Brookfield Renewable Energy Partners L.P.

ANNUAL REPORT

2011

OUR OPERATIONS

We operate our facilities through three regional operating centers in, the United States, Brazil and Canada which are designed to maintain, and where possible, enhance the value of our assets, while cultivating positive relations with local stakeholders. We own and manage 170 hydroelectric generating stations, three wind facilities, and two natural gas-fired plants. Overall, the assets we own or manage have 4,536 MW of generating capacity and annual generation of 16,849 GWh based on long-term averages. The table below outlines our portfolio as at December 31, 2011:

Markets	Rivers	Generating Stations	Generating Units	Capacity (MW)		LTA[2] (GWh)	Storage (GWh)
Hydroelectric generation							
United States	26	103	292	1,966		6,745	2,146
Canada	18	32	72	1,323		5,061	1,261
Brazil [3], [4]	23	35	79	626		3,440	N/A
	67	170	443	3,915		15,246	3,407
Wind energy[4]	–	3	220	406		1,197	–
Other	–	2	6	215		406	–
	67	175	669	4,536	[1]	16,849	3,407

(1) Total net capacity including our share of equity-accounted investments is 4,166 MW.
(2) Long-term average ("LTA") is the expected average level of generation as obtained from the results of a simulation based on historical inflow data, performed over a period of typically 30 years.
(3) Brazil hydro assets benefit from a market framework which levelizes generation across producers.
(4) Includes annualized LTA for facilities acquired or commissioned during the year.

LETTER TO UNITHOLDERS

We are pleased to report to you our financial and operating results for the first time following the launch of Brookfield Renewable Energy Partners, which was created from the strategic combination of Brookfield Renewable Power Fund and the renewable power assets of Brookfield Renewable Power Inc. in the fourth quarter of 2011 following the approval of investors, who voted overwhelmingly in favour.

As one of the world's largest, publicly-traded pure-play renewable portfolios, our business is distinguished from other energy producers by virtue of its truly unique portfolio focused on hydroelectricity. With nearly 5,000 MW of capacity, 86 percent of which is hydroelectric in nature, our portfolio is firmly centered on the longest-lived and most value-added power generation technology. Our high-quality wind assets share many of the same positive attributes and form a strong complement to our hydroelectric assets.

Our many longer-term unitholders know that the Brookfield Renewable Power Fund was a highly successful income trust with an average annual return exceeding 15% since its inception in 1999. Over that time, the Fund also delivered a consistent and growing stream of cash distributions to unitholders. We expect that Brookfield Renewable will enjoy enhanced growth prospects, greater access to capital and improved liquidity; however its core strategy remains the same – to deliver stable and growing distributions to unitholders from a high-quality portfolio of renewable power assets. Our cash flows are supported by a virtually fully-contracted portfolio with power purchase agreements averaging 24 years in duration, among the longest in the industry.

Operating and Financial Results

In 2011, total generation across the portfolio was 15,877 gigawatt hours (GWh) or 10% higher than 14,480 GWh in the prior year and 3% lower than the long-term average of 16,297 GWh. The improvement reflects stronger hydrological conditions in Eastern Canada and the Northeastern United States. Although hydrology did return to more normalized levels, it was modestly below the long-term average due to below-average inflows in Eastern Canada. Helping to offset these conditions were record-breaking inflows for our facilities in the Northeastern United States. Energy sales in Brazil were in line with expectations. Generation from our wind facilities also contributed to the increase due primarily to a full year's contribution from our Ontario wind facility commissioned in September 2010.

As our long-term investors know, hydrology will vary from one period to the next, and is one of the few but important variable factors in our results. Over time, we expect our facilities will continue to produce in line with their long-term averages, which have proven to be reliable indicators of performance. Moreover, the added geographic and technological diversification resulting from the Combination should lead to less variability in our annual results when measured against the long-term average.

Growth Developments

We have made great strides across all areas of the business since the Combination was completed just over three months ago. In terms of growth initiatives, we recently completed construction of four renewable power facilities — two hydroelectric stations and two wind farms — with a combined 280 MW of capacity. These new assets are located in attractive markets with strong long-term fundamentals.

With our institutional partners, we also recently acquired new wind generation assets in California, including a 150 MW wind farm adjacent to our Coram wind project in the Tehachapi region. This new facility entered commercial operation in the first quarter and comes with a 24-year power purchase agreement with Southern California Edison. We also acquired the remaining 50% stake previously held by our partner in Coram, along with a further 22 MW of additional operating wind generation capacity.

In Brazil, we continue to make excellent progress on the construction of two hydro facilities with a combined capacity of 48 MW. We expect these to enter commercial operations in early 2013.

Distribution Profile and Increase

As we have previously indicated, we will maintain a distribution policy that aims to pay out approximately 60% to 70% of funds from operations, while targeting a long-term distribution growth rate target in the range of 3% to 5% annually. We are pleased to say that we are well on our way to meeting this target for 2012, having recently announced an increase in unitholder distributions to $1.38 per unit on an annualized basis, an increase of three cents per unit per year. This is the result of the solid progress in our growth plans and the corresponding positive impact on our cash flows, and follows a distribution increase, relative to the Fund's prior distributions, that was implemented upon the closing of the Combination. The current distribution rate is approximately 6% higher than it was just prior to the launch of Brookfield Renewable.

Looking Ahead to 2012

We are extremely well-positioned to achieve our objectives in 2012 and beyond. The quality and stability of our assets, combined with a fully contracted portfolio, provides a high degree of predictability in our cash flows, which in turn supports stable distributions to unitholders.

From a growth point of view, we believe that our solid financial position, low cost of capital and continuing strong relationship with Brookfield Asset Management places us in a very strong competitive position. Even without further debt capacity or equity issuance, we expect to have approximately US$100 million of available cash each year to further invest in accretive projects or acquisitions.

In addition to acquisitions such as those we recently completed, we are making progress on the strategic development of our own 2,000 MW project pipeline. During the fourth quarter, we received the environmental assessment certificate for our hydroelectric project in British Columbia. We expect construction to begin this year, subject to the successful completion of remaining commercial agreements. Once complete, the 45 MW facility on the Kokish River is expected to generate enough electricity annually to power approximately 15,000 homes.

Other milestones we expect to achieve in the coming months include a listing of our units on the New York Stock Exchange and the implementation of our recently established distribution reinvestment plan. We believe that we have all of the elements needed to become the premium vehicle for investors seeking a proven leader in the renewable power sector, and that these initiatives will make it easier for unitholders to participate in our growth over time.

We are grateful for your continued support and look forward to updating you on our progress next quarter.

Sincerely,

Richard Legault

Chief Executive Officer

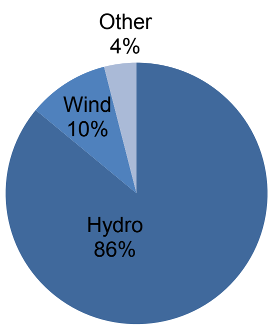
BUSINESS OVERVIEW

Brookfield Renewable Energy Partners L.P. ("Brookfield Renewable") is an owner and operator of a diversified portfolio of high quality assets that produce electricity from renewable resources and has evolved into one of the world's largest listed pure-play renewable power businesses.

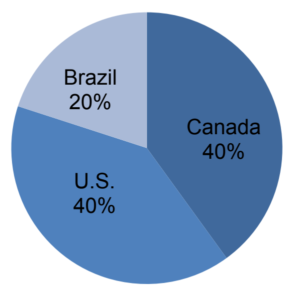
Our assets generate high quality, stable cash flows derived from a virtually fully contracted portfolio. Our business model is simple: utilize our global reach to identify and acquire high quality renewable power assets at favourable valuations, finance them on a long-term, low-risk basis, and enhance the cash flows and values of these assets using our experienced operating teams to earn reliable, attractive, long-term total returns for the benefit of our shareholders.

One of the largest, listed pure-play renewable platforms. We own one of the world's largest, publicly-traded, pure-play renewable power portfolios with close to $14 billion in power assets, more than 4,500 MW of installed capacity, and long-term average generation of over 16,800 GWh annually. Our portfolio includes 170 hydroelectric generating stations on 67 river systems and three wind facilities, diversified across ten power markets in the United States, Canada and Brazil.

Generation by Technology



Generation by Market



Focus on attractive hydroelectric asset class. Our assets are predominantly hydroelectric and represent one of the longest life, lowest cost and most environmentally preferred forms of power generation. Our North American assets have the ability to store water in reservoirs up to approximately 38% of our annual generation. Our assets in Brazil benefit from a framework that exists in the country to levelize generation risk across producers. This ability to store water and have levelized generation in Brazil, provides partial protection against short-term changes in water supply. As a result of our scale and the quality of our assets, we are competitively positioned compared to other listed renewable power platforms, providing significant scarcity value to investors.

Well positioned for global growth mandate. Over the last 10 years we have acquired or developed over 20 hydroelectric assets totaling approximately 3,000 MW. We have strong organic growth potential with a 2,000 MW development pipeline spread across each of our operating jurisdictions. Our net asset value in renewable power has grown from approximately $900 million in 1999 to over $8 billion today, representing a 20% annualized growth rate. We are able to acquire and develop assets due to our established operating and project development teams, strategic relationship with Brookfield Asset Management and our strong liquidity and capitalization profile.

Attractive distribution profile. We pursue a strategy which provides for highly stable, predictable cash flows sourced from predominantly long-life hydroelectric assets ensuring an attractive distribution yield. We target a distribution payout ratio in the range of approximately 60% to 70% of funds from operations and pursue a long-term distribution growth rate target in the range of 3% to 5% annually.

Stable, high quality cash flows with attractive long-term value for limited partnership unitholders. We intend to maintain a highly stable, predictable cash flow profile sourced from a diversified portfolio of low operating cost, long-life hydroelectric and wind power assets that sell electricity under long-term, fixed price contracts with creditworthy counterparties. Virtually all of our generation output is sold pursuant to power purchase agreements ("PPAs"), to public power authorities, load-serving utilities, and industrial users or to affiliates of Brookfield Asset Management. The PPAs for our assets have a weighted-average remaining duration of 24 years, providing long-term cash flow stability.

Strong financial profile. With close to $14 billion of power generating assets and a conservative leverage profile, consolidated debt-to-capitalization is approximately 40%. Our liquidity position remains strong with over $450 million cash and available bank lines. Approximately 80% of our obligations are non-recourse and our corporate debt has a weighted-average term of 10 years.

SUCCESSFUL COMBINATION OF OUR POWER BUSINESS

On November 28, 2011, we announced the completion of the strategic combination (the “Combination”) of the renewable power assets of Brookfield Renewable Power Inc. (“BRPI”) and Brookfield Renewable Power Fund (the “Fund”) to launch Brookfield Renewable, a publicly-traded limited partnership. Public unitholders of the Fund received one non-voting limited partnership unit of Brookfield Renewable in exchange for each trust unit of the Fund held, and the Fund was wound up.

The business activities of Brookfield Renewable consist of owning a portfolio of renewable power generating facilities in the United States, Brazil and Canada, which have historically been held as part of the power generating operations of BRPI and the Fund.

As at the date of this report, Brookfield Asset Management has an approximate 68% limited partnership interest, on a fully-exchanged basis, and all general partnership units totaling a 0.01% general partnership interest in Brookfield Renewable while the remaining 32% is held by the public. Since November 30, 2011, Brookfield Renewable’s limited partnership units have traded on the Toronto Stock Exchange (“TSX”) under the symbol “BEP.UN”.

BASIS OF PRESENTATION

This Management’s Discussion and Analysis (“MD&A”) for the year ended December 31, 2011 is provided as of March 23, 2012. Unless the context indicates or requires otherwise, the terms “Brookfield Renewable”, “we”, “us”, and “our” mean Brookfield Renewable Energy Partners, L.P.

Brookfield Renewable’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), which require estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the amounts of revenue and expense during the reporting periods.

Certain comparative figures have been reclassified to conform with the current year’s presentation.

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars.

PERFORMANCE MEASUREMENT

Although we monitor and analyze our financial performance using a number of indicators, our primary business objective of generating reliable and growing cash flow is monitored and analyzed using earnings before interest, taxes, depreciation and amortization (“EBITDA”), funds from operations (“FFO”) and net asset value. As a result of the Combination, we have also presented these same measurements on a *pro forma* basis. While net income is calculated in accordance with IFRS, EBITDA, FFO, and net asset value do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. We provide additional information on how we determine EBITDA, FFO, and net asset value and where applicable, we provide a reconciliation to net income.

NET INCOME

Net income is calculated in accordance with IFRS.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND AMORTIZATION (EBITDA)

EBITDA means 100% of revenues less direct costs (including energy marketing costs), plus our share of cash earnings from equity-accounted investments, before interest, current income taxes, depreciation, amortization and management service costs.

FUNDS FROM OPERATIONS (FFO)

FFO is defined as EBITDA less interest, current income taxes and management service costs, which is then adjusted for non-controlling interests.

NET ASSET VALUE

Net asset value represents our capital at carrying value, on a pre-tax basis prepared in accordance with the procedures and assumptions utilized to prepare the Brookfield Renewable’s IFRS financial statements, adjusted to reflect asset values not otherwise recognized under IFRS.

SUMMARY FINANCIAL REVIEW

In order to provide a full financial understanding of the Combination, we have prepared financial results on the following basis:

PRO FORMA BASIS

We are providing *pro forma* financial results that include the impact of the Combination, new contracts and contract amendments, management service agreements along with the tax impacts resulting from the Combination, as if each had occurred as of January 1, 2010. The unaudited *pro forma* financial results have been prepared based upon currently available information and assumptions deemed appropriate by management. The *pro forma* financial results give effect to the following transactions:

Items affecting future cash flows:

- amendment and execution of PPAs; and
- execution of management service agreements.

Items not affecting cash flows:

- changes in the fair value of property, plant and equipment due to the change in power purchase agreements and the resulting change in depreciation expense;
- change in accounting policy for construction work-in-progress to include this asset type in the assets that are revalued when appropriate criterion are satisfied;
- settlement of intercompany balances as at the date of the transaction; and
- elimination of the Fund unit liability and related unrealized gain or loss on remeasurement.

Additional information can be found on page 48.

The unaudited *pro forma* financial results are provided for information purposes only and may not be indicative of the results that would have occurred had the above transaction been affected on the date indicated. The accounting for certain of the Combination transactions required the determination of fair value estimates at the date of the transaction on November 28, 2011 rather than the date assumed in the determination of the *pro forma* results of January 1, 2010.

CONSOLIDATED BASIS

This Combination does not represent a business combination under IFRS 3 Business Combinations as it represents a reorganization of entities under common control of Brookfield Asset Management. Accordingly, the consolidated financial statements of Brookfield Renewable are presented to reflect such continuing control and no adjustments were made to reflect fair values or to recognize any new assets or liabilities, as a result of the Combination. Brookfield Renewable's consolidated statements of financial position, results of operations and cash flows are presented as if these arrangements had been in place from the time that the operations were originally acquired by Brookfield Asset Management. For periods prior to November 28, 2011, the financial information for Brookfield Renewable represents the combined financial information for the Brookfield Renewable Power Division (the "Division") a division of Brookfield Asset Management. Transactions entered into as part of the Combination are accounted for effective November 28, 2011.

Effective December 2011, Brookfield Renewable entered into voting arrangements with various affiliates of Brookfield Asset Management, whereby Brookfield Renewable gained control of the entities that own U.S. and Brazil renewable power generating operations (the "Voting Arrangements"). The Voting Arrangements provide Brookfield Renewable with all of the voting rights to elect the Boards of Directors of the relevant entities and therefore provides Brookfield Renewable with control. Accordingly, Brookfield Renewable consolidates the accounts of these entities.

The Combination and Voting Arrangements do not represent business combinations under IFRS 3, Business Combinations *("*IFRS 3R"*),* as all combining businesses are ultimately controlled by Brookfield Asset Management both before and after the transactions were completed. Brookfield Renewable accounts for these reorganizations of entities under common control in a manner similar to a pooling of interest which requires the presentation of pre-Combination and Voting Arrangement financial information as if the transactions had always been in place. Refer to Note 2(o) (ii) in the Consolidated Financial statements for Brookfield Renewable's policy on accounting for transactions under common control.

OVERVIEW OF PERFORMANCE ON A *PRO FORMA* BASIS

Generation (GWh)

					Variance of Results		
	Actual Generation		LTA Generation		Actual vs. LTA		Actual vs. Prior year
FOR THE YEARS ENDED DECEMBER 31	**2011**	2010	**2011**	2010	2011	2010	2011
Hydroelectric generation							
United States	**7,150**	6,651	**6,811**	6,727	339	(76)	499
Canada	**4,056**	3,557	**5,061**	5,076	(1,005)	(1,519)	499
Brazil [1]	**3,307**	3,206	**3,307**	3,206	-	-	101
	14,513	13,414	**15,179**	15,009	(666)	(1,595)	1,099
Wind energy	**662**	499	**712**	506	(50)	(7)	163
Other	**702**	567	**406**	372	296	195	135
Total generation [2]	**15,877**	14,480	**16,297**	15,887	(420)	(1,407)	1,397
% variance					(3)%	(9)%	10%

(1) Assured generation levels.
(2) Actual and long-term average generation includes 100% of generation from equity-accounted and long-term investments.

We compare actual generation levels against the expected long-term average to highlight the impact of one of the few but important factors that affect the variability of our business results. In the short-term, we recognize that hydrology will vary from one period to the next, over time however, we expect our facilities will continue to produce in line with their long-term averages, which have proven to be reliable indicators of performance. Accordingly, we present our generation and the corresponding EBITDA and FFO results on both an actual generation and a long-term average basis.

Generation levels in 2011 improved from the prior year, due in particular to heavy rainfall during the summer in the Northeast United States. Hydrology conditions in Eastern Canada continued to underperform during the year; however we did experience an improvement over the record dry conditions of 2010. Energy sales from our hydroelectric assets in Brazil were in line with plan and consistent with the framework that exists to levelize generation across power producers in that market. Overall, generation from our hydro portfolio was 1,099 GWh above 2010 levels and 666 GWh below long-term average (4% below long-term average) during the year. Wind production was below long-term average during the year but ahead of the prior year as we had the full year benefit of wind facilities commissioned in late 2010. Entering the first quarter of 2012, reservoir levels are 7% above long-term average and with a fully contracted portfolio we are well positioned to deliver results in line with plans for the balance of the year.

EBITDA and FFO on a *pro forma* basis

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	Results under actual generation		Results under LTA generation	
	2011	2010	**2011**	2010
Generation (GWh)	**15,877**	14,480	**16,297**	15,887
Revenues [1]	**$ 1,332**	$ 1,187	**$ 1,392**	$ 1,287
Other income	**19**	12	**19**	12
Direct operating costs	**(425)**	(346)	**(425)**	(346)
EBITDA	**926**	853	**986**	953
Interest expense - borrowings	**(411)**	(404)	**(411)**	(404)
Current income taxes	**(22)**	(32)	**(22)**	(32)
Management service costs	**(22)**	(21)	**(22)**	(21)
Non-controlling interests	**(52)**	(46)	**(50)**	(46)
Funds from operations (FFO) [2]	**$ 419**	$ 350	**$ 481**	$ 450

(1) Includes share of cash earnings from equity-accounted and long-term investments.
(2) FFO is defined as EBITDA less interest, current income taxes and management service costs, which is then adjusted for non-controlling interests.

Revenues on a *pro forma* basis totaled $1,332 million or $84 per MWh at the end of 2011, representing a year-over-year increase of $145 million or 11%. Approximately $21 million of the increase is attributable to the acquisition of a 30 MW hydroelectric facility in Brazil in June and the completion of a 166 MW wind facility in Eastern Canada in November. The balance is due to inflation based escalation included in our power purchase arrangements along with an increase in overall generation levels.

Pro forma EBITDA in 2011 increased year-over-year by $73 million or 9% to $926 million from $853 million. EBITDA margins on our hydroelectric facilities approximate 75%. Both revenues and direct operating costs were in line with expectations ensuring stable operating margins.

Interest costs reflect the cost related to approximately $1.1 billion of corporate debt and $4.2 billion of non-recourse asset-specific debt. Our financings are predominantly fixed-rate and issued in local currencies providing protection to our equity capital against changes in foreign exchange and interest rates movements. In February of 2012 we issued C$400 million of additional corporate debt with a 10- year term at 4.79%. Proceeds from the issuance were used to repay higher yielding, shorter duration debt resulting in a lower cost of capital for Brookfield Renewable and an improved debt maturity profile.

Management service costs reflect a base fee of $20 million annually plus 1.25% on growth in our total capitalization.

FFO, on a *pro forma* basis, increased year-over-year by $69 million or 20% to $419 million from $350 million. The increase is consistent with the growth in our portfolio described above and the overall improvement in generation.

CONTRACT PROFILE

Our portfolio is virtually fully contracted with minimal expiries over the next two years. We operate the business on a largely contracted basis to ensure a high degree of predictability in funds from operations. We do however maintain a long-term view that electricity prices and the demand for electricity from renewable sources will rise due to a growing level of acceptance around climate change and the legislated requirements in some areas to diversify away from thermal generation.

As at December 31, 2011, we have contracted virtually all of our 2012 generation at an average price of $89 per MWh. The following table sets out our contracts over the next five years for generation from our existing facilities assuming long-term average hydrology:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	2012	2013	2014	2015	2016
Generation (GWh)					
Contracted[1]:					
Hydroelectric	15,096	15,263	14,589	13,954	13,836
Wind	1,606	1,681	1,681	1,681	1,681
Other	521	398	134	-	-
	17,223	17,342	16,404	15,635	15,517
Uncontracted	252	424	1,053	1,689	1,806
LTA[2]	17,475	17,766	17,457	17,324	17,323
Contracted generation – as at December 31, 2011					
% of total generation	99%	98%	94%	90%	90%
Contracted revenue	$ 1,536	$ 1,506	$ 1,400	$ 1,338	$ 1,331
Price per MWh	$ 89	$ 87	$ 85	$ 86	$ 86

(1) Assets under construction/development are included in the contract profile only if LTA and pricing details are available and commercial operation date is imminent.
(2) Increase in generation over 2011 represents the full year contribution of completed projects.

We have a predictable revenue profile driven by both long-term PPAs with a weighted average remaining duration of 24 years, combined with a well-diversified generation portfolio that reduces variability in our generation volumes. The majority of our long-term PPAs are with investment-grade rated or creditworthy counterparties such as Brookfield Asset Management and its subsidiaries (55%), government-owned utilities or power authorities (26%), or industrial power users (11%).

Over the next three years we have on average approximately 575 GWh of energy annually which is not contracted. All of this power can be sold into the current wholesale or bilateral market, however we intend to maintain flexibility in recontracting to ensure we achieve the most optimal pricing.

NET ASSET VALUE

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	Total 2011	Total 2010 [1]	Per Share 2011	Per Share 2010 [1]
Property, plant and equipment, at fair value				
Hydroelectric [2]	**$ 12,463**	$ 11,517	**$ 47.47**	$ 43.87
Wind	**1,480**	564	**5.64**	2.15
Other	**86**	82	**0.33**	0.31
	14,029	12,163	**53.44**	46.33
Development assets	**378**	492	**1.44**	1.87
Working capital and other, net	**380**	221	**1.45**	0.84
Long-term debt and credit facilities	**(5,519)**	(4,994)	**(21.02)**	(19.01)
Participating non-controlling interests	**(629)**	(206)	**(2.40)**	(0.78)
Preferred equity	**(241)**	(252)	**(0.92)**	(0.96)
Net asset value [3]	**$ 8,398**	$ 7,424	**$ 31.99**	$ 28.29

(1) Figures are represented on a *pro forma* basis
(2) Includes amounts from equity-accounted and long-term investments for 2011: $405 million and 2010: $268 million.
(3) Net asset value represents our capital at carrying value, on a pre-tax basis prepared in accordance with the procedures and assumptions utilized to prepare the Brookfield Renewable's IFRS financial statements, adjusted to reflect asset values not otherwise recognized under IFRS.

The net asset value of Brookfield Renewable totaled $8.4 billion or $32 per share at December 31, 2011 compared to $7.4 billion in the prior year. Values increased from 2010 by 13% due to lower discount rates and the completion of plants previously under construction, partially offset by lower foreign exchange rates in Canada and Brazil.

Net asset value in our property, plant and equipment increased to $14 billion. The increase over the prior year is in part due to the acquisition of a 30 MW hydroelectric asset in Brazil, the completion of two hydroelectric development assets totaling 15 MW in the United States and the completion of a 166 MW wind facility in Eastern Canada which increased asset values by $440 million. Lower interest rates and the corresponding reduction in discount rates applied to future cash flows increased the value of our plants by $1.3 billion. In addition, approximately 275 MW of hydroelectric and wind facilities in our portfolio have been acquired with institutional partners and are consolidated into our operating results. Our net ownership of these facilities approximates 25% and accordingly we have recognized non-controlling interests in relation to these assets and reduced FFO by the proportionate share of cash-earnings attributable to our partners.

Development assets include two wind and two hydroelectric projects currently under construction along with early stage costs associated with a 45 MW hydroelectric facility in Western Canada which we expect to commence construction in the second quarter of 2012. We record development assets at an estimate of fair value, where certain criteria are met, based on the value expected on completion, less the costs remaining to complete the project.

Borrowings increased during the year consistent with the growth of our asset base as overall debt to capitalization was largely unchanged. At the end of the year, corporate borrowings totaled $1,322 million (2010: $1,152 million) comprised of $1,071 million of corporate debt (2010: $1,096 million) and $251 million drawn on our bank lines (2010: $56 million). We have a three-year $600 million bank facility which we typically use to fund short-term development costs and changes in working capital requirements.

The assets deployed in our renewable power operations are revalued on an annual basis.

The valuations of our property, plant and equipment reflect long-term interest rates at the corresponding valuation date. Interest rates declined in all of the markets we operate in during 2011 due to the general weakness of the global economy and the continued flight of capital into government securities. Assumptions used to determine our weighted-average cost of capital, other than market interest rates were largely unchanged. We value our assets based on discounting cash flows over a 20-year period and key assumptions utilized in 2011 and 2010 were as follows:

	United States		Canada		Brazil	
	2011	2010	**2011**	2010	**2011**	2010
Discount rate	**5.6%**	7.4%	**5.4%**	6.4%	**9.9%**	10.8%
Terminal capitalization rate	**7.2%**	7.9%	**6.8%**	7.1%	**N/A**	N/A
Exit date	**2031**	2030	**2031**	2030	**2029**	2029

A 50 bps change in discount rates would have approximately $1 billion impact on our net asset value. A further discussion on the revaluation of our property, plant and equipment is presented on page 31.

GROWTH INITIATIVES

Our manager has a full scale, globally focused M&A capability which has resulted in tremendous growth of our business over the last ten years. During 2011, we acquired, with our institutional partners, late stage wind development assets with long-term power purchase agreements which are currently being constructed, and we acquired and integrated a fully contracted 30 MW hydroelectric facility in the southeast region of Brazil. Including the acquired development assets, we had four hydroelectric and three wind projects totaling more than 440 MW under construction during 2011. By the end of the year we completed construction of two hydroelectric projects and one wind facility on time and budget and all three have been integrated into our operations. We secured a 20-year government backed financing for our New Hampshire wind facility with a 3.75% interest rate. The remaining projects under development are on schedule and budget and are expected to be completed over the next year. We expect to start construction of a 45 MW hydroelectric facility in Western Canada in the second quarter of this year subject to finalizing construction agreements and receiving final permits which we expect to receive in the ordinary course. The project has a 40-year PPA with the government of British Columbia and is expected to be accretive to our overall cash flows.

In addition to the projects referenced above, we have a 2,000 MW development pipeline comprised of primarily early stage hydroelectric, wind and pump storage opportunities which we may build out over the longer term subject to project returns and relative opportunities. The development portfolio was transferred to Brookfield Renewable by our manager, Brookfield Asset Management, at no up-front cost. To the extent we construct or sell any project in the 2,000 MW pipeline, we are required to reimburse Brookfield Asset Management for its costs incurred prior to our ownership plus 50% of any profit over our cost of capital.

With our institutional partners, we also recently acquired new wind generation assets in California, including a 150 MW wind farm adjacent to our Coram wind project in the Tehachapi region. This new facility entered commercial operation in the first quarter and comes with a 24-year power purchase agreement with Southern California Edison. We also acquired the remaining 50% stake previously held by our partner in Coram, along with 22 MW of additional operating wind generation capacity.

LIQUIDITY AND CAPITALIZATION

We operate with sufficient liquidity, which along with ongoing cash flow from operations enable us to fund growth initiatives, capital expenditures, distributions and to finance the business on an investment grade basis. As part of our financing strategy, we raise the majority of our debt capital in the form of asset-specific, non-recourse borrowings at our subsidiaries. As at December 31, 2011 corporate borrowings remained unchanged from the previous year whereas our subsidiary borrowings increased due to additional borrowings for new assets in our Canadian and Brazilian portfolios. Our debt to capitalization ratio was 37% at December 31, 2011, which was substantially unchanged from December 31, 2010.

