

Report to Shareholders

During the nine months ended June 30, 2003, BNN Split Corp. generated income available for distribution of \$7.1 million, consistent with the same period last year. On June 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 dividends of \$0.390625 and \$0.12 per Senior Preferred share and Capital share of the company, respectively, payable on September 7, 2003 to holders of record on August 22, 2003.

The net asset value per unit, consisting of one Senior Preferred share and one Capital share, was \$63.92 at June 30, 2003, based on a Brascan share price of \$33.25 at that date.

BNN Split Corp. owns 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 is a real estate, power generation and asset management company. The company's objective is to earn a superior return on equity by owning operations which produce consistent and sustainable cash flows. Total assets exceed US\$15 billion, with a further US\$5 billion of assets under management. This includes 55 high quality office properties and 39 power generating plants.

On August 21, 2003, the company's shareholders overwhelmingly approved amendments to the articles of incorporation to extend the term and reset the redemption price of its existing preferred shares, and create and allow for the issuance of an additional class of preferred shares to refinance the outstanding preferred shares or to acquire additional Brascan shares.

On behalf of the Board of Directors,

"signed"

Bruce K. Robertson,
President and Chief Executive Officer
August 21, 2003

Balance Sheets

<i>unaudited</i> (\$ thousands)	June 30 2003	September 30 2002
Assets		
Cash and cash equivalents	\$ 743	\$ 392
Securities ⁽²⁾	244,429	244,429
	\$ 245,172	\$ 244,821
Liabilities		
Accounts payable	\$ 10	\$ 20
Senior Preferred shares ⁽³⁾	125,000	125,000
	125,010	125,020
Shareholders' Equity		
Share capital ⁽³⁾	123,950	123,950
Deficit	(3,788)	(4,149)
	120,162	119,801
	\$ 245,172	\$ 244,821

Statements of Income and Deficit

<i>unaudited</i> (\$ thousands)	Three months ended June 30		Nine months ended June 30	
	2003	2002	2003	2002
Revenue				
Investment	\$ 2,409	\$ 2,406	\$ 7,223	\$ 7,214
Expenses				
Operating	20	127	102	149
Income available for distribution	2,389	2,279	7,121	7,065
Dividends paid on				
Senior Preferred shares	(1,953)	(1,953)	(5,860)	(6,406)
Income available for distribution on Capital and Class A shares	436	326	1,261	659
Dividends paid on				
Capital shares	(300)	(300)	(900)	(300)
	136	26	361	359
Deficit, beginning of period	(3,924)	(4,155)	(4,149)	—
Share issue costs ⁽⁴⁾	—	—	—	(4,488)
Deficit, end of period	\$ (3,788)	\$ (4,129)	\$ (3,788)	\$ (4,129)

Statements of Cash Flow

<i>unaudited</i> (\$ thousands)	Three months ended June 30		Nine months ended June 30	
	2003	2002	2003	2002
Cash flow from income available for distribution	\$ 2,389	\$ 2,279	\$ 7,121	\$ 7,065
Deduct non-cash items:				
Working capital	5	—	(10)	—
	2,394	2,279	7,111	7,065
Cash flow from (used in) financing activities				
Dividends paid on:				
Senior Preferred shares	(1,953)	(1,953)	(5,860)	(6,406)
Capital shares	(300)	(300)	(900)	(300)
	(2,253)	(2,253)	(6,760)	(6,706)
Increase in cash and cash equivalents	141	26	351	359
Cash and cash equivalents balance, beginning of period	602	366	392	33
Cash and cash equivalents balance, end of period	\$ 743	\$ 392	\$ 743	\$ 392

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 June 30, 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:

	June 30, 2003
5,000,000 Capital shares	\$ 123,950,000
100 Class A Voting shares	100
	\$ 123,950,100

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

Corporate Information

CORPORATE OFFICE

P.O. Box 770, Suite 300
BCE Place, 181 Bay Street
Toronto, Ontario
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Telephone: (416) 363-9491
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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

STOCK EXCHANGE BNA.PR.A Toronto Stock Exchange

TRANSFER AGENT AND REGISTRAR

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

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INTERIM REPORT TO SHAREHOLDERS

*For the Nine Months ended
June 30, 2003*
