PARTNERS VALUE FUND INC.

2014 Annual Report

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Forward-Looking Information

This annual report contains "forward-looking information" within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of any applicable Canadian securities regulations. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, include statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Partners Value Fund Inc. (the "Company") and its affiliates, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, and include words such as "expects," "anticipates," "plans," "believes," "estimates," "seeks," "intends," "targets," "projects," "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may," "will," "should," "would" and "could".

Although the Company believes that its anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond its control, which may cause the actual results, performance or achievements of the Company 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 and information include, but are not limited to: the financial performance of Brookfield Asset Management Inc., the impact or unanticipated impact of general economic, political and market factors; the behavior of financial markets, including fluctuations in interest and foreign exchanges rates; global equity and capital markets and the availability of equity and debt financing and refinancing within these markets; strategic actions including dispositions; changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates); the effect of applying future accounting changes; business competition; operational and reputational risks; technological change; changes in government regulation and legislation; changes in tax laws, catastrophic events, such as earthquakes and hurricanes; the possible impact of international conflicts and other developments including terrorist acts; and other risks and factors detailed from time to time in the Company's documents filed with the securities regulators in Canada.

The Company cautions that the foregoing list of important factors that may affect future results is not exhaustive. When relying on the Company's forward-looking statements and information, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements and information, whether written or oral, that may be as a result of new information, future events or otherwise.

Cautionary Statement Regarding Use of Non-IFRS Accounting Measures

This annual report makes reference to net income for common shareholders and net book value per common share, and provides a full reconciliation between these measures and net income and total assets, respectively, which the Company considers to be the most directly comparable measures calculated in accordance with IFRS.

Letter to Shareholders

In 2014, our book value per share increased by 48% to $37.51 per share. This is the best annual result since our reorganization in 1998 almost 20 years ago. This strong performance was driven by the appreciation in our ownership stake in Brookfield Asset Management Inc. whose Class A common shares are now trading at all-time highs.

To date, our business objective has been to provide our common shareholders with a leveraged investment in Brookfield. However, given the strong appreciation in our Brookfield investment over the years, the financial impact to our shareholders of the leverage that we currently have has been reduced. Consequently, this has prompted us to revisit and revise our business plan for the future. Looking forward, our new business plan has several key components.

First, we will bolster our investment capabilities by recruiting a small team of investment professionals. This team will then seek to identify attractive investment opportunities around the globe and capitalize on them. Our goal is to find and invest in companies that are, or have the potential to be, world leaders in their respective industries as Brookfield has become. By investing in these global champions, we believe we can out perform and produce superior results for our shareholders.

Second, we plan to improve our financial flexibility by expanding our banking facilities and trading lines. Today, we have a solid capital base and market capitalization of over $2.7 billion. Our liabilities represent only 16% of our total capitalization. This strong capital position enables us to take advantage of market opportunities as they arise and without exposing the company to undue risk.

Lastly, we have an existing portfolio of $457 million of cash and other securities that we can invest for greater returns over time. The investments we currently hold have performed exceptionally well so we have no plans to liquidate them in the near term. Nonetheless, we will look at diversifying this portfolio over time. Our plan is to always maintain a high degree of liquidity so much of this portfolio will remain invested in public securities. This ensures that we will be well positioned to take advantage of investment opportunities as they arise. That said, we do have the capacity to invest in private companies and may choose to do so where circumstances warrant.

On behalf of the Company and the board, I would like to thank Ed Kress who is stepping down as President for his valuable contribution over many years. Ed shall remain as a director on the board.

George E. Myhal
President and Chief Executive Officer
March 30, 2015

Statement of Financial Position

The information in the following table has been extracted from the consolidated financial statements of the Company.

As at December 31 *(Thousands, except per share amounts)*		**2014**		2013
Assets				
Cash and cash equivalents	**$**	**19,350**	$	5,102
Accounts receivable and other		**39,183**		2,083
Brookfield Asset Management Inc.[1]		**3,273,491**		2,310,897
Other securities		**438,524**		354,180
	$	**3,770,548**	$	2,672,262
Liabilities and Shareholders' Equity				
Accounts payable and other	**$**	**24,845**	$	5,196
Retractable preferred shares[2]		**607,777**		537,531
Deferred taxes[3]		**378,859**		247,980
		1,011,481		790,707
Shareholders' Equity				
Common equity		**2,759,067**		1,881,555
	$	**3,770,548**	$	2,672,262
Net book value per common share[4,5]	**$**	**37.51**	$	25.36

1 The investment in Brookfield Asset Management Inc. consists of 56 million Class A Shares with a quoted market value of $58.22 per Share as at December 31, 2014 (December 31, 2013 - $41.10).
2 Represents $617 million of retractable preferred shares less $9 million of unamortized issue costs (December 31, 2013 - $542 million less $5 million).
3 The deferred tax liability represents the potential future income tax liability of the Company recorded for accounting purposes based on the difference between the carrying values of the Company's assets and liabilities and their respective tax values, as well as giving effect to estimated capital and non-capital losses.
4 As at December 31, 2014, there were 73,546,899 (December 31, 2013 – 74,206,510) voting and non-voting common shares of the Company issued and outstanding on a fully diluted basis.
5 Net book value per common share is a non-IFRS measure.

Change in Net Book Value

For the years ended December 31		**2014**				2013		
(Thousands, except per share amounts)		**Total**		**Per Share**		Total		Per Share
Net book value, beginning of year[1]	**$**	**1,881,555**	**$**	**25.36**	$	1,534,746	$	20.68
Net income[2]		**26,598**		**0.36**		32,554		0.44
Other comprehensive income[2]		**870,703**		**11.75**		314,255		4.24
Equity redemption[3]		**(19,789)**		**(0.27)**		—		—
Other[4]		**—**		**0.31**		—		—
Net book value, end of year[1,5]	**$**	**2,759,067**	**$**	**37.51**	$	1,881,555	$	25.36

1 Net book value per common share is non-IFRS measure.
2 The weighted average number of common shares outstanding during the year ended December 31, 2014 was 74,132,417 (December 31, 2013 – 74,206,510).
3 In November 2014, the Company completed a substantial issuer bid and redeemed and cancelled 659,609 common shares at $30.00 per share for a total of $20 million.
4 Represents the anti-dilution of net book value per share as a result of the substantial issuer bid (see footnote 3).
5 As at December 31, 2014, there were 73,546,899 (December 31, 2013 – 74,206,510) voting and non-voting common shares of the Company issued and outstanding on a fully diluted basis.

Overview

Partners Value Fund Inc. (the "Company") is a leveraged investment company whose principal investment is a direct and indirect ownership interest in 56 million Class A Limited Voting Shares ("Class A Shares") of Brookfield Asset Management Inc. ("Brookfield").

The Company's objective is to provide its common shareholders with capital appreciation as opposed to income returns. Investment income includes dividends from its investment in Brookfield Class A Shares, as well as its other securities portfolio, which is dedicated to paying dividends on its financing obligations.

The Company's investment in Brookfield is owned directly and indirectly through Partners Value Split Corp. ("Partners Value Split"), a public subsidiary in which the Company owns 100% of the common equity. Partners Value Split has publicly listed retractable preferred shares of which $567 million were outstanding at December 31, 2014.

The Company also holds a portfolio of other securities including: a 90% interest in the New Horizons Income Fund ("New Horizons"), a publicly listed fund which invests in high yield securities; a 100% interest in Global Champions Split Corp. ("Global Champions"), which owns a diversified investment portfolio of large capitalization companies; and investments in Brookfield Infrastructure Partners and Brookfield Property Partners limited partnership units.