Capitalization

The following table summarizes our capitalization using book values:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2011	2010 (1)
Credit facilities	**$ 251**	$ 64
Corporate borrowings	**1,071**	1,096
Subsidiary borrowings	**4,197**	3,834
Long-term indebtedness	**5,519**	4,994
Participating non-controlling interests	**629**	206
Preferred equity	**241**	252
Net asset value	**8,398**	7,424
Total capitalization	**$ 14,787**	$ 12,876
Debt to total capitalization	**37%**	39%

(1) Information for 2010 was prepared on a *pro forma* basis.

We have completed over $1 billion in financings since the beginning of 2011 to the date of this report as a result of financing growth initiatives and refinancing existing debt. In February 2012, we issued C$400 million of 10 year notes, bearing interest at 4.79% per annum. The funds were used to reduce shorter duration borrowings, extending term on our overall maturity profile and reducing our overall cost of capital.

Available liquidity

Total liquidity is comprised of available cash and the unutilized portion of committed bank lines. We currently have over $450 million of available liquidity which provides us with significant cushion to fund ongoing growth and capital requirements and to protect against short term fluctuations in generation.

AS AT DECEMBER 31 (MILLIONS)	2011	2010
Cash and equivalents	**$ 267**	$ 188
Available portion of bank facility	**190**	102
	$ 457	$ 290

Corporate and subsidiary borrowings

The following table summarizes our debt maturities over the next three years:

AS AT DECEMBER 31 (MILLIONS)	2012	2013	2014
Corporate borrowings	-	-	-
Subsidiary borrowings - consolidated	$ 650	$ 741	$ 285
Subsidiary borrowings – total [1]	$ 769	$ 742	$ 286

(1) Includes borrowings from equity-accounted and long-term investments

We have no corporate borrowings maturing over the next three years. Subsidiary borrowings maturing in 2012 include $260 million on our Eastern Canadian wind assets, $120 million associated with our pumped storage facility in New England, which we own 50% with a partner, and $200 million attributed to our hydroelectric facilities in New York. We expect to refinance all of the upcoming maturities in the normal course.

The overall maturity profile and average interest rates associated with corporate and subsidiary borrowings are as follows:

	Average term (years)		Average interest rate	
AS AT DECEMBER 31	2011	2010	2011	2010
Corporate borrowings	9.6	10.6	5.5	5.5
Subsidiary borrowings	10.0	11.1	7.5	7.7

OVERVIEW OF PERFORMANCE ON A CONSOLIDATED BASIS

Generation, EBITDA and FFO

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	**2011**	2010
Generation (GWh) [(1)]	**15,877**	14,480
Revenues [(2)]	**$ 1,192**	$ 1,067
Other income	**19**	12
Direct operating costs	**(407)**	(328)
EBITDA	**804**	751
Interest expense - borrowings	**(411)**	(404)
Current income taxes	**(22)**	(32)
Management service costs	**(1)**	-
Non-controlling interests	**(52)**	(46)
Funds from operations (FFO) [(3)]	**$ 318**	$ 269

(1) Variations in generation are described on page 9 of this report.
(2) Includes share of cash earnings from equity-accounted and long-term investments.
(3) FFO is defined as EBITDA less interest, current income taxes and management service costs, which is then adjusted for non-controlling interest.

Brookfield Renewable was created from the strategic combination of the Fund and the renewable power assets of a subsidiary of Brookfield Asset Management, in the fourth quarter of 2011.

Brookfield Renewable's consolidated statements of financial position, results of operations and cash flows are presented as if these arrangements had been in place from the time that the operations were originally acquired by Brookfield Asset Management. For periods prior to November 28, 2011, the financial information for Brookfield Renewable represents the combined financial information for the Brookfield Renewable Power Division a division of Brookfield Asset Management. Transactions entered into as part of the Combination are accounted for effective November 28, 2011.

Overall, revenues for the year ended December 31, 2011 were $1,192 million or 12% higher than the prior year. EBITDA for the year ended December 31, 2011 was $804 million or an increase of 7% from $751 million in the prior year. FFO for the year ended December 31, 2011 was $318 million or an increase year-over-year by $49 million or 18%.

A discussion of our consolidated results is provided in the following section "Review of Operations on a consolidated basis."

Net Income

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	2011	2010
Funds from operations (FFO) – consolidated basis	**$ 318**	$ 269
Non-controlling interests included in FFO	**52**	46
Other items:		
Depreciation and amortization	**(468)**	(446)
Unrealized financial instrument (losses) gains	**(20)**	584
Fund unit liability revaluation	**(376)**	(159)
Share of non-cash loss in equity-accounted investments	**(13)**	(7)
Deferred income tax recovery	**50**	3
Other	**6**	4
Net (loss) income	**$ (451)**	$ 294
Basic and diluted earnings per share	**$ (1.80)**	$ 0.98

We measure our results based on EBITDA and FFO to provide readers with an assessment of the cash flow generated by our assets and the residual cash flow retained to fund shareholder distributions and growth initiatives. We recognize that net income is an important measure of profitability. However, the presentation of net income on an IFRS basis for our business often leads to the recognition of a loss even though the underlying cash flow generated by the assets is supported by high margins and stable, long-term contracts. This occurs largely for two reasons. First, under IFRS, we recognize a significantly higher level of depreciation than we are required to reinvest in the business as sustaining capital expenditures. Second, we are often required to recognize changes in the fair value of energy contracts which are serviced by our assets and interests held by others in assets we manage through income, where the corresponding change in the asset values are recognized through equity. Therefore, when factors which are positive to the long-term prospects of our business occur, such as rising energy prices or increased asset values, the outcome is the recognition of losses related to the revaluation of fixed price contracts or our partners share of assets.

The net loss for the year ended December 31, 2011 was $451 million or $1.80 per share. The net loss largely reflects the impact of depreciation and items revalued on a mark-to-market basis as described above.

Prior to the formation of Brookfield Renewable, we held most of our Canadian assets in a listed fund where non-controlling shareholders' interests were treated as a liability and valued at the share price. The stock market performance of the Fund during 2011 and 2010 increased year over year resulting in the recognition of a non-cash accounting loss. We view the strengthening performance of our shares as a benefit to all shareholders, in spite of the recognition of a loss.

Prior to the formation of Brookfield Renewable, certain contracts for energy sales were treated as derivatives for accounting purposes. In 2010, energy prices declined resulting in a relative gain on the fixed price related to those energy contracts. The contracts did provide protection against changing prices, however the gain reflected in our net income reflects the value over the life of the contract and not the actual cash flow benefit realized in the year. Accordingly, we do not include revaluation gains of this nature in our funds from operations.

We understand net income is an important measure of our financial performance for certain investors and accordingly we discuss it in greater detail on page 27 of this report.

REVIEW OF OPERATIONS ON A CONSOLIDATED BASIS

GENERATION (GWH)

	Actual Generation		LTA Generation		Variance of Results: Actual vs. LTA		Variance of Results: Actual vs. Prior year
FOR THE YEARS ENDED DECEMBER 31	**2011**	2010	**2011**	2010	2011	2010	2011
Hydroelectric generation							
United States	**7,150**	6,651	**6,811**	6,727	339	(76)	499
Canada	**4,056**	3,557	**5,061**	5,076	(1,005)	(1,519)	499
Brazil [1]	**3,307**	3,206	**3,307**	3,206	-	-	101
	14,513	13,414	**15,179**	15,009	(666)	(1,595)	1,099
Wind energy	**662**	499	**712**	506	(50)	(7)	163
Other	**702**	567	**406**	372	296	195	135
Total generation [2]	**15,877**	14,480	**16,297**	15,887	(420)	(1,407)	1,397
% variance					(3)%	(9)%	10%

(1) Assured generation levels
(2) Actual and long-term average generation includes 100% of generation from equity-accounted and long-term investments.

Generation for the year ended December 31, 2011 was 15,877 GWh or 10% higher than 14,480 GWh in the prior year, and 3% lower than the long-term average of 16,297 GWh. The improvement over the prior year reflects stronger hydrological conditions in Eastern Canada and New York. Although hydrology did return to more normalized levels, it was modestly below the long-term averages due to mild conditions and below-average inflows in Ontario and Quebec. The following tables provide additional generation and operating information by regional operating centres.

HYDROELECTRIC GENERATION

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	2011				
	United States	**Canada**	**Brazil**	**Total**	***Pro forma***
Generation (GWh) – LTA [(1)]	**6,811**	**5,061**	**3,307**	**15,179**	**15,179**
Generation (GWh) – actual [(1)]	**7,150**	**4,056**	**3,307**	**14,513**	**14,513**
Revenues [(2)]	**$ 480**	**$ 241**	**$ 360**	**$ 1,081**	**$ 1,221**
Direct operating costs	**(144)**	**(62)**	**(91)**	**(297)**	**(297)**
EBITDA	**336**	**179**	**269**	**784**	**924**
Interest expense – borrowings	**(149)**	**(68)**	**(94)**	**(311)**	**(311)**
Current income taxes	**2**	**5**	**(15)**	**(8)**	**(8)**
Non-controlling interests	**(26)**	**-**	**(13)**	**(39)**	**(39)**
Funds from operations (FFO)	**$ 163**	**$ 116**	**$ 147**	**$ 426**	**$ 566**
Average revenue per MWh [(3)]	**$ 71**	**$ 70**	**$ 107**	**$ 79**	**$ 90**
Average direct operating costs per MWh [(3)]	**$ 22**	**$ 18**	**$ 29**	**$ 23**	**$ 23**

	2010				
	United States	Canada	Brazil	Total	*Pro forma*
Generation (GWh) – LTA [(1)]	6,727	5,076	3,206	15,009	15,009
Generation(GWh) – actual [(1)]	6,651	3,557	3,206	13,414	13,414
Revenues [(2)]	$ 474	$ 209	$ 286	$ 969	$ 1,089
Direct operating costs	(142)	(49)	(85)	(276)	(276)
EBITDA	332	160	201	693	813
Interest expense - borrowings	(152)	(64)	(95)	(311)	(311)
Current income taxes	(16)	-	(16)	(32)	(32)
Non-controlling interests	(31)	-	(4)	(35)	(35)
Funds from operations (FFO)	$ 133	$ 96	$ 86	$ 315	$ 435
Average revenue per MWh [(3)]	$ 75	$ 71	$ 89	$ 77	$ 88
Average direct operating costs per MWh [(3)]	$ 23	$ 17	$ 28	$ 23	$ 23

(1) Actual and long-term average generation includes 100% generation from equity-accounted and long-term investments.
(2) Includes share of cash earnings from equity-accounted and long-term investments.
(3) Average revenue and direct operating costs per MWh excludes generation from equity-accounted and long-term investments.

United States

Generation from our U.S. renewable asset portfolio was 7,150 GWh, meaningfully higher than long-term average by 339 GWh or 5%. Results were also 8% ahead of the prior year. Essentially all regions produced inflows and generation levels in 2011 that were higher than long-term average. With an extremely wet spring and record setting floods on the Mississippi River, generation levels were well above long-term average in Q2 and Q3 for our Louisiana facility. Regions in the Northeastern United States had record levels of rainfall in Q2, very dry conditions in July and the wettest August in history as Hurricane Irene brought twice the level of precipitation compared to long-term average. The Northeastern region represents 60% of the U.S. renewable asset portfolio, and thus served to impact the overall results.

During the year we acquired and integrated into the business our first hydroelectric generating facility in California which contributed 90 GWh of generation.

Consequently revenues for the year ended December 31, 2011 were $480 million or 1% ahead of the prior year. Direct operating costs were in line with the prior year and FFO was $163 million, $30 million higher than the prior year due to the decreased taxes, increased revenues and decreased interest expense due to lower interest rates. Average revenues were $71 per MWh which was slightly lower than last year.

Canada

Generation from our Canadian renewable asset portfolio was 4,056 GWh or 20% below long-term average of 5,061 GWh and ahead of the prior year generation of 3,557 GWh. Mild weather conditions and below-average inflows persisted in Ontario throughout most of the year. At year end, these regions experienced more seasonal levels of precipitation and with it a return to more normal hydrology conditions.

Generation levels in Quebec were slightly below plan for the year and our Western Canadian assets generated at above long-term average levels for the year. Consequently, revenues for the year ended December 31, 2011 were $241 million, or 15% ahead of the prior year.

Average revenues were $70 per MWh and in line with the prior year.

Brazil

Generation from our Brazilian renewable asset portfolio was 3,307 GWh, and in line with long-term average. Results for 2011 include the addition of a new hydroelectric facility which was acquired and integrated during the third quarter which generated 116 GWh of electricity.

Our risk of a generation shortfall in Brazil continues to be minimized by participation in a hydrological balancing pool administered by the government of Brazil. This program mitigates hydrology risk by assuring that all participants receive, at any particular point in time, a reference amount of electricity (assured energy), irrespective of the actual volume of energy generated. The program reallocates energy, transferring surplus energy from those who generated in excess of their assured energy to those who generated less that their assured energy, up to the total generation within the pool.

Revenues for the year ended December 31, 2011 were $360 million, an increase over the prior year by $74 million primarily due to inflation based escalation with our power sales agreements and increased generation from the new facility. FFO and results on a per MWh basis were in line with expectations.

Net Asset Value for Hydroelectric Facilities

AS AT DECEMBER 31 (MILLIONS)	United States	Canada	Brazil	Total 2011	Total 2010
Hydroelectric power assets	**$ 4,549**	**$ 4,908**	**$ 2,681**	**$ 12,138**	$ 11,416
Development assets	**26**	**-**	**121**	**147**	145
Equity-accounted and long-term investments	**169**	**70**	**86**	**325**	258
	4,744	**4,978**	**2,888**	**12,610**	11,819
Working capital and other, net	**169**	**(50)**	**181**	**300**	69
Subsidiary borrowings	**(1,838)**	**(928)**	**(645)**	**(3,411)**	(3,472)
Participating non-controlling interests	**(250)**	**-**	**(209)**	**(459)**	(206)
	2,825	**4,000**	**2,215**	**9,040**	8,210
Values not recognized under IFRS	**-**	**-**	**-**	**-**	467
Net Asset Value	**$ 2,825**	**$ 4,000**	**$ 2,215**	**$ 9,040**	$ 8,677

The net asset value of our hydroelectric facilities was $9.0 billion in 2011, an increase of $363 million from $8.7 billion in 2010. This increase is due primarily to the $1,171 million increase in fair value measurement of our hydroelectric power assets, partially offset by depreciation expense of $423 million and losses on foreign exchange of $381 million. In addition, approximately 75 MW of hydroelectric facilities in our portfolio have been acquired with institutional partners and are consolidated into our operating results. Our net ownership of these facilities approximates 25% and accordingly we have recognized an increase in non-controlling interests in relation to these assets and reduced FFO by the proportionate share of cash-earnings attributable to our partners.

Development assets include two wind and two hydroelectric projects currently under construction along with early stage costs associated with a 45 MW hydroelectric facility in Western Canada on which we expect to commence construction in the second quarter of 2012. We record development assets at an estimate of fair value based on the value expected on completion, less the costs remaining to complete the project. In the prior year, development assets were carried at cost with the fair value component included as a value not recognized under IFRS.

The equity-accounted investments increased with the completion of two hydroelectric development assets totaling 15 MW in the United States.

WIND ENERGY

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT FOR per MWh)	**2011** (3)	2010 (3)
Generation (GWh) – LTA (1)	**712**	506
Generation (GWh) – actual (1)	**662**	499
Revenues	**$ 70**	$ 52
Direct operating costs	**(12)**	(7)
EBITDA	**58**	45
Interest expense - borrowings	**(25)**	(17)
Funds from operations (FFO)	**33**	28
Average revenue per MWh (2)	**$ 106**	$ 104
Average direct operating costs per MWh (2)	**$ 18**	$ 14

(1) Actual and LTA generation includes 100% of generation from equity-accounted and long-term investments.
(2) Average revenue and direct operating costs per MWh excludes generation from equity-accounted and long-term investments.
(3) There is no difference for Wind between consolidated and *pro forma*.

Generation from our renewable wind portfolio in Canada was 662 GWh, or lower than long-term average by 7% or 50 GWh, due to below average wind conditions for the year. Generation was ahead of the prior year by 33% due to a full year of generation from an Ontario wind facility which was commissioned in September 2010. The successful commercial operation and integration of another Ontario wind facility in Q4 2011 also contributed to the increase in generation.

Revenues for the year ended December 31, 2011 were $70 million, or 35% higher than the previous year primarily due to the increased generation from new asset commercialization.

Net Asset Value for Wind Facilities

AS AT DECEMBER 31 (MILLIONS)	2011	2010
Wind power assets	$ 1,400	$ 564
Development assets	231	53
Equity – accounted investments	80	11
	1,711	628
Working capital and other, net	(26)	(16)
Subsidiary borrowings	(785)	(362)
Participating non-controlling interests	(170)	-
	730	250
Values not recognized under IFRS	-	133
Net Asset Value	$ 730	$ 383

The net asset value of our wind facilities was $730 million in 2011 and $383 million in 2010, an increase of $347 million. This increase is due primarily to the completion of a 166 MW wind facility in Eastern Canada which increased values by approximately $400 million. This was offset by depreciation expense and foreign exchange losses. In addition, approximately 200 MW of wind assets in our portfolio have been acquired with institutional partners and are consolidated into our operating results. Our net ownership of these facilities approximates 25% and accordingly we have recognized non-controlling interests in relation to these assets and reduced FFO by the proportionate share of cash-earnings attributable to our partners.

Consequently, subsidiary borrowings were increased to finance these new facilities. Non-controlling interests increased in aggregate due to the acquisition of wind development assets in partnership with investors in the Brookfield Americas Infrastructure Fund.

At December 31, 2011, development assets are revalued to fair value based on the value expected on completion, less the costs remaining to complete the project. In the prior year, development assets were carried at cost with the fair value component included as values not recognized under IFRS.

CORPORATE CAPITALIZATION

The long-life nature of our assets allows us to finance the majority of our facilities on an asset-specific, non-recourse basis. In addition, we utilize a modest amount of corporate debt to provide additional leverage to unitholders while maintaining strong access to the capital markets.

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)		**2011**		2010 (1)
Credit facilities	**$**	**251**	$	64
Corporate borrowings		**1,071**		1,096
Subsidiary borrowings		**4,197**		3,834
Long-term indebtedness		**5,519**		4,994
Participating non-controlling interests		**629**		206
Preferred equity		**241**		252
Net asset value		**8,398**		7,424
Total capitalization	**$**	**14,787**	$	12,876
Debt to total capitalization		**37%**		39%

(1) Information for 2010 was prepared on a *pro forma* basis.

Total capitalization was $14.8 billion, representing an increase of $1.9 billion since December 31, 2010. The increase in net asset value is largely a result of an increase in the value of our property, plant, and equipment as discussed on page 31 of this report. The increase in total capitalization was also positively impacted by an increase in subsidiary borrowings as a result of growth in our asset base.

On a consolidated basis, EBITDA to interest totaled 2.0 times and 1.9 times in 2011 and 2010, respectively. On a pro-forma basis, EBITDA to interest was 2.3 times in 2011 (2010: 2.1 times) reflecting the increased cash flows associated with the amended PPAs which occurred as part of the Combination.

On a deconsolidated *pro forma* basis, FFO to interest expense of Brookfield Renewable totaled 5.6 times (2010: 4.8 times).

CORPORATE AND SUBSIDIARY BORROWINGS

The following table summarizes our corporate and subsidiary borrowings.

AS AT DECEMBER 31 (MILLIONS)	Average Term	Maturity 2012	2013	2014	2015	2016	Thereafter	Total
Corporate borrowings								
Credit facilities	2.3	$ -	$ -	$ 251	$ -	$ -	$ -	$ 251
Corporate borrowings	9.6	-	-	-	-	294	783	1,077
		-	-	251	-	294	783	1,328
Subsidiary borrowings								
United States	12.6	328	53	207	46	71	1,316	2,021
Canada	8.3	261	390	13	14	11	883	1,572
Brazil	6.2	61	298	65	65	28	136	653
	10.0	650	741	285	125	110	2,335	4,246
Consolidated borrowings		$ 650	$ 741	$ 536	$ 125	$ 404	$ 3,118	$5,574
Borrowings – Equity accounted investments		119	1	1	35	94	170	420
Total [1]		$ 769	$ 742	$ 537	$ 160	$ 498	$ 3,288	$5,994

[1] Represents consolidated borrowings and borrowings of subsidiaries accounted for on an equity basis

Subsidiary borrowings increased during the year due to the continued growth in our asset base and the consolidation of entities partially owned with our institutional investors. Subsidiary borrowings maturing in 2012 include $260 million on our Eastern Canadian wind assets, $120 million associated with our pumped storage facility in New England which we own 50% with a partner and $200 million attributed to our hydroelectric facilities in New York. We expect to be able to refinance all of the upcoming maturities in the normal course. Total subsidiary borrowings have an average term of 10 years (2010: 11.1 years) with an average interest rate of 7.5%. (2010: 7.7%).

PARTNERSHIP CAPITAL

Brookfield Renewable's capital structure is comprised of two classes of Partnership units: general partnership units and limited partnership units. Income and distributions of Brookfield Renewable are allocated to the partners of record based on their respective interests in Brookfield Renewable. Distributions may be made to the general partner of Brookfield Renewable with the exception of instances where there is insufficient cash available, where payment renders Brookfield Renewable unable to pay its debts as and when they fall due, or when payment of which might leave Brookfield Renewable unable to meet any future or contingent obligations.

BRELP, a subsidiary of Brookfield Renewable has issued redeemable partnership units held 100% by Brookfield, which may, at the request of the holder, require BRELP to redeem the units for cash consideration after a mandatory two-year holding period from the date of issuance. The right is subject to Brookfield Renewable's right of first refusal which entitle it, at its sole discretion, to elect to acquire all of the units so presented to BRELP that are tendered for redemption in exchange for Brookfield Renewable units. As Brookfield Renewable, at its sole discretion, has the right to settle the obligation with limited partnership units, the BRELP redeemable partnership units are classified as limited partnership units.

As of the date of this report, the total amount of our limited partnership units outstanding was comprised of 262,485,747 limited partnership units, assuming the exchange of all redeemable limited partnership units discussed above, and one general partnership unit. Based on the number of units outstanding as of the date of this report, Brookfield Asset Management's aggregate limited partnership interest in Brookfield Renewable would be approximately 68%, if it exercised its redemption right in full and Brookfield Renewable exercised its right of first refusal.

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT PER UNIT AMOUNTS AND AS NOTED)	**2011**	2010
Generation (GWh) – LTA [1]	**16,297**	15,887
Generation (GWh) – actual [1]	**15,877**	14,480
Funds from operations (FFO)	**$ 318**	$ 269
Non-controlling interests	**52**	46
Other items:		
Depreciation and amortization	**(468)**	(446)
Unrealized financial instrument (losses) gains	**(20)**	584
Fund unit liability revaluation	**(376)**	(159)
Share of non-cash losses from equity-accounted investments	**(13)**	(7)
Deferred income tax recovery	**50**	3
Other	**6**	4
Net (loss) income	**$ (451)**	$ 294
Basic and diluted earnings per share	**$ (1.80)**	$ 0.98

(1) Actual and LTA generation includes 100% generation from equity-accounted and long-term investments.

Net loss for the year ended December 31, 2011 was $451 million and reflects normal course depreciation and amortization expense of $468 million (2010: $446 million). It also includes a revaluation amount on the Fund unit liability. Under IFRS, Fund units held by the public that have a feature that allows the holder to redeem the units for cash, are presented as a liability and recorded at fair value, with the change in fair value recorded in net income. In 2011, the Fund unit price appreciated significantly resulting in a revaluation amount of $376 million (2010: $159 million). As a result of the Combination, the Fund units were exchanged for partnership units and the Fund was dissolved.

On April 1, 2011, Brookfield Renewable designated its two significant long-term energy contracts with related parties as cash-flow hedges. As a result of new agreements and changes in existing agreements with Brookfield Asset Management and its subsidiaries arising from the Combination, these contracts are no longer accounted for as derivatives by Brookfield Renewable effective November 28, 2011. For the period from April 1, 2011 to November 28, 2011, Brookfield Renewable recorded accounting losses of $708 million related to these contracts that were recorded in OCI. On formation of Brookfield Renewable, $704 million of unrealized accounting losses were reversed.

Amendments were made to certain energy derivative contracts and other agreements with the related parties which resulted in the energy derivative contracts no longer meeting the derivatives definition under the IFRS. Since these amendments arose from the common control reorganization with Brookfield Asset Management the amounts were adjusted directly into limited partnership equity.

SUMMARY CONSOLIDATED BALANCE SHEETS

AS AT YEAR ENDED DECEMBER 31 (MILLIONS)	**2011**	2010
Property, plant and equipment	**$ 13,945**	$ 12,173
Equity-accounted and long-term investments	**405**	269
Total assets	**15,708**	13,874
Long-term debt and credit facilities	**5,519**	4,994
Deferred income tax liabilities	**2,374**	2,429
Total liabilities	**8,508**	8,689
Fund unit liability	**-**	1,355
Participating non-controlling interests	**629**	206
Preferred equity	**241**	252
Limited partners' equity	**6,330**	3,372
Total liabilities and partners' equity	**$ 15,708**	$ 13,874

The carrying value of our assets increased during 2011, primarily due to the increase in fair value measurement of our renewable power generation facilities, acquisition of assets, new projects that began commercial operations in 2011 and ongoing sustaining capital expenditures.

Equity-accounted and long-term investments

The following are Brookfield Renewable's equity-accounted and long-term investments:

	Ownership Percentage Interest		Carrying value	
AS AT DECEMBER 31 (MILLIONS)	**2011**	2010	**2011**	2010
	%	%		
Bear Swamp Power Co. LLC	**50**	50	**$ 130**	$ 95
Brookfield Americas Infrastructure Fund investees [1]	**50**	50	**119**	5
Powell River Energy Inc.	**50**	50	**21**	40
Pingston Power Inc.	**50**	50	**49**	43
Galera Centrais Elétricas S.A.	**50**	50	**86**	80
Other long-term investments			**-**	6
			$ 405	$ 269

(1) Consists of 50% ownership interests in Coram California Development L.P and Malacha Hydro Limited Partnership.

Participating non-controlling interests

AS AT DECEMBER 31 (MILLIONS)	Ownership Percentage Interest 2011	Ownership Percentage Interest 2010	Carrying value 2011	Carrying value 2010
	%	%		
Brookfield Americas Infrastructure Fund	**50-100**	50-100	**$ 380**	$ -
The Catalyst Group	**75**	75	**167**	143
Brascan Energetica	**50**	50	**74**	63
Other	**50**	50	**8**	-
			$ 629	$ 206

In December 2011, Brookfield Renewable entered into voting agreements with subsidiaries of Brookfield Asset Management whereby these subsidiaries, as managing members of entities related to Brookfield Americas Infrastructure Fund (the "BAIF Entities") in which Brookfield Renewable holds investments with institutional investors, agreed to assign to Brookfield Renewable their voting rights to appoint the directors subsidiaries of the BAIF Entities. Brookfield Renewable's economic interests in the BAIF Entities in the United States and Brazil are 22% and 25%, respectively.

Segmented Net Asset Value

The following table provides a breakdown of our consolidated net asset value by region.

AS AT DECEMBER 31 (MILLIONS)	Hydroelectric United States	Hydroelectric Canada	Hydroelectric Brazil	Wind	Other assets	Corporate and other	2011	2010
Total power assets	$ 4,549	$ 4,908	$ 2,681	$ 1,400	$ 86	$ -	$13,624	$ 12,062
Development assets	26	-	121	231	-	-	378	198
Equity-accounted and long-term investments	169	70	86	80	-	-	405	269
	4,744	4,978	2,888	1,711	86	-	14,407	12,529
Working capital and other, net	169	(50)	181	(26)	(11)	117	380	(197)
Long-term debt and credit facilities	(1,838)	(928)	(645)	(785)	-	(1,323)	(5,519)	(4,994)
Participating non-controlling interests	(250)	-	(209)	(170)	-	-	(629)	(206)
Preferred equity	-	-	-	-	-	(241)	(241)	(252)
	2,825	4,000	2,215	730	75	(1,447)	8,398	6,880
Values not recognized under IFRS	-	-	-	-	-	-	-	600
Net Asset Value	$2,825	$4,000	$ 2,215	$ 730	$ 75	$ (1,447)	$8,398	$7,480
Net Asset Value - per share	$10.76	$15.24	$ 8.44	$ 2.78	$0.28	$ (5.51)	$31.99	$28.50

Net asset value in our property, plant and equipment increased to $14 billion. The increase over the prior year is in part due to the acquisition of a 30 MW hydroelectric asset in Brazil, the completion of two hydroelectric development assets totaling 15 MW in the United States and the completion of a 166 MW wind facility in Eastern Canada which increased asset values by $440 million. Lower interest rates and the corresponding reduction in discount rates applied to future cash flows increased the value of our plants by $1.3 billion, net of non-controlling interests. In addition, approximately 275 MW of hydroelectric and wind facilities in our portfolio have been acquired with institutional partners and are consolidated into our operating results. Our net ownership of these facilities approximates 25%. Offsetting these increases for the year ended December 31, 2011, was depreciation expense of $456 million and the net unfavorable impact of foreign exchange on Canadian and Brazilian assets of approximately $116 million and $277 million, respectively.

