BNN SPLIT CORP

2005 Annual Report

Contents

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.

Management's Report on Fund Performance

The following is a report on BNN Split Corp.'s (the "company") performance and contains financial highlights but does not contain the complete financial statements of the company. This report should be read in conjunction with the restated financial statements and notes thereto for the years ended September 30, 2005 and 2004.

This report follows the disclosure obligations under National Instrument 81-106 Investment Fund Continuous Disclosure ("NI-81-106" or the "Instrument"). The Instrument came into force on June 1, 2005. The financial statements were restated to comply with NI-81-106 and the requirements of CICA Accounting Guideline 18, "Investment Companies" ("AcG-18"). The following chart summarizes the key provisions of the Instrument including the implementation for the company:

Type of Disclosure Document	Implementation
Annual Financial Statements and Management Report on Fund Performance ("MRFP")	For all years ended on or after September 30, 2005
Annual Information Form ("AIF")	For all years ended on or after September 30, 2005
Proxy Voting Record	For annual periods beginning on July 1, 2005 and to be published no later than August 31st each year starting in 2006
Semi-Annual Financial Statements and Management Report on Fund Performance	First interim report after first filing of financial statements subject to NI-81-106
Quarterly Portfolio Disclosure	All first and third quarterly periods following the year ended September 30, 2005
Proxy Solicitation and Information Circular	For all years ended on or after September 30, 2005

You can get a copy of the annual financial statements at your request and at no cost by calling (416) 363-9491, by writing to us at 181 Bay Street, BCE Place, Suite 300, P.O. Box 762, Toronto, Ontario M5J 2T3 or by visiting SEDAR at www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the company's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure when that information becomes available.

INVESTMENT OBJECTIVE AND STRATEGIES

The company commenced operations on September 5, 2001 with the objective of investing in Class A Limited Voting shares of Brookfield Asset Management Inc. ("Brookfield", formerly Brascan Corporation) in order to generate fixed preferential cumulative quarterly 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 in the Brookfield shares.

RISK

The following are risk factors relating to an investment in the company:

Interest Rate Fluctuations

The market value of a unit may, at any given time, be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the value of a unit.

Fluctuations in Value of Brookfield Asset Management Shares ("BAM shares")

The net asset value of the company will vary according to the value of the BAM shares and may be influenced by factors not within the control of the company, including the financial performance of the BAM shares which may result in a decline in value of the investment portfolio and/or in dividend income from the investment, interest rates and other financial market conditions.

RESULTS OF OPERATIONS

As at September 30, 2005, the Net Asset Value per unit was $100.11 as compared to $70.72 as at September 30, 2004, representing an increase of 42% reflecting appreciation in the market value of the BAM shares. Net asset value is calculated by the differential between total assets and total liabilities.

The company generated income available for distribution for the year ended September 30, 2005 of $12.5 million, an increase from $11.1 million for the prior year due to the purchase of an additional 236,200 BAM shares during the year.

During the year, the company paid dividends of $11.8 million and $0.7 million to preferred and capital shareholders respectively, compared to $9.5 million and $2.4 million in the prior year.

Total assets at September 30, 2005 were $955.9 million, compared to $675.3 million at the same date in 2004. The increase in assets reflects an increase in unrealized gains within the portfolio of $280.7 million. The fair value of the company's investment portfolio at September 30, 2005 was $955.8 million (2004 – $664.1 million).

There were no redemptions or retractions of preferred shares during the year ended September 30, 2005, with the balance remaining consistent with the prior year at $238.7 million. Shareholders' equity increased to $717.1 million in 2005 from $436.5 million in 2004 due primarily to unrealized gains on the Brookfield shares.

RELATED PARTY TRANSACTIONS

The company's operations are managed by Brookfield, which is entitled to a fee of up to 10% of ordinary expenses of the company. For the year ended September 30, 2005, Brookfield charged a fee of $20,000 (2004 – $20,000).

FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about the company and is intended to facilitate understanding of the company's financial performance since inception and is presented in accordance with NI-81-106. This information is derived from the company's audited financial statements.

