



PARTNERS VALUE
INVESTMENTS INC.

2015 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 2015, our book value per share increased by 13% to \$42.52 per share. This is an excellent result and compares favourably to the 8% decline in the TSX index. This positive performance was again largely driven by the appreciation in our ownership stake in Brookfield Asset Management Inc.

We spent all of last year working on our new business plan. In this regard, we made considerable progress on a number of fronts.

First, we bolstered our investment capabilities by recruiting two additional investment professionals. Together, we work well as a team to identify attractive investment opportunities around the globe and capitalize on them. We made good progress last year but this progress was overshadowed by the unrealized investment losses we recorded in one of our fund investments named New Horizons. This fund has invested a significant percentage of its investment portfolio in the U.S. high-yield bonds market which was negatively impacted by the fall in commodity prices. We believe these bonds will recover in value and remain positive on the outlook for this fund.

Second, we improved our financial flexibility by expanding our banking facilities and trading lines. During the year, we issued an additional \$100 million of preferred shares in Partners Value Split Corp. with half of the proceeds used to retire an existing maturity and the other half added to our general corporate funds. Today, we have a solid capital base and capitalization of over \$3.1 billion.

Lastly, we have begun to diversify our portfolio of \$747 million of cash and other securities. Our plan is to always maintain a high degree of liquidity so much of this portfolio will remain invested in public securities. That said, we 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 our employees, shareholders and service providers for their support. We look forward to an exciting and profitable year ahead.



George E. Myhal
President and Chief Executive Officer
April 1, 2016

STATEMENT OF FINANCIAL POSITION

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

<i>As at December 31 (Thousands, except per share amounts)</i>	2015		2014	
Assets				
Cash and cash equivalents	\$	127,467	\$	19,350
Investments				
Brookfield Asset Management Inc. ¹		3,746,873		3,273,491
Other securities		619,363		438,524
Accounts receivable and other assets		8,169		39,183
	\$	4,501,872	\$	3,770,548
Liabilities and Shareholders' Equity				
Accounts payable and other liabilities	\$	243,527	\$	24,845
Preferred shares ²		706,258		607,777
Deferred taxes ³		424,107		378,859
		1,373,892		1,011,481
Shareholders' Equity				
Common equity		3,127,980		2,759,067
	\$	4,501,872	\$	3,770,548
Net Book Value Per Common Share^{4,5}	\$	42.52	\$	37.51

1 The investment in Brookfield Asset Management Inc. consists of 86 million Brookfield shares with a quoted market value of \$43.65 per share as at December 31, 2015 (2014 – \$58.22 or \$38.81 split-adjusted).

2 Represents \$717 million of retractable preferred shares less \$11 million of unamortized issue costs (2014 – \$617 million less \$10 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, 2015, there were 73,546,898 (2014 – 73,546,899) 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

<i>For the years ended December 31 (Thousands, except per share amounts)</i>	2015		2014	
	Total	Per Share	Total	Per Share
Net book value, beginning of period ¹	\$	2,759,067	\$	37.51
Net (loss) income ²		(22,209)		26,598
Other comprehensive (loss) income ²		391,122		5.31
Equity redemption ³		—		(19,789)
Other ⁴		—		(0.27)
Net book value, end of period ^{1,5}	\$	3,127,980	\$	42.52
		42.52		37.51

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, 2015 was 73,546,899 (2014 – 74,132,415).

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

4 In 2014, this 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, 2015, there were 73,546,898 (2014 – 73,546,899) voting and non-voting common shares of the Company issued and outstanding on a fully diluted basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Partners Value Investments Inc. (the "Company"), formerly Partners Value Fund Inc., is an investment company whose principal investment is an ownership interest in 86 million Class A Limited Voting Shares ("Brookfield 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, which includes dividends from its investment in Brookfield shares as well as its other securities portfolio, is principally 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 \$667 million of publicly listed retractable preferred shares.

The Company also holds a portfolio of other securities including: a 90% interest in the Brookfield New Horizons Income Fund ("New Horizons"), a publicly listed fund which invests in high-yielding debt and equity securities; a 100% interest in Global Champions Split Corp. ("Global Champions"), which owns a diversified portfolio of large capitalization companies; investments in limited partnership units of Brookfield Infrastructure Partners and Brookfield Property Partners; and other securities. Global Champions has \$50 million of publicly listed retractable preferred shares.

Additional information on the Company and its public subsidiaries, including the Company's Annual Information Form, is available on SEDAR's web site at www.sedar.com.

RESULTS OF OPERATIONS

The Company incurred net losses of \$22 million (\$0.30 per common share) for the year ended December 31, 2015, compared to net income of \$27 million (\$0.36 per common share) in the prior year. The decrease in net income was primarily due to a decline in the quoted market prices of the Company's investments and the impact of foreign exchange. These unrealized declines in market value more than offset the 27% increase in investment income during the year.

During the year, the Company's net book value increased by \$5.01 per share to \$42.52 per share due to the unrealized increases in the market value of the Company's long-term investment portfolio which more than offset the losses in income.