Development assets include two wind and two hydroelectric projects currently under construction along with early stage costs associated with a 45 MW hydroelectric facility in Western Canada which we expect to commence construction in the second quarter of 2012.

Property, Plant and Equipment

Revaluation of Property, Plant and Equipment

In accordance with IFRS, Brookfield Renewable has elected to revalue its property, plant and equipment at a minimum on an annual basis, as at December 31st of each year. As a result, certain of Brookfield Renewable's property, plant and equipment, are carried at revalued amounts as opposed to historical cost. The property, plant and equipment assets that are revalued use a discounted cash flow valuation model over a 20-year period and incorporates Brookfield Renewable's expectations about several inputs, including future inflation rates and discount rates, as well as estimates regarding future electricity prices, anticipated long-term average generation, operating and capital expenditures, including future major maintenance expenditures all over a twenty-year period. Brookfield Renewable valued the property, plant and equipment using inputs, which vary according to the type and geographic location of the asset. Brookfield Renewable's equity can vary with changing discount and terminal capitalization rates. For example, a 50 bps change in discount rates would have an approximate $1 billion impact on our net asset value.

	United States		Canada		Brazil	
	2011	2010	**2011**	2010	**2011**	2010
Discount rate	**5.6%**	7.4%	**5.4%**	6.4%	**9.9%**	10.8%
Terminal capitalization rate	**7.2%**	7.9%	**6.8%**	7.1%	**N/A**	N/A
Exit date	**2031**	2030	**2031**	2030	**2029**	2029

Brookfield Renewable elected to change its accounting policy for the revaluation of property plant and equipment to include development assets effective December 31, 2011. We record development assets at an estimate of fair value based on the value expected on completion, less the costs remaining to complete the project. In the prior year, development assets were carried at cost with the fair value component included as a value not recognized under IFRS.

Contractual Obligations

The following table summarizes our significant contractual obligations.

AS AT DECEMBER 31 (MILLIONS)	2012	2013	2014	2015	2016	Thereafter	Total
Principal repayments:							
Subsidiary borrowings	$ 650	$ 741	$ 285	$ 125	$ 110	$ 2,335	$ 4,246
Corporate borrowings	-	-	-	-	294	783	1,077
Equity-accounted and long-term investments	119	1	1	35	94	170	420
	769	742	286	160	498	3,288	5,743
Capital projects	46	-	-	-	-	-	46
	815	742	286	160	498	3,288	5,789
Interest payable (1)							
Subsidiary borrowings	239	204	146	125	116	799	1,629
Corporate borrowings	59	59	59	59	59	283	578
Equity-accounted and long-term investments	20	19	19	18	17	121	214
	318	282	224	202	192	1,203	2,421
Total	$ 1,133	$ 1,024	$ 510	$ 362	$ 690	$ 4,491	$ 8,210

(1) Represents aggregate interest payable expected to be paid over the entire term of the obligations, if held to maturity. Variable rate interest payments have been calculated based on current rates.

In addition, as a result of the Combination, two management service agreements with Brookfield Asset Management were executed. For more information see section on Summary of p*ro forma* adjustments: (ii) Management Service Agreements on page 48.

Guarantees

In the normal course of operations, we execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions and acquisitions, construction projects, capital projects, and sales and purchases of assets and services. We have also agreed to indemnify our directors and certain of our officers and employees. The nature of substantially all of the indemnification undertakings prevents us from making a reasonable estimate of the maximum potential amount that we could be required to pay third parties, as many of 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, we have made no significant payments under such indemnification agreements.

Off balance sheet arrangements

Brookfield Renewable has no off-balance sheet financing arrangements.

RELATED PARTY TRANSACTIONS

Brookfield Renewable's related party transactions are in the normal course of business and are recorded at the exchange amount, except for related party acquisitions. Brookfield Renewables' related party transactions are primarily with Brookfield Asset Management.

As discussed in the Significant Accounting Policies Note: - 2b) Basis of Presentation of the December 31, 2011 annual audited consolidated financial statements, effective November 28, 2011, Brookfield Asset Management and Brookfield Renewable completed the Combination Agreement. This resulted in the strategic combination of all the renewable power assets of the Fund and certain Brookfield subsidiaries to create Brookfield Renewable. Consequently at the date of the Combination, Brookfield Asset Management, Brookfield Renewable's ultimate parent, held directly or indirectly, approximately a 73% limited partnership interest (68% as at the date of this report) on a fully-exchanged basis and all general partnership units totaling a 0.01% general partnership interest in Brookfield Renewable. Details of amended and new agreements entered into by Brookfield Renewable as a result of the Combination are represented on page 48.

Brookfield Renewable sells electricity to a subsidiary of Brookfield Asset Management through long-term power purchase agreements to provide stable cash flow and reduce Brookfield Renewable's exposure to electricity prices in deregulated power markets. Brookfield Renewable also benefits from a wind levelization agreement with a subsidiary of Brookfield Asset Management which reduces the exposure to the fluctuation of wind generation at certain facilities and thus improves the stability of its cash flow.

In addition to these agreements, Brookfield Renewable and Brookfield Asset Management have executed other agreements related to the provision of operations, maintenance, administration, insurance services and the securing of natural gas prices with respect to a gas plant in Eastern Canada. These are fully described in Note 8:- Related Party Transactions of the December 31, 2011 annual audited consolidated financial statements.

In December 2011, Brookfield Renewable entered into voting agreements with subsidiaries of Brookfield Asset Management whereby these subsidiaries, as managing members of entities related to Brookfield Americas Infrastructure Fund, in which Brookfield Renewable holds investments with institutional partners, agreed to assign to Brookfield Renewable their voting rights to appoint the directors of such entities.

The following table reflects the related party agreements and transactions on the consolidated statements of income (loss):

FOR THE YEAR ENDED DECEMBER 31 (MILLIONS)	Related Party	**2011**	2010
Revenues			
Purchase and revenue support agreements	Brookfield Asset Management	**$ 254**	$ 205
Wind levelization agreement	Brookfield Asset Management	**7**	5
		$261	210
Direct operating costs			
Energy purchases	Brookfield Asset Management	**$ 41**	42
Operations, maintenance and administration services	Brookfield Asset Management	**11**	17
Insurance services	Brookfield Asset Management	**18**	15
		$ 70	$ 74
Interest expense	Brookfield Asset Management	**$ 19**	$ 40
Management service costs	Brookfield Asset Management	**$ 1**	$ -

The following table reflects the impact of the related party agreements and transactions on the consolidated balance sheets:

AS AT DECEMBER 31 (MILLIONS)	Related Party	**2011**	2010
Due from related parties			
Amounts due from	Brookfield Asset Management	**$ 227**	$377
Note receivable	Coram California Development	**26**	23
		$253	$400
Amounts due from	Brookfield Asset Management, Brascan Energetica	**$ 13**	$ -
Note receivable	Powell River Energy Inc.	**19**	19
		$ 32	$ 19
Due to related parties			
Amounts due to and current portion of note	Brookfield Asset Management	**$ 74**	$567
		$ 74	$567
Note payable	Brookfield Asset Management	**$ 8**	$101
Credit facilities	Brookfield Asset Management	**$ -**	$ 8

Amounts due from and the note receivable are not considered impaired based on the credit worthiness of the counterparties. Accordingly, as at December 31, 2011 and 2010, an allowance for doubtful accounts was not deemed necessary.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2011**	2010
Cash flow provided by (used in):		
Operating activities	**$ 349**	$ 218
Financing activities	**809**	189
Investing activities	**(1,090)**	(397)
Impact of foreign exchange on cash	**11**	5
Net cash inflow	**$ 79**	$ 15

Cash and cash equivalents at the end of the year totaled $267 million, representing an increase of $79 million since December 31, 2010.

OPERATING ACTIVITIES

We generated $349 million from operating activities for the year ended December 31, 2011, an increase of $131 million from the same period last year primarily due to FFO of $318 million. This is compared to operating activities of $218 million which was primarily due to FFO of $269 million in 2010.

NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in working capital shown in the consolidated statements of cash flow is comprised of the following:

FOR THE YEAR ENDED DECEMBER 31 (MILLIONS)	**2011**	2010
Trade receivables and other current assets	**$ (12)**	$ (9)
Accounts payable, accrued liabilities, and other	**-**	(20)
	$ (12)	$ (29)

FINANCING ACTIVITIES

Cash flows provided by financing activities totaled $809 million for the year ended December 31, 2011, resulting from borrowings of $880 million offset by $215 million of repayments, and distributions to partners and non-controlling interests of $39 million and $109 million, respectively. This is compared to 2010 cash flows provided by financing activities of $189 million resulting from $747 million in debt borrowings, $239 million of capital provided by non-controlling interests and the sale of Fund units for $164 million offset by $951 million of debt repayments, $110 million of distributions to unitholders of the Fund and distributions to non-controlling interests.

INVESTING ACTIVITIES

During 2011, we invested $1,090 million in a number acquisitions and growth oriented initiatives compared to $397 million in the prior year. Construction of two wind projects in Ontario and California required $698 million. The acquisition of a Brazil hydroelectric facility and a wind project in Northeastern United States were $212 million.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

RISK MANAGEMENT

Brookfield Renewable faces market risk from foreign currency assets and liabilities, the impact of changes in interest rates, and floating rate liabilities. Market risk is managed by funding assets with financial liabilities in the same currency and with similar interest rate characteristics and holding financial contracts, such as interest rate swaps and foreign exchange contracts, to minimize residual exposures. Financial instruments held by Brookfield Renewable that are subject to market risk include borrowings and financial instruments, such as interest rate, currency and commodity contracts. The categories of financial instruments that can give rise to significant variability are described below:

Commodity Risk

Our commodity risk is to the price of electricity. Brookfield Renewable sells electricity under long-term contracts to secure stable prices and mitigate its exposure to wholesale markets. As at December 31, 2011, virtually all (99%) of the Brookfield Renewable's generation was sold pursuant to PPAs, either to third parties or through entities of Brookfield. During 2011, certain of the long-term contracts were considered financial instruments, and were recorded at fair value in the consolidated financial statements.

Interest Rate

Brookfield Renewable's assets largely consist of long duration physical assets. Brookfield Renewable's financial liabilities consist primarily of long-term fixed rate debt or floating-rate debt that has been swapped to fixed rates with interest rate financial instruments. All non-derivative financial liabilities are recorded at their amortized cost. Brookfield Renewable also holds interest rate contracts to lock-in fixed rates on anticipated future debt issuances.

Interest rate risk exists principally due to our subsidiaries and associates indebtedness with variable rates. Our subsidiaries have long-term debt principal value of $4,246 million (on a proportionate basis) as of December 31, 2011, of which approximately $1,382 million or 33% has been issued as floating rate debt. Of this amount, $730 million has been hedged through the use of interest rate swaps. Brookfield Renewable has corporate long-term debt with a principal value of $1,077 as of December 31, 2011, all of which is fixed-rate debt.

Foreign Currency

Brookfield Renewable's principal foreign exchange risks involve changes in the value of the Canadian dollar and the Brazilian real versus the U.S. dollar. To mitigate these risks, Brookfield Renewable designates certain monetary liabilities as hedges against its net investment in the Canadian subsidiaries. In addition, management monitors the risk associated with foreign currency rate fluctuations and, from time to time, may enter into forward foreign exchange contracts or employ other hedging strategies.

Brookfield Renewable is also exposed to foreign currency risk arising on the translation of foreign monetary assets and liabilities recorded in its U.S. functional subsidiaries but as the monetary value of these is small the impact is minimal.

Credit risk

Brookfield Renewable minimizes credit risk with counterparties to financial instruments and physical electricity and gas transactions through the selection, monitoring and diversification of counterparties, and the use of standard trading contracts, and other credit risk mitigation techniques. In addition, Brookfield Renewable's PPAs are reviewed regularly and are almost exclusively with customers having long standing credit histories or investment grade ratings, which limit the risk of non-collection.

Liquidity risk

Liquidity risk is the risk that Brookfield Renewable cannot meet a demand for cash or fund an obligation when due. Liquidity risk is mitigated by Brookfield Renewable's cash and cash equivalent balances and its access to undrawn credit and hydrology reserve facilities. We also ensure that we have access to public debt markets by maintaining a strong credit rating of BBB.

Brookfield Renewable is also subject to the risk associated with debt financing. This risk is mitigated by the long-term duration of debt instruments and the diversification in maturity dates over an extended period of time.

RISK FACTORS

The following represents the most relevant risk factors relating to Brookfield Renewable's business. This contains only certain risk factors and is not all-inclusive. For a description of other possible risks such as: force majeure, insurance limits, litigation, investment in newly developed technologies, labour relations, risks associated with operating in Brazil, credit ratings, greenfield development growth, sourcing and financing of acquisition opportunities, operational arrangements with partially owned investments, general role, relationship and operational issues with Brookfield Asset Management, general risks related to our limited partnership units, general taxation issues – domestic and foreign, and risks associated to being a newly formed partnership, please see the Annual Information Form filed with SEDAR at www.sedar.com.

Management believes that since the end of 2010 there have been no significant changes in the business environment and risks that could affect Brookfield Renewable's activities or results.

RISKS RELATED TO OUR OPERATIONS AND THE RENEWABLE POWER INDUSTRY

Changes to hydrology at our hydroelectric stations or in wind conditions at our wind energy facilities could materially adversely affect the volume of electricity generated.

The revenues generated by our facilities are proportional to the amount of electricity generated which in turn is dependent upon available water flows and wind conditions. Hydrology and wind conditions have natural variations from season to season and from year to year and may also change permanently because of climate change or other factors. A natural disaster could also impact water flows within the watersheds in which we operate. Water rights are also generally owned or controlled by governments that reserve the right to control water levels or may impose water-use requirements as a condition of license renewal. Wind energy is highly dependent on weather conditions, and, in particular, on wind conditions. The profitability of a wind farm depends not only on observed wind conditions at the site, which are inherently variable, but also on whether observed wind conditions are consistent with assumptions made during the project development phase. A sustained decline in water flow at our hydroelectric stations or in wind conditions at our wind energy facilities could lead to a material adverse change in the volume of electricity generated, revenues and cash flow.

In Brazil, hydropower generators have access to a hydrological balancing pool program, which, stabilizes hydrology by assuring that all participant plants receive a reference amount of electricity, approximating long-term average irrespective of the actual volume of energy generated whether above or below long-term average. Substantially all our assets are part of this balancing pool. Specific rules provide the minimum percentages of the reference amount of electricity that must be generated each year for assuring participation in the program. The energy reference amount is assessed yearly according to the criteria of such regulation, and can be adjusted positively or negatively. If the program is terminated or changed or Brookfield Renewable's reference amount is revised and Brookfield Renewable's financial results would be exposed to variations in hydrology.

Counterparties to our contracts may not fulfill their obligations and, as our contracts expire, we may not be able to replace them with agreements on similar terms.

A significant portion of the power we generate is sold under long-term PPAs with Brookfield, public utilities or industrial or commercial end-users, some of whom may not be rated by any rating agency. Approximately 55% of our projected annual sales are with a subsidiary of Brookfield Asset Management which is not rated and whose obligations are not guaranteed by Brookfield Asset Management. If, for any reason, any of the purchasers of power under such PPAs, including BRPI, are unable or unwilling to fulfill their contractual obligations under the relevant PPA or if they refuse to accept delivery of power pursuant to the relevant PPA, our assets, liabilities, business, financial condition, results of operations and cash flow could be materially and adversely affected as we may not be able to replace the agreement with an agreement on equivalent terms and conditions. External events, such as a severe economic downturn, could impair the ability of some counterparties to the PPAs or some end use customers to pay for electricity received.

Certain portions of our hydroelectric portfolio will be subject to re-contracting in the future. We cannot assure that we will be able to re-negotiate these contracts once their terms expire, and even if we are able to do so, we cannot assure that we will be able to obtain the same prices or terms we currently receive. If we are unable to renegotiate these contracts, or unable to receive prices at least equal to the current prices we receive, our business, financial condition, results of operation and prospects could be adversely affected.

Conversely, a significant percentage of our sales will be made by facilities subject to indefinite term contracts with BRPI (taking into account its rights of renewal) at fixed prices per MWh of our electricity sold. Accordingly, with respect to those facilities, our ability to realize improved revenues due to increases in market prices for renewable power may be limited.

Increases in water rental costs (or similar fees) or changes to the regulation of water supply may impose additional obligations on Brookfield Renewable.

Water rights are generally owned or controlled by governments that reserve the right to control water levels or may impose water-use requirements as a condition of license renewal that differ from those arrangements in place today. We are required to make rental payments and pay property taxes for water rights or pay similar fees for use of water once our hydroelectric projects are in commercial operation. Significant increases in water rental costs or similar fees in the future or changes in the way that governments regulate water supply could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

Our operations are highly regulated and may be exposed to increased regulation which could result in additional costs to Brookfield Renewable.

Our generation assets are subject to extensive regulation by various government agencies and regulatory bodies in different countries at the federal, regional, state, provincial and local level. As legal requirements frequently change and are subject to interpretation and discretion, we may be unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Any new law, rule or regulation could require additional expenditure to achieve or maintain compliance or could adversely impact our ability to generate and deliver energy. Also, operations that are not currently regulated may become subject to regulation which could result in additional cost to our business. Further, changes in wholesale market structures or rules, such as generation curtailment requirements or limitations to access the power grid, could have a material adverse effect on our ability to generate revenues from our facilities.

There is a risk that our concessions and licenses will not be renewed.

We hold concessions and licenses and we have rights to operate our facilities which generally include rights to the land and water required for power generation. We expect that our rights and/or our licenses will be renewed by the applicable regulatory bodies in each country. However, if these regulatory bodies do not grant us renewal rights, or if they decide to renew our concessions and licenses, as the case may be, under conditions which would impose additional costs, or if additional restrictions such as setting a price ceiling for energy sales, our profitability and operational activity could be adversely impacted.

The cost of operating our plants could increase for reasons beyond our control.

While we currently maintain a low and competitive cost position, there is a risk that increases in our cost structure that are beyond our control could materially adversely impact our financial performance. Examples of such costs include compliance with new conditions imposed during the relicensing process, municipal property taxes, water rental fees and the cost of procuring materials and services required for our maintenance activities.

We may fail to comply with the conditions in, or may not be able to maintain, our governmental permits.

Our generation assets and construction projects are required to comply with numerous federal, regional, state, provincial and local statutory and regulatory standards and to maintain numerous licenses, permits and governmental approvals required for operation. Some of the licenses, permits and governmental approvals that have been issued to our operations contain conditions and restrictions, or may have limited terms. If we fail to satisfy the conditions or comply with the restrictions imposed by our licenses, permits and governmental approvals, or the restrictions imposed by any statutory or regulatory requirements, we may become subject to regulatory enforcement action and the operation of the assets could be adversely affected or be subject to fines, penalties or additional costs or revocation of regulatory approvals, permits or licenses. In addition, we may not be able to renew, maintain or obtain all necessary licenses, permits and governmental approvals required for the continued operation or further development of our projects, as a result of which the operation or development of our assets may be limited or suspended. Our failure to renew, maintain or obtain all necessary licenses, permits or governmental approvals may have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow.

We may experience equipment failure.

Our generation assets may not continue to perform as they have in the past and there is a risk of equipment failure due to wear and tear, latent defect, design error or operator error, among other things, which could have a material adverse effect on our assets, liabilities, business, financial condition, results of operations and cash flow. In particular, wind generation turbines are less commercially proven than hydroelectric assets and have shorter lifespans.

The occurrence of dam failures could result in a loss of generating capacity and repairing such failures could require us to expend significant amounts of capital and other resources.

The occurrence of dam failures at any of our hydroelectric generating stations or the occurrence of dam failures at other generating stations or dams operated by third parties whether upstream or downstream of our hydroelectric generating stations could result in a loss of generating capacity and repairing such failures could require us to expend significant amounts of capital and other resources. Such failures could result in damage to the environment or harm to third parties or the public, which could expose us to significant liability.

We are subject to foreign currency risk which may adversely affect the performance of our operations.

A significant portion of our current operations are in countries where the U.S. dollar is not the functional currency. These operations pay distributions in currencies other than the U.S. dollar, which we must convert to U.S. dollars prior to making distributions. A significant depreciation in the value of such foreign currencies or measures which may be introduced by foreign governments to control inflation or deflation may have a material adverse effect on our business, financial condition, results of operations and cash flows.

The ability to deliver electricity to our various counterparties requires the availability of and access to interconnection facilities and transmission systems.

Our ability to sell electricity is impacted by the availability of and access to the various transmission systems to deliver power to its contractual delivery point and the arrangements and facilities for interconnecting the generation projects to the transmission systems. The absence of this availability and access, our inability to obtain reasonable terms and conditions for interconnection and transmission agreements, the operational failure of existing interconnection facilities or transmission facilities, the lack of adequate capacity on such interconnection or transmission facilities, may have a material adverse effect on our ability to deliver electricity to our various counterparties or the requirement of counterparties to accept and pay for energy delivery, which could materially and adversely affect our assets, liabilities, business, financial condition, results of operations and cash flow.

Our operations are exposed to occupational health, safety and environmental risks.

The ownership, construction and operation of our generation assets carry an inherent risk of liability related to public safety, worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination or damage. We could also be exposed to potential penalties for contravention of health, safety and environmental laws and potential civil liability. In the ordinary course of business we incur capital and operating expenditures to comply with health, safety and environmental laws to obtain and comply with licenses, permits and other approvals and to assess and manage related risks. The costs to comply with these laws (and any future laws or amendments enacted) may increase over time and result in additional material expenditures. We may become subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters as a result of which our operations may be limited or suspended. The occurrence of any of these events or any changes, additions to or more rigorous enforcement of health, safety and environmental laws could have a material and adverse impact on operations and result in additional material expenditures. Additional environmental and workers' health and safety issues relating to presently known or unknown matters may require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) that may be material and adverse to our business and results of operations.

We may suffer a significant loss resulting from fraud, bribery, corruption other illegal acts, inadequate or failed internal processes or systems, or from external events.

We may suffer a significant loss resulting from fraud, bribery, corruption, other illegal acts, inadequate or failed internal processes or systems, or from external events, such as the occurrence of disasters or security threats affecting our ability to operate. We operate in different markets and rely on our employees to follow our policies and processes as well as applicable laws in their activities. Risk of illegal acts or failed systems is managed through our infrastructure, controls, systems and people, complemented by central groups focusing on enterprise-wide management of specific operational risks such as fraud, trading, outsourcing, and business disruption, as well as personnel and systems risks. Specific programs, policies, standards and methodologies have been developed to support the management of these risks. These risks can result in direct or indirect financial loss, reputational impact or regulatory censure.

There are general industry risks associated with operating in the North American and Brazilian power market sectors.

We operate in the North American and Brazilian power market sectors, which are affected by competition, price, supply of and demand for power, the location of import/export transmission lines and overall political, economic and social conditions and policies. A general and extended decline in the North American or Brazilian economy or sustained conservation efforts to reduce electricity consumption could have the effect of reducing demand for electric energy over time, which did occur during the recent recession.

Advances in technology could impair or eliminate the competitive advantage of our projects.

There are other alternative technologies that can produce renewable power, such as fuel cells, micro turbines and photovoltaic (solar) cells. These alternative technologies currently produce electricity at a higher average price than our generation facilities; however, research and development activities are ongoing to seek improvements in such alternative technologies and their cost of producing electricity is gradually declining. Additionally, research and developments activities are ongoing to seek improvements and reductions in carbon emissions from fossil fuel generation. It is possible that advances will further reduce the cost of alternative methods of power generation. If this were to happen, the competitive advantage of our projects may be significantly impaired or eliminated and our assets, liabilities, business, financial condition, results of operations and cash flow could be materially and adversely affected as a result.

RISKS RELATED TO FINANCING

Our ability to finance our operations are subject to various risks relating to the state of the capital markets.

Brookfield Renewable Group has corporate debt and limited recourse project level debt, the majority of which is non-recourse, that will need to be replaced from time to time. Brookfield Renewable Group's financings may contain conditions that limit its ability to repay indebtedness prior to maturity without incurring penalties, which may limit its capital markets flexibility. Refinancing risk includes, among other factors, dependence on continued operating performance of Brookfield Renewable Group's assets, future electricity market prices, future capital markets conditions, the level of future interest rates and investors' assessment of Brookfield Renewable's credit risk at such time. In addition, certain of our financings are, and future financings may be exposed to floating interest rate risks, and if interest rates increase, an increased proportion of our cash flow may be required to service indebtedness. Future acquisitions, development and construction of new facilities and other capital expenditures will be financed out of cash generated from our operations, borrowings and possible future sales of equity. Our ability to obtain financing to finance our growth is dependent on, among other factors, the overall state of the capital markets, continued operating performance of our assets, future electricity market prices, the level of future interest rates and investors' assessment of our credit risk at such time, and investor appetite for investments in renewable energy and infrastructure assets in general and in Brookfield Renewable Group's securities in particular. To the extent that external sources of capital become limited or unavailable or available on onerous terms, our ability to make necessary capital investments to construct new or maintain existing facilities will be impaired, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are subject to operating and financial restrictions through covenants in our loan, debt and security agreements.

Brookfield Renewable, BRELP and its subsidiaries are or will in the future be subject to operating and financial restrictions through covenants in our loan, debt and security agreements. These restrictions prohibit or limit our ability to, among other things, incur additional debt, provide guarantees for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect corporate or capital reorganizations, declare distributions, issue equity interests and create subsidiaries. A financial covenant in our bonds and in our corporate bank credit facilities limits our overall indebtedness to a percentage of total capitalization, a restriction which may limit our ability to obtain additional financing, withstand downturns in our business and take advantage of business and development opportunities. If we breach our covenants, our credit facilities may be terminated or come due and such event may cause our credit rating to deteriorate and subject Brookfield Renewable to higher interest and financing costs. We may also be required to seek additional debt financing on terms that include more restrictive covenants, require repayment on an accelerated schedule or impose other obligations that limit our ability to grow our business, acquire needed assets or take other actions that we might otherwise consider appropriate or desirable.

RISKS RELATED TO OUR GROWTH STRATEGY

Government regulations providing incentives for renewable energy could change at any time.

Development of renewable energy sources and the overall growth of the renewable energy industry are dependent on state or provincial, national and international policies in support of such development. In particular, Canada and the United States, two of our principal markets, and their respective provinces and states, have pursued for several years, and in many cases continue to pursue, pursued policies of active support for renewable energy for several years. In Brazil, SHPPs benefit from a special discount for the use of the transmission and distribution system which enables them to secure higher prices in the market. Policies which incentivize the development of renewables include renewable energy purchase obligations imposed on local service entities, tax incentives, including investment tax credits, production tax credits and accelerated depreciation and direct subsidies.

The cost of renewable energy to purchasers, as well as the economic return available to project sponsors, is often dependent on the level of incentives available and the availability of such incentives is uncertain. There is a risk that government regulations providing incentives for renewable energy or increasing emission standards or other environmental regulation of traditional thermal coal-fired generation could change at any time in a manner not dissimilar from Canada's decision to lower emission reduction targets following withdrawal from Kyoto Protocol. Any such change may impact the competitiveness of renewable energy generally and the economic value and ability to develop our projects in particular. In addition, some of these incentives are subject to sunset provisions that put a burden on the renewable power industry to lobby for renewal of incentives. The budget difficulties facing many governments create greater challenges and uncertainty in getting incentives renewed. In addition, even if incentives are renewed prior to their expiration, uncertainty regarding renewal can create substantial risks and delays for developers of renewable power projects. As a result, we may face reduced ability to develop our project pipeline and realize our development growth objectives. We may also suffer material write-offs of development assets as a result.

We may be unable to identify and complete sufficient investment opportunities.

Our strategy for building LP Unitholder value is to seek to acquire or develop high-quality assets and businesses that generate sustainable and increasing cash flows, with the objective of achieving appropriate risk-adjusted returns on our invested capital over the long-term. However, there is no certainty that we will be able to find and complete sufficient investment opportunities that meet our investment criteria. Our investment criteria considers, among other things, the financial, operating, governance and strategic merits of a proposed acquisition and, as such, there is no certainty that we will be able to acquire or develop additional high-quality assets at attractive prices to continue growing our business. Competition for assets is significant and competition from other well-capitalized investors or companies may significantly increase the purchase price or prevent us from completing an acquisition.

Future growth of our portfolio may subject us to additional risks.