	For the years ended September 30			
	2005	2004	2003	2002[1]
Net asset value per unit, beginning of year	**$ 70.72**	$ 65.76	$ 61.03	$ —
Increase (decrease) from operations:				
Share issuance proceeds	**—**	15.38	—	49.79
Share issuance costs	**—**	(0.41)	—	(0.90)
Net asset value dilution[3]	**—**	(41.90)	—	—
Total revenue	**1.33**	1.54	1.95	1.92
Total expenses	**(0.02)**	(0.05)	(0.03)	(0.06)
Unrealized gains for the year	**29.39**	32.01	4.67	12.07
Total increase from operations[2]	**30.70**	6.57	6.59	62.82
Distributions:				
From interest and dividends	**(1.31)**	(1.61)	(1.86)	(1.79)
Total annual distributions	**(1.31)**	(1.61)	(1.86)	(1.79)
Net asset value per unit, end of year	**$ 100.11**	$ 70.72	$ 65.76	$ 61.03

1 The company commenced operations on September 5, 2001.

2 Net asset value and distributions are based on the actual number of units outstanding over the period. The increase (decrease) from operations is based on the weighted average number of units outstanding over the period.

3 Dilution occured as a result of the issuance of capital shares for nominal consideration following the issuance of preferred shares during 2004 so that the number of capital shares issued and outstanding was equal to the number of preferred shares issued and outstanding as required by the articles of the company. There was no dilution to holders of existing preferred shares.

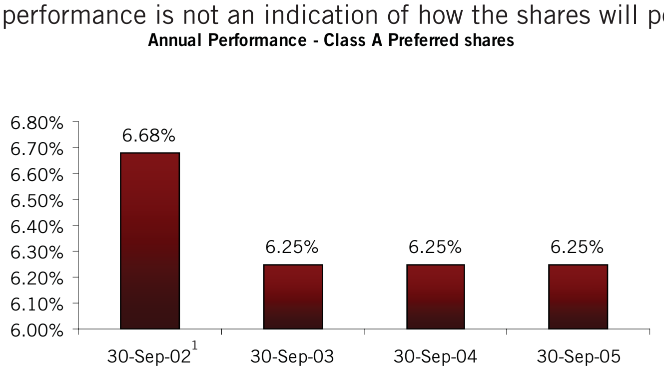
thousands, except per share amounts	2005	2004	2003	2002[1]
		For the years ended September 30		
Total assets	**$ 955,921**	$ 675,250	$ 328,813	$ 305,189
Net asset value	**717,145**	436,495	203,793	180,169
Number of units outstanding	**9,548**	9,548	5,000	5,000
Management expense ratio (excluding dividends on preferred shares and issue costs)	**—%**	0.1%	0.1%	0.2%
Management expense ratio (including dividends on preferred shares and issue costs)	**1.7%**	3.0%	3.9%	7.3%
Portfolio turnover rate	**N/A**	N/A	N/A	N/A
Redemption price of preferred shares Class A[2]	**$ 26.25**	$ 26.50	$ 26.50	$ 26.20
Redemption price of preferred shares Class AA[3]	**N/A**	N/A	N/A	N/A

1 The company commenced operations on September 5, 2001.
2 The company amended the mandatory redemption date and redemption price on August 21, 2003.
3 Redemption period commences on March 25, 2009.

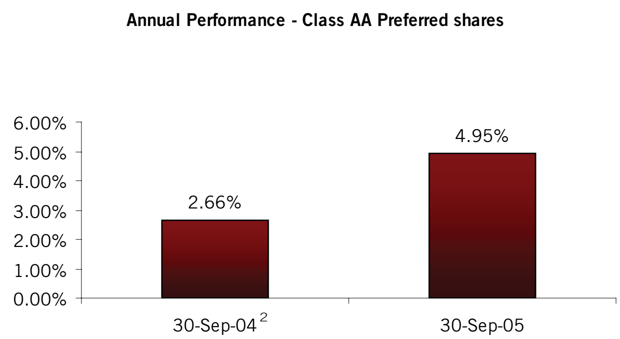
PAST PERFORMANCE

Year by Year Returns

The following charts show the company's annual performance of its Class A and Class AA preferred shares since their issuance indicating, in percentage terms, that an investment made in the Class A and Class AA preferred shares at issuance would yield 6.25% and 4.95%, respectively, assuming the shares are sold at redemption price. Past performance is not an indication of how the shares will perform in the future.



