

## Management's Report on Fund Performance

The following is a report on the performance of Partners Value Split Corp. (the "Company") and contains financial highlights but does not contain the complete financial statements of the Company. This report follows the disclosure obligations under National Instrument 81-106 Investment Fund Continuous Disclosure ("NI-81-106" or the "Instrument") and should be read in conjunction with the financial statements and notes thereto for the period ended December 31, 2013.

You can receive a copy of the Company's annual financial statements at your request and at no cost by calling (416) 363-9491, by writing to us at 181 Bay Street, Brookfield Place, Suite 300, P.O. Box 762, Toronto, Ontario M5J 2T3 or by visiting SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may also contact us using one of these methods to request a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure when that information becomes available.

### INVESTMENT OBJECTIVE AND STRATEGIES

The Company's objective is to invest in Class A Limited voting shares ("Brookfield shares") of Brookfield Asset Management Inc. ("Brookfield") which generate cash flow through dividend payments that fund quarterly fixed cumulative preferential dividends for the holders of the Company's senior preferred shares, and provide the holders of the Company's capital shares the opportunity to participate in any capital appreciation in the Brookfield shares. The Company's capital shares and preferred shares are also referred to collectively as units, with each unit consisting of one capital share and one preferred share ("unit").

### INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company adopted International Reporting Standards ("IFRS") in 2014, and as a result, certain comparative balances have been restated to conform to current presentation. Please refer to Note 3 in the Company's Interim financial statements for a summary of the IFRS transition and the impact of IFRS on its financial reporting.

### YEAR-END CHANGE

In the prior year, the Company changed its fiscal year end from September 30<sup>th</sup> to December 31<sup>st</sup>. This management report on fund performance has been prepared for the new interim period of January 1, 2014 to June 30, 2014. Comparative balances presented in the report as a result of the year-end change are in accordance with the requirements of NI 81-106.

### RISKS

The risk factors relating to an investment in the Company include those disclosed below. A complete list of the risk factors relating to an investment in the Company is disclosed in the Company's most recent Annual Information Form available at [www.sedar.com](http://www.sedar.com) or by contacting the Company by the means described above.

#### *(a) Interest Rate Fluctuations*

The market value of a unit may, at any given time, be affected by the level of interest rates prevailing at such time. An increase (decrease) in interest rates will, on its own, likely reduce (increase) the value of a preferred share, given that the dividends on such preferred shares are fixed.

#### *(b) Fluctuations in Value of Brookfield Shares*

The value of a unit will vary according to the value of the Brookfield shares. The value of the investment may be influenced by factors not within the control of the Company, including: the financial performance of Brookfield which may result in a decline in value of the investment portfolio and/or in dividend income from the investment, interest rates, general economic conditions, availability of equity and debt financing and financial market conditions.

#### *(c) Foreign Currency Exchange Fluctuations*

Brookfield's functional currency is the United States dollar and it declares dividends in that currency. Accordingly, changes in the exchange rate between the Canadian and United States currencies may impact the value of the Company's investment portfolio and cash flows relative to its financial obligations which are denominated principally in Canadian dollars.

---

## **RESULTS OF OPERATIONS**

Total assets at June 30, 2014 were \$2,507 million compared to \$2,191 million as at December 31, 2013. The increase in total assets was the result of an increase in the market value of the Company's Brookfield shares which at June 30, 2014, was \$2,499 million compared to \$2,191 million at December 31, 2013, based on a Brookfield share price of \$47.01 (December 31, 2013 – \$41.22).

The Company's net assets as at June 30, 2014 were \$1,816 million, an increase from \$1,501 million at December 31, 2013, which was primarily the result of the increase in the market value of the Brookfield shares.

The Company's net assets on a per unit basis, which consists of one capital share and one preferred share, at June 30, 2014 was \$90.50 compared to \$79.08 at December 31, 2013. The increase in net assets per unit was driven primarily by the increase in the market value of the Company's Brookfield shares.

The Company paid total dividends during the six months ended June 30, 2014 of \$13.0 million to the holders of the senior preferred shares and \$nil to the holders of the capital shares (June 30, 2013 – \$13.0 million and \$67.5 million, respectively). The capital share dividends paid in the prior year period represented a special dividend of Brookfield Property Partners Limited Partnership units received from Brookfield and provided to the holders of the Company's capital shares.

In July 2014, following the closing of the Company's preferred share offering and the redemption of the Series 4 preferred shares (as discussed below), the Company paid a special cash dividend totalling \$69 million to the holders of its capital shares.

In July 2014, the Company completed a preferred share offering and issued \$200 million of Class AA Preferred Shares, Series 6 and redeemed \$125 million Class AA Preferred Shares, Series 4 which matured on July 9, 2014.

## **RELATED-PARTY TRANSACTIONS**

The Company's operations are managed by Brookfield and Brookfield Investment Management (Canada) Inc., who are entitled to a management fee of up to 10% of ordinary expenses of the Company. For the period ended June 30, 2014, the Company paid management fees of \$15,000 (June 30, 2013 – \$15,000) plus applicable sales taxes.

## FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the Company and is intended to facilitate an understanding of the Company's financial performance over the last five fiscal periods and is presented in accordance with NI-81-106. This information is derived from the Company's audited financial statements.

	Six months ended June 30, 2014	For the years ended				
		Dec. 31, 2013 <sup>1,2</sup>	Sept. 30, 2013 <sup>2</sup>	Sept. 30, 2012 <sup>3</sup>	Sept. 30, 2011 <sup>3</sup>	Sept.30, 2010 <sup>3</sup>
Net assets per unit, beginning of period	\$ 79.08	\$ 73.93	\$ 65.03	\$ 78.15	\$ 104.97	\$ 88.05
Share issuance proceeds	—	—	—	—	6.67	—
Share issuance costs	—	—	—	—	(0.22)	—
Capital subscription	—	0.03	—	—	—	—
Net assets (dilution) anti-dilution <sup>4</sup>	—	—	0.06	(23.60) <sup>4</sup>	(26.62) <sup>4</sup>	—
Increase (decrease) from operations:	—					
Total revenue	0.77	0.30	1.12	1.15	1.46	1.96
Total expenses <sup>5</sup>	(0.01)	(0.01)	(0.07)	(0.08)	(0.02)	(0.03)
Realized and unrealized gains (losses)	11.12	5.15	11.34	10.44	(0.23)	16.95
Total increase from operations <sup>6</sup>	11.88	5.44	12.39	11.51	1.21	18.88
Distributions <sup>6</sup> :						
From interest and dividends <sup>7,8</sup>	(0.46)	(0.32)	(3.55) <sup>7</sup>	(1.03)	(7.86) <sup>8</sup>	(1.96)
Total distributions	(0.46)	(0.32)	(3.55)	(1.03)	(7.86)	(1.96)
Net assets per unit, end of period	\$ 90.50	\$ 79.08	\$ 73.93	\$ 65.03	\$ 78.15	\$ 104.97
Net asset value per unit, end of period	\$ 90.50	\$ 79.08	\$ 73.93	\$ 65.03	\$ 78.16	\$ 104.97

<sup>1</sup> Represents the three-month transition year as a result of changing the Company's year end from September 30 to December 31.

<sup>2</sup> IFRS presentation.

<sup>3</sup> Canadian GAAP presentation.

<sup>4</sup> Dilution occurred as a result of the subdivision of capital shares following the issuance of the Series I junior preferred shares in January 2012 so that the number of capital shares issued and outstanding was equal to the number of preferred shares issued and outstanding as required by the articles of the Company. A similar dilution occurred in 2011 following the issuance of Class AA preferred shares.

<sup>5</sup> Total expenses net of non-cash preferred share issuance cost amortization.

<sup>6</sup> Net assets and distributions are based on the actual number of units outstanding over the period. The increase from operations is based on the weighted average number of units outstanding over the period.

<sup>7</sup> Includes a special dividend of Brookfield Property Partners Limited Partnership units to holders of the Company's capital shares.

<sup>8</sup> Includes a special distribution of the proceeds received on issuance of the Class AA Series 5 senior preferred shares to holders of the Company's capital shares.

	As at and for the six months ended		As at and for the periods ended			
	June 30, 2014	Dec. 31, 2013 <sup>1,2</sup>	Sept. 30, 2013 <sup>2</sup>	Sept. 30, 2012 <sup>3</sup>	Sept. 30, 2011 <sup>3</sup>	Sept. 30, 2010 <sup>3</sup>
<i>(Thousands, except per share amounts)</i>						
Total assets	\$ 2,506,708	\$ 2,191,464	\$ 2,048,844	\$ 1,802,162	\$ 1,540,706	\$ 1,547,354
Net assets	\$ 1,816,281	\$ 1,501,338	\$ 1,359,110	\$ 1,113,857	\$ 1,054,072	\$ 1,181,011
Number of units outstanding	27,699	27,708	27,711	27,713	19,713	14,713
Management expense ratio (excluding dividends on senior preferred shares and issue costs)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Management expense ratio (including dividends on senior preferred shares and issue costs)	0.8%	0.5%	2.0%	2.5%	2.6%	1.9%
Redemption price of senior preferred shares						
Class AA Series 1 <sup>4</sup>	25.50	25.75	25.75	26.00	26.00	26.00
Class AA Series 3 <sup>5</sup>	26.00	26.00	26.00	26.00	N/A	N/A
Class AA Series 4 <sup>6</sup>	26.00	26.00	26.00	26.00	26.00	26.00
Class AA Series 5 <sup>7</sup>	N/A	N/A	N/A	N/A	N/A	N/A
Redemption price of junior preferred shares						
Class AA Series 1	25.00	25.00	25.00	25.00	N/A	N/A

<sup>1</sup> Represents the three month transition year as a result of changing the Company's year end from September 30 to December 31.

<sup>2</sup> IFRS presentation.

<sup>3</sup> Canadian GAAP presentation.