Our strategy is to continue to expand our business through acquisitions and developments, however, acquisitions involve risks that could materially and adversely affect our business, including: the failure of the new acquisitions or projects to achieve the expected investment results, risks related to the integration of the assets or businesses and integration or retention of personnel relating to the acquired assets or companies and the inability to achieve potential synergies. In addition, liabilities may exist that Brookfield Renewable Group does not discover in its due diligence prior to the consummation of an acquisition, or circumstances may exist with respect to the entities or assets acquired that could lead to future liabilities and, in each case, Brookfield Renewable Group may not be entitled to sufficient, or any, recourse against the vendors or contractual counterparties to an acquisition agreement. The discovery of any material liabilities subsequent to an acquisition, as well as the failure of a new acquisition to perform according to expectations, could have a material adverse effect Brookfield Renewable Group's assets, liabilities, business, financial condition, results of operations and cash flow.

The development of our generating facilities is subject to various construction risks and risks associated with the various types of arrangements we enter into with communities and joint venture partners.

Our ability to develop an economically successful project is dependent on, among other things, our ability to construct a particular project on-time and on-budget. The construction and development of generating facilities is subject to various environmental, engineering and construction risks that could result in cost-overruns, delays and reduced performance. A number of factors that could cause such delays, cost over-runs or reduced performance include, but are not limited to, permitting delays, changing engineering and design requirements, the costs of construction, the performance and necessary experience of contractors, labour disruptions and inclement weather. In addition, we enter into various types of arrangements with communities and joint venture partners for the development of projects. Certain of these communities and partners may have or may develop interests or objectives which are different from or even in conflict with our objectives. Any such differences could have a negative impact on the success of our projects.

Risks Related to Our Relationship with Brookfield

Brookfield will exercise substantial influence over Brookfield Renewable and we are highly dependent on the Manager.

Brookfield, through BRPI, is the sole shareholder of the Managing General Partner. As a result of its ownership of the Managing General Partner, Brookfield will be able to control the appointment and removal of the Managing General Partner's directors and, accordingly, exercise substantial influence over Brookfield Renewable. In addition, Brookfield Renewable holds its interest in the Operating Entities indirectly and will hold any future acquisitions indirectly through BRELP, the general partner of which is indirectly owned by Brookfield. As Brookfield Renewable's only substantial asset is the limited partnership interests that it holds in BRELP, except future rights under the Voting Agreement, Brookfield Renewable will not have a right to participate directly in the management or activities of BRELP or the Holding Entities, including with respect to the making of decisions (although it will have the right to remove and replace the BRELP GP LP).

Brookfield Renewable and BRELP depend on the management and administration services provided by or under the direction of the Manager under the Master Services Agreement. Brookfield personnel and support staff that provide services to us under the Master Services Agreement are not required to have as their primary responsibility the management and administration of Brookfield Renewable or BRELP or to act exclusively for either of us and the Master Services Agreement does not require any specific individuals to be provided by Brookfield. Any failure to effectively manage our current operations or to implement our strategy could have a material adverse effect on our business, financial condition and results of operations. The Master Services Agreement continues in perpetuity, until terminated in accordance with its terms.

RECONCILIATION OF *PRO FORMA* RESULTS AND BALANCE SHEET

The following table reconciles EBITDA, FFO and net income on a consolidated basis to EBITDA, FFO and net income on a *pro forma basis*, assuming actual generation, for the respective years:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Notes	**2011**	2010
EBITDA on a consolidated basis		**$ 804**	$ 751
Change in revenues due to revised PPA	(i)	**140**	120
Change in direct operating costs	(ii)	**(18)**	(18)
EBITDA on a *pro forma* basis		**$ 926**	$ 853

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Notes	**2011**	2010
FFO on a consolidated basis		**$ 318**	$ 269
Change in revenues due to revised PPA	(i)	**140**	120
Change in direct operating costs	(ii)	**(18)**	(18)
Management service costs	(ii)	**(21)**	(21)
FFO on a *pro forma* basis		**$ 419**	$ 350

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Notes	**2011**	2010
Net income on a consolidated basis		**$ (451)**	$ 294
Change in revenues due to revised PPA	(i)	**140**	120
Change in direct operating costs	(ii)	**(18)**	(18)
Management service costs	(ii)	**(21)**	(21)
Elimination of loss on Fund unit liability	(iii)	**376**	159
Transfer of revaluation to other comprehensive income	(iv)	**20**	(606)
Change in depreciation expense	(v)	**4**	25
Intercompany settlements	(vi)	**19**	27
Deferred income taxes	(vii)	**10**	71
Net income on a *pro forma* basis		**$ 79**	$ 51

The following table reconciles total assets, total liabilities and equity on a consolidated basis to total assets, total liabilities and equity on a *pro forma* basis.

AS AT DECEMBER 31 (MILLIONS)	2010
Total assets on consolidated balance sheet	$ 13,874
Transfer of Division	5
Revaluation of power assets	126
Intercompany settlements	(177)
Total assets *on pro forma* basis	$ 13,828

	2010
Total liabilities on consolidated balance sheet	$ 8,689
Transaction costs	20
Changes in fair value of financial instruments	(199)
Intercompany settlements	(411)
Total liabilities on *pro forma* basis	$ 8,099

	2010
Total equity on consolidated balance sheet	$ 5,185
Transfer of Division	5
Revaluation of power assets	325
Intercompany settlements	234
Transaction costs	(20)
Total equity on *pro forma* basis	$ 5,729

There is no reconciliation required for 2011 since the balance sheet on a *pro forma* basis would be the same as the consolidated balance sheet presented.

SUMMARY OF *PRO FORMA* ADJUSTMENTS:

(i) Power Purchase Agreements

Pro forma income (loss) reflects an amendment to the power purchase agreement between Brookfield Asset Management and an indirect wholly-owned subsidiary of Brookfield Renewable (the ''GLPL PPA''). Under the amendment, Brookfield Asset Management has agreed to guarantee the price of electricity generated by facilities owned by Great Lakes Power Limited, a subsidiary of Brookfield Renewable, at C$82 per MWh. This price is to be increased annually on January 1 by an amount equal to forty percent (40%) of the increase in the consumer price index during the previous calendar year.

In a separate transaction, Brookfield Energy Marketing LP (''BEM LP'') and Mississagi Power Trust (''MPT''), an indirect wholly-owned subsidiary of Brookfield Renewable, agreed to an amendment to the existing Master Power Purchase and Sale Agreement (the ''Mississagi PPA'') to adjust the price of electricity purchased to C$103 per MWh. This price is to be increased annually by an amount equal to twenty percent (20%) of the increase in the consumer price index during the previous calendar year.

Additionally, BEM LP and Brookfield Power U.S. Holding America Co. (''BPUSHA''), an indirect wholly-owned subsidiary of Brookfield Renewable, agreed to an Energy Revenue Agreement under which BEM LP will guarantee the price for energy delivered by certain facilities in the United States at $75 per MWh. This price is to be increased annually on January 1 by an amount equal to forty percent (40%) of the increase in the consumer price index during the previous calendar year, but not exceeding an increase of three percent (3%) in any calendar year. In conjunction with the Energy Revenue Agreement, BEM LP and each of the owners of the facilities entered into power agency agreements (the ''Power Agency Agreements'') under which BEM LP will provide certain services. BEM LP will be entitled to be reimbursed for any third party costs incurred and, except in a few cases, receives no additional fee for its services under the Power Agency Agreements.

The impacts of these contract price amendments and agreements are summarized as follows:

	Actual generation (GWh)		Incremental Revenue	
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2011**	2010	**2011**	2010
GLPL PPA	**964**	997	**$ 13**	$ 13
Mississagi PPA	**473**	412	**17**	14
Energy Revenue Agreements	**3,512**	3,470	**110**	93
	4,949	4,879	**$ 140**	$ 120

(ii) Management Service Agreements

An exclusive agreement with Brookfield Asset Management to provide operating, management and consulting services to the Brookfield Renewable provides for a management service fee to be paid on a quarterly basis and will continue in perpetuity. The fee has a fixed quarterly component of $5 million and a variable component calculated as a percentage of the increase in the total capitalization value of Brookfield Renewable, as defined. For the year ended December 31, 2011 *pro forma* results reflect an expense of $22 million (2010: $21 million).

Brookfield Renewable will also pay an annual marketing service fee of $18 million to a subsidiary of Brookfield Asset Management to reflect an agreement to provide energy marketing services. The fee will be increased annually on January 1 by an amount equal to the increase in the U.S. consumer price index during the previous calendar year. *Pro forma* results for the year ended December 31, 2011 reflects an expense of $18 million (2010: $18 million).

(iii) Transfer of Brookfield Renewable Power Fund (the Fund) Units

The transfer of the 66% of the Fund units not previously owned by Brookfield Asset Management was completed at fair value satisfied by the issuance of Partnership units. The result of this transaction is to reflect the settlement of the Fund unit liability and the issuance of Partnership units to satisfy the transfer as equity of Brookfield Renewable. As a result of this transaction, the loss on Fund unit liability already on the balance sheet of $376 million (2010: $159 million), related to the change in fair value of the units and the distributions made on such Fund units, were eliminated.

(iv) Changes in Fair Value of Financial Instruments

During the year ended December 31, 2011, certain power guarantee agreements between Brookfield Renewable and Brookfield Asset Management were accounted for as financial instruments with an unrealized gain of $20 million (2010: $606 million).

As a result of new agreements and changes in existing agreements with Brookfield Asset Management and its subsidiaries arising from the Combination, the contracts are not accounted for as financial instruments by Brookfield Renewable. Thus the unrealized financial instrument gains (losses) described above have been eliminated.

(v) Intercompany Settlements

Brookfield Renewable and its subsidiaries settled certain intercompany loans and transactions with Brookfield Asset Management upon completion of the Combination. During the year ended December 31, 2011, $19 million of interest income was recorded in the *pro forma* statement of income to reflect these transactions (2010: $27 million).

(vi) Change in Depreciation Expense

The reduction in fair value of the power generating assets from Brookfield Renewable's statement of income and loss financial information results in a decrease in *pro forma* depreciation expense of $4 million and $25 million for the years ended December 31, 2011 and December 31, 2010, respectively.

(vii) Deferred Income Tax

The audited consolidated balance sheet as of December 31, 2011 reflects an increase in deferred tax assets of $30 million as a result of the contract amendment payments and a decrease in deferred tax liabilities of $30 million as a result of changes in temporary differences arising from the adjustments discussed above, primarily related to the increase in the fair value of property, plant and equipment and the elimination of the financial instrument liability and the change in applicable tax rate for certain subsidiaries as a result of the dissolution of the Fund as part of the Combination. Net income on a *pro forma* basis for the year ended December 31, 2011, reflects increases in deferred tax recoveries of $10 million (2010: $71 million).

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity in IFRS requires management to select appropriate accounting policies to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. In particular, critical accounting policies and estimates utilized in the normal course of preparing Brookfield Renewable's consolidated financial statements require the determination of the fair value of property, plant and equipment, the estimation of useful lives of assets of property, plant and equipment, depreciation and amortization; value of intangible assets; ability to utilize tax losses; effectiveness of financial hedges for accounting purposes; and fair values for recognition, measurement and disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis, as required. These estimates have been applied in a manner consistent with that in the prior year and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in this report. These estimates are impacted by, among other things, future power prices, movements in interest rates, foreign exchange and other factors, some of which are highly uncertain, as described in the analysis of business and environmental risks section of this report. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on Brookfield Renewable's financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Critical estimates

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

(i) Property, plant and equipment

The fair value of Brookfield Renewable's property, plant and equipment is calculated using estimates and assumptions about future electricity prices, anticipated long-term average generation, estimated operating and capital expenditures, future inflation rates and discount rates, as described in Note 9 - Property, Plant and Equipment of the December 31, 2011 annual audited consolidated financial statements. Judgment is involved in determining the appropriate estimates and assumptions in the valuation of Brookfield Renewable's property, plant and equipment. See "Critical judgments in applying accounting policies" for further details.

Estimates of useful lives and residual values are used in determining depreciation and amortization. To ensure the accuracy of useful lives and residual values, these estimates are reviewed on an annual basis.

(ii) Financial instruments

Brookfield Renewable makes estimates and assumptions that affect the carrying value of its financial instruments, including estimates and assumptions about future electricity prices, long-term average generation, capacity prices, discount rates and the timing of energy delivery. Non-financial instruments are valued using estimates of future electricity prices which are estimated by considering broker quotes for the years in which there is a liquid market and for the subsequent years its best estimate of electricity prices that would allow new entrants into the market.

(iii) Deferred income tax

The consolidated financial statements include estimates and assumptions for determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the balance sheet date. Operating plans and forecasts are used to estimate when temporary difference will reverse.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgments that have been made in applying the accounting policies used in the consolidated financial statements and that have the most significant effect on the amounts in the consolidated financial statements:

(i) Preparation of consolidated financial statements

These consolidated financial statements present the financial position, results of operations and cash flows of Brookfield Renewable. Judgment is required in determining what assets, liabilities and transactions are recognized in the consolidated financial statements as pertaining to Brookfield Renewable's operations.

(ii) Common control transactions

IFRS 3R does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, Brookfield Renewable has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncement of other standard-setting bodies. Brookfield Renewable's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying value on the transferor's financial statements, and to have the financial statements reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

(iii) Property, plant and equipment

The accounting policy relating to the Brookfield Renewable's property, plant and equipment is described in Note 2 (e) of the December 31, 2011 annual audited consolidated financial statements. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable costs to be included in the carrying value of the development asset. The useful lives of property, plant and equipment are determined by independent engineers periodically with an annual review by management.

Annually Brookfield Renewable determines the fair value of its property, plant and equipment using a methodology that it has judged to be reasonable. The methodology is a twenty year discounted cash flow model. Twenty years is the period considered reasonable as Brookfield Renewable has twenty year capital plans and it believes a reasonable third party would be indifferent between extending the cash flows further in the model versus using a discounted terminal value.

In developing a view on electricity prices, Brookfield Renewable has concluded that independent market quotes for the first four years are appropriate to utilize for this timeframe as it represents a liquid market. Long-term electricity prices have been developed to reflect the renewable nature of the portfolio, and are within a range of what a new build renewable asset would achieve and the price that a new thermal facility would require in order to earn a reasonable return.

Discount rates are determined each year by considering the current interest rates, average market cost of capital as well as the price risk and the geographical location of the operational facilities as judged by management. Inflation rates are also determined by considering the current inflation rates and the expectations of future rates by economists. Operating costs are based on long-term budgets escalated thereafter for inflation. Each operational facility has a twenty year capital plan that it follows to ensure the maximum life of its assets is achieved. Foreign exchange rates are forecasted by using the spot rates and the available forward rates, extrapolated beyond the period available. The inputs described above to the discounted cash flow model require management to consider facts, trends and plans in making its judgments as to what derives a reasonable fair value of its property, plant and equipment.

(iv) Consolidation of the Brookfield Renewable Power Fund

Included within the consolidated financial statements prior to the Combination was the 34% investment in the Fund, on a fully-exchanged basis. As a result of the reduction in ownership share of the Fund during 2010, Brookfield Asset Management reassessed whether it continued to control the Fund. In making this assessment, the definition of control and guidance as set out in IAS 27 - Consolidated and Separate Financial Statements, ("IAS 27") was considered. Prior to the Combination, Brookfield Asset Management concluded that control did exist as it had the power to govern the financial and operating policies of the Fund under specific agreements.

As a result, the Fund was controlled by Brookfield Asset Management, and the financial position, results of operations and cash flows of the Fund were consolidated within the consolidated financial statements.

(v) Financial instruments

In applying the policy on Financial Instruments, judgments are made in applying the criteria set out in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), to record financial instruments at fair value through profit and loss, and the assessments of the effectiveness of hedging relationships.

(vi) Deferred income tax

In applying this policy, judgments are made in determining the probability of whether deductions, tax credits and tax losses can be utilized.

RECENTLY ADOPTED ACCOUNTING POLICIES

(i) Related party disclosures – revised definition of related parties

On January 1, 2011, Brookfield Renewable adopted the revised version of IAS 24, *Related Party Disclosures* ("IAS 24"). IAS 24 is required to be applied retrospectively for annual periods beginning on or after January 1, 2011, and requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party. Implementation of IAS 24 did not have a material impact to the Brookfield Renewable's annual consolidated financial statements.

(ii) Defined benefit assets and minimum funding requirements

On January 1, 2011, the Brookfield Renewable adopted *Prepayments of a Minimum Funding Requirement* (Amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, IAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* ("IFRIC 14"). Without the amendments, in some circumstances entities were not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. Implementation of IFRIC 14 did not have a material impact on the Brookfield Renewable's annual consolidated financial statements.

(iii) Improvements to IFRS

On January 1, 2011, Brookfield Renewable adopted *Improvements to IFRS* – a collection of amendments to seven IFRS – as part of the IASB's program of annual improvements to its standards. Implementation of *Improvements to IFRS* did not have a material impact on Brookfield Renewable's annual consolidated financial statements.

(iv) Extinguishing Financial Liabilities with Equity Instruments

On January 1, 2011, Brookfield Renewable adopted Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments* ("IFRIC 19"). This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor, which are part of the consideration paid to extinguish the financial liability are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Differences between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. Implementation of IFRIC 19 did not have a material impact on Brookfield Renewable's consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

(i) Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on October 28, 2010, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Management is currently evaluating the impact of IFRS 9 on the consolidated financial statements.

(ii) Consolidation

IFRS 10, Consolidation ("IFRS 10") was issued by the IASB on May 12, 2011, and replaces SIC-12, Consolidation – Special Purpose Entities and parts of IAS 27. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IAS 27, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 10 on the consolidated financial statements.

(iii) Joint arrangements

IFRS 11, Joint Arrangements ("IFRS 11") was issued by the IASB on May 12, 2011, and replaces IAS 31, Interests in Joint Ventures ("IAS 31"), and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under IAS 31, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 11 on the consolidated financial statements.

(iv) Disclosure of interests in other entities

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB on May 12, 2011. IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 12 on the consolidated financial statements.

(v) Fair value measurement

IFRS 13, Fair Value Measurement ("IFRS 13"), a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards, was issued by the IASB on May 12, 2011. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It supersedes the fair value guidance that currently exists in IAS 16 concerning the use of the revaluation method. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 13 on the consolidated financial statements.

(vi) Accounting for employee benefits and minimum funding requirements

In June 2011, the IASB issued significant amendments to IAS 19, Employee Benefits ("IAS 19"). These changes affect the recognition of actuarial gains and losses by removing the option to use the corridor approach and requiring immediate recognition in OCI. These OCI amounts cannot be recycled to the income statement. There are also changes to the recognition, measurement and presentation of past service costs, cost of benefits and finance expense or income relating to employee benefits. Further, termination benefits are recognized as a liability only when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. There are additional disclosure requirements. The amendment is effective for periods beginning on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(vii) Presentation of items of Other Comprehensive Income

In June 2011, IASB issued amendments to IAS 1, Presentation of Financial Statements. These amendments include a requirement for entities to group items presented in OCI on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments), and emphasize the importance of presenting profit or loss and OCI together and with equal prominence. The amendment is effective for annual periods starting on or after July 1, 2012. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(viii) Income Taxes

In December 2010, IASB issued amendments to IAS 12, Income Taxes. Under these amendments, an entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment is effective for annual periods starting on or after January 1, 2012. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(ix) Consolidation and Separate Financial Statements

In May 2011, IASB amended and reissued IAS 27. The amended standard is to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. The amendment is effective for annual periods starting on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(x) Investment in Associates

In May 2011, IASB amended and reissued IAS 28, Investment in Associates and Joint Ventures. The amended standard prescribes the accounting treatment for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amendment is effective for annual periods starting on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of Brookfield Renewable's disclosure controls and procedures and internal controls over financial reporting. Based on those evaluations, the Chief Executive Officer and Chief Financial Officer concluded that such disclosure, controls and procedures and internal controls over financial reporting were adequate and effective as of December 31, 2011 in providing reasonable assurance that material information relating to Brookfield Renewable and its consolidated subsidiaries would be made known to them within those entities as well as in regards to the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

FOURTH QUARTER RESULTS FOR 2011

Generation for the three months ended December 31, 2011 was 3,848 GWh compared to 4,002 GWh in the same period last year and long-term average of 4,076 GWh. This is a decrease of 154 GWh or 4% in the quarter compared to last year and a 228 GWh or 6% decrease from long-term average.

Hydroelectric generation for the three months ended December 31, 2011 was 3,391 GWh compared to 3,586 GWh in the same period last year and long-term average of 3,723 GWh. This is a decrease of 195 GWh or 5% in the quarter compared to last year and 332 GWh or 9% decrease than long-term average.

Wind generation for the three months ended December 31, 2011 was 255 GWh compared to 186 GWh in the same period last year and long-term average of 249 GWh. This is an increase of 69 GWh or 37% in the quarter compared to last year and an increase of 6 GWh or 2% increase from long-term average.

FOR THE THREE MONTHS ENDED DECEMBER 31 (GWH)	Actual Generation		LTA Generation		Variance of Results	
					Actual vs. Prior year	Actual vs. LTA
	2011	2010	**2011**	2010	2011	2011
Hydroelectric generation						
United States	**1,756**	1,711	**1,655**	1,621	45	101
Canada	**756**	1,054	**1,189**	1,193	(298)	(433)
Brazil [(1)]	**879**	821	**879**	821	58	-
	3,391	3,586	**3,723**	3,635	(195)	(332)
Wind energy	**255**	186	**249**	154	69	6
Other	**202**	230	**104**	104	(28)	98
Total generation [(2)]	**3,848**	4,002	**4,076**	3,893	(154)	(228)
% variance					(4)%	(6)%

(1) Assured generation levels
(2) Actual and long-term average generation includes 100% of generation from equity-accounted and long-term investments.

SUMMARY OF HISTORICAL QUARTERLY RESULTS

Funds from operations (FFO) can vary with the amount of electricity generated in any given quarter and the realized prices of selling that electricity. The volume of electricity generated depends on available water inflows that rely upon precipitation and the management of storage capabilities. Realized prices are influenced by PPAs, and changes in foreign exchange rates. The following is a summary of unaudited quarterly financial information for the last eight consecutive quarters:

	2011				2010			
FOR THE PERIODS ENDED, (MILLIONS, EXCEPT AS NOTED)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Generation (GWh) [(1)]	**3,848**	3,614	4,491	3,924	4,002	2,890	3,407	4,181
Revenues	**$ 267**	$ 280	$ 332	$ 290	$ 281	$ 222	$ 244	$ 298
EBITDA	**135**	205	249	215	201	166	174	210
FFO	**21**	87	112	98	68	39	73	89
Net(loss) income	**(72)**	(232)	(80)	(91)	414	(55)	(55)	(45)
Net (loss) per unit	**(0.27)**	(0.89)	(0.30)	(0.34)	1.57	(0.21)	(0.21)	(0.17)
Distributions	**$ 89**	$ 34	$ 34	$ 35	$ 34	$ 33	$ 33	$ 32

(1) Actual generation includes 100% of generation from equity-accounted and long-term investments.

SUBSEQUENT EVENTS

Growth developments

With its institutional partners, Brookfield Renewable recently acquired new wind generation assets in California, including a 150 MW wind farm adjacent to the Coram wind project in the Tehachapi region. This new facility entered commercial operation in the first quarter of 2012 and comes with a 24-year PPA with Southern California Edison. Brookfield Renewable also acquired the remaining 50% stake previously held by its partner in Coram, along with a further 22 MW of additional operating wind generation capacity.

Unitholder distribution increase

In January 2012, Brookfield Renewable announced an increase in unitholder distributions to $1.38 per unit on an annualized basis, an increase of three cents per unit per year, to take effect during the first quarter distribution payable in April 2012.

Secondary offering and over-allotment option exercised

In the first quarter of 2012, a bought-deal secondary offering that was completed, through which a wholly-owned subsidiary of Brookfield Asset Management sold 13,144,500 of its limited partnership units of Brookfield Renewable (11,430,000 limited partnership units plus 1,714,500 limited partnership units pursuant to an over-allotment option that was exercised in full) at an offering price of C $26.25 per limited partnership unit. Brookfield Asset Management had previously owned approximately 73% of Brookfield Renewable on a fully-exchanged basis. Upon the completion of the secondary offering, and giving effect to the over-allotment option, Brookfield Asset Management now owns, directly and indirectly, 177,750,609 limited partnership units, representing approximately 68% of Brookfield Renewable on a fully-exchanged basis.

Medium-term note offering

In February 2012, Brookfield Renewable successfully completed a C$400 million offering of medium-term notes bearing interest at a rate of 4.79% per year that are due February 2022. Proceeds of the offering were used to refinance existing indebtedness and for general business purposes.

Distribution reinvestment plan

In the first quarter of 2012, the Board of Directors for Brookfield Renewable approved the adoption and implementation of a distribution reinvestment plan. The plan has been implemented in the current quarter and allows registered or beneficial holders of Brookfield Renewable limited partnership units who are residents in Canada to acquire additional units by reinvesting all or a portion of their cash distributions without paying commissions.

Credit facilities

In March 2012, Brookfield Renewable expanded its revolving credit facilities from $600 million to $900 million, with maturity dates out to October 2016.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENT

This Management's Discussion and Analysis contains forward-looking statements and information, within the meaning of Canadian securities laws, concerning the business and operations of Brookfield Renewable. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Forward-looking statements in this Management's Discussion and Analysis include statements regarding the quality of Brookfield Renewable's assets and the resiliency of the cash flow they will generate, Brookfield Renewable anticipated financial performance, the future growth prospects and distribution profile of Brookfield Renewable and Brookfield Renewable's access to capital. Forward-looking statements can be identified by the use of words such as "plans", "expects", "scheduled", "estimates", "intends", "anticipates", "believes", "potentially", "tends", "continue", "attempts", "likely", "primarily", "approximately", "endeavours", "pursues", "strives", "seeks" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information in this Management's Discussion and Analysis are based upon reasonable assumptions and expectations, we cannot assure you that such expectations will prove to have been correct. You should not place undue reliance on forward-looking statements and information as such statements and information involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements and information.

Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include, but are not limited to: changes to hydrology at our hydroelectric stations or in wind conditions at our wind energy facilities; the risk that counterparties to our contracts do not fulfill their obligations, and as our contracts expire, we may not be able to replace them with agreements on similar terms; increases in water rental costs (or similar fees) or changes to the regulation of water supply; our operations being highly regulated and exposed to increased regulation which could result in additional costs; the risk that our concessions and licenses will not be renewed; increases in the cost of operating our plants; our failure to comply with conditions in, or our inability to maintain, governmental permits; equipment failure; dam failures and the costs of repairing such failures; force majeure events; exposure to uninsurable losses; adverse changes in currency exchange rates; our inability to access interconnection facilities and transmission systems; occupational, health, safety and environmental risks; disputes and litigation; losses resulting from fraud, other illegal acts, inadequate or failed internal processes or systems, or from external events; general industry risks relating to the North American and Brazilian power market sectors; advances in technology that impair or eliminate the competitive advantage of our projects; newly developed technologies in which we invest not performing as anticipated; labour disruptions and economically unfavourable collective bargaining agreements; risks related to operating in Brazil; our inability to finance our operations; the operating and financial restrictions imposed on us by our loan, debt and security agreements; changes in our credit ratings; changes to government regulations that provide incentives for renewable energy; our inability to identify and complete sufficient investment opportunities; the growth of our portfolio; our inability to develop existing sites or find new sites suitable for the development of greenfield projects; risks associated with the development of our generating facilities and the various types of arrangements we enter into with communities and joint venture partners; Brookfield Asset Management's inability to source acquisition opportunities for us and our lack of access to all renewable power acquisitions that Brookfield Asset Management identifies; our lack of control over all our operations; our obligations to issue equity or debt for future acquisitions and developments; and foreign laws or regulation to which we become subject as a result of future acquisitions in new markets.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. The forward-looking statements represent our views as of the date of this Management's Discussion and Analysis and should not be relied upon as representing our views as of any date subsequent to March 23, 2012, the date of this Management's Discussion and Analysis. While we anticipate that subsequent events and developments *may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors".*

CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS ACCOUNTING MEASURES

This Management's Discussion and Analysis contains references to EBITDA and FFO which are not generally accepted accounting measure under IFRS and therefore may differ from definitions of EBITDA and FFO, used by other entities. We believe that operating EBITDA and FFO are useful supplemental measures that may assist investors in assessing the financial performance and the cash anticipated to be generated by our operating portfolio. None of EBITDA and FFO should be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS. As a result of the Combination, we have presented these measurements on a pro forma basis.

A reconciliation of EBITDA and FFO to net income is presented in our Management's Discussion and Analysis related to our audited consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements have been prepared by and are the responsibility of the Board of Directors and Management.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and reflect Management's best estimates and judgments based on currently available information. Brookfield Renewable has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by Ernst & Young LLP. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

Richard Legault	Sachin Shah
Chief Executive Officer	Chief Financial Officer

March 23, 2012

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Brookfield Renewable Energy Partners L.P.