[1]Reflects the period September 5, 2001 to September 30, 2002.



[2]Reflects the period March 18, 2004 to September 30, 2004.

Annual Compound Returns

Returns are based on the par value of a preferred share.

	Since Inception	Three Year	One Year
Preferred Shares Class A – September 30, 2010	6.25%	6.25%	6.25%
10-year Government of Canada Bonds – June 1, 2010	5.50%	5.50%	5.50%
Preferred Shares Class AA – March 25, 2016	4.95%	N/A	4.95%
10-year Government of Canada Bonds – June 1, 2015	4.50%	N/A	4.50%

Investment Portfolio

The investment in the Brookfield shares, the associated costs and the fair values as at September 30, 2005 and 2004 are as follows:

	Number of Shares[1]		Cost		Fair Value	
thousands	**2005**	2004	**2005**	2004	**2005**	2004
Brookfield Class A Limited Voting shares	**17,654**	17,418	**$ 354,829**	$ 343,829	**$ 955,798**	$ 664,148

1 Reflects share split of Brookfield shares from 2004.

Management's Responsibility for the Financial Statements

The accompanying restated financial statements and other financial information in this Annual Report have been prepared by the company's management who is responsible for their integrity, consistency, objectivity and reliability. To fulfill this responsibility, the company maintains policies, procedures and systems of internal control to ensure that its reporting practices and accounting and administrative procedures are appropriate to provide a high degree of assurance that relevant and reliable financial information is produced and assets are safeguarded. These controls include the careful selection and training of employees, the establishment of well-defined areas of responsibility and accountability for performance and the communication of policies and code of conduct throughout the company. These financial statements have been prepared in conformity with Canadian generally accepted accounting principles, and where appropriate, reflect estimates based on management's judgment. The financial information presented throughout this Annual Report is generally consistent with the information contained in the accompanying financial statements.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders, have examined the financial statements set out on pages 5 through 11 in accordance with auditing standards generally accepted in Canada to enable them to express to the shareholders their opinion on the financial statements. Their report is set out below.

The financial statements have been further reviewed and approved by the Board of Directors acting through its Audit Committee, which is comprised of directors who are not officers or employees of the company. The Audit Committee, which meets with the auditors and management to review the activities of each and reports to the Board of Directors, oversees management's responsibilities for the financial reporting and internal control systems. The auditors have full and direct access to the Audit Committee and meet periodically with the committee both with and without management present to discuss their audit and related findings.

Toronto, Canada
October 23, 2006

Sachin G. Shah
Chief Financial Officer and Secretary

Auditors' Report

To the Shareholders of BNN Split Corp.

We have audited the statements of net assets of BNN Split Corp. as at September 30, 2005 and 2004, and the statements of investment operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2005 and 2004 and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Our previous report dated October 15, 2005 has been withdrawn and as described in Note 2 to the financial statements, the accompanying financial statements of the company for the years ended September 30, 2005 and 2004 have been restated.

Deloitte & Touche LLP

Toronto, Ontario
October 15, 2005 except for Notes 1, 2 and 7,
which are as of October 23, 2006

Deloitte & Touche LLP
Chartered Accountants

Statements of Net Assets

As at September 30 *thousands, except per share amounts*	2005	*(Restated – Note 2)* 2004
Assets		
Cash and equivalents	**$ 102**	$ 11,102
Investment portfolio, at fair market value	**955,798**	664,148
Accounts receivable	**21**	—
	955,921	675,250
Liabilities		
Accounts payable	**76**	55
Preferred shares (Class A and AA)	**238,700**	238,700
Total liabilities	**238,776**	238,755
Net asset value	**717,145**	436,495
Shareholders' equity		
Capital shares	**123,950**	123,950
Retained earnings	**593,195**	312,545
	$ 717,145	$ 436,495
Number of units outstanding	**9,548**	9,548
Net asset value per capital share	**$ 75.11**	$ 45.72
Par value per preferred share	**25.00**	25.00
Net asset value per unit *(Note 4)*	**$ 100.11**	$ 70.72