<sup>4</sup> Redemption period commenced on March 25, 2009.

<sup>5</sup> Redemption period commenced on January 10, 2012.

<sup>6</sup> Mandatory redemption on July 9, 2014.

<sup>7</sup> Redemption period commences on December 10, 2015.

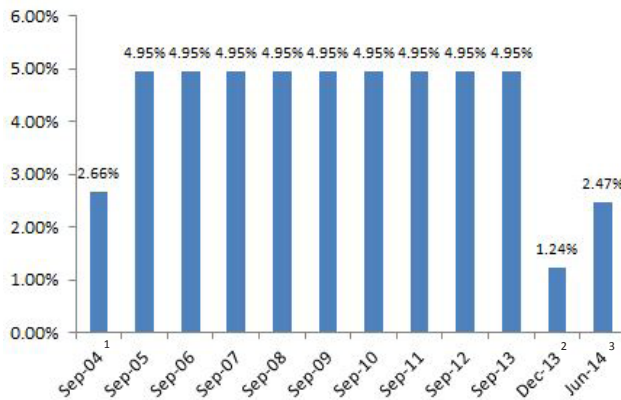
## PAST PERFORMANCE

### Period by Period Returns

The following charts show the Company's annual performance of its Class AA Series 1, Series 3, Series 4, and Series 5 senior preferred shares since issuance for the six month period June 30, 2014, assuming the senior preferred shares are sold at their final redemption price. The charts are not reflective of the current yield to maturity and past performance is not an indication of how the senior preferred shares will perform in the future.

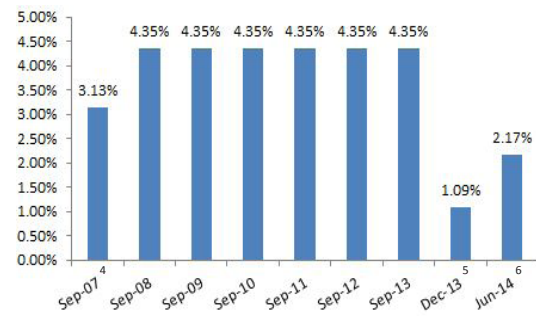
The Series 1 junior preferred shares, pay a non-cumulative quarterly dividend at an annual rate of 5%.

**Class AA Series 1 Preferred Shares**  
For the periods ending



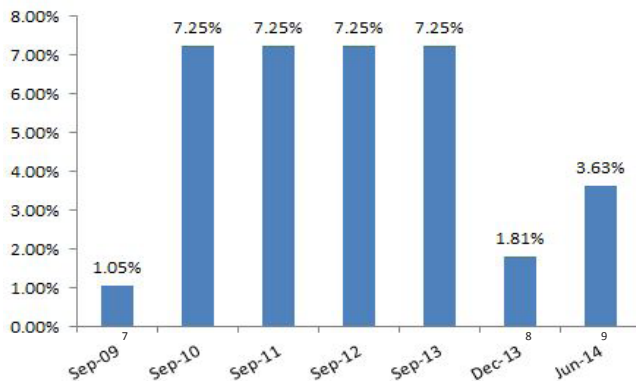
1. Reflects the period from March 25, 2004 to September 30, 2004.
2. Reflects the period from October 1, 2013 to December 31, 2013.
3. Reflects the period from January 1, 2014 to June 30, 2014.

**Class AA Series 3 Preferred Shares**  
For the periods ending



4. Reflects the period from January 10, 2007 to September 30, 2007.
5. Reflects the period from October 1, 2013 to December 31, 2013.
6. Reflects the period from January 1, 2014 to June 30, 2014.

**Class AA Series 4 Preferred Shares**  
For the periods ending



7. Reflects the period from July 9, 2009 to September 30, 2009.
8. Reflects the period from October 1, 2013 to December 31, 2013.
9. Reflects the period from January 1, 2014 to June 30, 2014.

**Class AA Series 5 Preferred Shares**  
For the periods ending



10. Reflects the period from December 10, 2010 to September 30, 2011.
11. Reflects the period from October 1, 2013 to December 31, 2013.
12. Reflects the period from January 1, 2014 to June 30, 2014.

## Annual Compound Returns

The following table compares the yield on issuance of the Company's senior preferred shares against the yield provided by a Government of Canada bond that matures during a similar period. Returns are based on the par value of a preferred share.

	Since Inception	Ten-Year	Five-Year	Three-Year	One-Year
Preferred Shares Class AA Series 1 – March 25, 2016 <sup>1</sup>	4.95%	4.95%	4.95%	4.95%	4.95%
Ten-year Government of Canada Bonds – June 1, 2015	4.50%	4.50%	4.50%	4.50%	4.50%
Preferred Shares Class AA Series 3 – January 10, 2019 <sup>2</sup>	4.35%	N/A	4.35%	4.35%	4.35%
Ten-year Government of Canada Bonds – June 1, 2018	4.25%	N/A	4.25%	4.25%	4.25%
Preferred Shares Class AA Series 4 – July 9, 2014 <sup>3</sup>	7.25%	N/A	N/A	7.25%	7.25%
Five-year Government of Canada Bonds – December 1, 2014	2.00%	N/A	N/A	2.00%	2.00%
Preferred Shares Class AA Series 5 – December 10, 2017 <sup>4</sup>	4.85%	N/A	N/A	4.85%	4.85%
Seven-Year Government of Canada Bonds – June 21, 2017	4.00%	N/A	N/A	4.00%	4.00%

<sup>1</sup> The Class AA Series 1 preferred shares were issued on March 25, 2004.

