

Report to Shareholders

During the three months ended December 31, 2003, BNN Split Corp. generated income available for distribution of \$2.3 million, consistent with the same period last year. Operating expenses increased to \$0.2 million in 2003 compared to \$nil million in 2002 due to the increased costs associated with amendment to the articles of the corporation at the end of the 2003. On December 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 \$0.12 per share or \$0.6 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 March 7, 2004 to holders of record on February 22, 2004.

The net asset value per unit, consisting of one Senior Preferred share and one Capital share, was \$76.38 at December 31, 2003, based on a Brascan share price of \$39.73 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 Corporation is an asset management company. With a focus on real estate and power generation, the company has direct investments of \$16 billion and a further \$5 billion of assets under management. This includes 55 premier office properties and 45 power generating plants. The company is listed on the New York and Toronto stock exchanges under the symbol BNN and BNN.a, respectively.

During 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,



Bruce K. Robertson,
President and Chief Executive Officer
February 26, 2004

Balance Sheets

<i>unaudited</i> (\$ thousands)	December 31 2003	September 30 2003
Assets		
Cash and cash equivalents	\$ 376	\$ 659
Securities ⁽²⁾	244,429	244,429
	\$ 244,805	\$ 245,088
Liabilities		
Accounts payable	\$ 19	\$ 20
Senior Preferred shares ⁽³⁾	125,000	125,000
	125,019	125,020
Shareholders' Equity		
Share capital ⁽³⁾	123,950	123,950
Deficit	(4,164)	(3,882)
	119,786	120,068
	\$ 244,805	\$ 245,088

Statements of Income and Deficit

<i>unaudited</i> (\$ thousands)	Three months ended December 31	
	2003	2002
Revenue		
Investment	\$ 2,503	\$ 2,407
Expenses		
Operating	231	24
Income available for distribution	2,272	2,383
Dividends paid on Senior Preferred shares	(1,954)	(1,954)
Income available for distribution on Capital and Class A shares	318	429
Dividends paid on Capital shares	(600)	(300)
	(282)	129
Deficit, beginning of period	(3,882)	(4,149)
Deficit, end of period	\$ (4,164)	\$ (4,020)

Statements of Cash Flow

<i>unaudited</i> (\$ thousands)	Three months ended December 31	
	2003	2002
Cash flow from income		
available for distribution	\$ 2,272	\$ 2,383
Deduct non-cash items:		
Working capital	(1)	(15)
	2,271	2,368
Cash flow used in financing activities		
Dividends paid on:		
Senior Preferred shares	(1,954)	(1,954)
Capital shares	(600)	(300)
	(2,554)	(2,254)
Increase (decrease) in cash and cash equivalents	(283)	114
Cash and cash equivalents balance, beginning of period	659	392
Cash and cash equivalents balance, end of period	\$ 376	\$ 506

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, 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:

		December 31, 2003
5,000,000	Capital shares	\$ 123,950,000
100	Class A Voting shares	100
		\$ 123,950,100

Corporate Information

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

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:

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9
Telephone: (416) 643-5500
(800) 387-0825
Facsimile: (416) 643-5501
E-mail: inquiries@cibcmellon.com



INTERIM REPORT TO SHAREHOLDERS

***For the Three Months
ended December 31, 2003***