On behalf of the Board,

Bruce K. Robertson
Director

Sachin G. Shah
Director

Statements of Investment Operations

For the years ended September 30 *thousands*	**2005**	(Restated – Note 2) 2004
Income		
Dividend income	**$ 12,497**	$ 11,397
Interest income	**181**	—
	12,678	11,397
Expenses		
Administrative fees	**49**	107
Directors' fees	**25**	27
Legal and audit fees	**46**	68
Transfer agent fees	**17**	16
Rating fees	**5**	5
Custodial fees	**10**	12
Listing fees	**9**	36
Management fee	**20**	20
Other	**14**	46
	195	337
Income available for distribution	**12,483**	11,060
Dividends paid on preferred shares	**(11,773)**	(9,526)
Share issue costs	**—**	(3,026)
Income available for distribution on Capital and Class A shares	**710**	(1,492)
Dividends paid on capital shares	**(710)**	(2,400)
	—	(3,892)
Change in unrealized appreciation of investment	**280,650**	236,594
Results of investment operations	**280,650**	232,702
Opening deficit as previously reported	**(7,774)**	(3,882)
Impact of change in accounting policy – 2003 and prior years *(Note 2)*	**83,725**	83,725
Impact of change in accounting policy – 2004 *(Note 2)*	**236,594**	—
Restated opening retained earnings	**312,545**	79,843
Results of investment operations	**280,650**	232,702
Retained earnings, end of year	**$ 593,195**	$ 312,545

Statements of Changes in Net Assets

For the years ended September 30 *thousands*	2005	(Restated – Note 2) 2004
Capital transactions		
Dividends paid on capital shares	$ (710)	$ (2,400)
Share issue costs	—	(3,026)
	(710)	(5,426)
Investment transactions		
Change in unrealized appreciation of investment portfolio	280,650	236,594
Income transactions		
Income available for distribution	12,483	11,060
Dividends paid on preferred shares	(11,773)	(9,526)
	710	1,534
Change in net asset value during the year	280,650	232,702
Net asset value, beginning of year	436,495	203,793
Net asset value, end of year	$ 717,145	$ 436,495

Statements of Cash Flow

For the years ended September 30 *thousands*	2005	*(Restated – Note 2)* 2004
Cash flow from from operating activities		
Income available for distribution	$ 12,483	$ 11,060
Net change in non-cash working capital	—	35
	12,483	11,095
Cash flow used in investing activities		
Purchase of investments	(11,000)	(65,700)
Cash flow from (used in) financing activities		
Dividends paid on:		
Preferred shares	(11,773)	(9,526)
Capital shares	(710)	(2,400)
Preferred shares issued	—	80,000
Share issue costs	—	(3,026)
	(12,483)	65,048
Increase (decrease) in cash and cash equivalents	(11,000)	10,443
Cash and equivalents, balance, beginning of year	11,102	659
Cash and equivalents, balance, end of year	$ 102	$ 11,102

Notes to the Financial Statements

1. Basis of Presentation

The company's portfolio of Class A Limited Voting shares ("Brookfield shares" or the "portfolio") of Brookfield Asset Management Inc. ("Brookfield", formerly Brascan Corporation) is carried at fair market value, which is the last traded price on a recognized exchange, with any adjustment required being recorded as an unrealized appreciation (depreciation) on the Statements of Investment Operations.

Cash and equivalents includes any instruments with a maturity of less than 90 days.

Dividend income is recorded on the ex-dividend date.

Guarantees

In the normal course of operations, the company may execute agreements that provide for indemnification and guarantees to third parties. The nature of substantially all the indemnification undertakings precludes the possibility of making a reasonable estimate of the maximum potential amount that the company could be required to pay to third parties as the agreements often do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically the company has not made any significant payments under such indemnification agreements and guarantees.