<sup>2</sup> The Class AA Series 3 preferred shares were issued on January 10, 2007.

<sup>3</sup> The Class AA Series 4 preferred shares were issued on July 9, 2009.

<sup>4</sup> The Class AA Series 5 preferred shares were issued on December 10, 2010.

## Contractual Obligations

The Company's contractual obligations related to its senior preferred shares as of June 30, 2014 are:

(Thousands)	Total	Payment Due By Period			
		Less than 1 year	2-3 years	4-5 years	After 5 years
Class AA, Series 1 <sup>1</sup>	\$ 51,861	\$ —	\$ 51,861	\$ —	\$ —
Class AA, Series 3 <sup>2</sup>	190,777	—	—	190,777	—
Class AA, Series 4 <sup>3</sup>	124,871	124,871	—	—	—
Class AA, Series 5 <sup>4</sup>	124,975	—	—	124,975	—
Dividend expense related to:					
Class AA, Series 1	\$ 4,675	\$ 2,567	\$ 2,108	\$ —	\$ —
Class AA, Series 3	38,278	8,299	16,598	13,381	—
Class AA, Series 4	959	959	—	—	—
Class AA, Series 5	21,380	6,061	12,122	3,197	—

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

## INVESTMENT PORTFOLIO

The investment in the Brookfield shares, the associated costs and the fair values as at June 30, 2014 and December 31, 2013, are as follows:

(Thousands)	Number of Shares		Cost		Fair Value	
	Jun. 30, 2014	Dec. 31, 2013	Jun. 30, 2014	Dec. 31, 2013	Jun. 30, 2014	Dec. 31, 2013
Brookfield Class A Limited voting shares	53,161	53,161	\$ 691,423	\$ 691,423	\$ 2,499,082	\$ 2,191,281

On a per share basis, the fair value of the Brookfield shares was \$47.01 on June 30, 2014 versus \$41.22 on December 31, 2013.

---

**REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not reviewed these financial statements.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "E. Kress", written in a cursive style.

Edward C. Kress  
*President*  
August 28, 2014

## Forward-Looking Information

---

*This semi-annual Report to shareholders contains forward-looking information within the meaning of Canadian provincial securities laws concerning the Company's business and operations. The words "intend", "believe", "principally", "primarily", "likely", "often", "generally" and other expressions of similar import, or the negative variations thereof, and similar expressions of future or conditional verbs such as "could", "should", "would", "may" or "will", are predictions of or indicate future events, trends or prospects or identify forward-looking information. Forward-looking information in this semi-annual report includes, among others, statements with respect to the Company's objective of investing in Class A Limited voting shares of Brookfield Asset Management Inc. ("Brookfield shares") to generate cash dividends to fund quarterly fixed cumulative preferential dividends for the holders of the Company's preferred shares and to enable holders of its capital shares to participate in any capital appreciation of the Brookfield shares, fluctuations in the market value of units of the Company due to interest rate levels and the value of Brookfield shares, fluctuations in the value of the Company's investment portfolio and cash flows due to foreign currency exchange rates, potential exposure to liquidity risk to fund dividend obligations, the Company's ability to fund retraction obligations and obligations of the Company under potential indemnification and guarantee agreements.*

*Although the Company believes that the anticipated future results or achievements expressed or implied by the forward-looking information and statements are based upon reasonable assumptions and expectations, the reader should not place undue reliance on the forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors 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 information and statements.*

*Factors that could cause actual results to differ materially from those contemplated or implied by the forward-looking information include: the behavior of financial markets, including fluctuations in the value of Brookfield shares and interest and exchange rates, availability of equity and debt financing and other risks and factors detailed from time to time in the Company's other documents filed with the Canadian securities regulators.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Except as may be required by law, the Company undertakes no obligation to publicly update or revise any forward-looking information or statements, whether written or oral, that may be as a result of new information, future events or otherwise. Reference should be made to the Company's most recent Annual Information Form for a description of the major risk factors.*