The following table presents the details of the Company's net income for the years ended December 31:

<i>(Thousands)</i>	2015	2014	Change
Investment Income			
Dividends	\$ 68,582	\$ 54,765	\$ 13,817
Other investment income	1,946	737	1,209
	<u>70,528</u>	<u>55,502</u>	<u>15,026</u>
Expenses			
Operating expenses	(4,042)	(1,232)	(2,810)
Financing costs	(1,114)	(55)	(1,059)
Retractable preferred share dividends	(28,396)	(28,072)	(324)
	<u>36,976</u>	<u>26,143</u>	<u>10,833</u>
Other items:			
Investment valuation losses	(48,511)	(5,743)	(42,768)
Equity accounted income	—	6,824	(6,824)
Amortization of deferred financing costs	(1,910)	(1,814)	(96)
Change in value of fund unit liability	4,070	1,185	2,885
Income taxes	8,617	(57)	8,674
Foreign currency (losses) gains	(21,451)	60	(21,511)
Net (loss) income	<u>\$ (22,209)</u>	<u>\$ 26,598</u>	<u>\$ (48,807)</u>

Investment Income

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

<i>(Thousands)</i>	2015	2014
Dividends:		
Brookfield Asset Management Inc.	\$ 52,149	\$ 42,290
Other securities	16,433	12,475
Other investment income	1,946	737
	<u>\$ 70,528</u>	<u>\$ 55,502</u>

The Company received dividend income of \$52 million (2014 – \$42 million) from its investment in Brookfield and \$16 million (2014 – \$12 million) from its other securities investments during the year ended December 31, 2015. The dividend income from Brookfield increased 23% due to an increase in the dividend rate and the impact of foreign exchange as the dividends are declared in U.S. dollars. The increase in dividends from other securities and other investment income was a result of our investment activities during the year which increased the dividend and interest income earned on equity and fixed income securities, respectively.

Preferred Share Dividends

The Company paid \$28 million (2014 – \$28 million) of dividends on the retractable preferred shares during the year ended December 31, 2015.

Operating Expenses

The Company recorded \$4 million (2014 – \$1 million) of operating expenses during the year ended December 31, 2015. The increase in operating expenses was due to consolidating our investment in New Horizons in the year, which contributed an additional \$1 million of operating expenses, whereas we had equity accounted for New Horizons for the majority of the prior year. We also incurred additional expenses related to the hiring of additional investment analysts, and their related expenses, and an increase in the investment activities of the Company.

Investment Valuation Gains (Losses)

Investment valuation gains (losses) includes unrealized gains and losses on the Company's investments classified as fair value through profit and loss, namely the New Horizons and Global Champions portfolios along with certain non-foreign currency derivatives. It also includes realized gains and losses on the disposition of the Company's investments. This balance will fluctuate depending on the Company's investment activity and performance. The valuation losses incurred during the year were due to unrealized declines in market value on the Company's investments.

Equity Accounted Income

The Company recorded \$7 million of equity accounted income in the prior year. This consisted of \$4 million of distributions received offset by \$3 million in unrealized losses on the mark-to-market of the New Horizons investment portfolio. The Company consolidates New Horizons in the current year.

Amortization of Deferred Financing Costs

The amortization of deferred financing costs associated with preferred shares issued by the Company's subsidiaries resulted in a charge against income of \$2 million (2014 – \$2 million) during the year ended December 31, 2015.

Income Taxes

The Company recorded an income tax recovery of \$9 million (2014 – \$nil) during the year ended December 31, 2015. The recovery in the current year is a product of higher deferred tax recoveries as a result of the valuation losses incurred during the year partially offset by current taxes on our taxable income.

Foreign Currency Gains

Foreign currency gains represents gains and losses arising from the translation of non-Canadian dollar transactions and realized and unrealized changes in the value of the Company's foreign currency derivatives. The decrease during the year was due to the impact of the depreciation of the Canadian dollar on our foreign currency derivatives.

FINANCIAL POSITION

The Company's total assets were \$4,502 million at December 31, 2015 (2014 – \$3,771 million) and consist primarily of its \$3,747 million investment in 86 million Brookfield shares (2014 – \$3,273 million). The market price of a Brookfield share increased from \$38.81 (split-adjusted) per share at December 31, 2014 to \$43.65 at December 31, 2015.

Investment Portfolio

As at December 31 (Thousands)	Number of Shares		Fair Value	
	2015	2014	2015	2014
Brookfield Asset Management Inc. ¹	85,839	56,226	\$ 3,746,873	\$ 3,273,491
Other securities:				
Brookfield Infrastructure Partners L.P.	2,219	2,219	\$ 116,213	\$ 107,937
Brookfield Property Partners L.P.	3,613	3,613	116,425	95,576
New Horizons portfolio	various	various	94,749	115,031
Global Champions portfolio	various	various	148,822	119,980
Other publicly-traded securities	various	various	143,154	—
			<u>\$ 619,363</u>	<u>\$ 438,524</u>

¹ During the year ended December 31, 2015, the Company purchased an additional 1 million Brookfield shares. Subsequent to the purchase, there was a three-for-two stock split of the Brookfield shares.

Brookfield Asset Management Inc.

Brookfield is a global alternative asset manager focused on property, renewable power, infrastructure and private equity with over \$225 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 Brookfield's web site at www.brookfield.com.

Other Securities

The Company holds an investment in Brookfield Infrastructure Partners L.P. consisting of 2.2 million (2014 – 2.2 million) limited partnership units with a fair value of \$116 million at December 31, 2015 (2014 – \$108 million). Brookfield Infrastructure Partners owns and operates utility, transport, energy and communication 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 holds an investment in Brookfield Property Partners L.P. consisting of 3.6 million (2014 – 3.6 million) limited partnership units with a fair value of \$116 million at December 31, 2015 (2014 – \$96 million). Brookfield Property Partners is a global commercial property company that owns, operates and invests in best-in-class office, retail, multifamily, industrial, hotel and triple net lease 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.

