 2014**	Dec. 31, 2013
Preferred equity – subsidiaries	**$ 261**	$ 243
Other non-controlling interests	**1,748**	1,242
Total non-controlling interests	**$ 2,009**	$ 1,485

Preferred Equity – Subsidiaries

Subsidiaries' preferred shares outstanding totaled $261 million at December 31, 2014 (December 31, 2013 – $243 million) as follows:

(Millions, except share information)	Shares Outstanding	Preferred Shares Series	Cumulative Dividend Rate	**Dec. 31, 2014**	Dec. 31, 2013
Brookfield DTLA Fund Office Trust Investor Inc. ("DTLA Investor")	9,357,469	Series A	7.63%	**$ 261**	$ 243

Other non-controlling interests

Other non-controlling interests include the amounts of common equity related to non-controlling shareholders' interests in the company's subsidiaries. The balances are as follows:

(Millions)	Others' Equity Ownership	**Dec. 31, 2014**	Dec. 31, 2013
Units of BOX[1,2]	38.0%	**$ 1,037**	$ 488
Limited partnership units of Brookfield Financial Properties L.P.	—	**—**	40
Units of Brookfield Prime Property Fund[3]	19.5%	**47**	48
Partnership units of The 100 Bishopsgate Partnership[4,5]	—	**—**	1
Members interest in Brookfield Heritage Partners LLC[6]	—	**—**	133
Interest in 1801 California Street	49.0%[7]	**102**	63
Members interest in BOP Met Park LLC	50.0%[7]	**69**	52
Members interest in Broadway West 33rd JV LLC	1.0%	**9**	—
U.S. Office Fund	15.7%	**484**	417
Total other non-controlling interests		**$ 1,748**	$ 1,242

(1) *Canadian dollar denominated*
(2) *During the second quarter of 2014, the company sold a 21.3% interest in BOX to a subsidiary of BPY in exchange for C$186 million ($160 million) of 4.5% interest bearing notes and 13,629,794 Class C Junior preferred shares of the subsidiary with a fair value of $293 million. The excess of the proportionate share of BOX's net assets held by non-controlling interest of C$659 million over the fair value of the consideration received has been recognized as a charge to retained earnings of $124 million*
(3) *Australian dollar denominated*
(4) *As of December 4, 2014, the company controls 100% of The 100 Bishopsgate Partnership*
(5) *British pound denominated*
(6) *During the first quarter of 2014 the company sold a 41% interest, net of a 49% non-controlling interest, in the entity that owns Heritage Plaza in Houston*
(7) *The company controls 100% of 1801 California Street and BOP Met Park LLC as the managing member based on the control provided in the venture agreements*

The company has aggregated its investments in subsidiaries with material non-controlling interests that share similar risk characteristics. Subsidiaries have been aggregated by principal activity and geography. Summarized financial information in respect of the company's aggregated subsidiaries with material non-controlling interests is set out below:

	Dec. 31, 2014			
	Portfolio			Property
(Millions)	U.S. Office Fund	DTLA	BOX	U.S.
Non-current assets	$ 4,118	$ 3,705	$ 4,995	$ 1,326
Current assets	987	220	121	315
Total assets	5,105	3,925	5,116	1,641
Non-current liabilities	1,521	2,994	2,039	573
Current liabilities	503	91	412	153
Total liabilities	2,024	3,085	2,451	726
Net assets	$ 3,081	$ 840	$ 2,665	$ 915
Company's share of net assets	$ 2,597	$ 579	$ 1,628	$ 735
Non-controlling interests' share of net assets	$ 484	$ 261	$ 1,037	$ 180

	2014			
	Portfolio			Property
(Millions)	U.S. Office Fund	DTLA	BOX	U.S.
Revenue	$ 369	$ 332	$ 465	$ 98
Net earnings	$ 662	$ 17	$ 105	$ 296
Company's share of net earnings	$ 558	$ 8	$ 65	$ 249
Non-controlling interests' share of net earnings	$ 104	$ 9	$ 40	$ 47
Dividends paid to non-controlling interests	$ 38	$ —	$ 18	$ —

NOTE 22: REVENUE AND EXPENSES

(a) Commercial property revenue

The following represents an analysis of the nature of the revenue included in commercial property revenue:

(Millions)		2014		2013
Rental revenue	$	**2,332**	$	2,248
Recurring fee income		**25**		53
Lease termination, fee and other income		**15**		3
Total commercial property revenue	$	**2,372**	$	2,304

The company leases commercial properties under operating leases generally with lease terms of between 1 and 15 years, with options to extend up to a further 5 years.

Recurring fee income includes revenue earned for property management, leasing and third party service fees.

Minimum rental commitments on non-cancellable tenant operating leases are as follows:

(Millions)		Dec. 31, 2014		Dec. 31, 2013
Not later than 1 year	$	**1,514**	$	1,468
Later than 1 year and not longer than 5 years		**6,092**		5,510
Later than 5 years		**9,488**		7,799
Total	$	**17,094**	$	14,777

(b) Expenses

The following represents an analysis of the nature of the expenses included in direct commercial property expense, interest expense, and administrative expense:

(Millions)		2014		2013
Interest expense	$	**928**	$	661
Property maintenance		**560**		487
Real estate taxes		**365**		338
Employee benefits		**181**		163
Ground rents		**32**		27
Depreciation and amortization		**18**		19
Transaction costs		**4**		13
Other		**63**		80
Total expenses	$	**2,151**	$	1,788

The company recognized acquisition related costs of $4 million for the year ended December 31, 2014 (2013 – $13 million), in connection with investment properties acquired through business combinations accounted for in accordance with IFRS 3.