## Statements of Financial Position

<i>(unaudited)</i> As at <i>(Thousands, except per share/unit amounts)</i>	Note	June 30, 2014	December 31, 2013 <sup>1</sup>	October 1, 2012 <sup>1</sup>
<b>Assets</b>				
Cash and cash equivalents		\$ 7,458	\$ 53	\$ 16
Investment portfolio	4	2,499,082	2,191,281	1,802,146
Accounts receivable and others		168	130	—
<b>Total assets</b>		<b>\$ 2,506,708</b>	<b>\$ 2,191,464</b>	<b>\$ 1,802,162</b>
<b>Liabilities</b>				
Accounts payable		22	135	46
Debentures	5	—	79	—
Preferred shares	5	690,405	689,912	688,259
<b>Total liabilities</b>		<b>690,427</b>	<b>690,126</b>	<b>688,305</b>
<b>Net assets</b>		<b>\$ 1,816,281</b>	<b>\$ 1,501,338</b>	<b>\$ 1,113,857</b>
<b>Shareholders' equity</b>				
Capital shares	6	\$ 181,091	\$ 181,091	\$ 180,244
Retained earnings		1,635,190	1,320,247	933,613
<b>Total shareholder's equity</b>		<b>\$ 1,816,281</b>	<b>\$ 1,501,338</b>	<b>\$ 1,113,857</b>
Number of units outstanding		27,699	27,708	27,713
Net assets value per capital share		\$ 65.57	\$ 54.18	\$ 40.19
Book value per preferred share		24.93	24.90	24.84
<b>Net assets per unit</b>		<b>\$ 90.50</b>	<b>\$ 79.08</b>	<b>\$ 65.03</b>

<sup>1</sup> See Note 3.

On behalf of the Board,



Edward C. Kress  
Director and President



Brian D. Lawson  
Director

## Statements of Comprehensive Income

(unaudited)

For the six months ended June 30

(Thousands, except per share amounts)

	Note	2014	2013
<b>Income</b>			
Dividend income		\$ 21,043	\$ 15,474
Interest and other income		16	9
		<b>21,059</b>	<b>15,483</b>
<b>Expenses</b>			
Listing fees		(98)	(55)
Transfer agent fees		(30)	(30)
Directors fees		(20)	(19)
Legal and audit fees		(23)	(36)
Management fees	7	(17)	(15)
Custodial fees		(9)	(8)
Administrative fees and other		(16)	(15)
		<b>(213)</b>	<b>(178)</b>
Income available for distribution		<b>20,846</b>	15,305
Dividends and interest paid on senior preferred shares and debentures		<b>(12,993)</b>	(13,000)
Income available for distribution to junior preferred and capital shares		<b>7,853</b>	2,305
Amortization of share issuance costs		<b>(710)</b>	(711)
Income available for distribution to capital shares		<b>7,143</b>	1,594
Change in realized and unrealized value of investment		<b>307,800</b>	139,795
<b>Comprehensive income</b>		<b>\$ 314,943</b>	<b>\$ 141,389</b>
<b>Comprehensive income per share<sup>1</sup></b>		<b>\$ 11.37</b>	<b>\$ 5.10</b>

<sup>1</sup> Based on weighted average number of capital shares outstanding.

## Statements of Changes in Equity

<i>(unaudited)</i> For the six months ended June 30, 2014 (Thousands)	Capital Shares	Retained Earnings	Total
Balance, beginning of period	\$ 181,091	\$ 1,320,247	\$ 1,501,338
Comprehensive income	—	314,943	314,943
Balance, end of period	\$ 181,091	\$ 1,635,190	\$ 1,816,281

<i>(unaudited)</i> For the six months ended June 30, 2013 (Thousands)	Capital Shares	Retained Earnings	Total
Balance, beginning of period	\$ 180,244	\$ 1,069,041	\$ 1,249,285
Comprehensive income	—	141,389	141,389
Capital transactions			
Dividend paid to Capital shareholders	—	(67,497)	(67,497)
Balance, end of period	\$ 180,244	\$ 1,142,933	\$ 1,323,177

## Statements of Cash Flows

(unaudited)

For the six months ended June 30

(Thousands)

	2014	2013
<b>Cash flow from operating activities</b>		
Income available for distribution	\$ 20,846	\$ 15,305
Add (deduct) non-cash items:		
Changes in working capital	(150)	(17)
	<b>20,696</b>	<b>15,288</b>
<b>Cash flow used in financing activities</b>		
Dividends and interest paid on senior preferred shares and debentures	(12,993)	(13,000)
Redemption of debentures	(298)	—
	<b>(13,291)</b>	<b>(13,000)</b>
<b>Cash and cash equivalents</b>		
Increase in cash and cash equivalents	7,405	2,288
Cash and cash equivalents balance, beginning of period	53	788
<b>Cash and cash equivalents balance, end of period</b>	<b>\$ 7,458</b>	<b>\$ 3,076</b>

## Notes to the Financial Statements

---

### 1. BUSINESS OPERATIONS

Partners Value Split Corp. (the "Company") is an investment fund incorporated under the laws of the province of Ontario. The Company's investment portfolio consists of an investment in the Class A Limited voting shares ("Brookfield shares") of Brookfield Asset Management Inc. ("Brookfield"). Brookfield provides management and administration services to the Company. 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, ON, M5J 2T3.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (I) Statement of Compliance and Basis of Presentation

The semi-annual financial statements of the Company have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-Time Adoption ("IFRS 1"), as issued by the International Accounting Standards Board ("IASB"), using the accounting policies the Company expects to adopt in its 2014 annual financial statements. The semi-annual financial statements are prepared on a going concern basis.