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 higher yielding debt and equity securities with a fair value of \$95 million at December 31, 2015 (2014 – \$115 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 \$149 million as at December 31, 2015 (December 31, 2014 – \$120 million).

The Company has a portfolio of other publicly traded securities, consisting of public equity and fixed-income securities, with a fair value of \$143 million at December 31, 2015 (December 31, 2014 – \$nil).

Deferred Taxes

The deferred tax liability represents the potential tax liability arising from the excess of the carrying value of net assets over the respective tax values, less available loss carry forwards. The potential tax liability increased during the year ended December 31, 2015, principally due to the increase in the market value of the Brookfield shares.

Shareholders' Equity

As at December 31, 2015, shareholders' equity consisted of 73,546,898 (December 31, 2014 – 73,546,899) voting and non-voting common shares and had a book value of \$3,128 million compared to \$2,759 million at December 31, 2014. The increase is primarily the result of a higher market value of the Brookfield shares, whose share price increased from \$38.81 (split-adjusted) at December 31, 2014 to \$43.65 at December 31, 2015.

Preferred Shares

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

As at December 31 (Thousands)	Issued and Outstanding		Book Value			
	2015	2014	2015	2014		
Partners Value Split						
2,055,420	4.95% Class AA, Series 1	March 25, 2016	\$ 2,055	\$ 2,055	\$ 51,386	\$ 51,386
7,631,000	4.35% Class AA, Series 3	January 10, 2019	7,631	7,631	190,777	190,777
4,999,000	4.85% Class AA, Series 5	December 10, 2017	4,999	4,999	124,975	124,975
7,990,000	4.50% Class AA, Series 6	October 8, 2021	7,990	8,000	199,750	200,000
4,000,000	5.50% Class AA, Series 7	October 21, 2022	4,000	—	100,000	—
Global Champions						
2,000,000	4.00% Class A, Series 1	July 31, 2019	2,000	2,000	50,000	50,000
					716,888	617,138
Deferred financing costs ¹					(10,630)	(9,361)
					\$ 706,258	\$ 607,777

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

LIQUIDITY AND CAPITAL RESOURCES

The Company holds cash and cash equivalents totalling \$127 million and investments of \$4,366 million as at December 31, 2015 (December 31, 2014 – \$19 million and \$3,712 million). The Company has operating cash requirements of \$32 million in scheduled dividend payments on its \$717 million preferred shares issued by Partners Value Split and Global Champions which are less than the expected regular distributions expected to be received on the 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.

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 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 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 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 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 interest and dividend obligations on outstanding financial obligations.

Holders of the Company's retractable preferred shares issued by the Company's subsidiaries have the ability to retract their shares. The Class AA, Series I preferred shares issued by Partners Value Split are retractable for cash, whereas debentures, as opposed to cash, can be issued to settle retractions of the Class AA, Series 3; Class AA, Series 5; Class AA, Series 6; and Class AA, Series 7; 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 shares. The Company's policy is to hold the Brookfield shares and not engage in trading, 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 shares may be limited by resale restrictions under applicable securities laws that will affect when or to whom the Brookfield shares may be sold. Accordingly, if and when the Company is required to sell Brookfield shares, the liquidity of such shares may be limited. This could affect the time it takes to sell the Brookfield shares and the price obtained by the Company for the Brookfield shares sold.

No Ownership Interest

A direct investment in common shares does not constitute a direct investment in the Brookfield shares of Brookfield or other securities held by the Company, and holders of common shares do not have any voting rights in respect of such securities.

Contractual Obligations

The Company's contractual obligations as of December 31, 2015, are as follows:

(Thousands)	Payment Due By Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Retractable preferred shares:					
Partners Value Split:					
Class AA, Series 1 ¹	\$ 51,386	\$ 51,386	\$ —	\$ —	\$ —
Class AA, Series 3 ²	190,777	—	—	190,777	—
Class AA, Series 5 ²	124,975	—	124,975	—	—
Class AA, Series 6 ²	199,750	—	—	—	199,750
Class AA, Series 7 ²	100,000	—	—	—	100,000
Global Champions:					
Class A, Series 1 ³	50,000	—	—	50,000	—
Interest expense related to:					
Partners Value Split:					
Class AA, Series 1 ¹	\$ 817	\$ 817	\$ —	\$ —	\$ —
Class AA, Series 3 ²	25,829	8,299	16,598	932	—
Class AA, Series 5 ²	12,288	6,061	6,227	—	—
Class AA, Series 6 ²	52,623	8,989	17,978	17,978	7,678
Class AA, Series 7 ²	38,044	5,500	11,000	11,000	10,544
Global Champions:					
Class A, Series 1 ³	7,170	2,000	4,000	1,170	—

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

2 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2019, 2017, 2021 and 2022 for the Series 3, 5, 6 and 7, respectively.

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

SUMMARY OF FINANCIAL INFORMATION

The following table summarizes selected consolidated financial information of the Company:

<i>As at and for the (Thousands, except per share amounts)</i>	Years Ended December 31		
	2015	2014	2013
Net (loss) income	\$ (22,209)	\$ 26,598	\$ 32,554
Net (loss) income per common share	(0.30)	0.36	0.44
Total assets	4,501,872	3,770,548	2,672,262
Total long-term liabilities	1,130,365	1,001,604	785,511

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

<i>(Thousands, except per share amounts)</i>	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net (loss) income	\$ (1,372)	\$ (34,939)	\$ 1,957	\$ 12,145	\$ (7,554)	\$ 1,222	\$ 18,219	\$ 14,711
Net (loss) income per common share	(0.02)	(0.47)	0.02	0.17	(0.10)	0.10	0.25	0.20

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 portfolio, 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 and losses on certain of the Company's investments and increases in the dividend income earned from its investments.

