

## Report to Shareholders

Income available for distribution for the three months ended December 31, 2002 was \$2.4 million, consistent with the same period last year. On December 7, 2002, a quarterly dividend of \$0.390625 per share or \$2.0 million was paid to the company's Senior Preferred shareholders. In addition, a dividend of \$0.06 per share or \$0.3 million was paid to Capital shareholders.

The Board of Directors declared a dividend of \$0.390625 and \$0.06 per Senior Preferred share and Capital share of the company, respectively, payable on March 7, 2003 to holders of record on February 22, 2003.

BNN Split Corp. holds a portfolio consisting of 9,612,000 Class A Limited Voting shares of Brascan Corporation ("Brascan shares") in order to generate quarterly fixed cumulative preferential dividends for the holders of the company's Senior Preferred shares and to enable the holders of the company's Capital shares to participate in any capital appreciation of Brascan shares.

Brascan Corporation is a North American based company which owns and manages assets which generate sustainable cash flows. Currently operations are largely in the real estate, power generation and financial sectors. Assets total \$23 billion and include 55 premier commercial properties and 37 hydroelectric generating facilities.

The net asset value per unit, consisting of one Senior Preferred share and one Capital share, was \$61.04 at December 31, 2002, based on a Brascan share price of \$31.75 at that date.

On behalf of the Board of Directors,

"signed"

Bruce K. Robertson  
President and Chief Executive Officer

February 20, 2003

## Balance Sheet

<i>unaudited</i> (\$ thousands)	December 31 2002	September 30 2002
<b>Assets</b>		
Cash and cash equivalents	\$ 506	\$ 392
Securities <sup>(2)</sup>	244,429	244,429
	<b>\$ 244,935</b>	<b>\$ 244,821</b>
<b>Liabilities</b>		
Accounts payable	\$ 5	\$ 20
Senior Preferred shares <sup>(3)</sup>	125,000	125,000
	<b>125,005</b>	<b>125,020</b>
<b>Shareholders' Equity</b>		
Share capital <sup>(3)</sup>	123,950	123,950
Deficit	(4,020)	(4,149)
	<b>119,930</b>	<b>119,801</b>
	<b>\$ 244,935</b>	<b>\$ 244,821</b>

## Statement of Income and Deficit

<i>unaudited</i> (\$ thousands)	Three months ended December 31	
	2002	2001
<b>Revenue</b>		
Investment	\$ 2,407	\$ 2,403
<b>Expenses</b>		
Operating	24	—
Income available for distribution	<b>2,383</b>	2,403
Dividends paid on		
Senior Preferred shares	(1,954)	(2,500)
Capital shares	(300)	—
	<b>129</b>	(97)
Deficit, beginning of period	(4,149)	—
Share issue costs <sup>(4)</sup>	—	(4,488)
Deficit, end of period	<b>\$ (4,020)</b>	<b>\$ (4,585)</b>

## Statement of Cash Flow

<i>unaudited</i> (\$ thousands)	Three months ended December 31	
	2002	2001
<b>Cash flow from income available for distribution</b>	<b>\$ 2,383</b>	\$ 2,403
Add (deduct) non-cash items:		
Working capital	(15)	—
	<b>2,368</b>	2,403
<b>Cash flow from (used in) financing activities</b>		
Dividends paid on:		
Senior Preferred shares	(1,954)	(2,500)
Capital shares	(300)	—
Borrowings	—	64
	<b>(2,254)</b>	(2,436)
Increase (decrease) in cash and cash equivalents	<b>114</b>	(33)
Cash and cash equivalents balance, beginning of period	<b>392</b>	33
<b>Cash and cash equivalents balance, end of period</b>	<b>\$ 506</b>	\$ —

### Notes:

#### (1) Basis of Presentation

The company is an investment company holding a portfolio of securities consisting of Class A Limited Voting shares of Brascan Corporation ("Brascan"). Incorporation of the company under the laws of the Province of Ontario was on July 12, 2001.

#### (2) Securities

The company accounts for its investment in Brascan on a cost basis and accordingly will recognize dividends in the year of receipt. The portfolio consists of 9,612,000 Class A Voting shares.

#### (3) Share Capital

The authorized share capital of the company consists of an unlimited number of preferred shares, capital shares and common shares.

As at December 31, 2002, there were 5,000,000 Class A Senior Preferred shares issued and outstanding with a stated capital of \$25.00 per share. Holders of preferred shares are entitled to receive a fixed cumulative quarterly dividend of 6.25% per annum. These shares have been included in liabilities. The issued and outstanding share capital consists of:

		December 31, 2002
5,000,000	Capital shares	<b>\$ 123,950,000</b>
100	Class A Voting shares	<b>100</b>
		<b>\$ 123,950,100</b>

(4) Share issue costs include agent fees associated with the preferred share issue and associated expenses.

## Corporate Information

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**CORPORATE  
OFFICE**

P.O. Box 770, Suite 4440  
BCE Place, 181 Bay Street  
Toronto, Ontario  
M5J 2T3

Telephone: (416) 363-9491  
Facsimile: (416) 365-9642

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**DIRECTORS  
AND OFFICERS**

**James C. Bacon**  
Director

**John P. Barratt**  
Director

**Bryan K. Davis**  
Director, Chief Financial Officer

**James L.R. Kelly**  
Director

**Brian D. Lawson**  
Director and Chairman

**Bruce K. Robertson**  
Director, President and  
Chief Executive Officer

**Loretta M. Corso**  
Secretary

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**STOCK EXCHANGE** BNA.PR.A Toronto Stock Exchange

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**TRANSFER AGENT  
AND REGISTRAR**

Questions about shareholders,  
dividends, address changes or  
lost certificates should be  
directed to:

CIBC Mellon Trust Company  
P.O. Box 7010  
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## INTERIM REPORT TO SHAREHOLDERS

*For the Three Months  
ended December 31, 2002*

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