As these interim financial statements are the Company's first financial statements prepared using International Financial Reporting Standards ("IFRS"), certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS that were not included in the Company's most recent annual financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") have been included in these financial statements for the comparative annual period.

The Company changed its year end from September 30<sup>th</sup> to December 31<sup>st</sup> in the prior year. As a result, comparative periods presented are in accordance with the requirements of National Instrument 81-106 and IFRS for entities who have changed their fiscal year end.

These financial statements were authorized for issuance by the Board of Directors of the Company on August 21, 2014.

#### (II) Adoption of IFRS

The Company adopted IFRS in 2014 and is effective as of October 1, 2012. Previously, the Company prepared its financial statements in accordance with Canadian GAAP, specifically Part V of the Chartered Professional Accountants of Canada Handbook. Further details regarding the Company's transition to IFRS can be found in Note 3.

#### (III) Accounting Policies

The following is a summary of significant accounting policies followed by the Company:

##### (a) Cash and Cash Equivalents

Cash and cash equivalents include cash held by the Company in addition to any deposit instruments held with an initial maturity of less than 90 days.

##### (b) Investment in Brookfield

The Company's Brookfield shares are recorded at their fair value upon initial recognition and are classified as fair value through profit or loss (FVTPL) financial assets with subsequent adjustments to fair value recorded as a change in the unrealized value of investment in the Statement of Comprehensive Income. The Brookfield shares are valued at their quoted market price in accordance with IFRS 13 Fair Value Measurement ("IFRS 13").

##### (c) Preferred Shares

The Company's issued preferred shares are measured at amortized cost and are classified as other liabilities.

##### (d) Deferred Financing Costs

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

##### (e) Revenue Recognition

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

---

*(f) Other Assets and Liabilities*

Accounts receivable and cash are classified as loans and receivables and are accounted for at amortized cost. Accounts payable and other non-derivative liabilities are classified as other liabilities and are accounted for at amortized cost.

*(g) Voting and Capital Shares*

The Company's issued voting shares are classified as financial liabilities whereas the Company's capital shares are classified as equity in accordance with IAS 32.

*(h) Foreign Currency Translation*

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.

*(i) Accounting Estimates*

The preparation of the financial statements in accordance with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**(IV) Future Changes in Accounting Standards**

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB on November 12, 2009 (with the final IFRS 9 issued in July 2014) 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 financial statements.

**3. IFRS TRANSITION**

The Company adopted IFRS in 2014 and is effective as of October 1, 2012. The Company prepared its opening IFRS balance sheet as of that date.

The Company previously prepared its financial statements in accordance with Canadian GAAP for all periods up to and including December 31, 2013. These financial statements for the semi-annual period ending June 30, 2014 are the Company's first financial statements that have been prepared in accordance with IFRS. This note explains the impact of the Company's transition to IFRS.

**(I) Elected Exemptions from Full Retrospective Application**

These financial statements have been prepared in accordance with IFRS 1. IFRS 1 permits certain optional exemptions from full retrospective application of IFRS. The Company has elected to use the optional exemption that permits it to designate a financial asset or liability as FVTPL at the date of transition. The Company has designated its investment in Brookfield shares as FVTPL. There was no impact to the value of the Brookfield shares in prior periods as a result of the exemption.

**(II) Mandatory Exceptions to Retrospective Application**

In preparing these financial statements in accordance with IFRS 1, the Company has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below:

*Estimates*

The estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

### (III) Significant Differences Between IFRS and Canadian GAAP

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. The adoption of IFRS has no impact on the cash flows generated by the Company, however, the adoption of IFRS resulted in the following changes to the reported financial position and results of operations:

#### *Fair Value of FVTPL Securities*

Under Canadian GAAP, the fair value of the Company's Brookfield shares were required to be determined with reference to a Bid or Ask price, as appropriate. Under IFRS, the Company has elected to determine the fair value of the Brookfield shares with reference to the quoted market price at the close of trading on the reporting date. This resulted in certain restatements of comparable balances.

#### *Voting Shares and Capital Shares*

Under Canadian GAAP, the Company's issued voting shares and capital shares were classified as equity. Under IFRS, the Company's issued voting shares are classified as financial liabilities whereas the Company's capital shares are classified as equity in accordance with IAS 32. This resulted in certain presentation differences in the financial statements.