RELATED-PARTY TRANSACTIONS

Brookfield entities provides certain management and financial services to the Company and recovered costs of \$101 thousand for the year ended December 31, 2015 (2014 – \$111 thousand).

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Future Changes in Accounting Standards

Investments in Associates and Joint Ventures

The amendments to IFRS 10, Consolidated Financial Statements ("IFRS 10"), and IAS 28, Investments in Associates and Joint Ventures (2011) ("IAS 28") address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016 with earlier application permitted. The Company has not yet determined the impact of the IFRS 10 and IAS 28 amendments on its financial statements.

Financial Instruments

In July 2014, the IASB issued the final publication of IFRS 9, Financial Instruments ("IFRS 9"), superseding IAS 39, Financial Instruments. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

Presentation of Financial Statements

In December 2014, Disclosure Initiative was issued, which amends IAS 1, *Presentation of Financial Statements* ("IAS 1"). The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. The amendments also require separate disclosure of other comprehensive income attributable to joint ventures and associates, classified by nature. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the impact of the IAS 1 amendments on its 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, 2015, 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, 2015, 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.

RE-BRANDING

The Company changed its name from Partners Value Fund Inc. to Partners Value Investments Inc. in order to reflect a broader investment mandate. The change was recommended by the Board of Directors and was approved by the shareholders of the Company at the annual general meeting held on May 21, 2015. The change became effective following the successful vote at the annual general meeting.



George E. Myhal
President and Chief Executive Officer
April 1, 2016

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.



George E. Myhal
President and Chief Executive Officer
Toronto Canada
April 1, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Partners Value Investments Inc.

We have audited the accompanying financial statements of Partners Value Investments Inc., which comprise the consolidated statements of financial position as at December 31, 2015, and 2014, and the consolidated statements of operations, 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 Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Partners Value Investments Inc. as at December 31, 2015, and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads "Selwitt LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
April 1, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31
(Thousands)

	Note	2015	2014
Assets			
Cash and cash equivalents		\$ 127,467	\$ 19,350
Accounts receivable and other assets	11	8,169	39,183
Brookfield Asset Management Inc.	3, 4	3,746,873	3,273,491
Other securities	3, 4	619,363	438,524
		<u>\$ 4,501,872</u>	<u>\$ 3,770,548</u>
Liabilities			
Accounts payable and other liabilities	11	\$ 243,527	\$ 24,845
Preferred shares	5	706,258	607,777
Deferred taxes	8	424,107	378,859
		<u>1,373,892</u>	<u>1,011,481</u>
Shareholders' Equity			
Common equity	6	<u>3,127,980</u>	<u>2,759,067</u>
		<u>\$ 4,501,872</u>	<u>\$ 3,770,548</u>

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31
(Thousands, except per share amounts)

	Note	2015	2014
Investment Income			
Dividends		\$ 68,582	\$ 54,765
Other investment income		1,946	737
		<u>70,528</u>	<u>55,502</u>
Expenses			
Operating		(4,042)	(1,232)
Financing costs		(1,114)	(55)
Retractable preferred share dividends		(28,396)	(28,072)
		<u>36,976</u>	<u>26,143</u>
Investment valuation losses		(48,511)	(5,743)
Equity accounted income		—	6,824
Amortization of deferred financing costs		(1,910)	(1,814)
Change in value of fund unit liability		4,070	1,185
Current taxes	8	(5,057)	(2,057)
Deferred taxes	8	13,674	2,000
Foreign currency (losses) gains		(21,451)	60
Net (loss) income		<u>\$ (22,209)</u>	<u>\$ 26,598</u>
Net (loss) income per common share		<u>\$ (0.30)</u>	<u>\$ 0.36</u>

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31
(Thousands, except per share amounts)

	2015	2014
Net (loss) income	<u>\$ (22,209)</u>	<u>\$ 26,598</u>
Items that may be reclassified to net income:		
Unrealized gains on available-for-sale securities	437,548	997,072
Foreign currency translation	12,496	6,510
Deferred income taxes	(58,922)	(132,879)
Other comprehensive income	<u>\$ 391,122</u>	<u>\$ 870,703</u>
Comprehensive income	<u>\$ 368,913</u>	<u>\$ 897,301</u>
Comprehensive income per common share	<u>\$ 5.01</u>	<u>\$ 12.11</u>

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>For the year ended December 31, 2015 (Thousands)</i>	Note	Common Shares	Retained Earnings	Accumulated Other Comprehensive Income	Common Equity
Balance, beginning of year		\$ 78,744	\$ 61,510	\$ 2,618,813	\$ 2,759,067
Net loss		—	(22,209)	—	(22,209)
Other comprehensive income		—	—	391,122	391,122
Balance, end of year	6	<u>\$ 78,744</u>	<u>\$ 39,301</u>	<u>\$ 3,009,935</u>	<u>\$ 3,127,980</u>

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

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31
(Thousands)