Additional information on the Company, Partners Value Split, New Horizons and Global Champions including the Company's annual information form, is available on SEDAR's web site at *www.sedar.com*.

Results of Operations

Overview

The Company recorded net income of $27 million for the year ended December 31, 2014 compared to $33 million in the prior year. The decrease in net income was primarily due to market-to-market valuation losses within New Horizons and lower equity accounted income driven by a decline in the net asset value of the Company's New Horizons investment (prior to acquisition of control) which more than offset the increases in dividend income.

During the year, the Company's net book value increased by $12.15 per share to $37.51 per share due to increases in the overall market value of the Company's long-term investment portfolio.

The following table reconciles the Company's net income for the years ended December 31.

(Thousands)	**2014**	2013	Change
Investment Income:			
Dividends and interest	**$ 55,421**	$ 43,451	$ 11,970
Other investment (loss) income	**(5,602)**	6,277	(11,879)
	49,819	49,728	91
Less:			
Operating expenses	**1,287**	1,198	89
Retractable preferred share dividends	**28,072**	27,595	477
	20,460	20,935	(475)
Other items:			
Equity accounted income	**6,824**	16,895	(10,071)
Amortization of deferred financing costs	**(1,814)**	(1,687)	(127)
Change in value of fund unit liability	**1,185**	—	1,185
Income tax expense	**(57)**	(3,589)	3,532
Net income	**$ 26,598**	$ 32,554	$ (5,956)

Investment Income

Investment income for the years ended December 31 consists of the following:

(Thousands)		**2014**		2013
Dividends:				
Brookfield Asset Management Inc.	**$**	**42,290**	$	33,893
Other securities		**12,475**		9,333
Interest		**656**		225
Other investment income		**(5,602)**		6,277
	$	**49,819**	$	49,728

The Company received dividend income of $42 million (2013 – $34 million) from its investment in Brookfield. The increase in Brookfield divided income was driven by an increase in Brookfield's dividend rate as well as an increase in the Canadian dollar equivalent value of the dividends, which are declared in U.S. dollars.

Other investment income includes valuation gains and losses and realized and unrealized derivative and foreign exchange gains and losses incurred within Global Champions and New Horizons portfolios. This amount decreased over the prior year due to valuation losses on certain derivatives.

Retractable Preferred Share Dividends

The Company paid $28 million (2013 – $28 million) of dividends on the retractable preferred shares during the year ended December 31, 2014.

Equity Accounted Investments

The Company recorded $7 million (2013 – $17 million) of equity accounted income during the year representing its proportionate share of the net income earned by New Horizons prior to the Company's acquisition of control and subsequent consolidation of New Horizons. This consisted of $4 million (December 31, 2013 – $5 million) of distributions received and a $3 million (December 31, 2013 – $12 million) unrealized gain on the mark-to-market of the fund's investment portfolio.

Amortization of Financing Costs

The amortization of deferred financing costs associated with preferred shares issued by Partners Value Split and Global Champions resulted in a charge against income of $2 million (2013 – $2 million).

Income Taxes

The Company recorded an income tax expense of $nil (2013 – $4 million) during the year ended December 31, 2014. The nil amount in the current year is a product of higher current taxes resulting from increased investment income offset by an equal amount of deferred tax recoveries.

Financial Position

The Company's total assets were $3,771 million at December 31, 2014, versus $2,672 million at the end of the prior year, and consist primarily of its $3,273 million investment in 56 million Brookfield Class A shares (2013 - $2,311 million). The market price of a Brookfield Class A share increased from $41.10 per share at December 31, 2013 to $58.22 at December 31, 2014.

Investment Portfolio

As at December 31	Number of Shares		Fair Value			
(Thousands)	**2014**	2013		**2014**		2013
Brookfield Asset Management Inc.	**56,226**	56,226	**$**	**3,273,491**	$	2,310,897
Other securities:						
Brookfield Infrastructure Partners L.P.	**2,219**	2,219		**107,937**		92,432
Brookfield Property Partners L.P.	**3,613**	3,613		**95,576**		76,606
Brookfield New Horizons Income Fund portfolio[1]	**various**	6,100		**115,031**		77,340
Global Champions portfolio	**various**	various		**119,980**		107,802
			$	**438,524**	$	354,180

1 *Represents the value of New Horizons' portfolio that has been consolidated. Prior to control being acquired in 2014, New Horizons was accounted for as an equity accounted investment.*

Brookfield Asset Management Inc.

Brookfield is a global alternative asset manager focused on real estate, infrastructure, power and private equity with over $200 billion of assets under management and is inter-listed on the New York, Toronto and NYSE Euronext stock exchanges. Further information on Brookfield can be found on their web site at *www.brookfield.com.*

The Company has classified the Brookfield Class A Shares as available-for-sale financial instruments, and accordingly recognizes changes in the fair value of these shares through other comprehensive income.

Other Securities

The Company holds an investment in Brookfield Infrastructure Partners consisting of 2.2 million (December 31, 2013 – 2.2 million) limited partnership units with a fair value of $108 million at December 31, 2014 (December 31, 2013 – $92 million). Brookfield Infrastructure Partners owns and operates utility, transport and energy businesses in North and South America, Australasia, and Europe and is inter-listed on the New York and Toronto stock exchanges. Further information on Brookfield Infrastructure Partners can be found on their web site at *www.brookfieldinfrastructure.com.*

The Company has an investment in Brookfield Property Partners consisting of 3.6 million limited partnership units with a fair value of $96 million at December 31, 2014 (December 31, 2013 - $77 million). Brookfield Property Partners was spun-off from Brookfield in April 2013. Brookfield Property Partners is a global commercial property company that owns, operates and invests in best-in-class office, retail, multifamily and industrial assets and is inter-listed on the New York and Toronto stock exchanges. Further information on Brookfield Property Partners can be found on their web site at *www.brookfieldpropertypartners.com.*

Both of the above investments are classified as available for sale financial instruments and, accordingly, changes in their fair value are recorded in other comprehensive income.

New Horizons, a public subsidiary which invests in high yield securities and in which the Company owns 90% of the common equity, has a portfolio of securities with a fair value of $115 million at December 31, 2014. Prior to obtaining control of New Horizons in 2014, the Company had accounted for its investment in New Horizons using the equity method which, as at December 31, 2013, had a value of $77 million.

Global Champions, a public subsidiary which invests in a diversified portfolio of large capitalization companies and in which the Company owns 100% of the common equity, has a portfolio of securities with a fair value of $120 million as at December 31, 2014 (December 31, 2013 - $108 million).

Both of the above portfolios are classified as fair value through profit and loss and, accordingly, changes in their fair value are recorded in consolidated statements of operations.

Deferred Taxes

The deferred tax liability represents the potential tax liability based on the excess of the carrying value of the net assets over their respective tax values, less available loss carry forwards. The potential tax liability increased during the year primarily due to the increase in the fair value of the Company's investment portfolio, namely the Brookfield Class A Shares.

Liquidity and Capital Resources

The Company holds cash and cash equivalents totalling $19 million and investments of $3,712 million as at December 31, 2014 (December 31, 2013 – $5 million and $2,665 million). The Company has operating cash requirements for 2014 of $28 million in scheduled dividend payments on its $608 million of preferred shares issued by Partners Value Split and Global Champions which are less than the regular distributions expected to be received on Brookfield and other securities held by the Company. The Company believes it has sufficient liquid assets, operating cash flow and financing alternatives to meet its obligations.