Property operating costs for the year ended December 31, 2014 includes $32 million (2013 – $27 million) representing rent expense associated with operating leases for land on which certain of the company's commercial properties are situated. The company does not have an option to purchase the leased land at the expiry of the lease periods. Future minimum lease payments under these arrangements are as follows:

(Millions)		Dec. 31, 2014		Dec. 31, 2013
Not later than 1 year	$	**25**	$	28
Later than 1 year and not longer than 5 years		**103**		99
Later than 5 years		**1,412**		1,467
Total	$	**1,540**	$	1,594

(c) Interest and other income

The components of interest and other income are as follows:

(Millions)		2014		2013
Interest income on loans receivable from parent companies	$	**10**	$	5
Interest income on participating loan interests with subsidiaries of BAM		**34**		37
Other interest income		**3**		3
Other income(1)		**31**		45
Total interest and other income	$	**78**	$	90

(1) *Includes $9 million fee related to the disposition of Heritage Place in Houston, $7 million foreign exchange gain and $4 million gain on loan settlement for the year ended December 31, 2014. For the year ended December 31, 2013 includes $22 million gains from mortgage term amendment and $6 million foreign exchange gain*

NOTE 23: FAIR VALUE GAINS (LOSSES), NET

The components of fair value gains (losses), net are as follows:

(Millions)		2014		2013
Investment properties				
Commercial properties	$	**2,676**	$	430
Commercial developments		**257**		122
		2,933		552
Gain (loss) on sale of investment properties		**(5)**		(11)
Participating loan interests		**1**		21
Total fair value gains (losses), net	$	**2,929**	$	562

NOTE 24: SHARE OF NET EARNINGS FROM EQUITY ACCOUNTED INVESTMENTS

The components of share of net earnings of equity accounted investments are as follows:

(Millions)		2014		2013
Joint ventures	$	**227**	$	245
Associates		**18**		13
Total share of net earnings from equity accounted investments	$	**245**	$	258

NOTE 25: SHARE-BASED COMPENSATION

On the closing date of the plan of arrangement as described in Note 21, Equity, BPO share options and BPO restricted shares outstanding were either redeemed for cash or replaced under new option or share plans.

Participants' vested in-the-money options of BPO share options were redeemed for a cash payment equal to the in-the-money amount on the closing date. The total cash consideration provided to redeem awards for cash was $92 million which has been reflected as a charge within equity redemptions in the consolidated statement of changes in equity.

BPY Unit Option Plans

New option plans were initiated to replace unvested or out-of-the-money BPO share options held by participants and were granted to employees of the company subsequent to the closing date. Awards under the BPY Unit Option Plan are linked to BPY LP Units ("LP Unit") and generally vest 20% per year over a period of five years and expire 10 years after the grant date, with the exercise price set at the time such options were granted at an amount that is generally equal to the market price of a LP Unit on the New York Stock Exchange ("NYSE") on the last trading day preceding the grant date. Upon exercise of a vested BPY Award, the participant is entitled to receive a cash payment equal to the amount by which the fair market value of a BPY LP Unit at the date of exercise exceeds the exercise price of the BPY Award. Subject to a separate adjustment arising from forfeitures, the estimated expense is revalued every reporting period using the Black-Scholes valuation model as a result of the cash settlement provisions of the plan and recorded as a liability award within accounts payable and accrued liabilities in the consolidated balance sheet.

The company estimated the fair value of the awards granted during the year for the BPY Unit Option Plans using the Black-Scholes valuation model. The following assumptions were utilized:

	Dec. 31, 2014
Share price on the date of measurement	**$22.87**
Weighted average fair value per option	**$2.97**
Average term to exercise	**7 Years**
Share price volatility	**30.00%**
Liquidity discount	**25.00%**
Weighted average annual dividend yield	**6.50%**
Risk-free rate	**1.97%**

At December 31, 2014, the total amount of BPY Awards outstanding was 17,373,092 with a weighted average strike price of $19.61. The change in the number of options outstanding for the year ended December 31, 2014 is as follows:

	Year ended Dec. 31, 2014	
	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**20,381,661**	**$15.52**
Redeemed BPO Options	**(20,381,661)**	**15.52**
Exchanged into new BPY Awards	**5,310,325**	**17.21**
Granted	**12,275,567**	**20.59**
Exercised	**(212,800)**	**16.17**
Outstanding, end of period	**17,373,092**	**$19.61**
Exercisable at end of period	**1,562,826**	**$16.51**

The following table sets out details of options issued and outstanding at December 31, 2014 under the company's BPY Unit Option Plans:

Issue Date	Expiry Date	Number of Options	Weighted Average Exercise Price
2010[1]	2020	403,600	$12.97
2011[1]	2021	750,345	17.95
2012[1]	2022	2,129,100	18.32
2013[1]	2023	1,814,480	16.80
2014	2024	12,275,567	20.59
Total		17,373,092	$19.61

(1) Represents options issued on the closing date to replace unvested options

Restricted BPY LP Unit Plans

BPO restricted shares outstanding were cancelled by the company and replaced under new restricted option plans with purchased BPY LP units of equal value, based on the transaction price of a BPO restricted share and the closing price of a BPY LP Unit on the NYSE or Toronto Stock Exchange on the last trading day prior to the closing date. Restricted units awarded generally vest over a period of five years, except as otherwise determined. The estimated total compensation cost measured at grant date is evenly recognized over the vesting period of five years.