	2015	2014
Cash flow from operating activities		
Net (loss) income	\$ (22,209)	\$ 26,598
Add (deduct) non-cash items:		
Non-cash portion of equity accounted income	—	(3,164)
Net investments valuation losses	48,511	5,743
Net unrealized foreign exchange losses (gains)	25,505	(824)
Amortization of deferred financing costs	1,910	1,814
Change in the value of fund unit liability	(4,070)	(1,185)
Deferred taxes	(13,674)	(2,000)
	<u>35,973</u>	26,982
Changes in working capital and foreign currency	2,260	5,144
	<u>38,233</u>	32,126
Cash flow used in investing activities		
Purchase of securities	(241,959)	(9,141)
Sale of securities	33,986	16,645
Acquisition of subsidiary	—	(65,327)
Cash assumed on acquisition of subsidiary	—	89
	<u>(207,973)</u>	(57,734)
Cash flow used in financing activities		
Common shares redeemed	—	(19,788)
Preferred shares issued	96,829	193,595
Preferred shares redeemed	—	(124,871)
Borrowings arranged	202,473	—
Borrowings repaid	(20,039)	(298)
Distribution to and redemption of fund unit liability	(1,406)	(8,782)
	<u>277,857</u>	39,856
Cash and cash equivalents		
Change in cash and cash equivalents	108,117	14,248
Balance, beginning of year	19,350	5,102
Balance, end of year ¹	<u>\$ 127,467</u>	<u>\$ 19,350</u>

¹ As at December 31, 2015, cash and cash equivalents included \$50 million of short-term commercial paper classified as cash equivalents (2014 - \$nil million).

Supplemental Cash Flow Information

For the years ended December 31
(Thousands)

	2015	2014
Cash interest and dividends received	\$ 58,449	\$ 53,110
Retractable preferred share dividends paid	(28,396)	(28,072)
Income taxes paid	<u>(4,042)</u>	<u>(1,232)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS OPERATIONS

Partners Value Investments Inc. (the “Company”), formerly Partners Value Fund Inc., 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 subsidiaries: 100% owned Partners Value Split Corp. (“Partners Value Split”) and Global Champions Split Corp. (“Global Champions”), and 90% owned subsidiary, New Horizons Income Fund (“New Horizons”). The Company was formed by 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 210, 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 April 1, 2016.

(b) *Future Changes in Accounting Standards*

Investments in Associates and Joint Ventures

The amendments to IFRS 10, Consolidated Financial Statements (“IFRS 10”), and IAS 28, Investments in Associates and Joint Ventures (2011) (“IAS 28”) address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016 with earlier application permitted. The Company has not yet determined the impact of the IFRS 10 and IAS 28 amendments on its financial statements.

Financial Instruments

In July 2014, the IASB issued the final publication of IFRS 9, Financial Instruments (“IFRS 9”), superseding IAS 39, Financial Instruments. IFRS 9 establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company has not yet determined the impact of IFRS 9 on its consolidated financial statements.

Presentation of Financial Statements

In December 2014, Disclosure Initiative was issued, which amends IAS 1, *Presentation of Financial Statements* (“IAS 1”). The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. The amendments also require separate disclosure of other comprehensive income attributable to joint ventures and associates, classified by nature. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company has not yet determined the impact of the IAS 1 amendments on its financial statements.

(c) *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. Translation gains and losses are included in the consolidated statement of operations.

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.

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.

Accounts Receivable and Other Assets/Accounts Payable and Other Liabilities

Accounts receivable and other assets and accounts payable and other liabilities 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. INVESTMENT PORTFOLIO

The Company's investment portfolio consists of the following:

As at December 31 (Thousands)	Classification ¹	Number of Shares		Fair Value	
		2015	2014	2015	2014
Brookfield Asset Management Inc. ²	AFS	85,839	56,226	\$ 3,746,873	\$ 3,273,491
Other securities:					
Brookfield Infrastructure Partners L.P.	AFS	2,219	2,219	\$ 116,213	\$ 107,937
Brookfield Property Partners L.P.	AFS	3,613	3,613	116,425	95,576
New Horizons portfolio	FVTPL	various	various	94,749	115,031
Global Champions portfolio	FVTPL	various	various	148,822	119,980
Other publicly-traded securities	FVTPL	various	various	143,154	—
				\$ 619,363	\$ 438,524

¹ AFS represents available for sale and FVTPL represents fair value through profit and loss accounting classification. Changes in fair value of AFS securities are recorded in other comprehensive income, and changes in fair value of FVTPL are recorded in net income.

² During the year ended December 31, 2015, the Company purchased an additional 1 million Brookfield shares. Subsequent to the purchase, there was a three-for-two stock split of the Brookfield shares.

Brookfield Asset Management Inc.

The Company owns 86 million (2014 – 56 million) Class A Limited Voting Shares (“Brookfield shares”) of Brookfield Asset Management Inc. (“Brookfield”) representing an 8.5% (2014 – 8.6%) fully diluted equity interest.

Other Securities

The Company holds an investment in Brookfield Infrastructure Partners L.P. consisting of 2.2 million (2014 – 2.2 million) limited partnership units with a fair value of \$116 million at December 31, 2015 (2014 – \$108 million).

The Company holds an investment in Brookfield Property Partners L.P. consisting of 3.6 million (2014 – 3.6 million) limited partnership units with a fair value of \$116 million at December 31, 2015 (2014 – \$96 million).

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 \$95 million at December 31, 2015 (2014 – \$115 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 \$149 million at December 31, 2015 (2014 – \$120 million).

The Company has a portfolio of other publicly traded securities, consisting of public equity and fixed-income securities, with a fair value of \$143 million at December 31, 2015 (December 31, 2014 – \$nil).

4. FAIR VALUE 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 a price within a bid-ask spread that is deemed most appropriate.

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 Quoted prices available in active markets for identical investments as of the reporting date.
- Level 2 Pricing inputs other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair values are determined through the use of models or other valuation methodologies.
- Level 3 Pricing inputs are unobservable for the instrument and includes situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management estimation.