We have audited the accompanying consolidated financial statements of Brookfield Renewable Energy Partners L.P. ("Brookfield Renewable"), which comprise the consolidated balance sheet as at December 31, 2011 and the consolidated statements of (loss) income, comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 as issued by the International Accounting Standards Board, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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. We were not engaged to perform an audit of Brookfield Renewable's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brookfield Renewable's internal control over financial reporting. Accordingly, we express no such opinion.

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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 audit 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 Renewable Energy Partners L.P. as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matters

The financial statements of Brookfield Renewable for the year ended December 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on September 29, 2011.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada

March 23, 2012

BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31 (U.S. $ MILLIONS)	Notes	2011	2010
Assets			
Current assets			
Cash and cash equivalents	5	**$ 267**	$ 188
Trade receivables and other current assets	6	**158**	146
Due from related parties	8	**253**	400
		678	734
Due from related parties	8	**32**	19
Equity-accounted and long-term investments	9	**405**	269
Property, plant and equipment, at fair value	10	**13,945**	12,173
Intangible assets	11	**57**	87
Deferred income tax assets	15	**306**	276
Other long-term assets	12	**285**	316
		$ 15,708	$ 13,874
Liabilities and Partners' equity			
Current liabilities			
Accounts payable and accrued liabilities	13	**$ 190**	$ 190
Financial instrument liabilities	7	**99**	25
Due to related parties	8	**139**	567
Current portion of long-term debt and credit facilities	14	**650**	135
		1,078	917
Financial instrument liabilities	7	**15**	221
Due to related parties	8	**8**	101
Long-term debt and credit facilities	14	**4,869**	4,859
Deferred income tax liabilities	15	**2,374**	2,429
Other long-term liabilities	16	**164**	162
		8,508	8,689
Fund unit liability	18	**-**	1,355
Non-controlling interests			
Participating non-controlling interests	22	**629**	206
Preferred equity	23	**241**	252
Limited partners' equity	18	**6,330**	3,372
		7,200	5,185
		$ 15,708	$ 13,874

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

Approved on behalf of Brookfield Renewable Energy Partners L.P.:

Patricia Zuccotti
Director

David Mann
Director

BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

FOR THE YEARS ENDED DECEMBER 31 (U.S. $ MILLIONS)	Notes	**2011**	2010
Revenues	8, 25	**$ 1,169**	$ 1,045
Other income		**19**	12
Direct operating costs	8, 20	**(407)**	(328)
Share of cash earnings in equity-accounted investments	9	**23**	22
Earnings before interest, tax, depreciation and amortization	25	**804**	751
Interest expense – borrowings	25	**(411)**	(404)
Management service costs	8	**(1)**	-
Current income taxes	15	**(22)**	(32)
Funds from operations prior to non-controlling interests		**370**	315
Other items			
Depreciation and amortization	10,11	**(468)**	(446)
Unrealized financial instrument (losses) gains	7	**(20)**	584
Loss on Fund unit liability	18	**(376)**	(159)
Share of non-cash loss in equity-accounted investments	9	**(13)**	(7)
Deferred income tax recovery	15	**50**	3
Other		**6**	4
Net (loss) income		**$(451)**	$ 294
Net (loss) income attributable to:			
Non-controlling interests			
Participating non-controlling interests	22	**11**	25
Preferred equity	23	**13**	10
Limited partners		**(475)**	259
		$(451)	$ 294
Basic and diluted earnings per share	18	**$(1.80)**	$0.98

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

BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31 (U.S. $ MILLIONS)	Notes	**2011**	2010
Net (loss) income		**$ (451)**	$294
Other comprehensive income (loss)			
Revaluations of property, plant and equipment	9, 10	**1,774**	(959)
Financial instruments designated as cash-flow hedges	7	**(774)**	-
Foreign currency translation		**(169)**	168
Deferred income taxes on above items, net	15	**239**	444
		1,070	(347)
Comprehensive income (loss)		**$ 619**	$ (53)
Comprehensive income (loss) attributable to:			
Non-controlling interests	22,23	**$ 218**	$ 51
Limited partners' equity		**401**	(104)
		$ 619	$(53)

The accompanying notes are an integral part of the consolidated financial statements.

BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31 (U.S. $ MILLIONS)	Notes	**2011**	2010
Participating non-controlling interests	22		
Balance, beginning of year		**$206**	$197
Net income		**11**	25
Other comprehensive income		**200**	10
Acquisitions		**223**	-
Distributions		**(25)**	(23)
Other		**14**	(3)
Balance, end of year		**$ 629**	$206
Preferred equity	23		
Balance, beginning of year		**$ 252**	$ -
Net income		**13**	10
Other comprehensive (loss) income		**(6)**	8
Shares issued		**-**	244
Distributions		**(13)**	(10)
Other		**(5)**	-
Balance, end of year		**$241**	$252
Limited partners' equity	18		
Balance, beginning of year		**$(1,569)**	$(1,196)
Net (loss) income		**(475)**	259
Distributions		**(98)**	(632)
Adjustments related to the Combination			
Settlement of the Fund unit liability		**1,568**	-
Derivative balances		**163**	-
Settlement of related party balances		**350**	-
Transfer of assets		**47**	-
Balance, end of year		**$ (14)**	$(1,569)
Accumulated other comprehensive income	24	**6,344**	4,941
		$ 6,330	$ 3,372
Fund unit liability	18	**-**	1,355
		$ 7,200	$ 5,185

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

BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31 (U.S. $ MILLIONS)	Notes	2011	2010
Operating activities			
Net (loss) income		**$(451)**	$294
Adjustments for the following non-cash items:			
Depreciation and amortization	10,11	**468**	446
Unrealized financial instrument losses (gains)	7	**20**	(584)
Loss on Fund unit liability	18	**376**	159
Share of earnings in equity-accounted investments	9	**(10)**	(15)
Deferred income tax recovery	15	**(50)**	(3)
Other		**-**	(87)
Dividends received from equity-accounted investments		**8**	37
		361	247
Net change in working capital balances	21	**(12)**	(29)
		349	218
Financing activities			
Long-term debt – borrowings	14	**880**	747
Long-term debt – repayments	14	**(215)**	(951)
Capital provided by participating non-controlling interests and preferred equity		**186**	239
Sale of Fund units held by Brookfield Renewable		**-**	164
Contributions from common parent	14	**106**	100
Distributions:			
To participating non-controlling interests and preferred equity	22,23	**(39)**	(33)
To unitholders of the Fund	18	**(109)**	(77)
		809	189
Investing activities			
Due to (from) related parties		**(120)**	(115)
Acquisitions	4	**(212)**	-
Investment in:			
Sustaining capital expenditures		**(66)**	(53)
Development and construction of renewable power generating assets		**(698)**	(247)
Change in restricted cash and other		**6**	18
		(1,090)	(397)
Foreign exchange gain on cash held in foreign currencies		**11**	5
Cash and cash equivalents			
Increase		**79**	15
Balance, beginning of year		**188**	173
Balance, end of year		**$ 267**	$188
Supplemental cash flow information:			
Interest paid		**$ 318**	$ 299
Interest received		**$ 27**	$ 15
Income taxes paid		**$ 48**	$ 39

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

BROOKFIELD RENEWABLE ENERGY PARTNERS L.P.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

The business activities of Brookfield Renewable consist of owning a portfolio of renewable power generating facilities in Canada, the United States and Brazil, which have historically been held as part of the power generating operations of Brookfield Renewable Power Inc. ("BRPI") and Brookfield Renewable Power Fund (the "Fund").

Brookfield Renewable is a publicly traded limited partnership established under the laws of Bermuda pursuant to an amended and restated limited partnership agreement dated November 20, 2011.

The registered office of Brookfield Renewable is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the consolidated financial statements are based on the IFRS applicable as at December 31, 2011, and encompasses individual IFRS, International Accounting Standards ("IAS"), and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"). The policies set out below are consistently applied to all periods presented.

These consolidated financial statements have been authorized for issuance by the Board of Directors of its general partner, Brookfield Renewable Partners Limited, on March 23, 2012.

Certain comparative figures have been reclassified to conform with the current year's presentation.

All figures are presented in millions of United States ("U.S.") dollars unless otherwise noted.

(b) Basis of presentation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of property, plant and equipment and certain assets and liabilities which have been measured at fair value. Cost is recorded based on the fair value of the consideration given in exchange for assets.

(i) Consolidation

These consolidated financial statements include the accounts of Brookfield Renewable and its subsidiaries, which are the entities over which Brookfield Renewable has control. Control exists when Brookfield Renewable has the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. Non-controlling interests in the equity of Brookfield Renewable's subsidiaries are shown separately in partners' equity in the consolidated balance sheets.

(ii) Strategic combination of the renewable power generating operations

On November 28, 2011, Brookfield Renewable announced the completion of the strategic combination (the "Combination") of the renewable power assets of BRPI and the Fund to launch Brookfield Renewable. Also, on that date, the public unitholders of the Fund received one non-voting limited partnership unit of Brookfield Renewable in exchange for each trust unit of the Fund held, and the Fund was wound up. In addition, all required approvals were obtained from the holders of preferred shares of Brookfield Renewable Power Preferred Equity Inc. ("BRP Equity") and BRPI's unsecured noteholders as well as the required regulatory, governmental, corporate and contractual consents, assignments and approvals.

Brookfield Renewable also created a new subsidiary BRP Finance ULC ("BRP Finance") to assume BRPI's term notes with maturities ranging from 2016 to 2036.

Also as part of the Combination, Brookfield Renewable entered into a voting agreement with Brookfield Asset Management Inc. ("Brookfield Asset Management"), which provides Brookfield Renewable with control of the general partner of Brookfield Renewable Energy L.P. ("BRELP"). Accordingly, Brookfield Renewable consolidates the accounts of BRELP and its subsidiaries. In addition, BRELP issued redeemable partnership units, to a subsidiary of Brookfield Asset Management Inc. ("Brookfield Asset Management"), pursuant to which the holder may at its request require BRELP to redeem the units for cash consideration after a mandatory two-year holding period from the date of issuance. This right is subject to Brookfield Renewable's right of first refusal which entitles it, at its sole discretion, to elect to acquire all of the units so presented to BRELP that are tendered for redemption in exchange for Brookfield Renewable limited partnership units. As Brookfield Renewable, at its sole discretion, has the right to settle the obligation with limited partnership units, the BRELP redeemable partnership units are classified as limited partnership units.

At the date of the Combination, Brookfield Asset Management, Brookfield Renewable's ultimate parent company, held directly or indirectly, approximately a 73% limited partnership interest on a fully-exchanged basis and all general partnership units including a 0.01% general partnership interest in Brookfield Renewable. Subsequent to year-end, Brookfield Asset Management sold limited partnership units in Brookfield Renewable and now holds, directly or indirectly as of the date of this report, approximately a 68% limited partnership interest on a fully-exchanged basis.

Effective November 30, 2011, Brookfield Renewable's limited partnership units traded under the symbol "BEP.UN" on the TSX.

Effective December 2011, Brookfield Renewable entered into voting arrangements with various affiliates of Brookfield Asset Management, whereby Brookfield Renewable gained control of the entities that own U.S. and Brazil renewable power generating operations (the "Voting Arrangements"). The Voting Arrangements provide Brookfield Renewable with all of the voting rights to elect the Boards of Directors of the relevant entities and therefore provides Brookfield Renewable with control. Accordingly, Brookfield Renewable consolidates the accounts of these entities.

The Combination and Voting Arrangements do not represent business combinations under IFRS 3, Business Combinations *("*IFRS 3R"*),* as all combining businesses are ultimately controlled by Brookfield Asset Management both before and after the transactions were completed. Brookfield Renewable accounts for these reorganizations of entities under common control in a manner similar to a pooling of interest which requires the presentation of pre-Combination and Voting Arrangement financial information as if the transactions had always been in place. Refer to Note 2(o) (ii) for Brookfield Renewable's policy on accounting for transactions under common control.

Financial information for the periods prior to November 28, 2011 is presented based on the historical combined financial information for the contributed operations as previously reported by Brookfield Asset Management. For the period after completion of the Combination, the results are based on the actual results of the new entity, Brookfield Renewable, including the adjustments associated with the Combination and the execution of several new and amended agreements, including power purchase agreements ("PPA") and management service agreements. Refer to Note 8 - Related party transactions for further information.

(iii) Equity-accounted investments and joint ventures

Equity-accounted investments are entities over which Brookfield Renewable has significant influence or which it jointly controls. Significant influence is the ability to participate in the financial and operating policy decisions of the investee, but it has no control or joint control over those investees. Such investments are accounted for using the equity method. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Brookfield Renewable accounts for its interests in jointly controlled entities using the equity method. Under the equity method, the carrying value of an interest in an investee is initially recognized at cost and adjusted for Brookfield Renewable's share of net income, other comprehensive income ("OCI"), distributions by the equity-accounted investment and other adjustments to Brookfield Renewable's proportionate interest in the investee.

(c) Foreign currency translation

All figures reported in the consolidated financial statements and tabular disclosures to the consolidated financial statements are reflected in millions of U.S. dollars, which is the functional currency of Brookfield Renewable. Each of the foreign operations included in these consolidated financial statements determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency.

Assets and liabilities of foreign operations having a functional currency other than the U.S. dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at the rate of exchange prevailing at the dates of the transactions during the period. Gains or losses on translation of foreign subsidiaries are included in OCI. Gains or losses on foreign currency denominated balances and transactions that are designated as hedges of net investments in these operations are reported in the same manner.

In preparing the consolidated financial statements of Brookfield Renewable, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the closing rate at the applicable consolidated balance sheet dates. Non-monetary assets and liabilities, denominated in a foreign currency and measured at fair value, are translated at the rate of exchange prevailing at the date when the fair value was determined and non-monetary assets measured at historical cost are translated at the historical rate. Revenues and expenses are measured in the functional currency at the rates of exchange prevailing at the dates of the transactions with gains or losses included in income.

(d) Cash and cash equivalents

Cash and cash equivalents include cash, term deposits and money market instruments with original maturities of less than 90 days. Restricted cash expected to be used within the next twelve months has been classified as cash and cash equivalents.

(e) Property, plant and equipment and revaluation method

Power generating assets are classified as property, plant and equipment and are accounted for using the revaluation method. Property, plant and equipment are initially measured at cost and subsequently carried at their revalued amount, being the fair value at the date of the revaluation, less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are made on an annual basis to ensure that the carrying amount does not differ significantly from fair value. Third party appraisers are retained to review the fair value values of Brookfield Renewable's power generating assets on a rotating basis every three to five years.

Where the carrying amount of an asset increased as a result of a revaluation, the increase is recognized in income to the extent the increase reverses a previously recognized decrease recorded through income, with the remainder of the increase recognized in OCI and accumulated in equity under revaluation surplus. Where the carrying amount of an asset decreased, the decrease is recognized in OCI to the extent that a balance exists in revaluation surplus with respect to the asset, with the remainder of the decrease recognized in income as a revaluation decrease under IAS 16, Property, Plant and Equipment ("IAS 16").

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Gains and losses on disposal of an item of property, plant and equipment are recognized in 'Other' in the consolidated statements of (loss) income. The revaluation surplus is not transferred from the total reserve when the assets are disposed.

Brookfield Renewable determines the fair value of its property, plant and equipment by using a 20-year discounted cash flow model. This model includes estimates of future electricity prices, anticipated long-term average generation, estimated operating and capital expenditures, and assumptions about future inflation rates and discount rates. Discount rates are calculated, giving consideration to the price risk and geographical location of Brookfield Renewable's facilities.

Depreciation on power generating assets is calculated on a straight-line basis over the estimated service lives of the assets, which are as follows:

	Estimated service lives
Dams	Up to 115 years
Penstocks	Up to 60 years
Powerhouses	Up to 115 years
Hydroelectric generating units	Up to 115 years
Wind generating units	Up to 22 years
Gas-fired co-generating units	Up to 40 years
Other assets	Up to 60 years

Costs are allocated to significant components of property, plant and equipment. When items of property, plant and equipment have different useful lives, they are accounted for as separate items (significant components) and depreciated separately. To ensure the accuracy of useful lives and residual values, a review is conducted annually. Depreciation is calculated based on the cost of the asset less its residual value. Depreciation commences when the asset is in the location and conditions necessary for it to be capable of operating in the manner intended by management. It ceases at the earlier of the date the asset is classified as held-for-sale and the date the asset is de-recognized. An item of property, plant and equipment and any significant component is de-recognized upon disposal or when no future economic benefits are expected from its use. Other assets include equipment, buildings, gas-fired cogenerating units and leasehold improvements. Buildings, furniture and fixtures, leasehold improvements and office equipment are recorded at historical cost, less accumulated depreciation. Land and construction work-in-progress ("CWIP") are not subject to depreciation.

The depreciation of property, plant and equipment in Brazil is based on the duration of the concession or authorization. The average remaining concession or authorization duration at December 31, 2011, is 18 years (2010: 21 years). Since land rights are part of the concession or authorization, this cost is also subject to depreciation.

Brookfield Renewable elected to change its accounting policy for the revaluation of property, plant and equipment to include eligible CWIP effective December 31, 2011. Brookfield Renewable historically accounted for CWIP at cost until the asset was available for use to produce power for sale. Brookfield Renewable has elected to change its policy to provide more accurate and reliable information of the fair value of its property, plant and equipment. Brookfield Renewable will revalue CWIP when sufficient information exists to determine fair value using the discounted cash flow method. The impact of this change in accounting policy was to record an increase in property, plant and equipment and equity-accounted investments of $89 million and $65 million, respectively. Accordingly, there was also an increase in OCI of $58 million net of non-controlling interests and deferred income taxes.

(f) Asset impairment

At each balance sheet date, management assesses whether there is any indication that assets are impaired. For non-financial tangible and intangible assets (including equity-accounted investments), an impairment is recognized, if the recoverable amount, determined as the greater of the estimated fair value, less costs to sell, and the discounted future cash flows generated from use and eventual disposal of an asset or cash generating unit, is less than its carrying value. The projections of future cash flows take into account the relevant operating plans and management's best estimate of the most probable set of conditions anticipated to prevail. Should an impairment loss subsequently reverse, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(g) Trade receivable and other current assets

Trade receivables and other current assets are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method, less any allowance for uncollectability.

(h) Intangible assets

Intangible assets with finite lives are carried at cost, less any accumulated amortization and any accumulated impairment losses, and are amortized on a straight-line basis over their estimated useful lives of 4 to 25 years. Amortization commences when the asset is in the condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date the asset is classified as held-for-sale and the date the asset is derecognized.

A service concession arrangement is an arrangement whereby a private sector entity (an operator) constructs or upgrades the infrastructure for public service, and operates and maintains that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement. The grantor controls or regulates what services the operator using the assets must provide, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement. In Brazil, the power industry is regulated by the government and overseen by the National Agency of Electric Energy ("ANEEL").

At December 31, 2011, the consolidated financial statements include service concession arrangements in place relating to one of the Brazilian subsidiaries. The price of power sold under these concessions is set by ANEEL at the beginning of the concession period and is based on the recovery of Brookfield Renewable's costs incurred each year. Prices are regulated periodically throughout the term of the concession at the discretion of ANEEL. Brookfield Renewable is responsible for operating the hydroelectric facilities and to provide energy at ANEEL's regulatory and industry standards. At the end of the concession arrangement, Brookfield Renewable is obliged to return the hydroelectric facilities and land to ANEEL. Additional investments or expansions made to the facilities operated under these concession arrangements by Brookfield Renewable must be authorized by ANEEL and Brookfield Renewable has the right to be reimbursed for any authorized additions made to the facility at the end of the concession term. No additions were made to the facilities throughout 2011 and no such obligation exists at December 31, 2011. Current service concession arrangements expire within a range of 4 to 25 years, at which time management expects to request renewal from ANEEL.

Revenues earned from the service concession arrangements are recognized in accordance with the revenue recognition policies used in these consolidated financial statements. The service concession arrangements are recognized as intangible assets as Brookfield Renewable has a contractual right to charge users of the public service, through its power purchase agreements ("PPAs"). The service concession agreement is initially recognized at fair value and subsequently recorded using amortized cost. Amortization commences upon approval of the arrangement by the grantor, ANEEL, and is amortized on a straight-line basis over the term of the concession.

(i) Financial instruments

All financial instruments are classified into one of the following categories: assets and liabilities at fair value through profit or loss ("FVTPL") cash, loans and receivables, financial instruments used for hedging, and other financial liabilities. All financial instruments are recorded at fair value at recognition. Subsequent to initial recognition, financial assets classified as loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial assets and liabilities classified as financial instruments used for cash-flow hedging continue to be recognized at fair value through OCI. Other financial assets and liabilities and non-hedging financial instruments are recorded at fair value through profit and loss.

Brookfield Renewable presents the liability and equity components separately upon recognition of such financial instruments. The amount of accretion relating to the liability component is recognized in profit or loss; and the amount of consideration relating to the equity component is recognized in equity.

Brookfield Renewable selectively utilizes derivative financial instruments to manage financial risks, including interest rate, commodity and foreign exchange risks. A derivative is a financial instrument, which requires no initial investment, settles at a future date, and has a value that changes in response to the change in a specified variable such as an interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index. Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure, and it is highly probable that it will continue to be effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in equity by the application of hedge accounting is recognized in income over the remaining term of the original hedging relationship, unless the originally forecasted transaction is no longer expected to occur, at which point it is released to income. The fair values of derivative financial instruments are included in financial instrument assets or financial instrument liabilities, respectively.

(i) Items qualifying as hedges

Cash flow hedge

The effective portion of unrealized gains and losses on interest rate forward and swap contracts designated as hedges of future interest rate payments are included in equity as cash flow hedges when the interest rate risk relates to an anticipated interest payment. The periodic exchanges of payments on interest rate swap contracts designated as hedges of debt are recorded on an accrual basis as an adjustment to interest expense. The periodic exchanges of payments on interest rate contracts designated as hedges of future interest payments are recorded in income over the term of the corresponding interest payments.

Net investment hedge

Realized and unrealized gains and losses on foreign exchange forward contracts designated as hedges of currency risks are included in equity when the currency risk relates to a net investment in a subsidiary with a functional currency other than the U.S. dollar and are included in income in the period in which the subsidiary is disposed.

(ii) Items not qualifying as hedges

Upon initial recognition of a derivative financial instrument that is not designated as a hedge, a derivative asset or liability is recorded with an offsetting deferred liability or asset, respectively. Gains or losses arising from changes in fair value of the derivative asset or liability are recognized in income through fair value gains or losses in the period the changes occur. The deferred liability or asset is amortized through income, on a straight-line basis, over the life of the derivative financial instrument.

(j) Revenue and expense recognition

Revenue from the sale of electricity is recorded when the power is delivered. The revenue must be considered collectible and the costs incurred to provide the electricity to be measurable before recognizing the related revenue. Costs related to the purchases of power or fuel is recorded upon delivery. All other costs are recorded as incurred.

(k) Income taxes

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. Current income tax assets and liabilities are included in trade receivables and other current assets and accounts payable and accrued liabilities, respectively.

Deferred tax is recognized on taxable temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred tax is not recognized if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit. Deferred income tax assets are recognized for all deductible temporary differences, carry forwards of unused tax credits and unused tax 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 assets 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 assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the balance sheet dates.

Current and deferred income taxes relating to items recognized directly in OCI are also recognized directly in OCI.

Current and deferred income taxes are recorded based on the accounting records of the individual entities that are included within Brookfield Renewable. No additional allocation was considered necessary, prior to the Combination.

(l) Business combinations

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred, the liabilities incurred to former owners of the acquired business, and equity instruments issued by the acquirer in exchange for control of the acquired business. The acquired business' 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 in accordance with IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations. These are recognized and measured at fair value, less costs to sell, income taxes which are measured in accordance with IAS 12, Income Taxes and share-based payments which are measured in accordance with IFRS 2, Share-based Payment. The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

To the extent that the aggregate of the fair value of consideration paid, the amount of any non-controlling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent that this excess is negative, the excess is recognized as a gain in income.

When 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 income. Amounts arising from interests in the acquired business prior to the acquisition date that have previously been recognized in OCI are reclassified to income. Upon disposal or loss of control of a subsidiary, the carrying amount of the net assets of the subsidiary (including any OCI relating to the subsidiary) are derecognized with the difference between any proceeds received and the carrying amount of the net assets recognized as a gain or loss in income.

(m) Other items

(i) Capitalized costs

Capitalized costs related to CWIP include all eligible expenditures incurred in connection with the development and construction of the power generating asset. The expenditures consist of cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Interest and borrowings costs are capitalized when activities that are necessary to prepare the asset for its intended use or sale are in progress, expenditures for the asset have been incurred and funds have been used or borrowed to fund the construction or development. Capitalization of interest and borrowing costs ceases when the asset is ready for its intended use.

(ii) Pension and employee future benefits

Pension and employee future benefits are recognized in the consolidated financial statements in respect of employees of the operating entities within Brookfield Renewable. The costs of retirement benefits for defined benefit plans and post-employment benefits are recognized as the benefits are earned by employees. The consolidated financial statements use the accrued benefit pro-rated method, using the length of service and management's best estimate assumptions to value its pension and other retirement benefits. Assets are valued at fair value for purposes of calculating the expected return on plan assets. For defined contribution plans, amounts are expensed based on employee entitlement. The consolidated financial statements use the ‘corridor’ method of recognizing actuarial gains and losses. The ‘corridor’ method is based on recognizing actuarial gains and losses that fall outside the plus or minus 10% ‘corridor.’

(iii) Decommissioning, restoration and environmental liabilities
Legal and constructive obligations associated with the retirement of property, plant and equipment are recorded as liabilities when those obligations are incurred and are measured at the present value of the expected costs to settle the liability, discounted at a current credit-adjusted pre-tax rate specific to the liability. The liability is accreted up to the date the liability will be incurred with a corresponding charge to operating expenses. The carrying amount of decommissioning, restoration and environmental liabilities is reviewed annually with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset.

(iv) Interest and borrowing costs
Interest and borrowing costs are capitalized when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to prepare for its intended use.

(v) Provisions
A provision is a liability of uncertain timing or amount. A provision is recognized if Brookfield Renewable 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. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the 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 the passage of time is recognized as interest expense.

(vi) Interest income
Interest income is earned with the passage of time and is recorded on an accrual basis.

(n) Critical estimates

Brookfield Renewable makes estimates and assumptions that affect the carrying value of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of income for the year. Actual results could differ from those estimates. The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

i) Property, plant and equipment
The fair value of Brookfield Renewable’s property, plant and equipment is calculated using estimates and assumptions about future electricity prices, anticipated long-term average generation, estimated operating and capital expenditures, future inflation rates and discount rates, as described in Note 10 - Property, Plant and Equipment. Judgment is involved in determining the appropriate estimates and assumptions in the valuation of Brookfield Renewable’s property, plant and equipment. See Note 2(o) - Critical judgments in applying accounting policies for further details.

Estimates of useful lives and residual values are used in determining depreciation and amortization. To ensure the accuracy of useful lives and residual values, these estimates are reviewed on an annual basis.

ii) Financial instruments

Brookfield Renewable makes estimates and assumptions that affect the carrying value of its financial instruments, including estimates and assumptions about future electricity prices, long-term average generation, capacity prices, discount rates and the timing of energy delivery. Non-financial instruments are valued using estimates of future electricity prices which are estimated by considering broker quotes for the years in which there is a liquid market and for the subsequent years Brookfield Renewable's best estimate of electricity prices that would allow new entrants into the market. See Note 7 - Risk Management and Financial Instruments, for more details.

iii) Deferred income taxes

The consolidated financial statements include estimates and assumptions for determining the future tax rates applicable to subsidiaries and identifying the temporary differences that relate to each subsidiary. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply during the year when the assets are realized or the liabilities settled, using the tax rates and laws enacted or substantively enacted at the consolidated balance sheet dates. Operating plans and forecasts are used to estimate when the temporary difference will reverse.

(o) Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the accounting policies used in the consolidated financial statements and that have the most significant effect on the amounts in the consolidated financial statements:

i) Preparation of consolidated financial statements

These consolidated financial statements present the financial position, results of operations and cash flows of Brookfield Renewable. Judgment is required in determining what assets, liabilities and transactions are recognized in the consolidated financial statements as pertaining to Brookfield Renewable's operations prior to the Combination.

ii) Common control transactions

Common control business combinations specifically fall outside the scope of IFRS 3 and as such management has used its judgment to determine an appropriate policy to account for these transactions, considering other relevant accounting guidance that is within the framework of principles in IFRS and that reflects the economic reality of the transactions, in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. As a result, the consolidated financial statements account for assets and liabilities acquired at the previous carrying value on the predecessor's financial statements. Differences between the consideration given and the assets and liabilities received are recorded directly to equity.

iii) Property, plant and equipment

The accounting policy relating to Brookfield Renewable's property, plant and equipment is described in Note 2(e). In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable costs to be included in the carrying value of the development asset. The useful lives of property, plant and equipment are determined by independent engineers periodically with an annual review by management.