At December 31, 2014, the total number of Restricted Units granted was 495,606 with a weighted average price of $20.81.

Deferred Share Unit Plan

Deferred share units outstanding were amended to substitute BPY LP units for common shares subject to such deferred share units. At December 31, 2014, the company has 1,421,139 deferred share units outstanding and vested (December 31, 2013 – 1,426,460).

Share-based compensation expense recognized for the BPY Unit Option Plans, Restricted BPY LP Unit Plans and Deferred Share Unit Plan for the year ended December 31, 2014 was $21 million (2013 – $9 million).

NOTE 26: GUARANTEES, CONTINGENCIES AND OTHER

In the normal course of operations, the company and its consolidated entities execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions, sales of assets and sales of services.

(a) Guarantees, Commitments and Contingencies

The company and its operating subsidiaries may be contingently liable with respect to litigation and claims that arise from time to time in the normal course of business or otherwise. A specific litigation, with a judgment amount of $51 million (A$63 million), was being pursued against one of the company's subsidiaries related to security on a defaulted loan. The company settled this specific litigation during the current year and the settlement was in line with the provision recorded of $22 million (A$27 million).

At December 31, 2014, the company has commitments totaling approximately $337 million for the development of Manhattan West in Midtown New York, approximately C$454 million for the development of Bay Adelaide East in Toronto and Brookfield Place East Tower in Calgary, approximately A$154 million for the development of Brookfield Place Perth Tower 2 and approximately £411 million for the development of London Wall Place and Principal Place Commercial in London.

The company has also agreed to indemnify certain of its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevent the company from making a reasonable estimate of the maximum potential amount that it could be required to pay third parties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither the company nor its consolidated subsidiaries have made significant payments under such indemnification agreements.

The company does not conduct its operations, other than those of equity accounted investments, through entities that are not fully or proportionately consolidated in its consolidated financial statements, and has not guaranteed or otherwise contractually committed to support any material financial obligations not reflected in its consolidated financial statements.

(b) Other

United States

The company maintains insurance on its properties in amounts and with deductibles that the company believes are in line with what owners of similar properties carry. The company maintains all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and weather catastrophe). The company's all risk policy limit is $2.5 billion per occurrence. The company's earthquake limit is $300 million per occurrence and in the annual aggregate for California properties and a separate $300 million per occurrence and annual aggregate limit for all other U.S. properties. This coverage is subject to a deductible of 5% of the value of the affected property for California and Seattle locations and $100,000 for all other locations. The weather catastrophe limit is $300 million per occurrence and subject to a deductible of 3% of the value of the affected property for U.S. locations located in traditional windstorm-exposed areas. All other locations are subject to a $50,000 deductible. The flood limit is $300 million per occurrence and in the annual aggregate subject to a deductible of $50,000 per occurrence, with the exception of five insurers that have a deductible equal to 5% of the total insured values subject to a minimum of $1,000,000 and a maximum of $5,000,000 for those locations within a Special Flood Hazard Area. Where properties are insured by our partners, all risk property insurance and rental value coverage is provided with limits that the company believes are in line with what owners of similar properties carry.

The Terrorism Risk Insurance Act ("TRIA") was enacted in November 2002 in response to the uncertainty surrounding the insurance market in the aftermath of the terrorist attacks of September 11, 2001, and provides protection for "certified acts" as defined by the statute. TRIA mandates that insurance carriers offer insurance covering physical damage from terrorist incidents as certified by the U.S. Secretary of the Treasury. The Terrorism Risk Insurance Program Reauthorization Act of 2007 was signed into law on December 26, 2007 and extended the TRIA program through December 2014. The Terrorism Risk Insurance Program Reauthorization Act of 2015 was signed into law on January 12, 2015 and extended the program through December 31, 2020.

With respect to the company's U.S. properties (including the U.S. Office Fund and DTLA), in October 2008, the company formed a segregated cell captive facility, Liberty IC Casualty, LLC ("Liberty"). Liberty provides $4.0 billion of TRIA coverage for all U.S. properties. In 2009 the company formed a second segregated cell captive facility, Liberty IC Casualty II, LLC ("Liberty II"). Liberty II provides protection against losses due solely to biological, chemical or radioactive contamination arising out of a certified terrorist act. In the event of a covered loss in 2014, the company expects Liberty II to recover 85% of its losses, less certain deductibles, from the United States government with the remaining 15% to be funded by the company.

Canada

The company maintains insurance on its properties in amounts and with deductibles that the company believes are in line with what owners of similar properties carry. The company maintains all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and windstorm). The company's all risk policy limit is C$1.5 billion per occurrence. Its earthquake limit is C$500 million per occurrence and in the annual aggregate. This coverage is subject to a C$100,000 deductible for all locations except for British Columbia where the deductible is 3% of the values for all locations where the physical loss, damage or destruction occurred. The flood limit is C$500 million per occurrence and in the annual aggregate, and is subject to a deductible of C$25,000 for all losses arising from the same occurrence. Windstorm is included under the company's risk coverage limit of C$1.5 billion.

With respect to the company's Canadian properties, the company purchases an insurance policy that covers acts of terrorism for limits up to C$1.5 billion.

