

During the three months ended December 31, 2005, BNN Split Corp. generated income available for distribution of \$3.1 million, compared with \$3.2 million during the same period last year. Investment income for this period decreased from \$3.3 million to \$3.1 million due principally to the strengthening of the Canadian dollar compared to the US dollar. Operating expenses decreased to \$57,000 in 2005 compared to \$80,000 in 2004. For the quarter ended December 31, 2005, the company paid dividends of \$2.9 million and \$0.1 million to its Preferred and Capital shareholders respectively, compared with \$2.9 million and \$0.3 million for the same period in 2004.

The Board of Directors declared dividends of \$0.390625 and \$0.309375 per Preferred share Class A and Class AA Series I respectively, payable on June 7, 2006 to holders of record on May 22, 2006.

The net asset value per unit, consisting of one Preferred share and one Capital share, was \$108.37 at December 31, 2005, based on a Brookfield share price of \$58.61 at that date.

BNN Split Corp. owns a portfolio consisting of 17,654,200 Class A Limited Voting shares of Brookfield Asset Management Inc. ("Brookfield 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 Brookfield shares.

Brookfield Asset Management Inc. is an asset manager. Focused on property, power and infrastructure assets, the company has approximately US\$50 billion of assets under management. The company is listed on the New York and Toronto stock exchanges under the symbol BAM and BAM.LV.A, respectively.

On behalf of the Board of Directors,



Bruce K. Robertson  
*President and Chief Executive Officer*  
February 10, 2006

## Management's Discussion and Analysis

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### Operating Results

BNN Split Corp. (the "company") generated income available for distribution for the three months ended December 31, 2005, of \$3.1 million compared with \$3.2 million during the same period last year. Investment income decreased from \$3.3 million for the first three months of fiscal 2005 to \$3.1 million in 2006 due principally to the strengthening of the Canadian dollar compared to the US dollar. Operating expenses in the quarter were \$57,000 compared to \$80,000 in the first quarter of 2005.

For the quarter ended December 31, 2005, the company paid dividends of \$2.9 million and \$0.1 million to its Preferred Class A and Capital shareholders, respectively, compared to \$2.9 million and \$0.3 million for the same period in 2004.

The following table summarizes selected consolidated financial information of the company for the three months ended December 31, 2005 and 2004 and for the 3 previous years ended September 30:

<i>\$thousands, except per share amounts</i>	Three Months Ended December 31		Years Ended September 30		
	2005	2004	2005	2004	2003
Investment income	\$ 3,119	\$ 3,283	\$ 12,678	\$ 11,397	\$ 9,729
Income available for distribution on capital and Class A shares net of dividends paid on capital shares	—	—	—	(3,892)	267
Total assets	354,876	354,936	354,952	354,931	245,088
Total long-term liabilities	238,700	238,700	238,700	238,700	125,000
Capital share dividends paid per share	0.01	0.03	0.07	0.25	0.30
Preference share dividends paid per share					
Class A	\$ 0.39	\$ 0.39	\$ 1.56	\$ 1.56	\$ 1.56
Class AA	0.31	0.31	1.24	0.54	—

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

<i>\$thousands, except per share amounts</i>	2006		2005		2004			
	Dec.	Sept.	June	March	Dec.	Sept.	June	March
Investment income	\$ 3,119	\$ 3,217	\$ 3,098	\$ 3,080	\$ 3,283	\$ 3,227	\$ 3,166	\$ 2,501
Income available for distribution on capital and Class A shares net of dividends paid on capital shares	\$ —	\$ (4)	\$ 4	\$ —	\$ —	\$ (324)	\$ (156)	\$ (104)

### 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.

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 \$108.37 based on a Brookfield share price of \$58.61 as at December 31, 2005.

### Corporate Outlook

The outlook for the company is positive. During the first quarter of 2006, the market price of Brookfield shares on the TSX increased by over 8% from \$54.14 on September 30, 2005 to \$58.61 on December 31, 2005. Brookfield's Board of Directors have increased the regular quarterly dividend to US\$0.16 per share effective May 31, 2006. 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,



Sachin G. Shah  
Chief Financial Officer  
February 10, 2006

### Forward-Looking Statements

*This interim report contains forward-looking statements concerning the company's business and operations. The company cautions that, by their nature, forward-looking statements involve risk and uncertainty and the company's actual results could differ materially from those expressed or implied in such statements. Reference should be made to the company's most recent Annual Information Form for a description of the major risk factors.*

## Balance Sheets

<i>(unaudited)</i>		December 31	September 30
<i>\$thousands</i>	<i>Note</i>	2005	2005
<b>Assets</b>			
Cash and cash equivalents		\$ 21	\$ 102
Securities	2	354,829	354,829
Accounts receivable		26	21
		<b>\$ 354,876</b>	<b>\$ 354,952</b>
<b>Liabilities</b>			
Accounts payable		\$ —	\$ 76
Preferred shares		238,700	238,700
<b>Shareholders' Equity</b>			
Share capital	3	123,950	123,950
Deficit		(7,774)	(7,774)
		<b>\$ 354,876</b>	<b>\$ 354,952</b>

## Consolidated Statements of Income and Deficit

<i>(unaudited)</i>	Three months ended December 31	
<i>\$thousands</i>	2005	2004
<b>Revenue</b>		
Investment	\$ 3,119	\$ 3,283
<b>Expenses</b>		
Operating	57	80
Income available for distribution	3,062	3,203
Dividends paid on preferred shares	(2,942)	(2,942)
Income available for distribution on capital and Class A shares	120	261
Dividends paid on capital shares	(120)	(261)
	—	—
Deficit, beginning of period	(7,774)	(7,774)
<b>Deficit, end of period</b>	<b>\$ (7,774)</b>	<b>\$ (7,774)</b>
Dividends per Class A preferred share	\$ 0.3906	\$ 0.3906
Dividends per Class AA preferred share	\$ 0.3094	\$ 0.3094

## Consolidated Statements of Cash Flows

<i>(unaudited)</i> <i>\$thousands</i>	Three months ended December 31	
	2005	2004
<b>Cash flow from operating activities</b>		
Income available for distribution	\$ 3,062	\$ 3,203
Net change in non-cash working capital	(81)	5
	<b>2,981</b>	<b>3,208</b>
<b>Cash flow used in financing activities</b>		
Dividends paid on:		
Preferred shares	(2,942)	(2,942)
Capital shares	(120)	(261)
	<b>(3,062)</b>	<b>(3,203)</b>
Increase (decrease) in cash and equivalents	(81)	5
Cash and equivalents balance, beginning of period	102	11,102
<b>Cash and equivalents balance, end of period</b>	<b>\$ 21</b>	<b>\$ 11,107</b>

## 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 Brookfield Asset Management Inc. ("Brookfield"). The company was incorporated under the laws of the Province of Ontario on July 12, 2001.
- (2) **Securities**  
The company accounts for its investment in Brookfield on a cost basis and accordingly will recognize dividends in the year of receipt. The portfolio consists of 17,654,200 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, 2005, the following preferred shares were issued and outstanding and have been included in liabilities:

	December 31, 2005
5,000,000 6.25% Class A	\$ 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:	December 31, 2005
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) 363-2856  
Website: [www.bnnsplit.ca](http://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  
Website: [www.cibcmellon.com](http://www.cibcmellon.com)  
E-mail: [inquiries@cibcmellon.com](mailto:inquiries@cibcmellon.com)