Annually, Brookfield Renewable determines the fair value of its property, plant and equipment using a methodology that it has judged to be reasonable. The methodology is a 20-year discounted cash flow model. Twenty years is the period considered reasonable as Brookfield Renewable has 20-year capital plans and it believes a reasonable third party would be indifferent between extending the cash flows further in the model versus using a discounted terminal value. The cash flow model uses estimates of future electricity prices, considering broker quotes for the years in which there is a liquid market and for the subsequent years, its best estimate of electricity prices that would allow new entrants into the market. Discount rates are determined each year by considering the current interest rates, average market cost of capital as well as the price risk and the geographical location of the operational facilities as judged by management. Inflation rates are also determined by considering the current inflation rates and the expectations of future rates by economists. Operating costs are based on long-term budgets escalated thereafter for inflation. Each operational facility has a 20-year capital plan that it follows to ensure the maximum life of its assets is achieved. Foreign exchange rates are forecasted by using the spot rates and the available forward rates, extrapolated beyond the period available. The inputs described above to the discounted cash flow model require management to consider facts, trends and plans in making its judgments as to what derives a reasonable fair value of its property, plant and equipment.

iv) Consolidation of Brookfield Renewable Power Fund

Brookfield Renewable held a 34% investment in the Fund, on a fully-exchanged basis. As a result, Brookfield Renewable assessed whether it continued to control the Fund, given its reduced ownership level. In making this assessment, Brookfield Renewable considered the definition of control and guidance as set out in IAS 27, Consolidated and Separate Financial Statements ("IAS 27"). Brookfield Renewable concluded that control did exist as it had the power to govern the financial and operating policies of the Fund under specific agreements. Effective November 28, 2011, public unitholders of the Fund received one non-voting limited partnership unit of Brookfield Renewable in exchange for each trust unit of the Fund held, and the Fund was wound up.

v) Financial instruments

The accounting policy relating to Brookfield Renewable's financial instruments is described in Note 2(i). In applying this policy, judgments are made in applying the criteria set out in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), to record financial instruments at fair value through profit and loss, and the assessments of the effectiveness of hedging relationships.

vi) Deferred income taxes

The accounting policy relating to Brookfield Renewable's income taxes is described in Note 2(k). In applying this policy, judgments are made in determining the probability of whether deductions, tax credits and tax losses can be utilized.

(p) Recently adopted accounting policies

(i) Related party disclosures – revised definition of related parties

On January 1, 2011, Brookfield Renewable adopted the revised version of IAS 24, *Related Party Disclosures* ("IAS 24"). IAS 24 is required to be applied retrospectively for annual periods beginning on or after January 1, 2011, and requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party. Implementation of IAS 24 did not have a material impact on Brookfield Renewable's consolidated financial statements.

(ii) Defined benefit assets and minimum funding requirements

On January 1, 2011, Brookfield Renewable adopted *Prepayments of a Minimum Funding Requirement* (Amendments to IFRIC 14). The amendments corrected an unintended consequence of IFRIC 14, IAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* ("IFRIC 14"). Without the amendments, in some circumstances entities were not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC

14 was issued, and the amendments correct the problem. Implementation of IFRIC 14 did not have a material impact on Brookfield Renewable's consolidated financial statements.

(iii) Improvements to IFRS

On January 1, 2011, Brookfield Renewable adopted *Improvements to IFRS* – a collection of amendments to seven IFRS – as part of the IASB's program of annual improvements to its standards. Implementation of *Improvements to IFRS* did not have a material impact on Brookfield Renewable's consolidated financial statements.

(iv) Extinguishing Financial Liabilities with Equity Instruments

On January 1, 2011, Brookfield Renewable adopted Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments* ("IFRIC 19"). This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor, which are part of the consideration paid to extinguish the financial liability are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Differences between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. Implementation of IFRIC 19 did not have a material impact on Brookfield Renewable's consolidated financial statements.

(q) Future changes in accounting policies

(i) Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on October 28, 2010, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, FVTPL and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Management is currently evaluating the impact of IFRS 9 on the consolidated financial statements.

(ii) Consolidation

IFRS 10, Consolidation ("IFRS 10") was issued by the IASB on May 12, 2011, and replaces SIC-12, Consolidation – Special Purpose Entities and parts of IAS 27. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IAS 27, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 10 on the consolidated financial statements.

(iii) Joint arrangements

IFRS 11, Joint Arrangements ("IFRS 11") was issued by the IASB on May 12, 2011, and replaces IAS 31, Interests in Joint Ventures ("IAS 31"), and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, and revenue and expenses of the joint operation. Under IAS 31, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 11 on the consolidated financial statements.

(iv)Disclosure of interests in other entities

IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") was issued by the IASB on May 12, 2011. IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 12 on the consolidated financial statements.

(v) Fair value measurement

IFRS 13, Fair Value Measurement ("IFRS 13"), a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards, was issued by the IASB on May 12, 2011. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It supersedes the fair value guidance that currently exists in IAS 16 concerning the use of the revaluation method. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Management is currently evaluating the impact of IFRS 13 on the consolidated financial statements.

(vi) Accounting for employee benefits and minimum funding requirements

In June 2011, the IASB issued significant amendments to IAS 19, Employee Benefits ("IAS 19"). These changes affect the recognition of actuarial gains and losses by removing the option to use the corridor approach and requiring immediate recognition in OCI. These OCI amounts cannot be recycled to the income statement. There are also changes to the recognition, measurement and presentation of past service costs, cost of benefits and finance expense or income relating to employee benefits. Further, termination benefits are recognized as a liability only when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. There are additional disclosure requirements. The amendment is effective for periods beginning on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(vii) Presentation of items of OCI

In June 2011, IASB issued amendments to IAS 1, Presentation of Financial Statements. These amendments include a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments), and emphasize the importance of presenting profit or loss and OCI together and with equal prominence. The amendment is effective for annual periods starting on or after July 1, 2012. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(viii) Income Taxes

In December 2010, IASB issued amendments to IAS 12, Income Taxes. Under these amendments, an entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment is effective for annual periods starting on or after January 1, 2012. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(ix) Consolidation and Separate Financial Statements

In May 2011, IASB amended and reissued IAS 27. The amended standard is to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. The amendment is effective for annual periods starting on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

(x) Investment in Associates

In May 2011, IASB amended and reissued IAS 28, Investment in Associates and Joint Ventures. The amended standard prescribes the accounting treatment for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amendment is effective for annual periods starting on or after January 1, 2013. Management is currently evaluating the impact of these amendments on the consolidated financial statements.

3. PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of Brookfield Renewable which, in the opinion of management, significantly affects its financial position and results of operations:

	Country of incorporation, registration or operations	Proportion of ownership interest held by Brookfield Renewable		Proportion of the voting power held by Brookfield Renewable	
AS AT DECEMBER 31		**2011 %**	2010 %	**2011 %**	2010 %
Brookfield Renewable Energy L.P.(1)	Bermuda	**50**	-	**100**	-
Brookfield Renewable Power Fund(2)	Canada	**-**	34	**-**	34
Brookfield Renewable Power Preferred Equity Inc.	Canada	**100**	100	**100**	100
BRP Finance ULC	Canada	**100**	-	**100**	-
Great Lakes Power Limited	Canada	**100**	100	**100**	100
Mississagi Power Trust	Canada	**100**	100	**100**	100
Lievre Power L.P.	Canada	**100**	100	**100**	100
Catalyst Old River Hydroelectric L.P.	U.S.	**75**	75	**75**	75
Erie Boulevard Hydropower L.P.	U.S.	**100**	100	**100**	100
Brookfield Energia Renovavel S.A.	Brazil	**100**	100	**100**	100
Itiquira Energetica S.A.	Brazil	**100**	100	**100**	100

(1) Since the redeemable partnership units of BRELP are classified as limited partnership units of Brookfield Renewable (Note 18), Brookfield effectively has a 99% economic interest in BRELP.

(2) The proportion of voting power of the Fund is on a fully-exchanged basis. On November 28, 2011, upon completion of the Combination, the Fund was wound up.

4. ACQUISITIONS

Brookfield Americas Infrastructure Fund

Effective December 2011, Brookfield Renewable entered into Voting Arrangements with various affiliates of Brookfield Asset Management, whereby Brookfield Renewable gained control of certain entities that own U.S. and Brazil renewable power generating operations. The Voting Arrangements do not represent business combinations under IFRS 3, Business Combinations *(*IFRS 3R*),* as all combining businesses are ultimately controlled by Brookfield Asset Management both before and after the transactions were completed. Brookfield Renewable accounts for these reorganizations of entities under common control in a manner similar to a pooling of interest which requires the presentation of pre-Voting Arrangement financial information as if the transactions had always been in place. The entities that own the U.S. and Brazil renewable power generating operations completed the following acquisitions in 2011:

In February 2011, a 75% controlling interest in a 99 MW wind development project located in Northeastern United States was acquired, with a further 15% acquired in July 2011. Cash consideration paid in the first quarter of 2011 was $25 million, with a further $5 million paid in the third quarter, for a total cash consideration of $30 million.

In July 2011, a 100% interest in a 30 MW hydroelectric facility located in Brazil was acquired for consideration of $190 million. The acquisition cost was partially funded from the issuance of debt in the amount of $77 million.

Other

In January 2011, a 50.25% controlling interest in an early stage wind development project located in Western Canada was acquired. Cash consideration paid in the first quarter of 2011 was $7 million.

Purchase price allocations, at fair values, with respect to the above acquisitions were as follows:

(MILLIONS)	United States	Canada	Brazil	Total
Cash and cash equivalents	$ 4	$ -	$ -	$ 4
Trade receivables and other current assets	-	-	5	5
Property, plant and equipment	30	14	190	234
Total assets	34	14	195	243
Accounts payable and accrued liabilities	(1)	-	(5)	(6)
Non-controlling interests	(3)	(7)	-	(10)
Total liabilities	(4)	(7)	(5)	(16)
Net assets acquired	$ 30	$ 7	$ 190	$ 227

5. CASH AND CASH EQUIVALENTS

AS AT DECEMBER 31 (MILLIONS)	2011	2010
Cash	**$ 106**	$ 87
Short-term deposits	**119**	77
Restricted cash	**42**	24
	$ 267	$ 188

6. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

AS AT DECEMBER 31 (MILLIONS)	2011	2010
Trade receivables	**$ 84**	$ 111
Prepaids and other	**74**	35
	$ 158	$ 146

As at December 31, 2011, 100% (2010: 97%) of trade receivables were current. Trade receivables are generally on 30-day terms and credit limits are assigned and monitored for all counterparties. In determining the recoverability of trade receivables, management performs a risk analysis considering the type and age of the outstanding receivables and the credit worthiness of the counterparties. Management also reviews trade receivable balances on an ongoing basis. Bad debt expense related to trade receivables is recognized at the time an account is deemed uncollectible. Accordingly, as at December 31, 2011 and 2010 an allowance for doubtful accounts was not deemed necessary.

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

RISK MANAGEMENT

Brookfield Renewable's activities expose it to a variety of financial risks, including market risk (i.e., commodity price risk, interest rate risk, and foreign currency risk), credit risk and liquidity risk. Brookfield Renewable uses financial instruments primarily to manage these risks.

(a) Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by Brookfield Renewable will fluctuate because of changes in market prices.

Brookfield Renewable faces market risk from foreign currency assets and liabilities, the impact of changes in interest rates, and floating rate liabilities. Market risk is managed by funding assets with financial liabilities in the same currency and with similar interest rate characteristics and holding financial contracts, such as interest rate swaps and foreign exchange contracts, to minimize residual exposures. Financial instruments held by Brookfield Renewable that are subject to market risk include borrowings and financial instruments, such as interest rate, currency and commodity contracts. The categories of financial instruments that can give rise to significant variability are described below:

(i) Commodity price risk

Commodity price risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by Brookfield Renewable will fluctuate because of changes in commodity prices. Commodity price risk arises from the sale of Brookfield Renewable's uncontracted generation, as well as impacts on the carrying values of Brookfield Renewable's non-financial derivative contracts.

Brookfield Renewable sells electricity under long-term contracts to secure stable prices and mitigate its exposure to wholesale markets. As at December 31, 2011, virtually all (99%) of Brookfield Renewable's generation was sold pursuant to PPAs, either to third parties or through entities of Brookfield. During 2011, certain of the long-term contracts were considered financial instruments, and were recorded at fair value in the consolidated financial statements. The change in fair value of long-term contracts was recorded in either income as "unrealized financial instrument (losses) gains" or OCI, as applicable.

The table below summarizes the impact of changes in the market price of electricity as at December 31. The impact is expressed in terms of the effect on net income and OCI. The sensitivities are based on the assumption that the market price changes by five percent with all other variables held constant.

Impact of a 5% change in the market price of electricity

	Effect on net income		Effect on OCI	
(MILLIONS)	**2011**	2010	**2011**	2010
5% increase	**$ (2)**	$ (125)	**$ -**	$ -
5% decrease	**$ 2**	$ 139	**$ -**	**$ -**

(ii) Interest rate risk

Interest rate risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by Brookfield Renewable will fluctuate, because of changes in interest rates.

Brookfield Renewable's assets largely consist of long duration physical assets. Brookfield Renewable's financial liabilities consist primarily of long-term fixed rate debt or floating-rate debt that has been swapped to fixed rates with interest rate financial instruments. All non-derivative financial liabilities are recorded at their amortized cost. Brookfield Renewable also holds interest rate contracts to lock-in fixed rates on anticipated future debt issuances.

Fluctuations in interest rates could impact Brookfield Renewable's cash flows, primarily with respect to the interest payable against Brookfield Renewable's variable rate debt, which is limited to certain subsidiary borrowings with a total principal value of $1,382 million (2010: $1,140 million). Of this amount, $730 million (2010: $463 million) has been hedged through the use of interest rate swaps. Brookfield Renewable's subsidiaries will enter into agreements designed to minimize the exposure to interest rate fluctuations on these debts. The fair values of the recognized liability for these agreements were calculated using a valuation model with observable interest rates.

The table below summarizes the impact of changes in the interest rate as at December 31. The impact is expressed in terms of the effect on income and OCI. The sensitivities are based on the assumption that the interest rate changes by one percent with all other variables held constant.

Impact of a 1% change in interest rates

(MILLIONS)	Effect on net income 2011	Effect on net income 2010	Effect on OCI 2011	Effect on OCI 2010
1% increase	**$ (7)**	$ (7)	**$ 48**	$ 1
1% decrease	**$ 7**	$ 7	**$ (48)**	$ (1)

(b) Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations. Brookfield Renewable's exposure to credit risk in respect of financial instruments relates primarily to counterparty obligations regarding energy contracts, interest rate swaps, forward foreign exchange contracts and physical electricity and gas transactions.

Brookfield Renewable minimizes credit risk with counterparties through the selection, monitoring and diversification of counterparties, and the use of standard trading contracts, and other credit risk mitigation techniques. In addition, Brookfield Renewable's PPAs are reviewed regularly and are almost exclusively with customers having long standing credit histories or investment grade ratings, which limit the risk of non-collection. As at December 31, 2011, 100% (2010: 97%) of Brookfield Renewable's trade receivables of $84 million were current. See Note 6 - Trade receivables and other current assets, for additional details regarding Brookfield Renewable's trade receivables balance.

The maximum credit exposure at December 31 was as follows:

AS AT DECEMBER 31 (MILLIONS)	2011	2010
Cash and cash equivalents	**$ 267**	$ 188
Trade receivables and other current assets	**158**	146
Due from related parties	**285**	419
	$ 710	$ 753

(c) Liquidity risk

Liquidity risk is the risk that Brookfield Renewable cannot meet a demand for cash or fund an obligation when due. Liquidity risk is mitigated by Brookfield Renewable's cash and cash equivalent balances and its access to undrawn credit and hydrology reserve facilities. Details of the undrawn credit facilities are included in Note 14 - Debt obligations. Brookfield Renewable also ensures that it has access to public debt markets by maintaining a strong credit rating of BBB.

Brookfield Renewable is also subject to the risk associated with debt financing. This risk is mitigated by the long-term duration of debt instruments and the diversification in maturity dates over an extended period of time.

The table below classifies the cash obligations related to Brookfield Renewable's liabilities into relevant maturity groupings based on the remaining period from the balance sheet dates to the contractual maturity date. As the amounts are the contractual undiscounted cash flows, they may not agree with the amounts disclosed in the consolidated balance sheets.

AS AT DECEMBER 31, 2011 (MILLIONS)	< 1 year	2-5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 190	$ -	$ -	$ 190
Financial instrument liabilities (1)	99	15	-	114
Due to related parties	139	8	-	147
Other long-term liabilities - concession payments	4	24	120	148
Long-term debt and credit facilities	650	1,806	3,118	5,574
Interest payable - borrowings (2)	298	827	1,082	2,207
Total	$ 1,380	$ 2,680	$ 4,320	$ 8,380

AS AT DECEMBER 31, 2010 (MILLIONS)	< 1 year	2-5 years	>5 years	Total
Accounts payable and accrued liabilities	$ 190	$ -	$ -	$ 190
Financial instrument liabilities (1)	15	11	-	26
Due to related parties	567	101	-	668
Other long-term liabilities - concession payments	-	21	260	281
Long-term debt and credit facilities	201	1,429	3,414	5,044
Interest payable - borrowings (2)	291	905	1,220	2,416
Total	$ 1,264	$ 2,467	$ 4,894	$ 8,625

(1) Financial instruments liabilities exclude amounts determined to be non-financial derivatives.
(2) Represents aggregate interest payable expected to be paid over the entire term of the obligations, if held to maturity. Variable-rate interest payments have been calculated based on current rates.

FINANCIAL INSTRUMENT DISCLOSURES

Brookfield Renewable classifies its assets and liabilities as outlined below:

	Financial assets and liabilities					
AS AT DECEMBER 31, 2011 (MILLIONS)	Cash, loans and receivables	Assets[1] (liabilities)	Derivatives used for hedging	Other financial liabilities	Non-financial assets and liabilities	Total
Cash and cash equivalents	$ 267	$ -	$ -	$ -	$ -	$ 267
Trade receivables and other current assets[2]	122	-	-	-	36	158
Due from related parties[2]	285	-	-	-	-	285
Equity-accounted and long-term investments	-	-	-	-	405	405
Property, plant and equipment	-	-	-	-	13,945	13,945
Intangible assets	-	-	-	-	57	57
Deferred income tax assets	-	-	-	-	306	306
Other long-term assets	156	-	-	-	129	285
Total assets	$ 830	$ -	$ -	$ -	$ 14,878	$ 15,708
Accounts payable and accrued liabilities[2]	$ -	$ -	$ -	$ (190)	$ -	$ (190)
Financial instrument liabilities	-	(26)	(88)	-	-	(114)
Due to related parties [2]	-	-	-	(147)	-	(147)
Long-term debt and credit facilities [2]	-	-	-	(5,519)	-	(5,519)
Deferred income tax liabilities	-	-	-	-	(2,374)	(2,374)
Other long-term liabilities	-	-	-	-	(164)	(164)
Total liabilities	$ -	$ (26)	$ (88)	$(5,856)	$(2,538)	$(8,508)

(1) Measured at fair value with all gains and losses recorded in the consolidated statement of (loss) income.
(2) Measured at fair value at inception and subsequently recorded at amortized cost using the effective interest rate method.

AS AT DECEMBER 31, 2010 (MILLIONS)	Cash, loans and receivables	Assets(1) (liabilities)	Derivatives used for hedging	Other financial liabilities	Non-financial assets and liabilities	Total
Financial assets and liabilities						
Cash and cash equivalents	$ 188	$ -	$ -	$ -	$ -	$ 188
Trade receivables and other current assets(2)	111	-	-	-	35	146
Due from related parties(2)	419	-	-	-	-	419
Equity-accounted and long-term investments	-	-	-	6	263	269
Property, plant and equipment	-	-	-	-	12,173	12,173
Intangible assets	-	-	-	-	87	87
Deferred income tax assets	-	-	-	-	276	276
Other long-term assets	156	-	-	-	160	316
Total assets	$ 874	$ -	$ -	$ 6	$ 12,994	$ 13,874
Accounts payable and accrued liabilities(2)	$ -	$ -	$ -	$ (190)	$ -	$ (190)
Financial instrument liabilities	-	(220)	(26)	-	-	(246)
Due to related parties (2)	-	-	-	(668)	-	(668)
Long-term debt and credit facilities (2)	-	-	-	(4,994)	-	(4,994)
Deferred income tax liabilities	-	-	-	-	(2,429)	(2,429)
Other long-term liabilities	-	-	-	(162)	-	(162)
Fund unit liability	-	(1,355)	-	-	-	(1,355)
Total liabilities	$ -	$(1,575)	$ (26)	$ (6,014)	$ (2,429)	$(10,044)

(1) Measured at fair value with all gains and losses recorded in the consolidated statement of (loss) income.
(2) Measured at fair value at inception and subsequently recorded at amortized cost using the effective interest rate method.

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, management looks primarily to external readily observable market inputs such as interest rate yield curves, currency rates, and price, as applicable. The fair value of interest rate swap contracts, which form part of financing arrangements, is calculated by way of discounted cash flows, using market interest rates and applicable credit spreads.

Financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – inputs are based on unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – inputs, other than quoted prices in Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The following table presents Brookfield Renewable's financial assets and financial liabilities measured at fair value classified by the fair value hierarchy:

AS AT DECEMBER 31 (MILLIONS)	Level 1	Level 2	Level 3	2011	2010
Cash and cash equivalents	**$ 267**	**$ -**	**$ -**	**$ 267**	$ 188
Fund unit liability	**-**	**-**	**-**	**-**	(1,355)
Financial instrument liabilities, net					
Energy derivative contracts	**(2)**	**(24)**	**-**	**(26)**	(220)
Interest rate swaps	**-**	**(88)**	**-**	**(88)**	(23)
Foreign exchange contracts	**-**	**-**	**-**	**-**	(3)
Total	**$ 265**	**$ (112)**	**$ -**	**$ 153**	$ (1,413)

There were no transfers between levels during the year.

The following table presents the changes in fair value measurements for Brookfield Renewable's net financial instrument position included in level 3 of the fair value hierarchy as set out above:

FOR THE YEAR ENDED, DECEMBER 31, 2011 (MILLIONS)	Level 3
Balance, December 31, 2010	$ **(199)**
Settled	**199**
Balance, December 31, 2011	$ **-**

The aggregate amount of Brookfield Renewable's net financial instrument positions are as follows:

AS AT DECEMBER 31 (MILLIONS)	Notes	**2011**	2010
Energy derivative contracts	(a)	**$ (26)**	$ (220)
Interest rate swaps	(b)	**(88)**	(23)
Foreign exchange contracts	(c)	**-**	(3)
		$ (114)	$ (246)

The following table presents the change in Brookfield Renewable's total net financial instrument position during the year:

(MILLIONS)	Note	**2011**	2010
Balance, beginning of year		**$ (246)**	$ (808)
(Decreases) increases in the net financial position:			
Unrealized loss through income on energy derivative contracts	(a)	**(19)**	584
Unrealized accounting loss through OCI on energy derivative contracts	(a)	**(708)**	-
Unrealized loss through income on interest rate swaps	(b)	**(1)**	-
Unrealized loss through OCI on interest rate swaps	(b)	**(66)**	1
Unrealized loss through OCI on foreign exchange contracts		**-**	(1)
Reversal of energy derivative contracts designated as cash-flow hedges through accumulated OCI		**704**	-
Foreign exchange and other		**-**	(22)
Reversal of energy derivative contracts designated as cash-flow hedges through retained earnings		**222**	-
Balance, end of year		**$ (114)**	$ (246)

AS AT DECEMBER 31 (MILLIONS)	Note	**2011**	2010
Derivative liabilities not designated as hedging instruments:			
Energy derivative contracts	(a)	**$ (26)**	$ (220)
Net position		**$ (26)**	$ (220)
Derivate liabilities designated as hedging instruments:			
Interest rate swaps	(b)	**$(88)**	$(23)
Foreign exchange contracts	(c)	**-**	(3)
Net position		**$ (88)**	$ (26)

(a) Energy derivative contracts

Brookfield Renewable has entered into long-term energy derivative contracts primarily to eliminate the price risk on the sale of future power generation. Certain energy contracts are recorded in Brookfield Renewable's consolidated financial statements at an amount equal to fair value, using quoted market prices or, in their absence, a valuation model using both internal and third-party evidence and forecasts.

As at December 31, 2011, Brookfield Renewable had total net financial instrument liabilities of $26 million relating to energy derivative contracts (2010: $220 million).

On April 1, 2011, Brookfield Renewable designated its two significant long-term energy contracts with related parties as cash-flow hedges. As a result of new agreements and changes in existing agreements with Brookfield Asset Management and its subsidiaries arising from the Combination, these contracts are no longer accounted for as derivatives by Brookfield Renewable effective November 28, 2011. For the period from April 1, 2011 to November 28, 2011, Brookfield Renewable recorded accounting losses of

$708 million related to these contracts that were recorded in OCI. On formation of Brookfield Renewable, $704 million of unrealized accounting losses were reversed.

Amendments made to certain energy derivative contracts and other agreements with the related parties, effective November 28, 2011, resulted in the energy derivative contracts no longer meeting the derivatives definition under the IFRS. Since these amendments arose from the common control reorganization with Brookfield Asset Management the amounts were adjusted directly into limited partnership equity.

In the next 12 months, it is expected that a $24 million loss (2010: $4 million loss) will be settled or reclassified into income.

(b) Interest rate swaps

Brookfield Renewable has entered into interest rate swap contracts primarily to minimize exposure to interest rate fluctuations on its variable rate debt or to lock in interest rates on future debt refinancing. All interest rate swap contracts are recorded in the consolidated financial statements in OCI at an amount equal to fair value.

At December 31, 2011, agreements with a total notional value of $1,226 million were outstanding (2010: $900 million). The fixed interest rates resulting from these agreements range from 2.03% to 4.50% (2010: 2.03% to 4.50%).

(c) Foreign exchange contracts

Brookfield Renewable has entered into foreign exchange contracts primarily to minimize exposure to fluctuations in foreign currencies in which it and its subsidiaries operate. All foreign exchange contracts are recorded in Brookfield Renewable's consolidated financial statements in OCI at an amount equal to fair value.

The notional amount at December 31, 2011 of the foreign exchange contracts was $nil (2010: $180 million).

8. RELATED PARTY TRANSACTIONS

Brookfield Renewable's related party transactions are recorded at the exchange amount. Brookfield Renewable's related party transactions are primarily with Brookfield Asset Management and its subsidiaries.

The immediate parent of Brookfield Renewable is its general partner. The ultimate parent of Brookfield Renewable is Brookfield Asset Management.

As discussed in the Significant Accounting Policies Note 2(b) - Basis of Presentation, effective November 28, 2011, Brookfield Asset Management and Brookfield Renewable completed the Combination agreement. This resulted in the strategic combination of all the renewable power assets of the Fund and certain Brookfield Asset Management subsidiaries to create Brookfield Renewable.

Consequently at the date of the Combination, Brookfield Asset Management held directly or indirectly, approximately a 73% limited partnership interest on a fully-exchanged basis and all general partnership units equal to 0.01% general partnership interest in Brookfield Renewable. Effective, November 30, 2011, Brookfield Renewable's limited partnership units have traded under the symbol "BEP.UN" on the TSX.

Agreements relating to the Combination

In connection with the completion of the Combination, Brookfield Renewable and its subsidiaries entered into a number of agreements with Brookfield Asset Management, including the following agreements:

Principal Agreements

Combination Agreement

The Combination was effected pursuant to a Combination Agreement which contains covenants, representations and warranties of and from each of BRPI, the Fund, Brookfield Renewable Power Trust ("BRPT") and Brookfield Renewable pursuant to which Brookfield Renewable agreed to acquire all of the assets of the Fund and all of the other renewable power assets of BRPI pursuant to a court-approved Plan of Arrangement under Ontario corporate law.

Limited Partnership Agreements

Each of the amended and restated limited partnership agreements of Brookfield Renewable and BRELP outline the key terms of the partnerships, including provisions relating to management, protections for limited partners, capital contributions, distributions and allocation of income and losses. Pursuant to BRELP's amended and restated limited partnership agreement, BRELP's general partner is entitled to receive incentive distributions from BRELP as a result of its ownership of the general partnership interest in BRELP. The incentive distributions are to be calculated in increments based on the amount by which quarterly distributions on the limited partnership units of BRELP exceed specified target levels as set forth in the amended and restated partnership agreement.

Relationship Agreement

Brookfield Asset Management and certain of its subsidiaries entered into an agreement with Brookfield Renewable pursuant to which Brookfield Asset Management agreed that Brookfield Renewable will serve as its primary vehicle through which it will acquire renewable power assets on a global basis.

Master Services Agreement

Brookfield Renewable entered into an exclusive agreement with Brookfield Asset Management pursuant to which Brookfield Asset Management has agreed to provide oversight of the business and provide the services of senior officers to Brookfield Renewable for a management service fee. The fee is paid on a quarterly basis and has a fixed quarterly component of $5 million and a variable component calculated as a percentage of the increase in the total capitalization value of Brookfield Renewable over an initial reference value (subject to an annual escalation by a specified inflation factor beginning on January 1, 2013). The Master Services Agreement continues in perpetuity, until terminated in accordance with its terms.