Australia

The company maintains insurance on its properties in amounts and with deductibles that the company believes are in line with what owners of similar properties carry. The company maintains all risk property insurance and rental value coverage (including coverage for the perils of flood, earthquake and weather catastrophe). The company's all risk policy limit (including flood and weather catastrophe) is A$1.9 billion per occurrence. Its earthquake limit is also included up to the policy limit. Earthquake coverage in Australia is subject to a deductible of 1% of the values at the location where the damage occurs. Where properties are insured by our partners, all risk property insurance and rental value coverage is provided with limits that the company believes are in line with what owners of similar properties carry.

Terrorism insurance is provided through the Australian Reinsurance Pool Corporation ("ARPC"). ARPC is a statutory corporation established under the Terrorism Insurance Act 2003 to offer reinsurance for terrorism risk in Australia. The Terrorism Insurance Act 2003 renders terrorism exclusion clauses in eligible insurance contracts ineffective in relation to loss or liabilities arising from a declared terrorist incident affecting eligible property located in Australia.

United Kingdom

The company maintains insurance on its properties in amounts and with deductibles that the company believes are in line with what owners of similar properties carry. The company maintains all risk property insurance and rental value coverage up to the replacement cost value of the asset. Flood, earthquake, wind and terrorism coverage is included in the coverage provided all subject to a £250 deductible.

NOTE 27: CAPITAL MANAGEMENT AND LIQUIDITY

The company employs a broad range of financing strategies to facilitate growth and manage financial risk. The company's objective is to reduce its weighted average cost of capital and through value enhancement initiatives and the consistent monitoring of the balance between debt and equity financing. At December 31, 2014, the company's weighted average cost of capital, assuming a 12% return on common equity was 7.12%.

The following schedule details the capitalization of the company and the related costs thereof:

	Cost of Capital[1]		Underlying Value[2]	
(Millions)	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
Liabilities				
Commercial property debt	**4.16%**	4.50%	**$ 14,849**	$ 13,785
Capital securities – corporate	**5.31%**	5.31%	**583**	628
Capital securities – fund subsidiaries[3]	**12.00%**	12.00%	**643**	491
Shareholders' equity				
Preferred equity – corporate	**4.86%**	5.30%	**1,542**	1,542
Common equity	**12.00%**	12.00%	**11,985**	9,754
Non-controlling interests				
Preferred equity – subsidiaries	**7.63%**	7.63%	**261**	243
Other non-controlling interests[3]	**12.00%**	12.00%	**1,748**	1,242
Total[4]	**7.12%**	6.92%	**$ 31,611**	$ 27,685

(1) *As a percentage of average book value unless otherwise noted*
(2) *Underlying value of liabilities represents carrying value or the cost to retire on maturity. Underlying value of common equity is based on the closing stock price of the company's common shares and underlying value of other equity interests is based on carrying value*
(3) *Assuming 12% return on co-invested capital*
(4) *In calculating the weighted average cost of capital, the cost of debt has been tax-effected*

Commercial property debt – The company's commercial property debt is primarily fixed-rate and non-recourse to the company. These financings are typically structured on a loan-to-appraised value basis of between 55% and 65% when the market permits. In addition, in certain circumstances where a building is leased almost exclusively to a high-credit quality tenant, a higher loan-to-value financing, based on the tenant's credit quality, is put in place at rates commensurate with the cost of funds for the tenant. This execution reduces the company's equity requirement and enhances its equity returns when financing certain commercial properties. The company currently has a level of indebtedness of 47% of fair value of its commercial properties. This level of indebtedness is considered by the company to be within its target.

Capital securities – corporate, Preferred equity – corporate and Preferred equity – subsidiaries. These represent sources of low-cost capital to the company, without dilution to the common equity base.

Capital securities – fund subsidiaries and Other non-controlling interests – The company invests its liquidity alongside capital from strategic institutional partners in fund formats to acquire individual assets and portfolios. Also, the common equity of certain of the company's subsidiaries includes publicly traded securities.

The company is subject to certain covenants on its credit facilities. The covenants include a total and secured leverage ratio, a fixed charge ratio, as well as an interest rate protection requirement, an equity value requirement and a recourse debt requirement. As of December 31, 2014 the company is in compliance with these covenants. As of December 31, 2014, $683 million had been drawn on the credit facilities (2013 – $336 million).

The company's strategy is to satisfy its current liquidity needs using cash on hand, cashflows generated from operating activities and provided by financing activities, as well as proceeds from asset sales. The company also generates liquidity by accessing capital markets on an opportunistic basis. Rental revenue, recoveries from tenants, interest and other income, available cash balances, draws on corporate credit facilities and refinancing of maturing indebtedness are the company's principal sources of capital used to pay operating expenses, dividends, debt service and recurring capital and leasing costs in its commercial property portfolio. Another source of cashflow includes third-party fees generated by the company's asset management, leasing and development businesses.

The principal liquidity needs for periods beyond the next twelve months are for scheduled debt maturities, recurring and non-recurring capital expenditures, development costs and potential property acquisitions. The company's strategy is to meet these needs with one or more of the following:

- cashflows from operations;
- construction loans;
- proceeds from sales of assets;
- proceeds from sale of non-controlling interests in subsidiaries; and
- credit facilities and refinancing opportunities.

The company attempts to match the maturity of its commercial property debt portfolio with the average lease terms of its properties. At December 31, 2014, the average term to maturity of the company's commercial property debt was four years, compared to its average lease term of eight years.

