



**2004 SECOND QUARTER
INTERIM REPORT TO SHAREHOLDERS
FOR THE SIX MONTHS ENDED MARCH 31, 2004**

During the six months ended March 31, 2004, BNN Split Corp. generated income available for distribution of \$4.7 million, consistent with the same period last year. On March 7, 2004, a quarterly dividend of \$0.390625 per share or \$2.0 million was paid to the company's Preferred Class A shareholders. In addition, a dividend of \$0.06 per share or \$0.6 million was paid to Capital shareholders.

The Board of Directors declared dividends of \$0.390625, \$0.2265 and \$0.06284 per Preferred share Class A, Class AA Series I and Capital share of the company, respectively, payable on June 7, 2004 to holders of record on May 22, 2004.

The net asset value per unit, consisting of one Preferred share and one Capital share, was \$64.86 at March 31, 2004, based on a Brascan share price of \$52.30 at that date.

BNN Split Corp. owns a portfolio consisting of 11,612,000 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 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 US\$17 billion and a further US\$7 billion of assets under management. This includes 55 premier office properties and 48 power generating plants. The company is listed on the New York and Toronto stock exchanges under the symbol BNN and BNN.a, respectively.

During the quarter the Company acquired 2,000,000 additional Brascan shares at a price of \$49.70. The purchase was funded by the proceeds of issuance of 3,200,000 Class AA Preferred shares, Series 1 and the issuance of 1,348,000 Class AA preferred shares, Series 2.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "B. Robertson", is positioned above the printed name.

Bruce K. Robertson
President and Chief Executive Officer
May 21, 2004

Management's Discussion and Analysis

Operating Results

BNN Split Corp. (the "Company") generated income available for distribution for the six months ended March 31, 2004, of \$4.7 million consistent with the same period last year. Investment income increased to \$5.0 million for the first six months of fiscal 2004 from \$4.8 million in 2003 due primarily to increased dividends received on the Company's Brascan Shares. Operating expenses in the quarter were \$52,000 consistent with \$58,000 in the second quarter of 2003.

For the quarter ended March 31, 2004, the Company paid dividends of \$2.0 million and \$0.6 million to its Preferred Class A and Capital shareholders, respectively, compared to \$2.0 million and \$0.3 million for the same period in 2003.

During the quarter, the Company acquired 2,000,000 additional Brascan shares at a price of \$49.70. The purchase was funded by the proceeds from the issuance of 3,200,000 Class AA Preferred shares, Series 1 and the issuance of 1,348,000 Class AA preferred shares, Series 2.

The following table summarizes selected consolidated financial information of the company for the six months ended March 31, 2004 and 2003 and for the 3 previous years ended September 30:

<i>(thousands, except per share amounts)</i>	Six Months Ended March 31		Years Ended September 30		
	2004	2003	2003	2002	2001
Investment income	5,005	4,814	9,729	9,622	—
Net income (loss)	(386)	225	267	339	—
Total assets	355,806	245,082	245,088	244,821	244,462
Total long-term liabilities	238,700	125,000	125,000	125,000	125,000
Capital share dividends paid per share	0.13	0.06	0.16	0.06	—
Preference share dividends paid per share					
Class A	0.78	0.78	1.56	1.56	1.56
Class AA Series I	—	—	—	—	—
Class AA Series II	—	—	—	—	—

A summary of the eight recently completed quarters is as follows:

<i>(thousands, except per share amounts)</i>	Q1		Q2		Q3		Q4	
	2004	2003	2004	2003	2003	2002	2003	2002
Investment income	2,504	2,407	2,501	2,407	2,409	2,406	2,315	2,408
Net income (loss)	(282)	129	(104)	96	136	26	(94)	(20)

Liquidity and Capital Resources

The Company is a single-purpose investment company and does not require a large amount of capital to fund operating expenses. However, the Company maintains a small amount of cash and an operating line of credit to fund such expenses from time to time.

At the end of the first quarter, on account of the recent financing, the Company had \$12.0 million of cash and cash equivalents of which \$11.4 million will be used to purchase Brascan shares at such times as the Board of Directors of the Company may determine.

Preferred Shareholders have the right to surrender their shares for retraction at any time. As Preferred Shares are tendered for retraction, the Company will ordinarily try to find a purchaser under the remarketing agreement. If no purchasers can be found, the transaction will be funded from the proceeds of disposition of the investment portfolio or an additional offering of Preferred Shares.

The net asset value per unit, consisting of one Preferred Share and one Capital Share, was \$64.86 based on a Brascan Share price of \$52.30 as at March 31, 2004.