BRELP Voting Agreement

Pursuant to a voting agreement dated November 28, 2011 (the “Voting Agreement”), between Brookfield Renewable and Brookfield Asset Management, Brookfield Renewable, through the Managing General Partner, has a number of voting rights, including the right to direct all eligible votes in the election of the directors of BRELP’s general partner.

Revenue Agreements

Contract Amendments

Two long-term PPAs on generating assets in Ontario were amended to increase the price from C$68 per MWh to an average of C$88 per MWh on a portfolio basis. The agreements described below are with respect to generating assets held by the Mississagi Power Trust (“MPT”), and Great Lakes Power Limited (“GLPL”). In addition, the term of the Mississagi PPA has been extended to December 1, 2029 and MPT has been granted the unilateral option to terminate the agreement, on 120 days written notice, at certain times between 2017 and 2024.

As amended, the GLPL power purchase agreement requires a subsidiary of Brookfield Asset Management to support the price that GLPL receives for energy generated by certain facilities in Canada at a price of C$82 per MWh subject to an annual adjustment equal to 40% of the Consumer Price Index (“CPI”) in the previous year. The GLPL agreement has an initial term to 2029, and the contract automatically renews for successive 20-year periods with certain termination provisions. If the contract is not terminated prior to 2029, the price under this agreement reverts back to the original C$68 per MWh subject to an annual adjustment equal to 40% of the CPI for each year.

As amended, the MPT power purchase agreement requires a subsidiary of Brookfield Asset Management to purchase the energy generated at a price of C$103 per MWh subject to an annual adjustment equal to 20% of the CPI in the previous year. The MPT contract terminates on December 1, 2029, subject to the early termination options described above.

Energy Revenue Agreement

The Energy Revenue Agreement was entered into between a subsidiary of Brookfield Asset Management and Brookfield Power U.S. Holdings America Co. (“BPUSHA”) that indirectly owns substantially all of the U.S. facilities of Brookfield Renewable. The subsidiary of Brookfield Asset Management will support the price that BPUSHA receives for energy generated by certain facilities in the United States at a price $75 per MWh. This price is to be increased annually on January 1 by an amount equal to 40% of the increase in the CPI during the previous calendar year, but not exceeding an increase of 3% in any calendar year. The Energy Revenue Agreement will have an initial term of 20 years, with automatic renewals for successive 20-year periods with certain termination provisions.

Power Services Agreements

Power Agency Agreements

In conjunction with the Energy Revenue agreement, certain Brookfield Renewable subsidiaries entered into Power Agency Agreements appointing a subsidiary of Brookfield Asset Management as the exclusive agent of the owner in respect of the sales of electricity, including the procurement of transmission and other additional services. In addition, this subsidiary will schedule, dispatch and arrange for transmission of the power produced and the power supplied to third-parties in accordance with prudent industry practice. Pursuant to each Agreement, the subsidiary will be entitled to be reimbursed for any third-party costs incurred, and, except in a few cases, receives no additional fee for its services in connection with the sale of power and for providing the other services.

Energy Marketing Agreement

A subsidiary of Brookfield Asset Management has agreed to provide energy marketing services to Brookfield Renewable's North American businesses. Under this Agreement, Brookfield Renewable pays an annual energy marketing fee of $18 million per year.

Development Projects Agreement

As part of the Combination, Brookfield Renewable indirectly acquired a number of development projects in the United States, Canada and Brazil from a subsidiary of Brookfield Asset Management. This subsidiary received no upfront proceeds on closing for the transfer of these projects, but is entitled to receive on commercial operation or sale of the projects, in each case if developed or sold in the 25 years following closing, up to 100% of the development costs that it contributed to each project and 50% of the fair market value of the projects in excess of a priority return on each party's invested capital. These amounts will only be payable on projects upon substantial completion or sale of the project. With respect to the projects located in the United States and Canada, the Development Projects Agreement provides for the reimbursement of expenses to a subsidiary of Brookfield Asset Management for such projects, and a separate royalty agreement exists to provide royalties on each project. With respect to projects located in Brazil, a subsidiary of Brookfield Asset Management subscribed for special shares which contain a redemption feature that provides for the reimbursement of expenses as well as the sharing of the fair market value on projects.

Other Agreements

In addition, the following related party agreements were in place with either the Fund or BRPI and continue to be in effect, and were thus transferred to Brookfield Renewable on the effective date of the Combination.

Revenue Agreements

Pursuant to a 20-year PPA, a subsidiary of Brookfield Asset Management purchases all energy from several power facilities in Maine and New Hampshire held by Great Lakes Holding America ("GLHA") at $37 per MWh. The energy rates are subject to an annual adjustment equal to 20% of the increase in the CPI during the previous year.

Pursuant to a 20-year PPA, a subsidiary of Brookfield Asset Management purchases all energy from Lievre Power in Quebec at C$68 per MWh. The energy rates are subject to an annual adjustment equal to the lesser of 40% of the increase in the CPI during the previous calendar year or 3%.

Pursuant to a power guarantee agreement, a subsidiary of Brookfield Asset Management will purchase all energy from the two facilities of Hydro Pontiac Inc. at a price of C$68 per MWh, to be increased annually each calendar year beginning in 2010 by an amount equal to 40% of the increase in the CPI during the previous calendar year. This power guarantee agreement is scheduled to commence in 2019 for one facility and in 2020 for the other, upon the expiration of existing power agreements. This agreement has an initial term to 2029 and automatically renews for successive 20-year period with certain termination provisions.

Pursuant to a 10-year Wind Levelization agreement expiring in 2019, a subsidiary of Brookfield Asset Management mitigates any potential wind variation from the expected annual generation of 506 GWh with regards to the Prince Wind assets in Ontario. Any excess generation compared to the expected generation results in a payment from Brookfield Renewable to the subsidiary of Brookfield Asset Management, while a shortfall would result in a payment from a subsidiary of Brookfield Asset Management to Brookfield Renewable.

Payment obligations relating to PPAs

Pursuant to a 20-year PPA guarantee, expiring in 2021, a subsidiary of Brookfield Asset Management guarantees to Powell River Energy the payment of obligations of an industrial power purchaser for an annual fee of C$.5 million.

Purchase of natural gas

A subsidiary of Brookfield Asset Management acting as an agent on behalf of Brookfield Renewable secures the price of natural gas with respect to a gas plant in Ontario until the end of 2013 for a weighted average price of $6 per MMbtu.

Insurance services

In the normal course of operations, an insurance broker affiliated with Brookfield Asset Management, entered into transactions with Brookfield Renewable to provide insurance services. These transactions are measured at fair value. In 2011, $nil (2010: $10 million) was included in “Other” on the consolidated statements of (loss) income for insurance claims.

The following table reflects the related party agreements and transactions on the consolidated statements of (loss) income:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Related Party	**2011**	2010
Revenues			
Purchase and revenue support agreements	Brookfield Asset Management	**$ 254**	$ 205
Wind Levelization agreement	Brookfield Asset Management	**7**	5
		$ 261	$210
Direct operating costs			
Energy purchases	Brookfield Asset Management	**$ 41**	$ 42
Operations, maintenance and administration services	Brookfield Asset Management	**11**	17
Insurance services	Brookfield Asset Management	**18**	15
		$ 70	$ 74
Interest expense	Brookfield Asset Management	**$ 19**	$ 40
Management service costs	Brookfield Asset Management	**$ 1**	$ -

Amounts due to/from related parties

Current assets and note receivable outstanding

Current assets due from Brookfield Asset Management are non-interest bearing, unsecured and due on demand. The note receivable from an equity-accounted investment is non-interest bearing, unsecured and due on demand.

Amounts due and note receivable outstanding

Amounts due from Brookfield Asset Management are non-interest bearing, unsecured and due on demand. The note receivable from an equity-accounted investment is unsecured, due on demand and interest bearing with the annual interest rate between 10% and 18%. The rate for 2011 was 13% (2010: 10%). The note is due December 2020.

Amounts and note payable outstanding

Amounts due to Brookfield Asset Management are unsecured, due on demand and interest bearing with the annual interest rate ranging between 5.8% and 14%. The rate for 2011 was 10% (2010: 5.8%).

Amounts and the note receivable are not considered impaired based on the credit worthiness of the related- party counterparties. Accordingly, as at December 31, 2011 and 2010, an allowance for doubtful accounts was not deemed necessary.

Current portion of long-term debt and credit facilities

Brookfield Asset Management has provided a hydrology reserve facility to Brookfield Renewable to be used to maintain cash distributions due to changes in hydrology from year to year. This is discussed further in Note 14 - Debt Obligations**.**

The following table reflects the impact of the related party agreements and transactions on the consolidated balance sheets:

AS AT DECEMBER 31 (MILLIONS)	Related Party	2011	2010
Due from related parties			
Amounts due from	Brookfield Asset Management	**$227**	$ 377
Note receivable	Coram California Development	**26**	23
		$253	$ 400
Amounts due from	Brookfield Asset Management, Brascan Energetica	**$ 13**	$ -
Note receivable	Powell River Energy Inc.	**19**	19
		$ 32	$ 19
Due to related parties			
Amounts due to and current portion of note payable	Brookfield Asset Management	**$ 74**	$ 567
Accrued unitholders distributions payable (Note 18)	Brookfield Asset Management	**$ 65**	$ -
		$139	$ 567
Note payable	Brookfield Asset Management	**$ 8**	$ 101
Credit facilities	Brookfield Asset Management	**$ -**	$ 8

Voting Agreements

In December 2011, Brookfield Renewable entered into voting agreements with subsidiaries of Brookfield Asset Management whereby these subsidiaries, as managing members of entities related to Brookfield Americas Infrastructure Fund (the “BAIF Entities”) in which Brookfield Renewable holds investments with institutional investors, agreed to assign to Brookfield Renewable their voting rights to appoint the directors subsidiaries of the BAIF Entities. Brookfield Renewable’s economic interests in the BAIF Entities in the United States and Brazil are 22% and 25%, respectively.

9. EQUITY-ACCOUNTED AND LONG-TERM INVESTMENTS

The following are Brookfield Renewable’s equity-accounted and long-term investments:

AS AT DECEMBER 31 (MILLIONS)	Ownership percentage interest 2011	Ownership percentage interest 2010	Carrying Value 2011	Carrying Value 2010
	%	%		
Bear Swamp Power Co. L.L.C.	**50**	50	**$ 130**	$ 95
Brookfield Americas Infrastructure Fund investees [1]	**50**	50	**119**	5
Powell River Energy Inc.	**50**	50	**21**	40
Pingston Power Inc.	**50**	50	**49**	43
Galera Centrais Elétricas S.A.	**50**	50	**86**	80
			$ 405	$ 263
Other long-term investments			**-**	6
			$ 405	$ 269

(1) Consists of 50% ownership interests in Coram California Development L.P and Malacha Hydro Limited Partnership.

The following table presents the changes in Brookfield Renewable’s equity-accounted and long-term investments:

AS AT DECEMBER 31 (MILLIONS)	2011	2010
Balance, beginning of year	**$ 269**	$ 283
Share of net income	**10**	15
Share of OCI	**(7)**	-
Revaluation recognized through OCI	**136**	(30)
Other	**(3)**	1
Balance, end of year	**$ 405**	$ 269

The following tables summarize certain financial information of equity-accounted investments:

AS AT DECEMBER 31 (MILLIONS)	Current assets	Long-term assets	Current liabilities	Long-term liabilities	Current assets	Long-term assets	Current liabilities	Long-term liabilities
	2011				2010			
Bear Swamp Power Co. L.L.C.	**$ 40**	**$ 572**	**$ (150)**	**$ (201)**	$ 31	$ 467	$ (21)	$ (301)
Brookfield Americas Infrastructure Fund	**17**	**412**	**(25)**	**(165)**	11	17	(23)	-
Powell River Energy Inc.	**9**	**212**	**(5)**	**(173)**	5	230	(4)	(150)
Pingston Power Inc.	**3**	**165**	**(1)**	**(68)**	3	155	(2)	(68)
Galera Centrais Elétricas S.A	**7**	**171**	**(2)**	**(3)**	7	138	(1)	(3)
	$ 76	**$1,532**	**$ (183)**	**$ (610)**	$ 57	$ 1,007	$ (51)	$ (522)

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Revenue	Net income (loss)	Share of net income (loss)	Revenue	Net income (loss)	Share of net income (loss)
	2011			2010		
Bear Swamp Power Co. L.L.C.	**$ 58**	**$ 16**	**$ 8**	$ 69	$ 29	$ 14
Brookfield Americas Infrastructure Fund	**10**	**-**	**-**	-	-	-
Powell River Energy Inc.	**24**	**(2)**	**(1)**	20	(5)	(2)
Pingston Power Inc.	**8**	**1**	**1**	9	3	1
Galera Centrais Elétricas S.A	**17**	**4**	**2**	13	3	2
	$ 117	**$ 19**	**$ 10**	$ 111	$ 30	$ 15

10. PROPERTY, PLANT AND EQUIPMENT

The composition of the net book value of Brookfield Renewable's property, plant and equipment, is presented in the following table:

(MILLIONS)	Hydroelectric	Wind	Other [1]	Total
As at January 1, 2010	$ 11,882	$ 360	$ 634	$ 12,876
Foreign exchange	244	19	31	294
Additions/transfers	126	185	37	348
Revaluation recognized through OCI	(974)	13	2	(959)
Disposals	(3)	-	(2)	(5)
Revaluation through income	60	-	(3)	57
Depreciation	(378)	(22)	(38)	(438)
As at December 31, 2010	$ 10,957	$ 555	$ 661	$ 12,173
Foreign exchange	**(293)**	**(12)**	**(89)**	**(394)**
Additions/transfers	**514**	**396**	**119**	**1,029**
Revaluation recognized through OCI	**1,094**	**489**	**55**	**1,638**
Disposals	**(2)**	**-**	**(29)**	**(31)**
Revaluation recognized through income	**(13)**	**-**	**-**	**(13)**
Depreciation	**(381)**	**(33)**	**(43)**	**(457)**
As at December 31, 2011	**$ 11,876**	**$ 1,395**	**$ 674**	**$ 13,945**

(1) Included within the "Other" category are land, roads, decommissioning assets, leasehold improvements, gas-fired generating units and CWIP.
(2) Assets not subject to depreciation include CWIP and land.

Certain of Brookfield Renewable's property, plant and equipment, comprised of hydroelectric, wind, and gas-fired generating units are carried at revalued amounts as opposed to historical cost. These items of property, plant and equipment were revalued by using a discounted cash flow valuation model that incorporates management's expectations about future electricity prices in geographic areas in which it operates, anticipated long-term average generation, estimated capital expenditures for each of Brookfield Renewable's respective plants over a 20-year period, and assumptions about future inflation rates and discount rates. The valuation model also incorporates future cash inflows from PPAs that are in place with certain of Brookfield Renewable's customers and Brookfield Asset Management, and estimated future major maintenance expenditures over a 20-year period.

The key valuation metrics of the discounted cash flow valuation model at the dates of the last revaluations are set out in the following table:

	United States		**Canada**		**Brazil**	
	2011	2010	**2011**	2010	**2011**	2010
Discount rate	**5.6%**	7.4%	**5.4%**	6.4%	**9.9%**	10.8%
Terminal capitalization rate	**7.2%**	7.9%	**6.8%**	7.1%	**N/A**	N/A
Exit date	**2031**	2030	**2031**	2030	**2029**	2029

The valuation metrics above are based on weighted-average, post-tax discount and terminal capitalization rates. The valuations are impacted primarily by the discount rate and anticipated long-term electricity prices.

A 50 bps change in discount rates would have approximately $1 billion impact on the net asset value.

A revaluation increase of $1,638 million was recorded through OCI on December 31, 2011 (2010: $959 million decrease). Certain contract amendments and agreements related to the Combination resulted in changes in the fair value of certain power generating facilities. The impact of these changes is included in OCI. For the year ended December 31, 2011, Brookfield Renewable recognized a net revaluation impairment of $13 million included in "Other" in the consolidated statements of (loss) income (2010: $57 million recovery) due to changes in discount rates and long-term electricity prices in the valuation model.

For the year ended December 31, 2011, $11 million of interest was capitalized (2010: $3 million) and the average borrowing rate for the year was 5.16% (2010: 5.12%).

Had Brookfield Renewable's revalued property, plant and equipment been measured on a historical cost basis, the carrying amounts, net of accumulated depreciation would have been as follows:

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Hydroelectric	**$ 4,137**	$ 3,997
Wind	**824**	444
Other[1]	**654**	579
Total	**$ 5,615**	$ 5,020

(1) Included within the "Other" category are land, roads, decommissioning assets, leasehold improvements, gas-fired generating units and CWIP.

Brookfield Renewable has pledged a significant amount of its property, plant and equipment as collateral for its subsidiary borrowings.

In the normal course of operations, Brookfield Renewable has committed as at December 31, 2011, to spend approximately $46 million (2010: $71 million) on capital projects. Brookfield Renewable categorizes its capital spending as either sustaining or development and construction expenditures. Sustaining capital expenditures relate to maintaining currently owned power generating assets, whereas development and construction expenditures include project costs for new facilities.

11. INTANGIBLE ASSETS

The composition of Brookfield Renewable's intangible assets is presented in the following tables:

	Cost	Accumulated Amortization	Net book value	Net book value
AS AT DECEMBER 31 (MILLIONS)		2011		2010
Service concession arrangements	**$ 73**	**$ (18)**	**$ 55**	$ 85
FERC licences	**2**	**-**	**2**	2
	$ 75	**$ (18)**	**$ 57**	$ 87

The following table describes the changes in the carrying value of intangible assets during the year:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	2011	2010
Balance, beginning of year	**$ 87**	$ 93
Foreign exchange and other	**(19)**	2
Amortization	**(11)**	(8)
Balance, end of year	**$ 57**	$ 87

Brookfield Renewable's U.S. operations holds licenses issued by the Federal Energy Regulatory Commission ("FERC"), the federal agency that regulates the licensing of substantially all hydro power plants in the U.S. FERC licenses allow for the use by the license holder of the defined "project facilities", which generally include the land and water required for power generation. FERC licenses are recorded at cost and amortized either on a straight-line basis over the remaining life of the licenses.

12. OTHER LONG-TERM ASSETS

	Cost	Accumulated Amortization	Net book value	Net book value
AS AT DECEMBER 31 (MILLIONS)		2011		2010
Restricted cash	**$ 139**	**$ -**	**$ 139**	$ 139
Service concession arrangements	**125**	**(36)**	**89**	96
Unamortized financing fees	**33**	**(23)**	**10**	20
Other	**49**	**(2)**	**47**	61
	$ 346	**$ (61)**	**$ 285**	$ 316

At December 31, 2011, $139 million of long-term restricted cash (2010: $139 million) was held to cover lease payments and meet debt service obligations.

The unamortized financing fees relate to the sale and leaseback arrangement of a hydroelectric facility. Unamortized financing fees are amortized on a straight-line basis over the term of the arrangement to interest expense. In 2011, Brookfield Renewable capitalized financing fees of $nil (2010: $5 million). Amortization of the unamortized financing fees included in other long-term assets was $1 million during 2011 (2010: $1 million).

Brookfield Renewable is required to pay the Brazilian Federal Government for the usage of public assets ("Concessions payment") over the concession terms associated with two of its Brazilian facilities. Concessions payments are monetarily adjusted by the Brazilian General Market Price Index. As at December 31, 2011, an asset of $89 million (2010: $96 million) was included in other long-term assets and corresponding liabilities of $nil and $107 million were recorded within accounts payable and accrued liabilities and other long-term liabilities, respectively (2010: $1 million and $123 million).

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The composition of accounts payable and other are as follows:

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Accounts payable and accrued liabilities	**$ 128**	$ 133
Interest payable	**36**	49
Unitholders' distribution and preferred dividends payable	**26**	8
	$ 190	$ 190

14. DEBT OBLIGATIONS

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Corporate borrowings		
5.25% Series 3 (CDN$200) due November 2018	**$ 196**	$ 200
5.84% Series 4 (CDN$150) due November 2036	**147**	150
6.13% Series 6 (CDN$300) due November 2016	**294**	301
5.14% Series 7 (CDN$450) due October 2020	**440**	451
	$ 1,077	$ 1,102
Unamortized financing fees, net(1)	**(6)**	(6)
Current maturities	**-**	-
	$ 1,071	$ 1,096
Subsidiary borrowings		
United States	**$ 2,021**	$ 1,873
Canada	**1,572**	1,327
Brazil	**653**	678
	$ 4,246	$ 3,878
Unamortized financing fees, net(1)	**(49)**	(44)
Current maturities	**(650)**	(127)
	$ 3,547	$ 3,707
Revolving credit facilities		
Unsecured corporate and hydrology reserve facilities	**$ 251**	$ 64
Current maturities	**-**	(8)
	$ 251	$ 56
	$ 4,869	$ 4,859

(1) Unamortized financing fees are amortized to interest expense over the terms of the borrowing.

The weighted-average duration and weighted-average interest rates of Brookfield Renewable's debt obligations are as follows:

AS AT DECEMBER 31 (MILLIONS)	**2011** Interest rate (%)	**2011** Term (years)	2010 Interest rate (%)	2010 Term (years)
Corporate borrowings	**5.5**	**9.6**	5.5	10.6
Subsidiary borrowings				
United States	**7.0**	**12.6**	7.4	13.2
Canada	**6.2**	**8.3**	6.6	10.2
Brazil	**12.1**	**6.2**	9.8	7.0
	7.5	**10.0**	7.5	11.1
Revolving credit facilities(1)	**2.8**	**2.3**	3.0	3.0

(1) Interest rate is at the Canadian Dealer Offered Rate ("CDOR") plus 1.75% for 2011 (2010: CDOR plus 1.75%).

Future maturities of Brookfield Renewable's debt obligations, excluding $55 million in unamortized financing fees, for each of the next five years and thereafter are as follows:

AS AT DECEMBER 31 (MILLIONS)	2012	2013	2014	2015	2016	Thereafter	Total
Corporate borrowings	$ -	$ -	$ -	$ -	$ 294	$ 783	$ 1,077
Subsidiary borrowings							
United States	328	53	207	46	71	1,316	2,021
Canada	261	390	13	14	11	883	1,572
Brazil	61	298	65	65	28	136	653
	650	741	285	125	110	2,335	4,246
Revolving credit facilities	-	-	251	-	-	-	251
	$ 650	$ 741	$ 536	$ 125	$ 404	$ 3,118	$ 5,574

The unamortized financing fees of each the debt obligations are as follows:

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Corporate borrowings		
Unamortized financing fees, beginning of year	**$ 6**	$ 6
Additional financing fees	**-**	3
Amortization of financing fees	**-**	(3)
Unamortized financing fees, end of year	**$ 6**	$ 6
Subsidiary borrowings		
Unamortized financing fees, beginning of year	**$ 44**	$ 43
Additional financing fees	**15**	9
Amortization of financing fees	**(10)**	(8)
Unamortized financing fees, end of year	**$ 49**	$ 44

The fair value of each the debt obligations are as follows:

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Corporate borrowings	**$ 1,203**	$ 1,170
Subsidiary borrowings		
United States	**$ 2,187**	$ 1,967
Canada	**1,763**	1,470
Brazil	**653**	678
	$ 4,603	$ 4,115
Revolving credit facilities	**251**	64
	$ 6,057	$ 5,349

Corporate borrowings

Corporate borrowings are obligations of a finance subsidiary of Brookfield Renewable (Note 23: - Subsidiary Public Issuers). The finance subsidiary may redeem some or all of the borrowings from time to time, pursuant to the terms of the indenture. The balance is payable upon maturity. Interest on corporate borrowings is paid semi-annually. For periods prior to November 28, 2011, interest on the corporate borrowings of $77 million (2010: $100 million) was paid by BRPI on behalf of Brookfield Renewable.

Subsidiary borrowings

Subsidiary borrowings are generally asset-specific, long-term, non-recourse borrowings denominated in the domestic currency of the subsidiary. Subsidiary borrowings in the United States and Canada consist of both fixed and floating interest rate debt. Brookfield Renewable uses interest rate swap agreements to minimize its exposure to floating interest rates. Subsidiary borrowings in Brazil consist of floating interest rates of TJLP, the Brazil National Bank for Economic Development's long-term interest rate, or Interbank Deposit Certificate rate, plus a margin.

Future maturities of borrowings for subsidiaries accounted for an equity-accounted basis for each of the next five years and thereafter are as follows:

AS AT DECEMBER 31 (MILLIONS)	2012	2013	2014	2015	2016	Thereafter	Total
United States	$ 118	$ 1	$ 1	$ 1	$ 1	$ 150	$272
Canada	-	-	-	34	93	20	147
Brazil	1	-	-	-	-	-	1
	$ 119	$ 1	$ 1	$ 35	$ 94	$ 170	$420

Revolving credit facilities

In November 2011, Brookfield Renewable negotiated a $600 million (Note 26) committed unsecured revolving credit facility used for general working capital purposes. The credit facility is available by way of advances in either Canadian or U.S. dollars of (i) prime rate loans (ii) bankers' acceptance ("BA") loans and (iii) letters of credit.

The facility expires in March 2014, and may be extended for additional one year periods. The credit facility bears interest at the applicable BA rate or London Interbank Offered Rate plus an applicable margin. The applicable margin is tiered on the basis of Brookfield Renewable's unsecured long-term debt rating. At December 31, 2011, the margin was 1.75%. Standby fees are charged on the undrawn balance.

Brookfield Asset Management provides a facility to be used to maintain cash distributions to unitholders due to changes in hydrology from year to year, with no annual drawdown limit (maximum drawdown in 2011- $nil). The facility is unsecured and bears interest at the prime rate or banker's acceptance rate of a Canadian chartered bank plus 2% and is repayable from revenues in years when generation exceeded long-term average levels. As at December 31, 2011, the balance owing on the facility was $1 million (2010: $8 million).

Brookfield Renewable and its subsidiaries issue letters of credit from its credit facilities for general corporate purposes, which include, but are not limited to, security deposits, performance bonds and guarantees for debt service reserve accounts.

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Available revolving credit facilities	**$ 601**	$ 258
Drawings	**(251)**	(64)
Issued letters of credit	**(160)**	(92)
Unutilized revolving credit facilities	**$ 190**	$ 102

15. INCOME TAXES

The major components of income tax expense are as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)		**2011**		2010
Total current income tax (expense)	**$**	**(22)**	$	(32)
Total deferred income tax recovery (origination and reversal of temporary differences)		**50**		3
Financial instruments designated as cash flow hedges		**194**		-
Origination and reversal of temporary differences in revaluation surplus		**(270)**		383
Effect of changes in tax rates in revaluation surplus		**315**		61
		239		444
Total income tax recoveries	**$**	**267**	$	415

Brookfield Renewable's effective income tax rate is different from Brookfield Renewable's domestic statutory income tax rate due to the differences below:

FOR THE YEARS ENDED DECEMBER 31	**2011** **%**	2010 %
Statutory income tax rate (calculated at the domestic rates applicable to the profits in the country concerned)	**(35)**	32
(Reduction) increase in rate resulting from:		
Foreign exchange gains and losses	**-**	(9)
Non-taxable gain regarding equity-accounted investments	**-**	1
Deemed profit method differences in Brazil	**2**	3
Difference between statutory rate and future tax rate	**3**	(33)
Other	**2**	2
Effective income tax rate, before change in Fund unit liability	**(28)**	(4)
Change in Fund unit liability	**22**	15
Effective income tax rate	**(6)**	11

As Brookfield Renewable is not subject to tax, the above reconciliation has been prepared by aggregating the separate reconciliations for its subsidiaries using the domestic rate in each tax jurisdiction. The change in applicable tax rate in 2011 as compared to 2010 is a result of changes in the proportion of income (loss) relating to the various jurisdictions.

Brookfield Renewable's loss in the Fund unit liability represented a loss for which Brookfield Renewable does not receive a tax benefit. During the year ended December 31, 2011, Brookfield Renewable recorded a loss of $376 million (2010: $159 million loss) relating to the Fund unit liability. This loss decreased accounting income before income taxes, therefore creating a higher effective income tax rate. As a result of the reorganization of the renewable power generating operations of Brookfield Asset Management on November 28, 2011, the terms of the newly-issued partnership units do not contain a redemption feature that requires a Fund unit liability to be calculated.

The following table details the expiry date, if applicable, of the unrecognized deferred tax assets:

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
2012 to 2016	**$ 1**	$ 1
2017 and thereafter	**44**	26
	$ 45	$ 27

Brookfield Renewable's deferred income tax assets and liabilities relate to the following:

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Deferred income tax assets		
Non-capital losses	**$ 168**	$ 124
Capital losses	**-**	5
Amount available for future deductions	**138**	147
Total deferred income tax assets	**$ 306**	$ 276
Deferred income tax liabilities		
Difference between tax and carrying value	**$ 2,374**	$ 29
Total deferred income tax liabilities	**$ 2,374**	$ 2,429

The deferred income tax liabilities include $2,157 million of liabilities (2010: $2,210 million) principally property plant and equipment revaluations included in accumulated OCI.