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)	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Brookfield Asset Management Inc.	\$ 3,746,873	\$ —	\$ —	\$ 3,273,491	\$ —	\$ —
Other securities	619,363	—	—	438,524	—	—
Derivatives assets ¹	—	5,880	—	—	38,418	—
Derivative liabilities ¹	—	(31,340)	—	—	(6,036)	—
	<u>\$ 4,366,236</u>	<u>\$ (25,460)</u>	<u>\$ —</u>	<u>\$ 3,712,015</u>	<u>\$ 32,382</u>	<u>\$ —</u>

¹ Presented within accounts receivable/accounts payable and other assets/liabilities on the statements of financial position.

As at December 31, 2015, a cumulative pre-tax gain of \$3,465 million (2014 – \$3,028 million) has been recognized for financial instruments classified as available-for-sale, over their historical cost amounts.

5. PREFERRED SHARES

Retractable preferred shares issued by the Company's subsidiaries are comprised of the following:

As at December 31 (Thousands)	Issued and Outstanding		Book Value		
	2015	2014	2015	2014	
Partners Value Split					
2,055,420 4.95% Class AA, Series 1	March 25, 2016	2,055	2,055	\$ 51,386	\$ 51,386
7,631,000 4.35% Class AA, Series 3	January 10, 2019	7,631	7,631	190,777	190,777
4,999,000 4.85% Class AA, Series 5	December 10, 2017	4,999	4,999	124,975	124,975
7,990,000 4.50% Class AA, Series 6	October 8, 2021	7,990	8,000	199,750	200,000
4,000,000 5.50% Class AA, Series 7	October 21, 2022	4,000	—	100,000	—
Global Champions					
2,000,000 4.00% Class A, Series 1	July 31, 2019	2,000	2,000	50,000	50,000
				716,888	617,138
Deferred financing costs ¹				(10,630)	(9,361)
				\$ 706,258	\$ 607,777

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

Partners Value Split

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 1; Class AA preferred shares, Series 3; Class AA preferred shares, Series 5; Class AA, Series 6; and Class AA Series 7 preferred shares are entitled to receive cumulative quarterly dividends of \$0.309375, \$0.271875, \$0.303125, \$0.28125 and \$0.34375 per share, respectively, payable on or about the 7th day of March, June, September and December in each year. The fair values of these shares based on quoted market prices as at December 31, 2015 were \$25.10, \$24.26, \$24.99, \$23.00 and \$24.45 per share respectively (2014 – \$25.43, \$25.30, \$25.85 and \$24.71, respectively).

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 Senior preferred shares will not be treated as liabilities for purposes of determining net asset value per Unit.

Global Champions

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 1 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. The fair values of these shares based on quoted market prices as at December 31, 2015 were \$24.65 per share (2014 - \$25.08 per share).

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 1 preferred shares will not be treated as liabilities for purposes of determining net asset value per unit.

Retraction

The Company's preferred shares may be surrendered for retraction at the option of the holders of the respective preferred shares. The details of the retraction feature for each respective class of preferred shares are as follows:

Partners Value Split Class AA Series 1	May be surrendered for retraction at any time for an amount equal to the lesser of: (i) 95% of net asset value per unit; and (ii) \$25.00 less 5% of the net assets per unit, in either case less \$1.00. Retraction consideration will be cash.
Partners Value Split Class AA Series 3, 5, 6 & 7	May be surrendered for retraction at any time for an amount equal to the lesser of: (i) net asset value per unit; and (ii) \$25.00. Retraction consideration will be a number of Partners Value Split Series 1, 3, 4 and 5 debentures, respectively, determined by dividing the holder's aggregate preferred share Retraction Price by \$25.00.
Global Champions Class A Series 1	May be surrendered for retraction at any time for an amount equal to the lesser of: (i) net asset value per unit; and (ii) \$25.00. Retraction consideration will be a number of Global Champions Series 1 debentures determined by dividing the holder's aggregate preferred share Retraction price by \$25.00.

Debentures

The details of each respective class of the Company's debentures are as follows:

Partners Value Split Series 1	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 1 debentures shall be redeemable by the company at any time. The Series 1 debentures may not be retracted.
Partners Value Split Series 3	The Series 3 debenture 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 can be redeemed by the Company at any time. The Series 3 debentures may not be retracted.
Partners Value Split Series 4	The Series 4 debenture 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 can be redeemed by the Company at any time. The Series 4 debentures may not be retracted.
Partners Value Split Series 5	The Series 5 debenture will have a principal amount of \$25.00 per debenture and will mature on October 31, 2022. Holders of the Series 5 debentures will be entitled to receive quarterly fixed interest payments at a rate of 5.60% per annum paid on or about the 7th day of March, June, September and December in each year. The Series 5 debentures can be redeemed by the Company at any time. The Series 5 debentures may not be retracted.
Global Champions Series 1	The Series 1 debenture will have a principal amount of \$25.00 per debenture and will mature on July 31, 2019. Holders of the Series 1 debentures will be entitled to receive quarterly fixed interest payments at a rate of 4.10% per annum paid on or about the 15th day of April, July, October and January in each year. The Series 1 debentures can be redeemed by the Company at any time. The Series 1 debentures may not be retracted.

Redemption

The Company's preferred shares may be redeemed at the option of the Company. The details of the redemption feature for each respective class of preferred shares are as follows:

Partners Value Split Class AA Series 1 May be redeemed by the Company at any time on or after March 25, 2009, and prior to March 25, 2016, (the "Series 1 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 1 Redemption Date. All Class AA Series 1 preferred shares outstanding on the Series 1 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.