Retractable Preferred Shares

Retractable preferred shares issued by Partners Value Split and Global Champions are comprised of the following:

As at December 31 *(Thousands)*		Redemption Date		**2014**		2013
Partners Value Split						
2,055,420	4.95% Class AA, Series I	March 25, 2016	**$**	**51,386**	$	51,386
7,636,800	4.35% Class AA, Series III	January 10, 2019		**190,777**		190,920
4,997,850	7.25% Class AA, Series IV	July 9, 2014		**—**		124,946
4,999,000	4.85% Class AA, Series V	December 10, 2017		**124,975**		124,975
8,000,000	4.50% Class AA, Series VI	October 8, 2021		**200,000**		—
Global Champions						
2,000,000	4.00% Class A, Series I	July 31, 2019		**50,000**		50,000
				617,138		542,227
Deferred financing costs[1]				**(9,361)**		(4,696)
			$	**607,777**	$	537,531

1 Deferred financing costs are amortized over the term of the borrowing following the effective interest method.

Shareholders' equity

As at December 31, 2014 shareholders' equity consisted of 73,546,899 voting and non-voting common shares with a book value of $2,759 million compared to $1,882 million as at December 31, 2013. The increase in book value is primarily the result of an increase in fair value of the Class A Shares of Brookfield, whose share price increased from $41.10 at December 31, 2013 to $58.22 at December 31, 2014.

Business Environment and Risks

The Company's activities expose it to a variety of financial risks, including market risk (i.e. currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The following are risk factors relating to an investment in the common shares of the Company:

Fluctuations in Value of Investments

The value of common shares may vary according to the value of the Brookfield Class A Shares and other securities owned by the Company. The value of these investments may be influenced by factors not within the control of the Company, including the financial performance of Brookfield and other investees, interest rates and other financial market conditions. As a result, the net asset value of the Company may vary from time to time.

The future value of the common shares will be largely dependent on the value of the Brookfield Class A Shares. A material adverse change in the business, financial conditions or results of operations of Brookfield and other investees of the Company will have a material adverse effect on the common shares of the Company. In addition, the Company may incur additional financial leverage in order to acquire, directly or indirectly, additional securities issued by Brookfield, which would increase both the financial leverage of the Company and the dependency of the future value of the common shares on the value of the Brookfield Class A Shares.

Foreign Currency Exposure

The Company's investment in Brookfield and certain of its other investments are functionally United States dollar investments. Accordingly, the value of the these assets may vary from time to time with fluctuations in the exchange rate between Canadian and United States dollars. In addition, these investments pay distributions and interest in United States dollars. Strengthening of the Canadian dollar relative to the United States dollar could decrease the amount of cash available to the Company.

Leverage

The Company's assets are financed in part with the retractable preferred shares issued by Partners Value Split and Global Champions. This results in financial leverage that will increase the sensitivity of the value of the common shares to changes in the values of the assets owned by the Company. A decrease in the value of the Company's investments may have a material adverse effect on the Company's business and financial conditions.

Liquidity

The Company's liquidity requirements are typically limited to funding its interest and dividend obligations on outstanding financial obligations.

Holders of the retractable preferred shares issued by either Partners Value Split or Global Champions have the ability to retract their shares. The Class AA, Series I Preferred shares are retractable for cash, whereas Partners Value Split, Global Champions, or the Company has the right to issue debentures, as opposed to cash, to settle retractions of the Class AA, Series III; Class AA, Series V; Class AA, Series VI; and Class A Series I preferred shares, respectively.

The Company maintains financial assets and credit facilities to fund liquidity requirements in the normal course, in addition to its investment in Brookfield. The Company's policy is to hold the Brookfield Class A Shares as long term investments, however shares are available to be sold to fund retractions and redemptions of preferred shares or common shares. The Company's ability to sell a substantial portion of the Brookfield Class A Shares may be limited by resale restrictions under applicable securities laws that will affect when or to whom the Brookfield Class A Shares may be sold. Accordingly, if and when the Company is required to sell Brookfield Class A Shares, the liquidity of such shares may be limited. This could affect the time it takes to sell the Brookfield Class A Shares and the price obtained by the Company for the Brookfield Class A Shares sold.

No Ownership Interest

A direct investment in common shares does not constitute a direct investment in the Brookfield Class A Shares or other securities held by the Company. Holders of common shares do not own the Brookfield Class A Shares or other securities held by the Company or have any voting rights in respect of such securities.

Contractual Obligations

The Company's contractual obligations as of December 31, 2014 are as follows:

		Payment Due By Period			
(Thousands)	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Retractable preferred shares					
Partners Value Split:					
Class AA, Series I[1]	$ 51,386	$ —	$ 51,386	$ —	$ —
Class AA, Series III[2]	190,777	—	—	190,777	—
Class AA, Series V[3]	124,975	—	124,975	—	—
Class AA, Series VI[4]	200,000	—	—	—	200,000
Global Champions:					
Class A, Series I[5]	50,000	—	—	50,000	—
Interest expense related to:					
Retractable preferred shares					
Partners Value Split:					
Class AA, Series I	$ 3,360	$ 2,543	$ 817	$ —	$ —
Class AA, Series III	34,128	8,299	16,598	9,231	—
Class AA, Series V	18,349	6,061	12,288	—	—
Class AA, Series VI	61,687	9,000	18,000	18,000	16,687
Global Champions:					
Class A, Series I	9,170	2,000	4,000	3,170	—

1 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in cash.

2 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2019.

3 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2017.

4 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2021.

5 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2019.

Summary of Financial Information

The following table summarizes selected consolidated financial information of the Company for the past three years ended December 31:

	Years Ended December 31		
(Thousands, except per share amounts)	**2014**	2013	2012
Net income	**$ 26,598**	$ 32,554	$ 19,120
Net income per common share	**0.36**	0.44	0.26
Total assets	**3,770,548**	2,672,262	2,220,560
Total long-term liabilities	**1,001,604**	785,511	685,537

A summary of the eight recently completed quarters is as follows:

	2014				2013			
(Thousands, except per share amounts)	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net income	**(7,554)**	1,222	18,219	14,711	15,480	3,151	5,156	8,767
Net income per common share	**(0.10)**	0.01	0.25	0.20	0.21	0.04	0.07	0.12

Net income includes dividends and interest on the Company's investment portfolio, in addition to valuation gains and losses relating to the Global Champions and the New Horizons portolio, and fluctuates accordingly with changes in the U.S. dollar relative to the Canadian dollar on dividends earned on U.S. dollar and other foreign currencies investments in addition to changes in equity markets. Also included in net income are gains and losses on the disposition of investments. The variance in net income on the last eight quarters is primarily the result of valuation gains on certain of the Company's investments and increases in the dividend income earned from its investments.

Related Party Transactions

Brookfield provided management and financial services to the Company during 2014 and 2013 and recovered costs of $24 thousand December 31, 2014 (December 31, 2013 – $40 thousand) in respect of those services.

International Financial Reporting Standards ("IFRS")

Adoption of accounting standards

IAS 32, *Financial Instruments: Presentation* ("IAS 32") was amended to clarify certain aspects as a result of the application of offsetting requirements, namely focusing on the following four main areas: the interpretation of "currently has a legally enforceable right of set-off", the application of simultaneous realization and settlement, the offsetting of collateral amounts, and the unit of account for applying the offsetting requirements. IAS 32 is effective for annual periods beginning on or after January 1, 2014. There was no impact as a result of the adoption of IAS 32 on the Company's consolidated statements.