The following table presents the contractual maturities of the company's financial liabilities at December 31, 2014:

		Payments Due by Period			
(Millions)	Total	Less than 1 Year	2 – 3 Years	4 – 5 Years	After 5 Years
Commercial property debt[1]	$ 14,849	$ 1,823	$ 6,764	$ 3,203	$ 3,059
Capital securities – corporate	583	454	129	—	—
Capital securities – fund subsidiaries	643	—	—	—	643
Interest expense[2]					
Commercial property debt	2,426	581	868	430	547
Capital securities – corporate	28	21	7	—	—
Other non-current financial liabilities	331	—	126	9	196
Accounts payable and accrued liabilities	942	942	—	—	—

[1] *Net of $118 million of transaction costs and includes commercial property debt associated with assets held for sale at December 31, 2014*
[2] *Represents aggregate interest expense expected to be paid over the term of the debt, on an undiscounted basis, based on current interest and foreign exchange rates*

NOTE 28: FINANCIAL INSTRUMENTS

(a) Derivatives and hedging activities

The company uses derivative and non-derivative instruments to manage financial risks, including interest rate, commodity, equity price and foreign exchange risks. The use of derivative contracts is governed by documented risk management policies and approved limits. The company does not use derivatives for speculative purposes. The company uses the following derivative instruments to manage these risks:

- Foreign currency forward contracts to hedge exposures to Australian dollar and British pound denominated investments in foreign subsidiaries and foreign currency denominated financial assets;
- Interest rate swaps to manage interest rate risk associated with planned refinancings and existing variable rate debt;
- Interest rate caps to hedge interest rate risk on certain variable rate debt; and
- Total return swaps on the company's shares to economically hedge exposure to variability in share price under the Deferred Share Unit Plans. Refer to Note 25, Share-Based Compensation.

The company also designates certain of its financial liabilities as hedges of its Canadian dollar net investments in foreign subsidiaries.

Interest rate hedging

The following table provides details of derivatives designated as cash flow hedges in interest rate hedging relationships outstanding at December 31, 2014 and December 31, 2013:

(Millions)	Hedging Item	Notional	Rates	Maturity Dates	Fair Value
Dec. 31, 2014	Interest rate caps of US$ LIBOR debt	$2,137	3.0% to 5.8%	Jan 2015 to Oct 2018	$—
	Interest rate swaps of US$ LIBOR debt	$483	0.6% to 2.2%	Dec 2015 to Nov 2020	($7)
	Interest rate swaps of £ LIBOR debt	£131	1.1%	Sep 2017	($1)
	Interest rate swaps of A$ BBSW/BBSY debt	A$670	3.5% to 5.9%	Jan 2016 to Jul 2017	($26)
	Interest rate swaps of forecasted fixed rate debt	$1,995	2.3% to 5.1%	May 2025 to Jun 2029	($262)
Dec. 31, 2013	Interest rate caps of US$ LIBOR debt	$2,005	3.0% to 5.8%	Jan 2014 to Oct 2018	$2
	Interest rate swaps of US$ LIBOR debt	$784	0.6% to 2.2%	May 2014 to Nov 2020	($1)
	Interest rate swaps of £ LIBOR debt	£134	1.1%	Sep 2017	$1
	Interest rate swaps of A$ BBSW/BBSY debt	A$1,050	3.5% to 5.9%	Jan 2014 to Jul 2017	($45)
	Interest rate swaps of forecasted fixed rate debt	$1,505	2.3% to 4.7%	Jun 2024 to Jun 2026	($32)
	Interest rate swaps of forecasted fixed rate debt	C$50	2.8%	Dec 2024	$3

For the years ended December 31, 2014 and 2013, the amount of hedge ineffectiveness recorded in earnings in connection with the company's interest rate hedging activities was not significant.

Foreign currency hedging

The following table provides details of derivatives designated as foreign currency hedges outstanding at December 31, 2014 and December 31, 2013:

(Millions)	Hedging Item	Hedged Currency	Notional	Rate	Fair Value	Maturity	Hedged Item
Dec. 31, 2014	Foreign currency forward	Australian dollars	A$50	A$1.10/US$	$5	Aug 2015	A$ denominated net investment
	Foreign currency forward	Australian dollars	A$100	A$1.15/US$	$7	Jul 2015 to Aug 2015	A$ denominated net investment
	Foreign currency forward	Australian dollars	A$50	A$1.23/US$	$—	Sep 2015	A$ denominated net investment
	Foreign currency forward	Australian dollars	A$94	A$1.24/US$	$—	Apr 2015 to Nov 2015	A$ denominated net investment
	Foreign currency forward	Australian dollars	A$250	A$1.25/U$	$(2)	Apr 2015 to Sep 2015	A$ denominated net investment
	Foreign currency forward	Australian dollars	A$181	A$1.26/U$	$(1)	Nov 2015 to Dec 2015	A$ denominated net investment
	Foreign currency forward	British pounds	£79	£0.64/US$	$1	Oct 2015	£$denominated net investment
Dec. 31, 2013	Foreign currency forward	Australian dollars	A$35	A$1.07/US$	$2	Mar 2014	A$ denominated net investment
	Foreign currency forward	Australian dollars	A$50	A$1.12/US$	$1	Aug 2014	A$ denominated net investment

At December 31, 2014, the company had designated C$900 million (December 31, 2013 – C$900 million) of its Canadian dollar financial liabilities as hedges of the net investment in its Canadian operations.

For the years ended December 31, 2014 and 2013, the amount of hedge ineffectiveness recorded in earnings in connection with the company's foreign currency hedging activities was not significant.