2. Restatement of Previously Issued Financial Statements and Investment Portfolio

The company is required to file its financial statements in accordance with National Instrument 81-106 ("NI 81-106") and Accounting Guideline 18 as it qualifies as an investment fund and it is a reporting issuer. NI 81-106 was introduced in 2005 and was applicable for annual financial statements and annual management reports of fund performance ending on or after June 30, 2005. Accounting Guideline 18 was applicable for fiscal years beginning on or after July 1, 2005. As a result, the company is refiling its previously filed financial statements in accordance with the new requirements.

The impact of the restatement was an increase to assets and shareholders' equity of $601.0 million to reflect the increment of the fair value of the investment portfolio over cost as a result of carrying the portfolio at fair value, compared to $320.3 million at the same date in 2004. The increment in fair value relating to 2003 and prior years was $83.7 million. In addition, both the current and prior year's results of investment operations increased from their previously stated amounts by $280.7 million and $236.6 million respectively, reflecting the incremental fair value adjustments associated with the investment portfolio in those years. The incremental fair value adjustment has been shown as a change in unrealized appreciation of investment in the Statements of Investment Operations. A Statement of Changes in Net Assets has been provided in accordance with the new requirement. The accounting policy in Note 1 was revised to reflect the change and the carrying value of the investment in Brookfield shares was adjusted in the Income Taxes note – Note 7. No other adjustments were made as a result of the restatement.

3. Securities

The company's policy is to invest in Brookfield shares. Accordingly, in 2005 the company purchased an additional 236,200 Brookfield shares from BAM Investments Ltd., a company related through common ownership. Total consideration of $11.0 million was paid which was equal to the fair value of the shares at the date of purchase.

The number of Brookfield shares, their associated costs and their fair values as at September 30 are as follows:

	Number of Shares[1]		Cost		Fair Value	
thousands	**2005**	2004	**2005**	2004	**2005**	2004
Brookfield Class A Voting share	**17,654**	17,418	**$ 354,829**	$ 343,829	**$ 955,798**	$ 664,148

1 Reflects share split of Brookfield shares from 2004.

In determining fair value in the foregoing table, the quoted market price as at September 30, 2005 and 2004 on the Toronto Stock Exchange is used. The fair value determination excludes taxes, commissions and other potential costs associated with an actual disposition of the Brookfield shares by the company.

4. Class A Shares

The company is authorized to issue an unlimited number of Class A Voting shares (the "Class A shares") and on September 5, 2001, the company issued 100 Class A shares for nominal cash consideration. These shares remain outstanding as at September 30, 2005.

Holders of the Class A shares are entitled to receive dividends, if, as and when declared by the Board of Directors of the company. However, holders of the Class A shares are not entitled to receive any dividends on the Class A shares at any time when there are any Capital shares or Preferred shares issued and outstanding.

Holders of Class A shares will be entitled to vote their pro rata share of the Brookfield shares held by the company. The company will appoint the holders of Class A shares as proxies. In the event that Brookfield does not provide its annual report and proxy materials relating to any meeting of Brookfield shareholders to the holders of the Class A shares, the company shall do so.

The Class A shares of the company are retractable at any time. For retractions occurring at a time when any Capital shares or Preferred shares are outstanding, the retraction price will be $1.00 per share; for other retractions, the retraction price will be based on the net asset value of the company. The Class A shares are redeemable by the company at any time for a redemption price equal to $1.00 per share. The Class A shares are included in Accounts payable.

5. Preferred Shares

The company is authorized to issue an unlimited number of Class A Preferred shares and Class AA Preferred shares. On September 5, 2001, the company issued 5,000,000 Class A Preferred shares for cash consideration of $125 million. On March 18, 2004, the company issued 3,200,000 Class AA Preferred shares, Series 1 for cash consideration of $80,000,000 through a public issue and 1,348,000 Class AA Preferred shares, Series 2, for consideration of $33,700,000 through a private issue. These shares remain issued and outstanding as at September 30, 2005.