16. OTHER LONG-TERM LIABILITIES

Brookfield Renewable's other long-term liabilities are comprised of the following:

AS AT DECEMBER 31 (MILLIONS)	**2011**	2010
Concession payment liability	**$ 107**	$ 123
Decommissioning retirement obligations	**24**	12
Pension obligations (Note 19)	**17**	21
Other	**16**	6
	$ 164	$ 162

At December 31, 2011, Brookfield Renewable recorded a liability associated with a future obligation relating to Concessions payments of $107 million (2010: $123 million). The future obligation is being settled through monthly payments made over the concession term. In 2011, $1 million of concessions payments were made to the Brazilian Federal Government. See Note 12 - Other long-term assets for additional details.

Brookfield Renewable has recorded decommissioning retirement obligations associated with its power generating assets. The estimated cost of the decommissioning activities is based on a third party assessment and has been discounted using the interest rate of the related property-specific debt. The decommissioning retirement liability of $24 million at December 31, 2011 (2010: $12 million), has been established for two separate wind operation sites in Canada and are expected to be restored in 2030 and 2033, respectively.

17. CAPITAL MANAGEMENT

Brookfield Renewable's primary capital management objectives are to ensure the sustainability of its capital to support continuing operations, meet its financial obligations, allow for growth opportunities and provide stable distributions to its unitholders. Brookfield Renewable's capital is monitored through total debt to total debt plus equity which is defined as the total long-term debt and credit facilities divided by total long-term debt and credit facilities plus equity.

Brookfield Renewable has provided covenants to certain of its lenders for its corporate borrowings and credit facilities. The covenants require Brookfield Renewable to meet minimum debt to capitalization ratios. Subsidiaries of Brookfield Renewable have provided covenants to certain of their lenders for their property-specific borrowings. These covenants vary from one agreement to another and include ratios that address debt service coverage. Certain lenders have also put in place requirements that oblige Brookfield Renewable and its subsidiaries to maintain debt and capital expenditure reserve accounts. The consequences to the subsidiaries as a result of failure to comply with their covenants could include a limitation of distributions from the subsidiaries to Brookfield Renewable, as well as repayment of outstanding debt. Brookfield Renewable is dependent on the distributions made by its subsidiaries to service its debt.

Financial covenants associated with Brookfield Renewable's various banking and debt arrangements are reviewed regularly and controls are in place to maintain compliance with these covenants. Brookfield Renewable complied with all financial covenants for the years ended December 31, 2011 and 2010.

Brookfield Renewable's strategy during 2011, which was unchanged from 2010, was to maintain the measure set out in the following schedule.

AS AT DECEMBER 31 (MILLIONS)	2011	2010
Total debt		
Current portion of long-term debt and credit facilities	**$ 650**	$ 135
Long-term debt and credit facilities	**4,869**	4,859
	5,519	4,994
Deferred income tax liability, net[1]	**2,068**	2,153
Fund unit liability	**-**	1,355
Participating non-controlling interests	**629**	206
Preferred equity	**241**	252
Limited partners' equity	**6,330**	3,372
Total capitalization (total debt plus deferred income tax liability, non-controlling interests and equity)	**$ 14,787**	$ 12,332
Debt to total capitalization	**37%**	40%

(1) Deferred income tax liability, net is expressed as deferred income tax liability minus deferred income tax asset.

18. PARTNERSHIP EQUITY

The number of general and limited partnership units issued and outstanding was as follows:

AUTHORIZED TO ISSUE	General partnership units	Limited partnership units	Total
December 31, 2010			
Unit issuance	1	132,827,124	132,827,125
Redeemable unit issuance	-	129,658,623	129,658,623
December 31, 2011	1	262,485,747	262,485,748

Consistent with the basis of presentation for the Combination (Note 2(b) (ii)), (loss) income per unit has been calculated as if the Partnership units had always been issued and outstanding.

Brookfield Renewable's capital structure is comprised of two classes of Partnership units: general partnership units and limited partnership units. Income and distributions of Brookfield Renewable are allocated to the partners of record based on their respective interests in Brookfield Renewable. Distributions may be made by the general partner of Brookfield Renewable with the exception of instances that there is insufficient cash available, payment rends Brookfield Renewable unable to pay its debt or payment of which might leave Brookfield Renewable unable to meet any future contingent obligations.

BRELP, a subsidiary of Brookfield Renewable has issued redeemable partnership units held 100% by Brookfield, which may, at the request of the holder, require BRELP to redeem the units for cash consideration after a mandatory two-year holding period from the date of issuance. The right is subject to Brookfield Renewable's right of first refusal which entitle it, at its sole discretion, to elect to acquire all of the units so presented to BRELP that are tendered for redemption in exchange for Brookfield Renewable units. As Brookfield Renewable, at its sole discretion, has the right to settle the obligation with limited partnership units, the BRELP redeemable partnership units are classified as limited partnership units.

Prior to the Combination, the Fund made distributions of $103 million consisting of $33 million paid to Brookfield Asset Management and $70 million paid to the external unitholders of the Fund. In December 2011, Brookfield Renewable declared distributions on its limited partnership units of $45 million ($0.3375 per limited partnership unit) payable on January 31, 2012, consisting of $21 million payable to Brookfield Asset Management and $24 million payable to external unitholders of Brookfield Renewable. On December 31, 2011, BRELP also declared redeemable limited partnership and general partnership distributions to Brookfield Asset Management of $44 million payable on January 31, 2012.

This note should be read in conjunction with Note 2(b) - Basis of presentation. Brookfield Renewable's consolidated balance sheet was adjusted for the effects of the following transactions that took place on the effective date of the Combination:

Settlement of the Fund unit liability

At December 31, 2010, Brookfield Renewable recorded a $1,355 million liability relating to the Fund unit liability. In 2010, Brookfield Asset Management reduced its ownership in the Fund from 50.01% to 34%, on a fully-exchanged basis. Through various management, administration, agency and PPAs with the Fund, along with BRPI's 34% ownership interest, BRPI continued to control the Fund, and therefore, consolidated its results. As at the date of the Combination, the Fund units, not previously owned by Brookfield Asset Management, were transferred to Brookfield Renewable. The transfer was completed at fair value and satisfied by the issuance of limited partnership units of Brookfield Renewable. The result of this transaction is to reflect the settlement of the Fund unit liability at the date of the Combination of $1,568 million and the limited partnership units issued to satisfy the transfer are treated as equity of Brookfield Renewable. For the year ended December 31, 2011, and prior to the Combination, Brookfield Renewable recorded a mark-to-market loss of $306 million (2010: $82 million) and expensed $70 million (2010: $77 million) of distributions to external unitholders of the Fund.

Settlement of related party balances

Brookfield Renewable and its subsidiaries settled certain intercompany loans and transactions with Brookfield Asset Management. The consolidated balance sheets include the reduction in amounts due from and amounts due to related parties, as they were exchanged for limited partnership units in lieu of a cash settlement.

Derivative balance

Amendments were made to certain energy revenue agreements with the related parties which resulted in those agreements no longer meeting the derivatives definition under the IFRS. Since this change arose from the common control reorganization with Brookfield Asset Management the amounts were adjusted directly into limited partners' equity.

19. PENSION AND EMPLOYEE FUTURE BENEFITS

Brookfield Renewable offers a number of pension plans to its employees, as well as certain health care, dental care, life insurance and other benefits to certain retired employees pursuant to Brookfield Renewable's policy. The plans are funded by contributions from Brookfield Renewable and from plan members. Pension benefits are based on length of service and final average earnings and some plans are indexed for inflation after retirement. The pension plans relating to employees of Brookfield Renewable have been included in the consolidated financial statements.

Actuarial valuations for Brookfield Renewable's pension plans are required as per governing provincial regulations or state. For Québec registered plans, actuarial valuations are required annually. For Ontario registered plans, actuarial valuations are required on a triennial basis if the funding level of the plan is above a certain threshold. Currently, all Ontario registered plans are on a triennial schedule. The dates of the most recent actuarial valuations for Brookfield Renewable's pension and non-pension benefit plans range from July 1, 2009 to May 31, 2011. Brookfield Renewable measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year.

Brookfield Renewable has elected under IFRS 1 to not disclose the five year history of the defined benefits obligations and plan assets, and of experience adjustments. The benefit liabilities represent the amount of pension and other employee future benefits that Brookfield Renewable's employees and retirees have earned at year-end. The benefit obligation under these plans is determined through periodic actuarial reports which were based on the assumptions indicated in the following table.

Actuarial assumptions:

	Defined benefit pension plans	Non-pension benefit plans	Defined benefit pension plans	Non-pension benefit plans
AS AT DECEMBER 31	2011		2010	
Discount rate				
Benefit obligation	**4.2 - 5.3%**	**4.5 - 5.3%**	5.1 - 5.8%	5.4 - 5.8%
Benefit expense	**5.1 - 5.8%**	**5.4 - 5.8%**	5.7 - 6.7%	5.9 - 6.7%
Long-term rate of return on plan assets	**6.2 - 7.5%**	**N/A**	7.5%	N/A
Rate of compensation increases	**3.5 - 4.0%**	**3.5 - 4.0%**	3.5 - 4.0%	3.5 - 4.0%

Plan obligations and the annual pension expense are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the long-term rate of return on plan assets, discount rates, rate of compensation increases and other assumptions. The discount rate, assumed long-term rate of return on plan assets and compensation increases are the assumptions that generally have the most significant impact on our pension cost and obligation.

The discount rate for benefit obligation and benefit expense purposes is the rate at which the pension obligation could be effectively settled. The long-term rate of return on assets for pension cost purposes is the weighted average of expected long-term asset rate of return assumptions for the various categories of plan assets held. The assessment of the expected return is based on historical return trends and analysts' predictions of the market for the assets in the next twelve months. Rate of compensation increases reflect the best estimate of merit increases to be provided, consistent with assumed inflation rates.

The assumed health care cost trend had a minimal effect on the amounts reported. A one percentage point change in the assumed health care cost trend rate at December 31, 2011 would have had no significant effect on the post-retirement obligation and would have had no significant effect on the benefit expense for 2011.

Expense recognized in the Statement of (loss) income

	Defined benefit pension plans	Non-pension benefit plans	Defined benefit pension plans	Non-pension benefit plans
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	**2011**		2010	
Current service costs	**$ 2**	**$ 1**	$ 1	$ 1
Interest on accrued benefits	**3**	**1**	3	1
Expected return on plan assets	**(3)**	**-**	(3)	-
Settlement/curtailment gain	**-**	**-**	-	2
	$ 2	**$ 2**	$ 1	$ 4

Plan liabilities

	Defined benefit pension plans	Non-pension benefit plans	Defined benefit pension plans	Non-pension benefit plans
AS AT DECEMBER 31 (MILLIONS)	**2011**		2010	
Deficit for funded plans	**$ 14**	**$ -**	$ 11	$ -
Present value of wholly unfunded obligations	**1**	**23**	1	23
Unrecognized net actuarial loss	**(15)**	**(5)**	(9)	(4)
Unrecognized past service cost	**-**	**(1)**	-	(1)
Accrued liability	**$ -**	**$ 17**	$ 3	$ 18

Defined benefit obligations

The movement in the defined benefit obligation over the year is as follows:

	Defined benefit pension plans	Non-pension benefit plans	Defined benefit pension plans	Non-pension benefit plans
FOR THE YEARS ENDED DECEMBER 31 (MILLIONS, EXCEPT AS NOTED)	**2011**		2010	
Balance, beginning of year	**$ 59**	**$ 23**	$ 48	$ 15
Current service cost	**1**	**1**	1	1
Interest cost	**3**	**1**	3	1
Benefits paid	**(2)**	**(1)**	(3)	(1)
Actuarial loss (gain)	**3**	**(1)**	8	3
Plan settlements and amendments	**(2)**	**-**	-	3
Foreign exchange rate changes	**(1)**	**-**	2	1
Balance, end of year	**$ 61**	**$ 23**	$ 59	$ 23

Expected contributions to the defined pension plans for the year ended December 31, 2012 are $8 million.

Fair value of plan assets

The movement in the fair value of plan assets over the year is as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)	Defined benefit pension plans	Non-pension benefit plans	Defined benefit pension plans	Non-pension benefit plans
	2011		2010	
Balance, beginning of year	**$ 47**	**$ -**	$ 40	$ -
Expected return on plan assets	**3**	**-**	3	-
Actuarial (loss) gain	**(3)**	**-**	1	-
Employer contributions	**5**	**1**	5	1
Benefits paid	**(2)**	**(1)**	(4)	(1)
Plan settlements	**(2)**	**-**	-	-
Foreign exchange rate changes	**(1)**	**-**	2	-
Balance, end of year	**$ 47**	**$ -**	$ 47	$ -

AS AT DECEMBER 31	**2011**	2010
Asset category		
Equity securities	**62%**	62%
Debt securities	**38%**	38%
	100%	100%

20. DIRECT OPERATING COSTS

Brookfield Renewable's direct operating costs are comprised of the following:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)		2011		2010
Operations, maintenance and administration	**$**	**254**	$	201
Water royalties, property taxes and other		**97**		90
Management fees (Note 8)		**12**		-
Fuel and power purchases (Note 7)		**44**		37
Total direct operating costs	**$**	**407**	$	328

The remuneration of key management personnel of Brookfield Renewable for the years ended December 31, was as follows:

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)		2011		2010
Salaries and benefits	**$**	**3**	$	4
Share-based benefits		**6**		5
	$	**9**	$	9

Key management personnel include those individuals having authority and responsibility for planning, directing and controlling the activities of Brookfield Renewable, directly or indirectly. Key management personnel include the Chairman, Chief Executive Officer, Chief Financial Officers and Chief Operating Officer. Share-based benefits relate to costs allocated from Brookfield Asset Management.

21. SUPPLEMENTAL INFORMATION

The net change in non-cash working capital shown in the consolidated statements of cash flows is comprised of the following:

AS AT DECEMBER 31 (MILLIONS)		2011		2010
Trade receivables and other current assets	**$**	**(12)**	$	(9)
Accounts payable, accrued liabilities, and other		**-**		(20)
	$	**(12)**	$	(29)

22. NON-CONTROLLING INTERESTS

The net change in non-controlling interests is as follows:

(MILLIONS)	Brookfield Americas Infrastructure Fund	The Catalyst Group	Brascan Energetica	Other [1]	Total
Balance, December 31, 2009	$ -	$ 140	$ 57	$ -	$ 197
Net income	-	23	2	-	25
OCI	-	7	3	-	10
Other	-	(3)	-	-	(3)
Distributions	-	(24)	1	-	(23)
Balance, December 31, 2010	$ -	$ 143	$ 63	$ -	$ 206
Net income	**$ 1**	**$ 5**	**$ 5**	**$ -**	**$ 11**
OCI	**173**	**16**	**11**	**-**	**200**
Acquisitions	**209**	**-**	**-**	**14**	**223**
Other	**(3)**	**17**	**-**	**-**	**14**
Distributions	**-**	**(14)**	**(5)**	**(6)**	**(25)**
Balance, December 31, 2011	**$ 380**	**$ 167**	**$ 74**	**$ 8**	**$ 629**

(1) Includes the acquisition of a controlling interest in wind development project in Western-Canada.

23. SUBSIDIARY PUBLIC ISSUERS

On March 10, 2010, BRP Equity issued 10 million Series 1 preferred shares at a price of C$25 per share. The holders of the Series 1 preferred shares are entitled to receive fixed cumulative dividends at an annual rate of C$1.3125 per share, a yield of 5.25% for the initial five-year period ending April 30, 2015. The dividend rate will reset on April 30, 2015 and every five years thereafter at a rate equal to the then five-year Government of Canada Bond yield plus 2.62%. Brookfield Renewable, BRELP and certain key holding company subsidiaries fully and unconditionally guarantee the payment of dividends on the preferred shares, the amounts due on redemption, and the amounts due on the liquidation, dissolution or winding-up of BRP Equity. For the year ended December 31, 2011, dividends declared on the Series 1 preferred shares were $13 million (2010: $10 million).

As a result of the Combination, Brookfield Renewable created BRP Finance to contractually assume BRPI’s term notes with maturities ranging from 2016 and 2036 with a principal value of approximately C$1.1 billion. BRP Finance assumed these term notes, including accrued interest, in exchange for an interest-bearing demand promissory note issued by another wholly-owned subsidiary of Brookfield Renewable. The term notes payable by BRP Finance are unconditionally guaranteed by Brookfield Renewable, BRELP and certain other subsidiaries.

The following tables set forth certain consolidated summary financial information for Brookfield Renewable, BRP Equity, and BRP Finance:

(MILLIONS)	Brookfield Renewable[1]	BRP Equity	BRP Finance	Consolidating adjustments[2]	Brookfield Renewable consolidated
For the year ended December 31, 2011:					
Revenue	**$ 1,169**	**$ -**	**$ -**	**$ -**	**$ 1,169**
Net (loss) income	**(453)**	**-**	**2**	**-**	**(451)**
For the year ended December 31, 2010:					
Revenue	$ 1,045	$ -	$ -	$ -	$ 1,045
Net income	$ 293	$ 1	$ -	$ -	$ 294

(MILLIONS)	Brookfield Renewable[1]	BRP Equity	BRP Finance	Consolidating adjustments[2]	Brookfield Renewable consolidated
As at December 31, 2011:					
Current assets	**$ 678**	**$ -**	**$ 1,087**	**$ (1,087)**	**$ 678**
Long-term assets	**15,024**	**244**	**-**	**(238)**	**15,030**
Current liabilities	**(2,148)**	**(8)**	**(9)**	**1,087**	**(1,078)**
Long-term liabilities	**(6,597)**	**-**	**(1,071)**	**238**	**(7,430)**
Participating non-controlling interests	**(629)**	**-**	**-**	**-**	**(629)**
Preferred equity	**-**	**(241)**	**-**	**-**	**(241)**
As at December 31, 2010:					
Current assets	$ 734	$ -	$ -	$ -	$ 734
Long-term assets	12,890	250	-	-	13,140
Current liabilities	(915)	(2)	-	-	(917)
Long-term liabilities	(7,772)	-	-	-	(7,772)
Fund unit liability	(1,355)	-	-	-	(1,355)
Participating non-controlling interests	(206)	-	-	-	(206)
Preferred equity	$ -	$ (252)	$ -	$ -	$ (252)

(1) Includes subsidiaries of Brookfield Renewable other than BRP Equity and BRP Finance.
(2) Includes elimination of intercompany transactions and balances necessary to present Brookfield Renewable on a consolidated basis.

24. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is a reconciliation of Brookfield Renewable's accumulated other comprehensive income ("AOCI") attributable to the limited partners' equity:

(MILLIONS)	Foreign currency translation	Revaluation surplus	Cash flow hedges	Total
Balance, January 1, 2010:	$ 370	$ 4,943	$ (9)	$ 5,304
OCI	160	(967)	-	(807)
Income taxes	-	444	-	444
Balance, December 31, 2010:	$ 530	$ 4,420	$ (9)	$ 4,941
OCI	**(143)**	**1,554**	**(774)**	**637**
Reversal of unrealized accounting losses on energy derivative contract	**-**	**-**	**527**	**527**
Income taxes	**-**	**45**	**194**	**239**
Balance, December 31, 2011	**$ 387**	**$ 6,019**	**$ (62)**	**$ 6,344**

During 2011, a loss of $4 million relating to cash flow hedges was realized (2010: $1 million loss) and was reclassified from OCI to net (loss) income.

25. SEGMENTED INFORMATION

Brookfield Renewable operates mostly renewable power assets, which include conventional hydroelectric generating assets located in the United States, Canada and Brazil, a pumped storage hydroelectric facility located in the United States and wind farms located in Canada and the United States. Brookfield Renewable also operates two combined cycle natural gas-fired generating units ("co-gen"), one in Canada and one in the United States. Management evaluates the business based on the type of power generation (Hydroelectric, Wind and Other). Hydroelectric is further evaluated by major region (United States, Canada and Brazil). "Equity-accounted investments" includes Brookfield Renewable's interest in hydroelectric and wind facilities. The other segment includes co-gen facilities, CWIP and corporate costs.

In accordance with IFRS 8, Operating Segments, Brookfield Renewable discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The accounting policies of the reportable segments are the same as those described in Note 2 of these consolidated financial statements. Brookfield Renewable analyzes the performance of its operating segments based on revenues, earnings before interest, tax, depreciation and amortization ("EBITDA"), and funds from operations ("FFO"). EBITDA consists of 100% of revenues less direct costs (including energy marketing costs), plus Brookfield Renewable's share of cash earnings from equity-accounted investments, before interest, current income taxes, depreciation, amortization and management service costs. FFO is defined as EBITDA less interest, current income taxes and management service cost, which is then adjusted for non-controlling interests included in FFO. Transactions between the reportable segments occur at fair value.

(MILLIONS)	Conventional Hydroelectric United States	Canada	Brazil	Wind	Equity-accounted investments	Other	Total
For the year ended December 31, 2011:							
Revenues	$ 467	$ 237	$ 335	$ 70	$ -	$ 60	$1,169
EBITDA	336	179	269	58	-	(38)	804
Interest expense - borrowings	149	68	94	25	-	75	411
FFO prior to non-controlling interests	189	116	160	33	-	(128)	370
Non-controlling interests in FFO	(26)	-	(13)	-	-	(13)	(52)
FFO	163	116	147	$33	-	(141)	318
Depreciation and amortization	$130	$151	$138	$35	$ -	$14	$468
For the year ended December 31, 2010:							
Revenues	$ 459	$ 205	$ 271	$52	$ -	$ 58	$1,045
EBITDA	332	160	201	45	-	13	751
Interest expense - borrowings	152	64	95	17	-	76	404
FFO prior to non-controlling interests	164	96	90	28	-	(63)	315
Non-controlling interests in FFO	(31)	-	(4)	-	-	(11)	(46)
FFO	133	96	86	28	-	(74)	269
Depreciation and amortization	$144	$153	$118	$24	$ -	$ 7	$446

The following table reconciles EBITDA and FFO, presented in the above tables, to net (loss) income as presented in the consolidated statements of loss (income):

FOR THE YEARS ENDED DECEMBER 31 (MILLIONS)		**2011**		2010
EBITDA	**$**	**804**	$	751
Interest expense - borrowings		**(411)**		(404)
Management service costs		**(1)**		-
Current income taxes		**(22)**		(32)
Funds from operations prior to non-controlling interests		**370**		315
Less: cash portion of non-controlling interest		**(52)**		(46)
FFO		**318**		269
Depreciation and amortization		**(468)**		(446)
Unrealized financial instrument (losses) gains		**(20)**		584
Loss on Fund unit liability		**(376)**		(159)
Share of non-cash loss in equity-accounted investments		**(13)**		(7)
Deferred income tax recovery		**50**		3
Other		**6**		4
Add: cash portion of non-controlling interests		**52**		46
Net (loss) income	**$**	**(451)**	$	294

The following is information about Brookfield Renewable's certain balance sheet items:

(MILLIONS)	Conventional Hydroelectric United States	Canada	Brazil	Wind	Equity-accounted investments	Other	Total
As at December 31, 2011:							
Property, plant and equipment	$ 4,547	$ 4,908	$ 2,626	$ 1,400	$ -	$ 464	$13,945
Addition to property, plant and equipment	$ 136	$ 46	$ 210	$ 399	$ -	$ 238	$ 1,029
Total assets	$ 5,064	$ 5,139	$ 2,963	$ 1,315	$ 405	$ 822	$15,708
Total borrowings	$ 1,838	$ 928	$ 645	$ 785	$ -	$1,323	$ 5,519
Total liabilities	$ 3,008	$ 2,098	$ 869	$ 1,070	$ -	$1,463	$ 8,508
As at December 31, 2010:							
Property, plant and equipment	$ 4,678	$ 4,386	$ 2,248	$ 554	$ -	$ 307	$12,173
Addition to property, plant and equipment	$ 23	$ 19	$ 117	$ 289	$ -	$ -	$ 348
Total assets	$5,093	$ 4,713	$ 2,814	$ 645	$ 269	$ 340	$13,874
Total borrowings	$1,857	$ 950	$ 665	$ 362	$ -	$1,160	$ 4,994
Total liabilities	$1,428	$ 2,683	$ 955	$ 406	$ -	$3,217	$ 8,689

The following is information about Brookfield Renewable's total assets for its equity-accounted investment:

(MILLIONS)	Conventional Hydroelectric United States	Canada	Brazil	Wind	Other	Total
As at December 31, 2011	$169	$ 70	$ 86	$ 80	$ -	$ 405
As at December 31, 2010	$ 95	$ 83	$ 80	$ 5	$ 6	$ 269

26. COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments

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

Brookfield Renewable has recorded decommissioning retirement obligations associated with its power generating assets. Refer to Note 16 - Other long-term liabilities for details.

At the balance sheet date, Brookfield Renewable had commitments for future minimum lease payments under non-cancellable leases which fall due as follows:

AS AT DECEMBER 31 (MILLIONS)	2012	2013	2014	2015	2016	Thereafter	Total
Operating leases	$ 6	$ 6	$ 4	$ 4	$ 4	$ 30	$ 54
Capital leases	-	-	-	-	-	47	47
Total	$ 6	$ 6	$ 4	$ 4	$ 4	$ 77	$ 101

Contingencies

Brookfield Renewable and its subsidiaries are subject to various legal proceedings, arbitrations and actions arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such proceedings and actions will not have a material impact on Brookfield Renewable's consolidated financial position or results of operations.

Guarantees

Brookfield Renewable, on behalf of Brookfield Renewable's subsidiaries, provided letters of credit, which include, but are not limited to, guarantees for debt service reserves, capital reserves, construction completion and performance. The activity on the issued letters of credit can be found in Note 14 - Debt Obligations.

In the normal course of operations, Brookfield Renewable and its subsidiaries execute agreements that provide for indemnification and guarantees to third parties of transactions such as business dispositions, capital project purchases, business acquisitions, and sales and purchases of assets and services. Brookfield Renewable has also agreed to indemnify its directors and certain of its officers and employees. The nature of substantially all of the indemnification undertakings prevents Brookfield Renewable from making a reasonable estimate of the maximum potential amount that Brookfield Renewable could be required to pay third parties as the agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, neither Brookfield Renewable nor its subsidiaries have made significant payments under such indemnification agreements.

27. SUBSEQUENT EVENTS

Growth developments

With its institutional partners, Brookfield Renewable recently acquired new wind generation assets in California, including a 150 MW wind farm adjacent to the Coram wind project in the Tehachapi region. This new facility entered commercial operation in the first quarter of 2012 and comes with a 24-year PPA with Southern California Edison. Brookfield Renewable also acquired the remaining 50% stake previously held by its partner in Coram, along with a further 22 MW of additional operating wind generation capacity.

Unitholder distribution increase

In January 2012, Brookfield Renewable announced an increase in unitholder distributions to $1.38 per unit on an annualized basis, an increase of three cents per unit per year, to take effect during the first quarter distribution payable in April 2012.

Secondary offering and over-allotment option exercised

In the first quarter of 2012, a bought-deal secondary offering that was completed, through which a wholly-owned subsidiary of Brookfield Asset Management sold 13,144,500 of its limited partnership units of Brookfield Renewable (11,430,000 limited partnership units plus 1,714,500 limited partnership units pursuant to an over-allotment option that was exercised in full) at an offering price of C$26.25 per limited partnership unit. Brookfield Asset Management had previously owned approximately 73% of Brookfield Renewable on a fully-exchanged basis. Upon the completion of the secondary offering, and giving effect to the over-allotment option, Brookfield Asset Management now owns, directly and indirectly, 177,750,609 limited partnership units, representing approximately 68% of Brookfield Renewable on a fully-exchanged basis.

Medium-term note offering

In February 2012, Brookfield Renewable successfully completed a C$400 million offering of medium-term notes bearing interest at a rate of 4.79% per year that are due February 2022. Proceeds of the offering were used to refinance existing indebtedness and for general business purposes.

Distribution reinvestment plan

In the first quarter of 2012, the Board of Directors for Brookfield Renewable approved the adoption and implementation of a distribution reinvestment plan. The plan has been implemented in the current quarter and allows registered or beneficial holders of Brookfield Renewable limited partnership units who are residents in Canada to acquire additional units by reinvesting all or a portion of their cash distributions without paying commissions.

Credit facilities

In March 2012, Brookfield Renewable expanded its revolving credit facilities from $600 million to $900 million, with maturity dates to October 2016.

LP UNITHOLDERS' INFORMATION

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Exchange Listing
TSX: BEP.UN (L.P. units)
TSX: BRF.PR.A (Preferred shares)

Investor Information

Visit Brookfield Renewable online at www.brookfieldrenewable.com for more information. The 2011 Annual Report is also available online. For detailed and up-to-date news and information, please visit the News Press Release section.

Additional financial information is filed electronically with various securities regulators in Canada through SEDAR at www.sedar.com.

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