### (IV) Reconciliation of Equity as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS:

<i>As at (Thousands)</i>	Dec. 31 2013	Jun. 30 2013	Oct. 1 2012
Equity as reported under Canadian GAAP	\$ 1,313,868	\$ 1,323,186	\$ 1,113,857
Fair value adjustment of FVTPL investments	6,379	—	—
Equity as reported under IFRS	\$ 1,320,247	\$ 1,323,186	\$ 1,113,857

### (V) Reconciliation of Comprehensive Income as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's results of investment operations reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS:

<i>(Thousands)</i>	Six months ended Jun. 30, 2013	For the years ended	
		Dec. 31 2013	Sept. 30 2013
Results of investment operations as reported under Canadian GAAP	\$ 141,398	\$ 135,002	\$ 312,750
Fair value adjustment of FVTPL investments	—	6,379	—
Comprehensive income as reported under IFRS	\$ 141,398	\$ 141,381	\$ 312,750

## 4. INVESTMENT PORTFOLIO

The investment in Brookfield shares, the associated cost amounts and the fair values as at June 30, 2014, December 31, 2013 and October 1, 2012 are as follows:

<i>(Thousands)</i>	Number of Shares			Cost			Fair Value		
	Jun. 30, 2014	Dec. 31, 2013	Oct. 1, 2012	Jun. 30, 2014	Dec. 31, 2013	Oct. 1, 2012	Jun. 30, 2014	Dec. 31, 2013	Oct. 1, 2012
Brookfield shares	53,161	53,161	53,161	\$ 691,423	\$ 691,423	\$ 715,234	\$ 2,499,082	\$ 2,191,281	\$ 1,802,146

On a per share basis, the fair value of the Brookfield shares was \$47.01 on June 30, 2014 (December 31, 2013 – \$41.22; October 1, 2012 – \$33.90).

## 5. PREFERRED SHARES

The Company is authorized to issue an unlimited number of Class A, Class AA, Class AAA preferred shares and junior preferred shares.

As at June 30, 2014, the following preferred shares were issued and outstanding and have been included in liabilities, net of associated financing costs which are amortized using the effective interest rate method of amortization.

<i>(Thousands)</i>	Issued and Outstanding					
	Jun. 30, 2014	Dec. 31, 2013	Oct. 1, 2012	Jun. 30, 2014	Dec. 31, 2013	Oct. 1, 2012
Senior preferred shares						
4.95% Class AA, Series 1	2,074	2,074	2,076	\$ 51,861	\$ 51,861	\$ 51,905
4.35% Class AA, Series 3	7,631	7,637	7,637	190,777	190,920	190,920
7.25% Class AA, Series 4	4,995	4,998	5,000	124,871	124,946	125,000
4.85% Class AA, Series 5	4,999	4,999	5,000	124,975	124,975	125,000
	19,699	19,708	19,713	492,484	492,702	492,825
Junior preferred shares, Series 1	8,000	8,000	8,000	200,000	200,000	200,000
	27,699	27,708	27,713	692,484	692,702	692,825
Deferred financing costs				(2,079)	(2,790)	(4,566)
				\$ 690,405	\$ 689,912	\$ 688,259

The fair values of the Class AA Series 1, Series 3, Series 4 and Series 5 senior preferred shares based on quoted market prices as at June 30, 2014 were \$25.55, \$24.93, \$25.16 and \$25.60 per share (December 31, 2013, were \$25.31, \$24.25, \$25.30 and \$25.32; October 1, 2012, were \$25.45, \$24.10, \$26.51, and \$25.05), respectively.

As at June 30, 2014, there were \$nil debentures outstanding (December 31, 2013 - \$53,750 Series 2 debentures and \$25,000 Series 5 debentures; October 1, 2012 - \$nil).

In April 2014, 3,400 Class AA Series 3 senior preferred shares were retracted for Series 1 Debentures.

In January 2014, 2,300 Class AA Series 3 senior preferred shares were retracted for Series 1 debentures and 3,000 Class AA Series 4 senior preferred shares were retracted for Series 2 debentures.

In November 2013, 1,780 Class AA Series 1 senior preferred shares were retracted for cash and 1,000 Class AA Series 5 senior preferred shares were retracted for Series 3 debentures.

In February 2013, 2,150 Class AA Series 4 senior preferred shares were retracted for Series 2 debentures.

## 6. SHARE CAPITAL

The Company is authorized to issue an unlimited number of capital shares.

The issued and outstanding share capital consists of:

<i>As at</i>	Issued and Outstanding					
	Jun. 30, 2014	Dec. 31, 2013	Oct. 1, 2012	Jun. 30, 2014	Dec. 31, 2013	Oct. 1, 2012
Equity <sup>1</sup>						
Capital shares	27,699,370	27,708,070	27,713,000	\$ 181,091,363	\$ 181,091,363	\$ 180,244,098
Liability <sup>1</sup>						
Class A voting shares	100	100	100	100	100	100
				\$ 181,091,463	\$ 181,091,463	\$ 180,244,198

<sup>1</sup> Presentation and classification of share capital in accordance with IAS 32.

On December 31, 2013, the holder of the Company's Class A voting shares and capital shares, Partners Value Fund Inc.,

subscribed for additional capital shares in the Company for \$847,265. The number of capital shares were then consolidated to match the number of preferred shares outstanding.

In April 2014, 3,400 Class AA Series 3 senior preferred shares were retracted and, accordingly, the capital shares were consolidated to match the number of preferred shares outstanding.

In January 2014, 2,300 Class AA Series 3 and 3,000 Class AA Series 4 senior preferred shares were retracted and, accordingly, the capital shares were consolidated to match the number of preferred shares outstanding.