On August 21, 2003 the company's shareholders approved amendments to the articles of incorporation to extend the mandatory redemption date of the Class A Preferred shares to September 30, 2010 (the "Redemption Date") and increase the redemption price to amounts described under Redemption, below, and create and allow for the issuance of an additional class of Preferred shares. The new class of Preferred shares, to be designated Class AA Preferred shares, are issuable in series and rank pari passu with existing Class A Preferred shares. The Board of Directors of the company has the authority to fix the number of shares that will form each series and determine the rights, restrictions and conditions attached to each series. Any new series will be issued for a price of $25.00 per share and the proceeds are to be used to finance the retraction or a redemption of outstanding Preferred shares without necessitating the sale of Brookfield shares or the acquisition of additional Brookfield shares.

Holders of Class A and Class AA Preferred shares are entitled to receive cumulative quarterly dividends of $0.390625 and $0.309375 per share respectively, payable on the 7th day of March, June, September and December in each year.

Class A and Class AA Preferred shares may be surrendered for retraction at any time. The Class A and Class AA Preferred share Retraction Price will be equal to the lesser of (i) 95% of Net Asset Value per Unit; and (ii) $25.00 less 5% of the Net Asset Value per Unit, in either case less $1.00. The "Net Asset Value per Unit" is defined as the fair value of the Portfolio shares held by the company plus (minus) the amount by which the value of the other assets of the company exceed (are less than) the liabilities (including any extraordinary liabilities) of the company and the redemption value of the Preferred shares, divided by the total number of Units outstanding. A "Unit" is considered to consist of one Capital share and one Preferred share of any class or series. For greater certainty, the Class A and Class AA Preferred shares will not be treated as liabilities for purposes of determining Net Asset Value per Unit.

Redemption

The Class A Preferred shares issued, outstanding and as amended may be redeemed by the company at any time prior to the Redemption Date at a price (the "Class A Preferred share Redemption Price") which, at September 30, 2005, equals $26.25 and which will decline by $0.25 each year to be equal to $25.00 after September 30, 2009. Any Class A Preferred shares outstanding on the Redemption Date, will be redeemed for the lesser of $25.00 plus any accrued and unpaid dividends and Net Asset Value per Unit.

The company will only redeem Class A Preferred shares prior to the Redemption Date if the Capital shares have been retracted, if there is a take-over bid for the Brookfield shares and the Board of Directors determines that such bid is in the best interest of the holders of the Capital shares, or if a further issue of Preferred shares is completed; the proceeds from which would be used to redeem outstanding Preferred shares.

The Class AA Preferred shares may be redeemed by the company at any time after March 25, 2009 and prior to the redemption date for the Class AA Preferred shares at a price which until March 25, 2013 will equal $26.00 per share plus accrued and unpaid dividends and which will decline by $0.25 each year thereafter to be equal to $25.00 on March 25, 2016 (the "Class AA Redemption Date"). All Class AA Preferred shares outstanding on the Class AA Redemption Date will be redeemed for a cash amount equal to the lesser of $25.00 plus any accrued and unpaid dividends and Net Asset Value per Unit. Notwithstanding the first sentence of this paragraph, the company may redeem Class AA Preferred shares prior to March 25, 2009 for $26.00 per share plus accrued and unpaid dividends if, and will not redeem Class AA Preferred shares prior to the Class AA Redemption Date unless: (i) Capital shares have been retracted; or (ii) there is a take-over bid for the Brookfield shares and the board of directors of the company determines that such bid is in the best interest of the holders of the Capital shares. In addition, the company may redeem Class AA Preferred shares after March 25, 2009 but prior to the Class AA Redemption Date if the redemption of the then outstanding Class AA Preferred shares will occur using net proceeds from the issuance of Class AA or other class of preferred shares.

Holders of the Preferred shares are not entitled to vote at meetings of shareholders of the company other than meetings of holders of the Preferred shares.