The IASB issued amendments to IFRS 10, *Consolidated Financial Statements* ("IFRS 10") to provide an exception to the consolidation requirements in IFRS 10. Under IFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The amendments required investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them, if they met certain conditions. The amendments also set out disclosure requirements for investment entities. The amendments to IFRS 10 were effective for annual periods beginning on or after January 1, 2014. There was no impact as a result of the adoption of IFRS 10 on the Company's consolidated statements and the Company will continue to consolidate its subsidiaries.

Future Changes in Accounting Standards

Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are required in the determination of future cash flows and probabilities in assessing net recoverable amounts and net realizable values; tax and other provisions; as well as fair values for disclosure purposes. In the normal course of operations, the Company may execute agreements that provide for indemnification and guarantees to third parties in transactions such as business dispositions, business acquisitions and the sale of assets. The nature of substantially all of the indemnification undertakings precludes the possibility of making a reasonable estimate of the maximum potential amount that the Company could be required to pay to third parties as the agreements often 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, the Company has not made any payments under such indemnification agreements and guarantees.

Disclosure Controls And Procedures

We maintain appropriate information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. The President and the Vice President, Finance of the Company evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in “National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings”) as at December 31, 2014 and have concluded that the disclosure controls and procedures are operating effectively.

Internal Controls Over Financial Reporting

We maintain appropriate internal controls over financial reporting (as defined in “National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings”) and the President and the Vice President, Finance have concluded that the internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has evaluated whether there were changes in our internal controls over financial reporting during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting and has determined that there have been no such changes.

George E. Myhal

President and Chief Executive Officer

March 30, 2015

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements and other financial information in this annual report have been prepared by the Company's management which is responsible for their integrity and objectivity. To fulfill this responsibility, the Company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate. These policies and procedures are designed to provide a high degree of assurance that relevant and reliable financial information is produced.

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying consolidated financial statements.

Deloitte LLP, the independent auditors appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report is on the following page.

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

Toronto Canada
March 30, 2015

George E. Myhal
President and Chief Executive Officer

Independent Auditor's Report

To the Shareholders of Partners Value Fund Inc.

We have audited the accompanying financial statements of Partners Value Fund Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statement

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

Auditor's Responsibility

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

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

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

Opinion

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

Deloitte LLP

Toronto, Canada
March 30, 2015

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

As at December 31 *(Thousands)*	Note		**2014**		2013
Assets					
Cash and cash equivalents		**$**	**19,350**	$	5,102
Accounts receivable and other	11		**39,183**		2,083
Brookfield Asset Management Inc.	4		**3,273,491**		2,310,897
Other securities	4		**438,524**		354,180
		$	**3,770,548**	$	2,672,262
Liabilities					
Accounts payable and other	11	**$**	**24,845**	$	5,196
Retractable preferred shares	5		**607,777**		537,531
Deferred taxes	8		**378,859**		247,980
			1,011,481		790,707
Shareholders' Equity					
Common equity	6		**2,759,067**		1,881,555
		$	**3,770,548**	$	2,672,262

See accompanying notes to financial statements.

On behalf of the Board

Frank N.C. Lochan
Director and Chairman

George E. Myhal
President and Chief Executive Officer

Consolidated Statements of Operations

For the years ended December 31 *(Thousands, except per share amounts)*	Note	2014	2013
Investment Income			
Dividends, interest and other		**$ 49,819**	$ 49,728
		49,819	49,728
Expenses			
Operating		**1,287**	1,198
Retractable preferred share dividends		**28,072**	27,595
		29,359	28,793
		20,460	20,935
Equity accounted income	4	**6,824**	16,895
Amortization of deferred financing costs		**(1,814)**	(1,687)
Change in value of fund unit liability		**1,185**	—
Current tax expense	8	**(2,057)**	(1,123)
Deferred tax recovery (expense)	8	**2,000**	(2,466)
Net income		**$ 26,598**	$ 32,554
Net income per common share	7	**$ 0.36**	$ 0.44

See accompanying notes to financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 *(Thousands, except per share amounts)*	2014	2013
Net income	**$ 26,598**	$ 32,554
Items that may be reclassified to net income:		
Unrealized gain on available-for-sale securities	**997,072**	360,631
Foreign exchange translation	**6,510**	1,740
Deferred income taxes	**(132,879)**	(48,116)
Other comprehensive income	**870,703**	314,255
Comprehensive income	**$ 897,301**	$ 346,809
Comprehensive income per common share	**$ 12.11**	$ 4.68

See accompanying notes to financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2014 (Thousands)	Note	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
Balance, beginning of year		$ 79,450	$ 1,748,110	$ 53,995	$ 1,881,555
Net income		—	—	26,598	26,598
Other comprehensive income		—	870,703	—	870,703
Equity redemption	6	(706)	—	(19,083)	(19,789)
Balance, end of year	6	$ 78,744	$ 2,618,813	$ 61,510	$ 2,759,067

For the year ended December 31, 2013 (Thousands)	Note	Common Shares	Accumulated Other Comprehensive Income	Retained Earnings	Common Equity
Balance, beginning of year		$ 79,450	$ 1,433,855	$ 21,441	$ 1,534,746
Net income		—	—	32,554	32,554
Other comprehensive income		—	314,255	—	314,255
Balance, end of year	6	$ 79,450	$ 1,748,110	$ 53,995	$ 1,881,555

See accompanying notes to financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 *(Thousands)*		**2014**		2013
Cash flow from operating activities				
Net income	**$**	**26,598**	$	32,554
Add (deduct) non-cash items:				
Non-cash portion of equity accounted income		**(3,164)**		(12,015)
Net realized and unrealized gains on investments		**(9,952)**		(5,598)
Net unrealized gains on derivatives and foreign exchange		**14,871**		(1,155)
Amortization of deferred issue costs		**1,814**		1,687
Change in value of fund unit liability		**(1,185)**		—
Deferred tax expense (recovery) expense		**(2,000)**		2,466
		26,982		17,939
Changes in working capital and foreign exchange		**5,144**		16
		32,126		17,955
Cash flow from (used in) investing activities				
Acquisition of subsidiary		**(65,327)**		—
Cash assumed on acquisition of subsidiary		**89**		—
Purchase of other securities		**(9,141)**		(90,736)
Sale of other securities		**16,645**		4,173
		(57,734)		(86,563)
Cash flow from (used in) financing activities				
Common shares repurchased		**(19,788)**		—
Preferred shares issued		**193,595**		47,828
Preferred shares redeemed		**(124,871)**		—
Redemption of fund unit liability		**(8,782)**		—
Net borrowings		**(298)**		—
		39,856		47,828
Cash and cash equivalents				
Increase (decrease) during the year		**14,248**		(20,780)
Balance, beginning of year		**5,102**		25,882
Balance, end of year	**$**	**19,350**	$	5,102

See accompanying notes to financial statements.

Supplemental Cash Flow Information

For the years ended December 31 *(Thousands)*		**2014**		2013
Cash interest and dividends received	**$**	**53,110**	$	43,293
Retractable preferred share dividends paid		**(28,072)**		(27,095)
Income taxes paid		**(1,232)**		(780)

1. Business Operations

Partners Value Fund Inc. (the "Company") is an investment holding company incorporated under the laws of the province of Ontario which owns a leveraged investment in Brookfield Asset Management Inc. ("Brookfield"). Brookfield provides management and administration services to the Company. The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, Partners Value Split Corp. ("Partners Value Split"), Global Champions Split Corp., ("Global Champions") and 90% owned subsidiary, New Horizons Income Fund ("New Horizons"). The Company was formed by the articles of incorporation under the Business Corporations Act (Ontario) and is registered in Ontario, Canada. The registered office of the Company is Brookfield Place, 181 Bay Street, Suite 300, Toronto, Ontario, M5J 2T3.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). The consolidated financial statements are prepared on a going concern basis. These financial statements were authorized for issuance by the Board of Directors of the Company on March 26, 2014.