Partners Value Split Class AA Series 3 May be redeemed by the Company at any time on or after January 10, 2012, and prior to January 10, 2019, (the "Series 3 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 3 Redemption Date. All Class AA Series 3 preferred shares outstanding on the Class AA Series 3 Redemption Date will be redeemed for a cash amount equal to the lesser of \$25.00 plus accrued and unpaid dividends, and the net assets per unit.

Partners Value Split Class AA Series 5 May be redeemed by the Company at any time on or after December 10, 2015, and prior to December 10, 2017, (the "Series 5 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 5 Redemption Date. All Class AA Series 5 senior preferred shares outstanding on the Series 5 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.

Partners Value Split Class AA Series 6 May be redeemed by the Company at any time on or after October 8, 2019, and prior to October 8, 2021, (the "Series 6 Redemption Date") at a price which until 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 Class AA Series 6 senior preferred shares outstanding on the Series 6 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 6 senior preferred shares prior to October 8, 2019 for \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA Series 6 senior preferred shares prior to the Series 6 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.

Partners Value Split Class AA Series 7 May be redeemed by the Company at any time on or after October 31, 2020, and prior to October 31, 2022, (the "Series 7 Redemption Date") at a price which until October 31, 2021, will equal \$25.50 per share plus accrued and unpaid dividends and which will decline by \$0.25 on October 31, 2021. All Class AA Series 7 senior preferred shares outstanding on the Series 7 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 7 senior preferred shares prior to October 31, 2020 for \$26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA, Series 7 senior preferred shares prior to the Series 7 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.

Global Champions Class A Series 1 The preferred shares may be redeemed by the Company at any time at a price equal to (i) CAD \$26.00 per share plus accrued and unpaid dividends if the date specified for redemption is prior to July 31, 2017; (ii) CAD \$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) CAD \$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 redemption date; and (iv) the lesser of (x) CAD \$25.00 plus accrued and unpaid dividends and (y) the net asset value per unit on the final redemption date if the date specified for redemption is the final 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

As at December 31 (Thousands)	Shares Outstanding		Book Value	
	2015	2014	2015	2014
Common shares, voting and non-voting	73,547	73,547	\$ 78,744	\$ 78,744
Retained earnings			39,301	61,510
Accumulated other comprehensive income			3,009,935	2,618,813
			<u>\$ 3,127,980</u>	<u>\$ 2,759,067</u>

7. NET INCOME (LOSS) PER COMMON SHARE

Net income per common share is calculated based on the weighted average number of outstanding shares during the period. For the year ended December 31, 2015, the weighed average number of outstanding shares were 73,546,899 (December 31, 2014 – 74,132,415).

8. INCOME TAXES

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

(Thousands)	2015	2014
Current income tax expense	\$ 5,057	\$ 2,057
Deferred income tax recovery	(13,674)	(2,000)
Income tax (recovery) expense	<u>\$ (8,617)</u>	<u>\$ 57</u>

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)	2015	2014
Statutory income tax rate	26.50%	26.50%
Tax (recovery) expense at statutory rate	\$ (7,999)	\$ 7,064
Increase (reduction) in income tax expense resulting from:		
Non-taxable dividends	(13,820)	(11,207)
Income subject to different tax rates	3,628	(35)
Non-deductible expenses	7,525	7,439
Other	2,049	(3,204)
Income tax (recovery) expense	<u>\$ (8,617)</u>	<u>\$ 57</u>

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

(Thousands)	2015	2014
Non-capital losses	\$ 3,697	\$ 3,056
Difference in cost basis	(427,804)	(381,915)
Total net deferred tax liability	<u>\$ (424,107)</u>	<u>\$ (378,859)</u>
Deferred income tax asset	\$ 3,697	\$ 3,056
Deferred income tax liability	(427,804)	(381,915)
Total net deferred tax liability	<u>\$ (424,107)</u>	<u>\$ (378,859)</u>

The movements of deferred income tax balances are as follows:

(Thousands)	Dec. 31, 2014	Recognized in			Dec. 31, 2015
		Income	Equity	OCI	
Deferred tax assets related to non-capital losses	\$ 3,056	\$ 641	\$ —	\$ —	\$ 3,697
Deferred liabilities related to differences in tax and book basis, net	(381,915)	13,033	—	(58,922)	(427,804)
Total net deferred tax liability	<u>\$ (378,859)</u>	<u>\$ 13,674</u>	<u>\$ —</u>	<u>\$ (58,922)</u>	<u>\$ (424,107)</u>

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

The Company has deferred tax assets of \$4 million (December 31, 2014 – \$3 million) related to non-capital losses that expire after 2030.

9. RELATED-PARTY TRANSACTIONS

Brookfield entities provides certain management and financial services to the Company and recovered costs of \$101 thousand for the year ended December 31, 2015 (2014 – \$111 thousand).