Corporate Outlook

The outlook for the Company is positive. The market price of Brascan Shares on the TSX has increased by 78% from \$29.43 on March 31, 2003 to \$52.30 on March 31, 2004. In addition, Brascan increased its quarterly dividend by 4% in 2004. Both of these events are positive for the Company, providing further support and growth for our shareholders.

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,



Bruce K. Robertson
President and Chief Executive Officer

Toronto, Ontario
May 21, 2004

Forward-Looking Statements

This report contains "forward-looking statements". The words "believe", "expect", "anticipate", "intend", "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements 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 achievements expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements include general economic conditions, interest rates, availability of equity and debt financing and other risks detailed from time-to-time in the Company's continuous disclosure documents. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Balance Sheets

<i>thousands of dollars (unaudited)</i>	March 31 2004	September 30 2003
Assets		
Cash and cash equivalents	\$ 11,977	\$ 659
Securities ⁽²⁾	343,829	244,429
	355,806	245,088
Liabilities		
Accounts payable	24	20
Preferred shares ⁽³⁾	238,700	125,000
	238,724	125,020
Shareholders' Equity		
Share capital ⁽³⁾	123,950	123,950
Deficit	(6,868)	(3,882)
	117,082	120,068
	\$ 355,806	\$ 245,088

Consolidated Statements of Income and Deficit

<i>thousands of dollars(unaudited)</i>	Three months ended March 31		Six months ended March 31	
	2004	2003	2004	2003
Revenue				
Investment	\$ 2,501	\$ 2,407	\$ 5,005	\$ 4,814
Expenses				
Operating	52	58	284	82
Income available for distribution	2,449	2,349	4,721	4,732
Dividends paid on Preferred shares	(1,953)	(1,953)	(3,907)	(3,907)
Income available for distribution on on Capital and Class A shares	496	396	814	825
Dividends paid on Capital Shares	600	300	1,200	600
	(104)	96	(386)	225
Deficit, beginning of period	(4,164)	(4,020)	(3,882)	(4,149)
Share issue costs	(2,600)	—	(2,600)	—
Deficit, end of period	\$ (6,868)	\$ (3,924)	\$ (6,868)	\$ (3,924)

Consolidated Statements of Cash Flows

<i>thousands of dollars (unaudited)</i>	Three months ended March 31		Six months ended March 31	
	2004	2003	2004	2003
Cash flow from operating activities				
available for distribution	\$ 2,449	\$ 2,349	\$ 4,721	\$ 4,732
Deduct non-cash items:				
Working capital	5	—	4	(15)
	2,454	2,349	4,725	4,717
Cash flow from investing activities				
Securities investment	(99,400)	—	(99,400)	—
	(99,400)	—	(99,400)	—
Cash flow from financing activities				
Dividends paid on:				
Preferred shares, Class A	(1,953)	(1,953)	(3,907)	(3,907)
Capital shares	(600)	(300)	(1,200)	(600)
Preferred share issue	113,700	—	113,700	—
Share issue costs	(2,600)	—	(2,600)	—
	108,547	(2,253)	105,993	(4,507)
Increase in cash and cash equivalents	11,601	96	11,318	210
Cash and cash equivalents balance, beginning of period	376	506	659	392
Cash and cash equivalents balance, end of period	\$11,977	\$ 602	\$11,977	\$ 602

Notes To The Consolidated Financial Statements

(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 11,612,000 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, 2004, the following preferred shares were issued and outstanding and have been included in liabilities:

			March 31, 2004
5,000,000	6.25% Class A Series	\$	125,000,000
3,200,000	4.95% Class AA Series I		80,000,000
1,348,000	Class AA Series II		33,700,000
			\$ 238,700,000

The issued and outstanding share capital consists of:

			March 31, 2004
9,548,000	Capital shares	\$	123,950,000
100	Class A Voting shares		100
			\$ 123,950,100

Enquiries

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

BNN Split Corp.

Suite 300, P.O. Box 770
BCE Place, 181 Bay Street
Toronto, Ontario M5J 2T3
Telephone: (416) 363-9491
Facsimile: (416) 365-9642
Website: www.bnnsplit.ca

Enquiries relating to dividends, address changes and share certificates should be directed to the company's Transfer Agent:

CIBC Mellon Trust Company

P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Telephone: (416) 643-5500 or
(800) 387-0825 (toll free
throughout North America)
Facsimile: (416) 643-5501
Web site: www.cibcmellon.com
E-mail: inquiries@cibcmellon.com

BNN SPLIT CORP
