

## Report to Shareholders

Income available for distribution for the six months ended March 31, 2003 was \$4.7 million, consistent with the same period last year. On March 7, 2003, 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 June 7, 2003 to holders of record on May 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 real estate, power generation and asset management company. With US\$15 billion of invested capital, current operations include 55 premier properties and 38 power generating facilities.

The net asset value per unit, consisting of one Senior Preferred share and one Capital share, was \$56.58 at March 31, 2003, based on a Brascan share price of \$29.43 at that date.

On behalf of the Board of Directors,

"signed"

Bruce K. Robertson  
President and Chief Executive Officer

May 15, 2003

## Balance Sheet

<i>unaudited</i> (\$ thousands)	March 31 2003	September 30 2002
<b>Assets</b>		
Cash and cash equivalents	\$ 602	\$ 392
Securities <sup>(2)</sup>	244,429	244,429
	<b>\$ 245,031</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	(3,924)	(4,149)
	<b>120,026</b>	<b>119,801</b>
	<b>\$ 245,031</b>	<b>\$ 244,821</b>

## Statement of Income and Deficit

<i>unaudited</i> (\$ thousands)	Three months ended March 31		Six months ended March 31	
	2003	2002	2003	2002
<b>Revenue</b>				
Investment	\$ 2,407	\$ 2,405	\$ 4,814	\$ 4,808
<b>Expenses</b>				
Operating	58	22	82	22
Income available for distribution	2,349	2,383	4,732	4,786
Dividends paid on Senior Preferred shares	(1,953)	(1,953)	(3,907)	(4,453)
Income available for distribution on Capital and Class A shares	396	430	825	333
Dividends paid on Capital shares	300	—	600	—
	96	430	225	333
Deficit, beginning of period	(4,020)	(4,585)	(4,149)	—
Share issue costs <sup>(4)</sup>	—	—	—	(4,488)
Deficit, end of period	<b>\$ (3,924)</b>	<b>\$ (4,155)</b>	<b>\$ (3,924)</b>	<b>\$ (4,155)</b>

## Statement of Cash Flow

<i>unaudited</i> (\$ thousands)	Three months ended March 31		Six months ended March 31	
	2003	2002	2003	2002
<b>Cash flow from income available for distribution</b>				
	\$ 2,349	\$ 2,383	\$ 4,732	\$ 4,786
Deduct non-cash items:				
Working capital	—	—	(15)	—
	<b>2,349</b>	<b>2,383</b>	<b>4,717</b>	<b>4,786</b>
<b>Cash flow from (used in) financing activities</b>				
Dividends paid on:				
Senior Preferred shares	(1,953)	(1,953)	(3,907)	(4,453)
Capital shares	(300)	—	(600)	—
Borrowings	—	(64)	—	—
	<b>(2,253)</b>	<b>(2,017)</b>	<b>(4,507)</b>	<b>(4,453)</b>
Increase in cash and cash equivalents	96	366	210	333
Cash and cash equivalents balance, beginning of period	506	—	392	33
<b>Cash and cash equivalents balance, end of period</b>	<b>\$ 602</b>	<b>\$ 366</b>	<b>\$ 602</b>	<b>\$ 366</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 March 31, 2003, 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:

	March 31, 2003
5,000,000 Capital shares	\$ 123,950,000
100 Class A Voting shares	100
	<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 300  
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**  
Corporate 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  
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## INTERIM REPORT TO SHAREHOLDERS

*For the Six Months ended  
March 31, 2003*

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