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 \$37 million (2014 – \$33 million), which would have resulted in an increase (decrease) to other comprehensive income of \$37 million (2014 – \$33 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 Partners and Brookfield Property Partners declares distributions in U.S. dollars. During the year ended December 31, 2015, a \$0.01 appreciation (depreciation) in the Canadian dollar, relative to the U.S. dollar, would have decreased (increased) net income by \$0.6 million (2014 – \$0.5 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, 2015, were as follows:

(Thousands)	Payment Due By Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Retractable preferred shares:					
Partners Value Split:					
Class AA, Series 1 ¹	\$ 51,386	\$ 51,386	\$ —	\$ —	\$ —
Class AA, Series 3 ²	190,777	—	—	190,777	—
Class AA, Series 5 ²	124,975	—	124,975	—	—
Class AA, Series 6 ²	199,750	—	—	—	199,750
Class AA, Series 7 ²	100,000	—	—	—	100,000
Global Champions:					
Class A, Series 1 ³	50,000	—	—	50,000	—
Interest expense related to:					
Partners Value Split:					
Class AA, Series 1 ¹	\$ 817	\$ 817	\$ —	\$ —	\$ —
Class AA, Series 3 ²	25,829	8,299	16,598	932	—
Class AA, Series 5 ²	12,288	6,061	6,227	—	—
Class AA, Series 6 ²	52,623	8,989	17,978	17,978	7,678
Class AA, Series 7 ²	38,044	5,500	11,000	11,000	10,544
Global Champions:					
Class A, Series 1 ³	7,170	2,000	4,000	1,170	—

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

² Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2019, 2017, 2021 and 2022 for the Series 3, 5, 6 and 7, respectively.

³ Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2019.

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

(Thousands)	Payment Due By Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Retractable preferred shares:					
Partners Value Split:					
Class AA, Series 1 ¹	\$ 51,386	\$ —	\$ 51,386	\$ —	\$ —
Class AA, Series 3 ²	190,777	—	—	190,777	—
Class AA, Series 5 ²	124,975	—	124,975	—	—
Class AA, Series 6 ²	200,000	—	—	—	200,000
Global Champions:					
Class A, Series 1 ³	50,000	—	—	50,000	—
Interest expense related to:					
Partners Value Split:					
Class AA, Series 1 ¹	\$ 3,360	\$ 2,543	\$ 817	\$ —	\$ —
Class AA, Series 3 ²	34,128	8,299	16,598	9,231	—
Class AA, Series 5 ²	18,349	6,061	12,288	—	—
Class AA, Series 6 ²	61,687	9,000	18,000	18,000	16,687
Global Champions:					
Class A, Series 1 ³	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 the form of cash.

2 Payment period based on mandatory redemption date. In the case of earlier retractions, consideration to be paid in the form of debentures due 2019, 2017 and 2021 for the Series 3, 5 and 6, respectively.

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

11. ACCOUNTS RECEIVABLE/PAYABLE AND OTHER ASSETS/LIABILITIES

Accounts receivable and other assets consists of the following:

As at December 31 (Thousands)	2015	2014
Derivative assets ¹	\$ 5,880	\$ 38,418
Investment income receivable and other	2,289	765
	<u>\$ 8,169</u>	<u>\$ 39,183</u>

1 Included within derivative asset is a \$5 million (2014 – \$36 million) forward agreement in New Horizons which gives it exposure to the returns of another fund.

Accounts payable and other liabilities consists of the following:

As at December 31 (Thousands)	2015	2014
Derivative assets	\$ 31,340	\$ 6,036
Fund unit liability ¹	9,502	14,968
Borrowings	197,650	—
Other	5,035	3,841
	<u>\$ 243,527</u>	<u>\$ 24,845</u>

1 Fund unit liability represents the non-controlling interest in our 90% owned 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.

The Company has a \$70 million revolving credit facility with a third party financial institution on which it had drawn \$66 million as at December 31, 2015 (2014 – \$nil). The Company also has a prime brokerage margin account with a third party financial institution for which it has traded on \$132 million of margin as at December 31, 2015 (2014 – \$nil). The balance of these two borrowings are included within accounts payable and other liabilities.

12. CAPITAL MANAGEMENT

As at December 31, 2015, the capital base managed by the Company consisted of common equity with a carrying value of \$3,128 million (December 31, 2014 – \$2,759 million) and \$706 million (December 31, 2014 – \$608 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 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. There were no acquisitions during 2015.

The following table summarizes the balance sheet impact as a result of the business combination that occurred during the year ended December 31, 2014:

<i>(Thousands)</i>		New Horizons Income Fund
Cash and cash equivalents	\$	89
Accounts receivable and other assets		51,458
Other securities		119,747
		<hr/> 171,294
Accounts payable and other liabilities		(25,463)
Net assets		145,831
Carrying value prior to acquisition		80,504
Net Assets Acquired		<hr/> 65,327
Considerations paid	\$	<hr/> <hr/> 65,327

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

<i>(Thousands)</i>		New Horizons Income Fund
Carrying value prior to acquisition	\$	80,504
Fair value prior to acquisition		80,504
Remeasurement gain		<hr/> —

14. SUBSEQUENT EVENT

On March 28, 2016, the Company's subsidiary, Partners Value Split, redeemed all of its outstanding Class AA, Series 1 preferred shares. The total redemption amount was \$51 million plus accrued and unpaid dividends.

CORPORATE INFORMATION

DIRECTORS

John P. Barratt^{1,2}
Corporate Director

Edward C. Kress
Corporate Director

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

George E. Myhal
President and Chief Executive Officer
Partners Value Investments Inc.

Frank N.C. Lochan^{1,2}
Corporate Director

Ralph J. Zarboni^{1,2}
President
Rossiter Ventures Corporation

1. Member of the Audit Committee

2. Member of the Corporate Governance Committee

OFFICERS

Frank N.C. Lochan
Chairman

George E. Myhal
President and Chief Executive Officer

Vu H. Nguyen
Vice President, Finance

Loretta M. Corso
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EXCHANGE LISTING

TSX Venture Exchange
Stock Symbol: PVF