(b) Adoption of accounting standards

IAS 32, *Financial Instruments: Presentation* ("IAS 32") was amended to clarify certain aspects as a result of the application of offsetting requirements, namely focusing on the following four main areas: the interpretation of "currently has a legally enforceable right of set-off", the application of simultaneous realization and settlement, the offsetting of collateral amounts, and the unit of account for applying the offsetting requirements. IAS 32 is effective for annual periods beginning on or after January 1, 2014. There was no impact as a result of the adoption of IAS 32 on the Company's consolidated statements.

The IASB issued amendments to IFRS 10, *Consolidated Financial Statements* ("IFRS 10") to provide an exception to the consolidation requirements in IFRS 10. Under IFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The amendments required investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them, if they met certain conditions. The amendments also set out disclosure requirements for investment entities. The amendments to IFRS 10 were effective for annual periods beginning on or after January 1, 2014. There was no impact as a result of the adoption of IFRS 10 on the Company's consolidated statements and the Company will continue to consolidate its subsidiaries.

(c) Future Changes in Accounting Standards

Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39, Financial Instruments: Recognition and Measurement ("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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

(d) Basis of presentation

Foreign currencies

The Company considers the Canadian dollar to be its functional currency as it is the currency of the primary economic environment in which the Company operates. Accordingly, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the end of the reporting period and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at rates approximating the exchange rates in effect at the time of the transactions.

Income taxes

The Company follows the asset and liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on unused income tax losses and temporary differences between the carrying amount and tax bases of assets and liabilities, when the benefit is more likely than not to be realized and measured using the tax rates and laws substantively enacted at the balance sheet date. The deferred tax liability is classified. as non-current.

Cash and cash equivalents

Cash and cash equivalents are current assets that are recorded at amortized cost and include cash on deposit with financial institutions and demand deposits with related parties.

Accounts receivable and other/accounts payable and other

Accounts receivable and other and accounts payable and other balances represent current assets and liabilities. The balances are classified as loans and receivables or other financial liabilities and are recorded at amortized cost. Also included in these balances are derivative assets and liabilities which are held for trading and classified as fair value through profit and loss and are recorded at their fair value.

Investment in Brookfield and other securities

The Company accounts for its investment in Brookfield, Brookfield Infrastructure Partners and Brookfield Property Partners as available-for-sale financial instruments at fair value with changes in their fair value recorded in other comprehensive income.

The Company accounts for its investments in the Global Champions and New Horizons portfolio as fair value through profit and loss and, accordingly, recognizes changes in fair value in the consolidated statements of operations.

Revenue recognition

Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.

Preferred shares

The Company's preferred shares are measured at amortized cost.

Deferred issue costs

Deferred issue costs were incurred in connection with the issuance of the retractable preferred shares of Partners Value Split and Global Champions and are amortized using the effective interest rate method.

Fund unit liability

Fund unit liability represents the non-controlling interests in New Horizons which are classified as a liability due to the redeemable features of the New Horizons units.

Recognition/Derecognition of Financial Assets and Financial Liabilities

The Company recognizes financial assets and financial liabilities designated as trading securities on the trade date. The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or expired.

(d) Critical Judgments and Estimates

The preparation of financial statements requires the Company to make critical judgments, estimates and assumptions that affect the carried amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses recorded during the year. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. These estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making these estimates and judgments in these financial statements.

The estimates and judgments used in determining the recorded amount for assets and liabilities in the financial statements include the following:

Financial Instruments

The critical assumptions and estimates used in determining the fair value of financial instruments are: equity prices, future interest rates and estimated future cash flows.

Derivatives

The critical assumptions and estimates used in determining the fair value of derivatives are: forward exchange rates and discount rates.

Level of Control

When determining the appropriate basis of accounting for the Company's investments, the Company uses the following critical assumptions and estimates: the degree of control or influence that the Company exerts over the investment and the amount of benefit that the Company receives relative to other investors.

Other critical estimates and judgments utilized in the preparation of the Company's financial statements include the assessment of net recoverable amounts, net realizable values and the ability to utilize tax losses and other tax assets.

3. Fair Values of Financial Instruments

The fair value of a financial instrument 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 are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which the Company has immediate access. Where bid and ask prices are unavailable, the closing price of the most recent transaction of that instrument is used.

Financial instruments classified as available-for-sale are carried at fair value on the consolidated balance sheets. Any changes in the fair values of financial instruments classified as available-for-sale are recognized in other comprehensive income. The cumulative changes in the fair values of available-for-sale securities previously recognized in accumulated other comprehensive income are reclassified to net income when the underlying security is either sold or there is a decline in value that is considered to be other-than-temporary. Financial instruments classified as fair value through profit and loss are carried at fair value on the consolidated balance sheets. Any changes in the fair values of financial instruments classified as fair value through profit and loss are recognized in net income.

The Company's financial assets and financial liabilities classified as fair value through profit and loss and available-for-sale consists of the following:

	2014		2013	
As at December 31 *(Thousands)*	**Fair value through profit and loss**	**Available for sale**	Fair value through profit and loss	Available for Sale
Brookfield Asset Management Inc.	**$ —**	**$ 3,273,491**	$ —	$ 2,310,897
Other securities[1]	**235,011**	**203,513**	107,802	169,038
Derivative assets[2]	**38,418**	**—**	—	—
Derivative liabilities[2]	**(6,036)**	**—**	(2,936)	—
	$ 267,393	**$ 3,477,004**	$ 104,866	$ 2,479,935

1 Prior year balance excluded New Horizons which was not held at fair value and was accounted for using the equity method.
2 Presented within accounts receivable and other and accounts payable and other, respectivley, on the consolidated balance sheets.

As at December 31, 2014, a cumulative pre-tax gain of $3,028 million (December 31, 2013 – $2,031 million) has been recognized for financial instruments classified as available-for-sale, over their historical cost amounts.

Financial Instruments Disclosures

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation of these assets and liabilities and are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs used in determining the estimate.

The fair value hierarchical level associated with the Company's financial assets and liabilities measured at fair value consists of the following:

As at December 31 *(Thousands)*	2014			2013		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Brookfield Asset Management Inc.	**$ 3,273,491**	**$ —**	**$ —**	$ 2,310,897	$ —	$ —
Other securities[1]	**438,524**	**—**	**—**	276,840	—	—
Derivative assets[2]	—	**38,418**	**—**	**—**	**—**	**—**
Derivative liabilities[2]	—	**(6,036)**	**—**	—	(2,936)	—
	$ 3,712,015	**$ 32,382**	**$ —**	$ 2,587,737	$ (2,936)	$ —

1 Prior year balance excluded New Horizons which was not held at fair value and was accounted for using the equity method.
2 Presented within accounts receivable and other and accounts payable and other, respectively, on the consolidated balance sheets.

There were no changes made to the financial instrument classifications and no transfers in and out of levels during the year.

4. Investment Portfolio

The Company's investment portfolio consists of the following:

As at December 31 *(Thousands)*	Number of Shares/Units		Cost		Fair Value	
	2014	2013	**2014**	2013	**2014**	2013
Brookfield Asset Management Inc.	**56,226**	56,226	**$ 416,240**	$ 416,240	**$ 3,273,491**	$ 2,310,897
Other securities:						
Brookfield Infrastructure Partners L.P.	**2,219**	2,219	**10,344**	10,344	**107,937**	92,432
Brookfield Property Partners L.P.	**3,613**	3,613	**22,739**	22,739	**95,576**	76,606
Brookfield New Horizons Income Fund portfolio[1]	**various**	6,100	**88,633**	61,000	**115,031**	77,340
Global Champions portfolio	**various**	various	**110,763**	103,184	**119,980**	107,802
			232,479	197,267	**$ 438,524**	$ 354,180

1 Represents the value of New Horizons' portfolio that has been consolidated. Prior to control being acquired in 2014, New Horizons was accounted for as an equity accounted investment.
2 Presented within accounts receivable and other accounts payable and other, on the consolidated balance sheets, respectively.