6. Capital Shares

The company is authorized to issue an unlimited number of Capital shares and on September 5, 2001, issued 5,000,000 Capital shares for cash consideration of $40,690,000 and 3,330,400 Brookfield shares. On March 25, 2004 the company's Capital shares were subdivided to reflect the issuance of 3.2 million Class AA, Series 1 Preferred shares and 1.3 million Class AA, Series 2 Preferred shares. As a result, at September 30, 2005 there are 9,548,000 Capital shares outstanding.

Holders of Capital shares are entitled to receive dividends as declared by the Board of Directors of the company. The Board of Directors of the company has indicated that its policy is to pay dividends, if and to the extent that the dividends received on the Portfolio shares, less the administrative and operating expenses of the company, exceed the Preferred share dividends. During 2005, the company declared and paid dividends in the amount of $0.7 million (2004 – $2.4 million) to its Capital shareholders.

If the company undertakes any future issuance of Preferred shares, the articles of the company will be amended to either subdivide or consolidate, as applicable, such that the number of Capital shares outstanding after such subdivision or consolidation would be equal to the number of Preferred shares of all classes or series outstanding immediately after such issuance.

Capital shares may be surrendered for retraction at any time upon delivery of a retraction notice. The Capital share Retraction Price is equal to the amount by which 95% of the Net Asset Value per Unit calculated as at the applicable Valuation Date, less $1.00, exceeds the Preferred share Redemption Price on such date.

If any Capital shares are retracted, the company will, as necessary and subject to applicable laws, redeem or purchase for cancellation in the open market Preferred shares in order to ensure that the number of preferred shares or any classes or series outstanding equals the number of Capital shares outstanding.

Capital shares may be redeemed by the company at any time at a price equal to the amount, if any, by which the Net Asset Value per Unit exceeds the Preferred Share Redemption Price of all outstanding classes and series.

Holders of the Capital shares are not entitled to vote at meetings of shareholders of the company other than meetings of holders of the Capital shares.

7. Income Taxes

The company qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada) (the "Act"), and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances.

The company's dividend income is not subject to income taxes under Part I of the Act; consequently, the company has no effective taxable income. However, the company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received. This tax is fully refundable upon payment of sufficient dividends.

As the company has the intention and ability to qualify as a mutual fund corporation to manage its affairs in such a way as to transfer any tax liability to its shareholders, no provision for income tax has been made.

The company has $4.6 million (2004 – $3.1 million) non-capital losses which expire in 2009, 2010, 2011 and 2012 and $2.4 million (2004 – $4.0 million) of undeducted share issue expenses available to offset taxable income, if any, in future years. The benefit of these losses and undeducted share issue expenses have not been recorded in these financial statements. The carrying value of the company's investment in Brookfield shares exceeds its tax value by $672.0 million (2004 - $391.3 million).

8. Management Fees

The company's operations are managed by Brookfield, which is entitled to a fee of up to 10% of ordinary expenses of the company. For the year ended September 30, 2005, the company paid management fees of $20,000 (2004 – $20,000).

9. Other

The company has a $4.0 million credit facility with Brookfield. This facility is due on demand with interest at the prime rate. As at September 30, 2005 and 2004, no amounts were outstanding under this facility.

Corporate Information

OFFICERS AND DIRECTORS

John P. Baratt[1]
Director

Loretta M. Corso
Corporate Secretary

James L.R. Kelly[1]
Director

Brian D. Lawson
Director and Chairman

Frank R. Lewarne[1]
Director

Sachin G. Shah
Director and Chief Financial Officer

Bruce K. Robertson
Director, President and Chief Executive Officer

(1) Member of the Audit Committee

AUDITORS
Deloitte & Touche LLP
Chartered Accountants

LEGAL COUNSEL
Torys LLP

STOCK EXCHANGE LISTING
The company's Preferred shares trade on the Toronto Stock Exchange under the symbols BNA.PR.A and BNA.PR.B

YEAR END
September 30

Enquiries

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

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BCE Place, 181 Bay Street
Suite 300, P.O. Box 770
Toronto, Ontario
M5J 2T3

Tel: (416) 363-9491
Fax: (416) 365-9642
Website: *www.bnnsplit.com*

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

Tel: (416) 643-5500 or
(800) 387-0825
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