In November 2013, 1,780 Class AA Series 1 and 1,000 Class AA Series 5 senior preferred shares were retracted and, accordingly, the capital shares were consolidated to match the number of preferred shares outstanding.

In February 2013, 2,150 Class AA Series 4 senior preferred shares were retracted and, accordingly, the capital shares were consolidated to match the number of preferred shares outstanding.

Holders of capital shares are entitled to receive dividends as declared by the Board of Directors of the Company. The Board of Directors of the Company has indicated that its policy is to pay dividends, if and to the extent that the dividends received on the portfolio shares, less the administrative and operating expenses of the Company, exceed the preferred share dividends. During the fiscal period ended June 30, 2014, the Company declared and paid dividends in the amount of \$nil (June 30, 2013 – \$67.5 million) to the holders of its capital shares.

## 7. RELATED-PARTY TRANSACTIONS

The Company's operations are managed by Brookfield and Brookfield Investment Management (Canada) Inc., who are entitled to a total management fee of up to 10% of ordinary expenses of the Company. For the period ended June 30, 2014, the Company paid management fees of \$15,000 (June 30, 2013 – \$15,000) plus applicable sales taxes.

## 8. 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 value of the Company's investments are determined by reference to the closing price of the last day of trade at each financial reporting period.

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 (Thousands)	June 30, 2014			December 31, 2013			October 1, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Brookfield shares	\$ 2,499,082	\$ —	\$ —	\$ 2,191,281	\$ —	\$ —	\$ 1,802,146	\$ —	\$ —
	\$ 2,499,082	\$ —	\$ —	\$ 2,191,281	\$ —	\$ —	\$ 1,802,146	\$ —	\$ —

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

---

## 9. SUBSEQUENT EVENTS

On July 4, 2014, the Company issued \$200 million Class AA Preferred Shares, Series 6 (the "Series 6 Preferred Shares"). The Series 6 Preferred Shares will carry a fixed coupon of 4.50% per annum and will have a final maturity of October 8, 2021. The net proceeds of the offering were then used to redeem the Company's outstanding Class AA Preferred Shares, Series 4 (the "Series 4 Preferred Shares") and to pay a special cash dividend at \$69 million to holders of the Company's capital shares. Immediately following the completion of the preferred share offering, the capital shares of the Company were sub-divided to match the number of preferred shares issued and outstanding.

On July 9, 2014, the Company redeemed all of the outstanding \$125 million Series 4 Preferred Shares. The capital shares were then consolidated to match the number of preferred shares outstanding.

## Corporate Information

---

### OFFICERS AND DIRECTORS

**Frank N.C. Lochan**<sup>1, 2</sup>  
*Director and Chairman*

**Edward C. Kress**  
*Director and President*

**John P. Barratt**<sup>1, 2</sup>  
*Director*

**James L.R. Kelly**<sup>1, 2</sup>  
*Director*

**Brian D. Lawson**  
*Director*

**Allen G. Taylor**  
*Director and Chief Financial Officer*

**Loretta M. Corso**  
*Corporate Secretary*

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Independent Review Committee

### AUDITORS

Deloitte LLP  
Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

### LEGAL COUNSEL

Torys LLP

### STOCK EXCHANGE LISTING

The Company's preferred shares are listed on the Toronto Stock Exchange under the following symbols:

<i>Security</i>	<i>TSX Symbol</i>
Class AA Preferred Shares, Series 1	<b>PVS.PR.A</b>
Class AA Preferred Shares, Series 3	<b>PVS.PR.B</b>
Class AA Preferred Shares, Series 4 <sup>1</sup>	<b>BNA.PR.D</b>
Class AA Preferred Shares, Series 5	<b>PVS.PR.C</b>
Class AA Preferred Shares, Series 6 <sup>2</sup>	<b>PVS.PR.D</b>

<sup>1</sup> Redeemed on July 9, 2014.

<sup>2</sup> Issued on July 4, 2014.

### YEAR END

December 31

---

## Enquiries

---

Enquiries relating to the operations of the Company should be directed to the Company's Head Office:

### Partners Value Split Corp.

Brookfield Place, 181 Bay Street  
Suite 300, P.O. Box 770  
Toronto, Ontario  
M5J 2T3

Tel: (416) 363-9491

Fax: (416) 365-9642

Website: [www.partnersvaluesplit.com](http://www.partnersvaluesplit.com)

*Shareholder enquiries relating to dividends, address changes and share certificates should be directed to our Transfer Agent:*

### CST Trust Company

P.O. Box 700, Station B  
Montreal, Quebec  
H3B 3K3

Tel: (416) 682-3860 or  
toll free within North America  
(800) 387-0825

Fax: (888) 249-6189

Website: [www.canstockta.com](http://www.canstockta.com)

E-mail: [inquiries@canstockta.com](mailto:inquiries@canstockta.com)



Brookfield Place, 181 Bay Street  
Suite 300, P.O. Box 770  
Toronto, Ontario M5J 2T3