The Company owns 56.2 million (2013 – 56.2 million) Class A Limited Voting Shares of Brookfield ("Class A Shares") representing an approximate 8.6% (2013 – 8.6%) fully diluted equity interest. The Company has classified the Brookfield Class A Shares as available-for-sale financial instruments, and accordingly recognizes changes in the fair value of these shares through other comprehensive income.

Other Securities

The Company holds an investment in Brookfield Infrastructure Partners consisting of 2.2 million (December 31, 2013 – 2.2 million) limited partnership units with a fair value of $108 million at December 31, 2014 (December 31, 2013 – $92 million). The Company has classified its investment in the Brookfield Infrastructure Partners units as available-for-sale financial instruments and, accordingly, changes in their fair value are recorded in other comprehensive income.

The Company has an investment in Brookfield Property Partners consisting of 3.6 million limited partnership units with a fair value of $96 million at December 31, 2014 (December 31, 2013 - $77 million). Brookfield Property Partners was spun-off from Brookfield in April 2013. The Company has classified its investment in the Brookfield Property Partners units as available-for-sale financial instruments and, accordingly, changes in their fair value are recorded in other comprehensive income.

New Horizons, a public subsidiary which invests in high yield securities and in which the Company owns 90% of the common equity, has a portfolio of securities with a fair value of $115 million at December 31, 2014. These investments are classified as fair value through profit and loss and, accordingly, changes in their fair value are recorded in the consolidated statements of operations. Prior to obtaining control of New Horizons in 2014, the Company had accounted for its investment in New Horizons using the equity method which, as at December 31, 2013, had a value of $77 million. The Company had recognized $7 million of equity accounted income in 2014 prior to consolidating the investment.

Global Champions, a public subsidiary which invests in a diversified portfolio of large capitalization companies and in which the Company owns 100% of the common equity, has a portfolio of securities with a fair value of $120 million at December 31, 2014 (December 31, 2013 - $108 million). These investments are classified as fair value through profit and loss and, accordingly, changes in their fair value are recorded in the consolidated statements of operations.

5. Retractable Preferred Shares

Retractable preferred shares issued by Partners Value Split and Global Champions are non-current liabilities and are comprised of the following:

As at December 31 *(Thousands, except shares outstanding)*		Latest Redemption Date		**2014**		2013
Partners Value Split						
2,055,420	4.95% Class AA, Series I	March 25, 2016	**$**	**51,386**	$	51,386
7,636,800	4.35% Class AA, Series III	January 10, 2019		**190,777**		190,920
4,997,850	7.25% Class AA, Series IV	July 9, 2014		**—**		124,946
4,999,000	4.85% Class AA, Series V	December 10, 2017		**124,975**		124,975
8,000,000	4.50% Class AA, Series VI	October 8, 2021		**200,000**		—
Global Champions						
2,000,000	4.00% Class A, Series I	July 31, 2019		**50,000**		50,000
				617,138		542,227
Deferred financing costs[1]				**(9,361)**		(4,696)
			$	**607,777**	$	537,531

1 Deferred financing costs are amortized over the term of the borrowing following the effective interest rate method.

Partners Value Split

Retractable Preferred Shares issued by Partners Value Split include Class AA, Series I, Class AA, Series III, Class AA, Series V and Class AA, Series VI Preferred Shares. Partners Value Split is authorized to issue an unlimited number of Class A Preferred Shares and Class AA Preferred Shares.

The Board of Directors of Partners Value Split have the authority to fix the number of shares that will form each series and determine the rights, restrictions and conditions attached to each series. Any new series will be issued for a price of $25.00 per share and the proceeds are to be used to finance the retraction or redemption of outstanding Preferred Shares without necessitating the sale of Class AA Shares or facilitating the acquisition of additional Class AA Shares.

Holders of Class AA, Preferred Shares, Series I; Class AA, Preferred Shares, Series III; Class AA Preferred Shares, Series V and Class AA, Series VI Preferred Shares are entitled to receive cumulative quarterly dividends of $0.309375, $0.271875, $0.303125 and $0.28125 per share, respectively, payable on or about the 7th day of March, June, September and December in each year.

Retraction

Class AA, Series I Preferred Shares may be surrendered for retraction at any time. The Class AA, Series I Preferred Share Retraction Price will be paid in cash equal to the lesser of (i) 95% of Net Asset Value per Unit of Partners Value Split; and (ii) $25.00 less 5% of the Net Asset Value per Unit of Partners Value Split in either case less $1.00.

Class AA, Series III, Series V and Series VI Preferred Shares may be surrendered for retraction at any time. The Class AA Series III, Series V and Series VI Retraction Price will be equal to the lesser of (i) Net Asset Value per Unit of Partners Value Split and (ii) $25.00. Retraction Consideration will be a number of Series 1, Series 3 and Series 4 Debentures, respectively, determined by dividing the Retraction Price by $25.00.

The Series 1 Debentures will have a principal amount of $25.00 per debenture and will mature on January 10, 2019. Holders of the Series 1 Debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.45% per annum paid on or about the 7th day of March, June, September and December in each year. The Series I Debentures shall be redeemable by the company at any time. No debentures can be retracted.

The Series 3 Debentures will have a principal amount of $25.00 per debenture and will mature on December 10, 2017. Holders of the Series 3 Debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.95% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 3 Debentures shall be redeemable by the company at any time. No debentures can be retracted.

The Series 4 Debentures will have a principal amount of $25.00 per debenture and will mature on October 8, 2021. Holders of the Series 4 Debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.60% per annum paid on or about the 7th day of March, June, September, and December in each year. The Series 4 Debentures shall be redeemable by the company at any time. No debentures can be retracted.

The "Net Asset Value per Unit" is defined as the fair value of the Portfolio shares held by Partners Value Split plus (minus) the amount by which the value of the other assets of Partners Value Split exceed (are less than) the liabilities (including any extraordinary liabilities) of Partners Value Split and the redemption value of the preferred shares, divided by the total number of Units outstanding. A "Unit" is considered to consist of one capital share and one Preferred share of any class or series. For greater certainty, the Class AA Series I, III, V and VI Preferred Shares will not be treated as liabilities for purposes of determining Net Asset Value per Unit. The fair values of these shares based on quoted market prices as at December 31, 2014 were $25.43, $25.30, $25.85, $24.71 per share, respectively (2013 - $25.31, $24.25 and $25.32, respectively).

Redemption

Class AA Series I Senior Preferred Shares may be redeemed by the company at any time prior to March 25, 2016 (the "Series I Redemption Date") at a price which until March 25, 2013 will equal $26.00 per share plus accrued and unpaid dividends and which will decline by $0.25 each year thereafter to be equal to $25.00 on the Series I Redemption Date. All Class AA Series I Preferred Shares outstanding on the Series I Redemption Date will be redeemed for a cash amount equal to the lesser of $25.00 plus any accrued and unpaid dividends, and the net assets per Unit.