Other derivatives

The following table provides details of other derivatives outstanding as of December 31, 2014 and December 31, 2013:

(Millions)	Derivative Type	Fair Value	Fair Value (Gain)/Loss	Classification of Gain/Loss
Dec. 31, 2014	Total return swap[(1)]	$ —	$ (3)	Administrative expense
Dec. 31, 2013	Total return swap[(1)]	$ 1	$ (5)	Administrative expense

[(1)] *Relates to the total return swap on the company's shares in connection with its Deferred Share Unit Plans which was settled for C$1 million during the second quarter of 2014*

(b) Fair value of financial instruments

Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

The carrying value and fair values of the company's financial instruments are summarized in the following table:

	Dec. 31, 2014						Dec. 31, 2013	
	FVTPL	AFS	Loans & Receivables Other Financial Liabilities			Total		Total
(Millions) Measurement Basis	Fair Value	Fair Value	Fair Value	Amortized Cost	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets								
Participating loan interests	$ 43	$ —	$ 383	$ 383	$ 426	$ 426	$ 550	$ 550
Non-current financial assets								
Preferred shares in affiliate	—	—	293	293	293	293	—	—
Loan receivable from affiliate	—	—	308	308	308	308	—	—
Equity securities designated as AFS	—	137	—	—	137	137	105	105
Other loans receivable	—	—	82	82	82	82	89	89
Other non-current financial assets	—	—	—	—	—	—	26	26
Receivables and other assets								
Accounts receivable	19	—	302	302	321	321	235	235
Restricted cash and deposits	—	—	162	162	162	162	142	142
Cash and equivalents	—	—	557	557	557	557	713	713
	$ 62	$ 137	$ 2,087	$ 2,087	$ 2,286	$ 2,286	$ 1,860	$ 1,860
Financial liabilities								
Commercial property debt[1]	$ —	$ —	$ 15,362	$ 14,849	$ 14,849	$ 15,362	$ 13,785	$ 14,148
Capital securities – corporate	—	—	592	583	583	592	628	639
Capital securities – fund subsidiaries	—	—	643	643	643	643	491	491
Other non-current financial liabilities								
Loan payable	—	—	100	100	100	100	92	92
Other financial liabilities	142	—	89	89	231	231	61	61
Accounts payable and accrued liabilities	161	—	781	781	942	942	853	853
	$ 303	$ —	$ 17,567	$ 17,045	$ 17,348	$ 17,870	$ 15,910	$ 16,284

[1] Includes debt associated with assets held for sale

(c) Fair value hierarchy

The company values assets and liabilities carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines financial assets and liabilities measured at fair value in the consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above.

	Dec. 31, 2014			Dec. 31, 2013		
(Millions)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Participating loan interests – embedded derivative	$ —	$ —	$ 43	$ —	$ —	$ 56
Equity securities designated as AFS	—	—	137	—	—	105
Derivative assets	—	19	—	—	26	—
Liabilities						
Derivative liabilities	—	303	—	—	88	—

There were no transfers between levels during the year ended December 31, 2014 or year ended December 31, 2013. A reconciliation of fair value measurements of financial instruments in Level 3 is set out below:

	Year ended Dec. 31, 2014		Year ended Dec. 31, 2013	
(Millions)	Assets	Liabilities	Assets	Liabilities
Balance, beginning of period	$ 161	$ —	$ 153	$ 54
Acquisitions (dispositions)	26	—	—	(54)
Fair value gains (losses)	(7)	—	8	—
Balance, end of period	$ 180	$ —	$ 161	$ —

(d) Market risk

Interest rate risk

The company faces interest rate risk on its variable rate financial assets and liabilities. In addition, there is interest rate risk associated with the company's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. The following table outlines the impact on interest expense from continuing operations of a 100 basis point increase or decrease in interest rates on the company's variable rate assets and liabilities and fixed rate debt maturing within one year:

(Millions)		Dec. 31, 2014
$1B Corporate Revolver	$	7
BOX revolver facility		2
Variable rate commercial property debt		61
Fixed rate commercial property debt due within one year		3
Total	$	73

The company manages interest rate risk by primarily entering into fixed rate commercial property debt and staggering the maturities of its mortgage portfolio over a 10-year horizon when the market permits. The company also makes use of interest rate derivatives to manage interest rate risk on specific variable rate debts and on refinancing of fixed rate debt.

Foreign currency risk

The company is structured such that its foreign operations are primarily conducted by entities with a functional currency which is the same as the economic environment in which the operations take place. As a result, the net income impact of currency risk associated with financial instruments is limited as its financial assets and liabilities are generally denominated in the functional currency of the subsidiary that holds the financial instrument. However, the company is exposed to foreign currency risk on its net investment in its foreign currency denominated operations and certain corporate level foreign currency denominated monetary assets and liabilities. The company's exposures to foreign currencies and the sensitivity of net income and other comprehensive income, on a pre-tax basis, to a 10% change in the exchange rates relative to the US dollar is summarized below:

	Dec. 31, 2014						Dec. 31, 2013					
(Millions)	**Net investment**			**OCI**		**Net income**	Net investment			OCI		Net income
Canadian Dollar	**C$**	**1,724**	**$**	**(135)**	**$**	**(10)**	C$	1,810	$	(155)	$	(12)
Australian Dollar[1]	**A$**	**2,356**		**(175)**		**(12)**	A$	2,456		(199)		(18)
British Pound[1]	**£**	**713**		**(101)**		**(13)**	£	566		(85)		(6)
Total			**$**	**(411)**	**$**	**(35)**			$	(439)	$	(36)