Class AA Series III Senior Preferred Shares may be redeemed by the company at any time on or after January 10, 2012 and prior to January 10, 2019 (the "Series III Redemption Date") at a price which until January 9, 2016 will equal $26.00 per share plus accrued and unpaid dividends and which will decline by $0.25 each year thereafter to be equal to $25.00 on the Series III Redemption Date. All Class AA Series III preferred shares outstanding on the Class AA Series III Redemption Date will be redeemed for a cash amount equal to the lesser of $25.00 plus any accrued and unpaid dividends, and the net assets per Unit.

Class AA Series V Senior Preferred Shares may be redeemed by the company at any time on or after December 10, 2015 and prior to December 10, 2017 (the "Series V Redemption Date") at a price which until December 10, 2016 will equal $25.50 per share plus accrued and unpaid dividends and which will decline by $0.25 each year thereafter to be equal to $25.00 on the Series V Redemption Date. All Class AA Series V Senior Preferred Shares outstanding on the Series V Redemption Date will be redeemed for a cash amount equal to the lesser of $25.00 plus any accrued and unpaid dividends, and the net assets per Unit. The company may redeem Class AA Series V Senior Preferred Shares prior to December 10, 2015 for $26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA Series V Senior Preferred Shares prior to the Series V Redemption Date unless: (i) Capital Shares have been retracted; or (ii) there is a take-over bid for the Brookfield Shares and the Board of Directors of the company determines that such a bid is in the best interest of the holders of the Capital Shares.

Class AA Series VI Senior Preferred Shares may be redeemed by The Company at any time on or after October 8, 2019 and prior to October 8, 2021 (the "Series 6 Redemptin Date"), at a price (the "Series VI Preferred Share Redemption Price), which, prior to October 8, 2020, will equal $25.50 per share plus accrued and unpaid dividends and which will decline by $0.25 on October 8, 2020. All Series VI Preferred Shares outstanding on the Series VI Redemption will be redeemed for a cash amount equal to the lesser of $25.00 plus any accrued and unpaid dividends, and the Net Asset Value per Unit. The company will not redeem Series VI Preferred Shares prior to the Series VI Redemption Date unless: (i) Capital shares have been retracted, or (ii) there is a take-over bid for the BAM shares and the Board of Directors of the company determines that such bid is in the best interest of the holders of the Capital Shares.

Global Champions

Retractable Preferred Shares issued by Global Champions include Class A, Series I. Global Champions is authorized to issue an unlimited number of Class A Preferred Shares.

The Board of Directors of Global Champions have the authority to fix the number of shares that will form each series and determine the rights, restrictions and conditions attached to each series.

Holders of Class A, Series I Preferred Shares are entitled to receive cumulative quarterly dividends of $0.25 per share, respectively, payable on or before the 15th day of January, April, July, and October in each year.

Retraction

Class A, Series I Preferred Shares may be surrendered for retraction at any time. The Class A Series I Retraction Price will be equal to the lesser of (i) Net Asset Value per Unit of Global Champions and (ii) $25.00. Retraction Consideration will be a number of Debentures determined by dividing the Retraction Price by $25.00.

The Debentures will have a principal amount of $25.00 per debenture and will mature on July 31, 2019. Holders of the Debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.10% per annum paid on or before the 15th day of January, April, July, and October in each year. The Series I Debentures shall be redeemable by the company at any time. No debentures can be retracted.

The "Net Asset Value per Unit" is defined as the fair value of the Portfolio shares held by Global Champions plus (minus) the amount by which the value of the other assets of Global Champions exceed (are less than) the liabilities (including any extraordinary liabilities) of Global Champions and the redemption value of the preferred shares, divided by the total number of Units outstanding. A "Unit" is considered to consist of one capital share and one Preferred share of any class or series. For greater certainty, the Class A, Series I Preferred Shares will not be treated as liabilities for purposes of determining Net Asset Value per Unit. The fair values of these shares based on quoted market prices as at December 31, 2013 were $25.00 per share.

Redemption

Class A, Series I Preferred Shares may be redeemed by the company at any time at a price equal to (i) $26.00 per share plus accrued and unpaid dividends if the date specified for redemption is prior to July 31, 2017; (ii) $25.50 per share plus accrued and unpaid dividends if the date specified for redemption is on or after July 31, 2017 and prior to July 31, 2018; (iii) $25.25 per share plus accrued and unpaid dividends if the date specified for redemption is on or after July 31, 2018 and prior to the final Series I redemption date; and (iv) the lesser of (x) $25.00 plus accrued and unpaid dividends and (y) the Net Asset Value per Unit on the redemption date if the date specified for redemption is the final Series I redemption date.

6. Shareholders' Equity

Authorized

50,000,000 preferred shares, issuable in series.

An unlimited number of voting and non-voting common shares.

Issued and outstanding

	Number Outstanding		Book Value	
As at December 31 (Thousands)	**2014**	2013	**2014**	2013
Common shares, voting and non-voting	**73,547**	74,207	**$ 78,744**	$ 79,450
Accumulated other comprehensive income			**2,618,813**	1,748,110
Retained earnings			**61,510**	53,995
			$ 2,759,067	$ 1,881,555

In November 2014, the Company completed a substantial issuer bid and redeemed and cancelled 659,609 common shares at $30.00 per share for a total of $20 million.

7. Net Income Per Common Share

Net income per common share is calculated based on the weighted average number outstanding shares during the year. For the year ended December 31, 2014, the weighed average number of outstanding shares were 74,132,415 (2013 – 74,206,510).

8. Income Taxes

The major components of income tax expense for the years ended December 31 are set out below:

(Thousands)	**2014**	2013
Current income tax expense	**$ 2,057**	$ 1,123
Deferred income tax (recovery) expense	**(2,000)**	2,466
Income tax expense	**$ 57**	$ 3,589

The Company's effective tax rate is different from the Company's statutory income tax rate for the years ended December 31 due to the differences set out below:

(Thousands)	**2014**	2013
Statutory income tax rate	**26.50%**	26.50%
Tax payable at statutory rate	**$ 7,064**	$ 9,578
Increase (reduction) in income tax expense resulting from:		
Non-taxable dividends	**(11,207)**	(8,982)
Income subject to different tax rates	**(35)**	(4,504)
Non-deductible expenses	**7,439**	7,524
Other	**(3,204)**	(27)
Income tax expense	**$ 57**	$ 3,589

Deferred income tax assets and liabilities as at December 31 relate to the following:

(Thousands)	**2014**	2013
Non-capital losses	**$ 3,056**	$ 2,294
Difference in cost basis	**(381,915)**	(250,274)
Total net deferred tax liability	**$ (378,859)**	$ (247,980)
Deferred income tax asset	**$ 3,056**	$ 2,294
Deferred income tax liability	**(381,915)**	(250,274)
Total net deferred tax liability	**$ (378,859)**	$ (247,980)

The movements of deferred income tax balances are as follows:

		Recognized in			
(Thousands)	Dec. 31, 2013	Income	Equity	OCI	**Dec. 31, 2014**
Deferred tax assets related to non-capital losses can capital losses	$ 2,294	$ 762	$ —	$ —	**$ 3,056**
Deferred tax liabilities related to differences in tax and book basis, net	(250,274)	1,238	—	(132,879)	**(381,915)**
Net deferred tax liabilities	$ (247,980)	$ 2,000	$ —	$ (132,879)	**$ (378,859)**

		Recognized in			
(Thousands)	Dec. 31, 2012	Income	Equity	OCI	Dec. 31, 2013
Deferred tax assets related to non-capital losses can capital losses	$ 1,877	$ 417	$ —	$ —	$ 2,294
Deferred tax liabilities related to differences in tax and book basis, net	(199,275)	(2,883)	—	(48,116)	(250,274)
Net deferred tax liabilities	$ (197,398)	$ (2,466)	$ —	$ (48,166)	$ (247,980)

The Company has deferred tax assets of $3 million (December 31, 2013 – $2 million) related to non-capital losses that expire after 2030.