[1] *Before taking into consideration the effect of hedges at December 31, 2014. The currency risk on these Australian dollar and British pound denominated investments is hedged with foreign currency forward contracts*

(e) Credit risk

The company's maximum exposure to credit risk associated with financial assets is equivalent to the carrying value of each class of financial asset as separately presented in participating loan interests, other non-current financial assets, receivables and other assets, restricted cash and deposits and cash and cash equivalents. The company also has indirect exposure to credit risk within its equity accounted investments, including $31 million of receivables and other through its investment in jointly controlled entities. Further, as discussed in Note 5, Investment Properties, the company has exposure to the credit risk of certain subsidiaries of BAM as certain properties included in the company's consolidated financial statements are pledged as collateral against cross-collateralized financing pools. This credit risk is limited to the carrying amount of the pledged assets of $788 million.

Credit risk related to accounts receivable arises from the possibility that tenants may be unable to fulfill their lease commitments. The company manages this risk by attempting to ensure that its tenant mix is diversified and by limiting its exposure to any one tenant. The company maintains a portfolio that is diversified by property type so that exposure to a business sector is lessened. Currently no one tenant represents more than 10% of commercial property revenue. This risk is further managed by signing long-term leases with tenants who have investment grade credit ratings.

Credit risk arises on secured loans and other receivables in the event that borrowers default on the repayment to the company. The company manages this risk by attempting to ensure that adequate security has been provided in support of such mortgages.

The company manages credit risk on financial assets with related parties by entering into such transactions under normal commercial terms and, in certain instances, by obtaining guarantees from its parent or other credit-worthy subsidiaries of its parent.

The majority of the company's trade receivables are collected within 30 days. The balance of accounts receivable past due, including real estate mortgages, is not significant.

NOTE 29: RELATED PARTIES

In the normal course of operations, the company enters into various transactions on market terms with related parties, which have been measured at exchange value. The following table summarizes transactions and balances with BAM and its subsidiaries:

(Millions)		**2014**		2013
Transactions with related parties				
Commercial property revenue[1]	**$**	**13**	$	7
Interest and other income		**45**		42
Interest expense on commercial property debt		**12**		12
Management fees paid		**12**		12
Administrative expense[2]		**51**		48
Construction costs[3]		**188**		99
		Dec. 31, 2014		Dec. 31, 2013
Balances outstanding to (from) related parties				
Participating loan interests	**$**	**426**	$	550
Other non-current financial assets		**683**		89
Receivables and other assets		**46**		48
Commercial property debt		**(397)**		(168)
Capital securities – corporate		**(91)**		—
Other assets		**(27)**		—
Other liabilities		**(51)**		—

(1) *Amounts received from BAM and its subsidiaries for the rental of office premises*
(2) *Amounts paid to BAM and its subsidiaries for administrative services*
(3) *Amounts paid to BAM and its subsidiaries for construction costs of development property*

Refer to Note 5, Investment Properties, for construction and related costs paid to a subsidiary of BAM pursuant to contracts to construct investment properties.

Compensation of key management personnel

The remuneration of directors and other key management personnel during the years ended December 31, 2014 and 2013 was as follows:

(Millions)		**2014**		2013
Salaries, incentives and short-term benefits	**$**	**10**	$	12
Post-employment benefits		**1**		—
Share-based compensation		**16**		9
Total	**$**	**27**	$	21

NOTE 30: OTHER INFORMATION

(a) Supplemental cashflow information

(Millions)		**2014**		2013
Acquisitions of real estate	**$**	**1,115**	$	718
Mortgages and other balances assumed on acquisition		**(411)**		(150)
Previously recognized investment in joint venture		**(191)**		—
Net acquisitions of real estate	**$**	**513**	$	568
Dispositions of real estate	**$**	**1,578**	$	555
Mortgages and other balances assumed by purchasers		**(598)**		—
Net dispositions of real estate	**$**	**980**	$	555

(Millions)		**2014**		2013
Cash taxes paid	**$**	**49**	$	62
Cash interest paid (excluding dividends on capital securities)		**681**		648

(b) For the year ended December 31, 2014, interest expense included $39 million (2013 – $22 million) relating to amortization of transaction costs included in the carrying amount of commercial property debt and capital securities which has been recognized in interest expense using the effective interest method.

(c) Certain of the company's investments in subsidiaries are subject to restrictions over the extent to which they can remit funds to the company in the form of cash dividends, or repayment of loans and advances as a result of borrowing arrangements, regulatory restrictions and other contractual requirements.

NOTE 31: SUBSEQUENT EVENTS

On January 22, 2015, the company, together with Canadian Office Fund partners, sold 151 Yonge Street in Toronto for C$154 million (C$38 million at BOX's ownership).

NOTE 32: SEGMENTED INFORMATION

The company operates four reportable segments, the United States, Canada, Australia and the United Kingdom, in the commercial property business. The commercial markets in which the company operates are primarily New York, Washington, D.C., Los Angeles, Houston, Boston, Denver, Seattle and San Francisco in the United States; Toronto, Calgary, Ottawa and Vancouver in Canada; Sydney, Melbourne and Perth in Australia; and London in the United Kingdom.