9. Related Party Transactions

Brookfield provided management and financial services to the Company during 2014 and 2013 and recovered costs of $24 thousand in 2014 (2013 – $40 thousand) in respect of those services.

10. Risk Management

The Company's activities expose it to a variety of financial risks, including market risk (i.e., currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The following are risk factors relating to an investment in the common shares of the Company.

Market Price Risk

The value of the Class A Shares and the Company's other securities are exposed to variability in fair value due to movements in equity prices. As a result, the fair value of the Company's investment portfolio may vary from time to time. The Company records these investments at fair value. A 1% increase (decrease) in the market price of Brookfield, all else being equal, would increase (decrease) the carrying value of this investment by $33 million (2013 – $23 million), which would have resulted in an increase (decrease) to other comprehensive income of $33 million (2013 – $23 million) on a pre-tax basis.

Foreign Currency Risk

Brookfield declares dividends in U.S. dollars, which are then converted to Canadian dollars for distribution to Canadian shareholders, including the Company. In addition, Brookfield Infrastructure and Brookfield Property Partners declares distributions in U.S. dollars. During the year ended December 31, 2014, a $0.01 appreciation (depreciation) in the Canadian dollar, relative to the U.S. dollar, would have decreased (increased) net income by $0.5 million (2013 - $0.4 million).

Interest Rate Risk

The Company's preference shares are fixed rate and the Company has negligible floating rate assets or liabilities. Accordingly, changes in the interest rates do not have an impact on net income or other comprehensive income.

Liquidity Risk

The Company's retractable preference shares expose the Company to liquidity risk to fund retractions and redemptions as well as dividend and interest obligations. The Company endeavors to maintain dividend income within the subsidiary that issued the preference shares that exceeds the projected dividend obligations, and expects to be able to continue to achieve this objective based on current circumstances. Management expects to fund any retraction obligations through a combination of ongoing cash flow, the proceeds from any new financings and proceeds from the sale of securities.

Contractual Obligations

The Company's contractual obligations as of December 31, 2014 were as follows:

		Payment Due By Period			
(Thousands)	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Retractable preferred shares					
Partners Value Split:					
Class AA, Series I[1]	$ 51,386	$ —	$ 51,386	$ —	$ —
Class AA, Series III[2]	190,777	—	—	190,777	—
Class AA, Series V[3]	124,975	—	124,975	—	—
Class AA, Series VI[4]	200,000	—	—	—	200,000
Global Champions:					
Class A, Series I[5]	50,000	—	—	50,000	—
Interest expense related to:					
Retractable preferred shares					
Partners Value Split:					
Class AA, Series I	$ 3,360	$ 2,543	$ 817	$ —	$ —
Class AA, Series III	34,128	8,299	16,598	9,231	—
Class AA, Series V	18,349	6,061	12,288	—	—
Class AA, Series VI	61,687	9,000	18,000	18,000	16,687
Global Champions:					
Class A, Series I	9,170	2,000	4,000	3,170	—

1 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in cash.
2 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2019.
3 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2017.
4 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2021.
5 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2019.

The Company's contractual obligations as of December 31, 2013 are as follows:

		Payment Due By Period			
(Thousands)	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Retractable preferred shares					
Partners Value Split:					
Class AA, Series I[1]	$ 51,386	$ —	$ 51,386	$ —	$ —
Class AA, Series III[2]	190,920	—	—	—	190,920
Class AA, Series IV[3]	124,946	124,946	—	—	—
Class AA, Series V[4]	124,975	—	—	124,975	—
Global Champions:					
Class A, Series I[5]	50,000	—	—	—	50,000
Dividend expense related to:					
Retractable preferred shares					
Partners Value Split:					
Class AA, Series I	$ 5,945	$ 2,543	$ 3,402	$ —	$ —
Class AA, Series III	42,640	8,305	16,610	16,610	1,115
Class AA, Series IV	5,721	5,721	—	—	—
Class AA, Series V	23,028	6,061	12,122	4,845	—
Global Champions:					
Class A, Series I	11,170	2,000	4,000	4,000	1,170

1 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in cash.*
2 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2019.*
3 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2014.*
4 *Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures of the Company due 2017.*
5 *Payment period based on a mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debetures of the Company due 2019.*

11. Accounts Receivable/Accounts Payable and Other

Accounts receivable and other consists of the following:

As at December 31 *(Thousands)*	**2014**	2013
Derivative assets[1]	**38,418**	—
Investment income receivable	**612**	1,821
Other	**153**	262
	39,183	2,083

1 *Included within derivative asset is a $36 million forward agreement in New Horizons which gives it exposure to the returns of another fund. There is no amount for prior year for this forward agreement as the Company did not consolidate New Horizons.*

Accounts payable and other consists of the following:

As at December 31 *(Thousands)*	**2014**	2013
Derivative liabilities	**6,036**	2,936
Fund unit liability[1]	**14,968**	—
Other	**3,841**	2,260
	24,845	5,196

1 *Fund unit liability represents the non-controlling interest in our 90% subsidiary New Horizons. The non-controlling interests are classified as liabilities due to the redeemable features of the New Horizons fund units in accordance with IAS 32.*

12. Capital Management

As at December 31, 2014, the capital base managed by the Company consisted of common equity with a carrying value of $2,759 million (December 31, 2013 - $1,882 million) and $608 million (December 31, 2013 - $538 million) of retractable fixed rate preferred shares issued by Partners Value Split and Global Champions. The Company has complied with all covenants, which are limited, and is not subject to any externally imposed capital requirements.

13. BUSINESS COMBINATIONS

During the fourth quarter of 2014, the Company completed an acquisition of New Horizons units which increased its ownership in New Horizons to 90% resulting in the Company acquiring control. The Company accounted for this business combination using the acquisition method of accounting, pursuant to which the cost of acquiring a business is allocated to its identifiable tangible and intangible assets and liabilities on the basis of the estimated fair values at the date of acquisition.

The following table summarizes the balance sheet impact as a result of the business combination that occurred:

(*Thousands*)	**New Horizons Income Fund**
Cash and cash equivalents	**89**
Accounts receivable and other	**51,458**
Other securities	**119,747**
	171,294
Accounts payable and other	**(25,463)**
Net assets	**145,831**
Carrying value prior to acquisition	**80,504**
Net assets acquired	**65,327**
Considerations paid	**65,327**

The acquisition of New Horizons was achieved in stages. The following table provides details of the business combination achieved in stages:

(*Thousands*)	**New Horizons Income Fund**
Carrying value prior to acquisition	**80,504**
Fair value prior to acquisition	**80,504**
Remeasurement gain	—

Corporate Information

Directors

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Corporate Director

Edward C. Kress
Corporate Director

Brian D. Lawson
Chief Financial Officer
Brookfield Asset Management Inc.

Frank N.C. Lochan [1, 2]
Corporate Director

George E. Myhal
President and Chief Executive Officer
Partners Value Fund

Ralph J. Zarboni [1, 2]
President
Rossiter Ventures Corporation

[1] Member of the Audit Committee
[2] Member of the Governance Committee

Officers

Frank N.C. Lochan
Chairman

George E. Myhal[1]
President and Chief Executive Officer

Allen G. Taylor
Vice President, Finance

Vu H. Nguyen
Controller, Finance

Loretta M. Corso
Corporate Secretary

[1] Effective January 1, 2015

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