Information regarding the results of each reportable segment is included below. Performance is measured based upon funds from operations, the measure used by management in assessing segment profit or loss. Although funds from operations is a non-IFRS measure on a total basis, it is an IFRS measure on a segment basis because it is the measure of segment profit and loss. The company's definition of funds from operations includes all of the adjustments that are outlined in the National Association of Real Estate Investment Trusts ("NAREIT") definition of funds from operations such as the exclusion of gains (or losses) from the sale of real estate property, the add back of any depreciation and amortization related to real estate assets and the adjustment to reflect our interest in unconsolidated partnerships and joint ventures. In addition to the adjustments prescribed by NAREIT, the company also makes adjustments to exclude any unrealized fair value gains (or losses) that arise as a result of reporting under IFRS and income taxes that arise as a result of our structure as a corporation as opposed to a real estate investment trust.

	United States		Canada		Australia		United Kingdom		Total	
(Millions)	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Commercial property revenue	**$ 1,519**	$ 1,411	**$ 489**	$ 552	**$ 285**	$ 296	**$ 79**	$ 45	**$ 2,372**	$ 2,304
Direct commercial property expense	**(749)**	(616)	**(215)**	(233)	**(68)**	(68)	**(29)**	(23)	**(1,061)**	(940)
Interest and other income	**34**	47	**8**	3	**38**	38	**(2)**	2	**78**	90
Interest expense[1]	**(474)**	(406)	**(124)**	(143)	**(95)**	(110)	**(7)**	(2)	**(700)**	(661)
Administrative expense[2]	**(102)**	(104)	**(40)**	(59)	**(11)**	(22)	**(9)**	(2)	**(162)**	(187)
Other	**(1)**	(6)	**1**	3	**3**	3	**—**	(1)	**3**	(1)
Funds from operations of equity accounted investments	**63**	62	**10**	7	**25**	26	**7**	5	**105**	100
Non-controlling interests	**(45)**	(28)	**(41)**	(23)	**(2)**	(2)	**—**	—	**(88)**	(53)
Funds from operations	**245**	360	**88**	107	**175**	161	**39**	24	**547**	652
Fair value gains (losses), net	**2,751**	285	**(1)**	95	**43**	142	**136**	40	**2,929**	562
Fair value gains (losses), net of equity accounted investments	**139**	124	**—**	—	**1**	11	**—**	23	**140**	158
Other	**13**	18	**(2)**	(2)	**(5)**	(8)	**(17)**	(15)	**(11)**	(7)
Income taxes	**(594)**	(26)	**12**	(79)	**(50)**	(83)	**(15)**	(8)	**(647)**	(196)
Interest expense – capital securities – fund subsidiaries	**(228)**	—	**—**	—	**—**	—	**—**	—	**(228)**	—
Non-controlling interests	**45**	28	**41**	23	**2**	2	**—**	—	**88**	53
Net income (loss)	**2,371**	789	**138**	144	**166**	225	**143**	64	**2,818**	1,222
Net income (loss) attributable to non-controlling interests	**175**	94	**27**	28	**2**	9	**—**	—	**204**	131
Net income (loss) attributable to shareholders	**$ 2,196**	$ 695	**$ 111**	$ 116	**$ 164**	$ 216	**$ 143**	$ 64	**$ 2,614**	$ 1,091

(1) Includes allocation of interest expense on corporate debt and capital securities – corporate of $21 million to United States and $49 million to Canada for year ended December 31, 2014 (2013 - $16 million and $52 million, respectively)

(2) Includes allocation of corporate level administrative expenses of $21 million to United States, $9 million to Canada and nil to Australia for the year ended December 31, 2014 (2013 - $21 million, $7 million and $11 million, respectively)

	United States		Canada		Australia		United Kingdom		Total	
(Millions)	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013	**Dec. 31, 2014**	Dec. 31, 2013
Non-current assets[1]	**$ 20,462**	$ 18,769	**$ 5,593**	$ 5,364	**$ 3,833**	$ 3,949	**$ 1,688**	$ 1,572	**$ 31,576**	$ 29,654
Other assets	**859**	833	**126**	235	**93**	94	**75**	75	**1,153**	1,237
Assets held for sale	**1,642**	—	**34**	—	**—**	—	**—**	—	**1,676**	—
Total assets	**$ 22,963**	$ 19,602	**$ 5,753**	$ 5,599	**$ 3,926**	$ 4,043	**$ 1,763**	$ 1,647	**$ 34,405**	$ 30,891
Total liabilities	**$ 12,663**	$ 10,559	**$ 3,546**	$ 3,929	**$ 2,004**	$ 1,870	**$ 656**	$ 715	**$ 18,869**	$ 17,073
Investment in commercial properties	**$ 652**	$ 2,350	**$ —**	$ —	**$ 129**	$ —	**$ 334**	$ 537	**$ 1,115**	$ 2,887
Investment in development properties	**—**	5	**—**	—	**—**	—	**—**	131	**—**	136
Investments in equity accounted investments	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Capital expenditures – commercial properties	**657**	296	**41**	34	**19**	5	**15**	11	**732**	346
Capital expenditures – development properties	**161**	132	**231**	149	**110**	29	**84**	38	**586**	348

(1) At December 31, 2014, non-current assets includes equity accounted investments in the United States, Canada, Australia and the United Kingdom segments of $1,409 million, $51 million, $753 million and $166 million, respectively (December 31, 2013 - $1,569 million, $53 million, $891 million and $96 million, respectively)

NOTE 33: APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on February 5, 2015.