

CORPORATE GOVERNANCE

Governance principles

General

Corporate governance encompasses the concept of sound business practice and is an integral part of Brait's business philosophy. Brait is committed to an open governance process, which provides its shareowners and other stakeholders with the assurance that, in adding value to and protecting the group's financial and human investment, the group is being managed ethically in accordance with predetermined risk parameters and in compliance with best international practices.

The directors of Brait subscribe fully to the principles embodied in appropriate international corporate governance codes including those contained in the King Report on Corporate Governance for South Africa 2002 ("King II"), and believe that these principles have been adhered to and complied with in the discharge of their duties. Adherence to sound principles of governance going forward, remains both a board and management priority. The board believes that even though compliance with formal standards of governance is significant, greater emphasis is placed on ensuring the effectiveness of governance practice, with substance prevailing over form (as and when required).

Policies, objectives and performance measurement

The philosophy, policies, values and objectives of the group are determined by the board of directors of Brait who, in turn, receive input and guidance from the boards of its principal subsidiaries. The board sets the strategic objectives of the group and determines investment and performance criteria. Management is charged with the detailed planning and implementation of that policy in accordance with appropriate risk parameters. The achievement of objectives and compliance with policies is monitored by the board through mandated reports from management who are accountable for their actions.

Risk management

Risk management is central to Brait's business. The group has developed comprehensive systems and risk management processes to control and monitor all activities in the group. A critical element of Brait's strategy has been the development of skilled professionals who have an established culture of risk management. While ultimate accountability for risk lies with the board of Brait, the management of risk is closely monitored by the boards of its primary operating subsidiaries. In addition, the board has formally mandated the group audit and risk committee to include the review of risk management policies and processes of the group in its terms of reference.

Business integrity and ethics

The group subscribes to a corporate ethos, which requires directors and employees to adopt the highest personal ethical standards in dealing with all stakeholders in the conduct of the group's affairs. The principles to which each individual subscribes, include integrity, openness, accountability, impartiality and honesty, and are embedded in the group's Human Resources Policy document to which each employee is bound. The Brait Group Code of Conduct is being updated and is awaiting board ratification.

Brait maintains a zero-tolerance approach to unethical or dishonest behaviour and any employee found to be acting unethically, is subject to disciplinary action/proceedings in accordance with the company's disciplinary code. The ultimate sanction for breach or non-adherence would be the dismissal of the employee. The board believes that there has been no material non-adherence to these principles, by any employee, during the year under review.

In accordance with Brait policies, no donations were made to any political parties by any of the companies within the Brait group, during this period.

Employee empowerment

The group places great emphasis on the development and training of its people and endeavours to ensure that it offers staff equal opportunity and appropriate participation in decision-making processes. Through its various share incentive schemes, management have ownership in the company and are incentivised in their performance.

The environment, health and safety

While Brait's direct activities do not pose any significant threat to the environments in which they operate, the group has mandated its group Environmental Steering Committee to monitor compliance with environmental policies and guidelines dealing specifically with environmental challenges. Brait also seeks to ensure that it invests in businesses which conform to environmental standards. Similarly, it makes investments where the health and safety of employees and the well being of the communities in which these companies operate is recognised as an important component of corporate governance.

Reporting

Brait is committed to transparent reporting and disclosure. Information provided to all stakeholders, including financial results and the annual report, are presented in a meaningful and relevant manner so as to enable users to gain a proper and objective perspective of the group. Brait's website is maintained as a relevant means of communicating Brait's message to all its stakeholders.

Share dealings

The group adheres to a "closed period" policy, as defined in its listing requirements, in which directors, officers, participants in the share incentive schemes and employees who may have access to price-sensitive information are prohibited from dealing in Brait shares for the entire closed periods prior to the release of the group's interim and final results. This is also extended to any period when the company is trading under a cautionary announcement. All board members and employees across the group are timeously informed of such closed periods. In terms of the policy, "shares" also include options.

Details of directors' dealings in Brait shares are disclosed to the board and to public via the group's various securities exchange news services.

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Directors' dealings for the year under review were as follows:

Name of director	Date of purchase/sale	Nature of interest	Shares purchased		Shares sold	
			Number	Price	Number	Price
BI Childs	11 August 2005	Indirect	6 500	R17,60		
BI Childs	18 August 2005	Indirect	5 000	R18,50		
BI Childs	30 August 2005	Indirect	16 000	R17,80		
AC Ball*	28 March 2006	Indirect			1 000 000	R25,40
JA Gnodde*	28 March 2006	Direct			1 000 000	R25,40
CJ Tayelor*	28 March 2006	Direct			864 000	R25,40
CJ Tayelor*	28 March 2006	Direct			31 307	R24,60

* The above directors have in aggregate made commitments to Brait IV in excess of the net proceeds arising from the disposal of these shares and the primary purpose for the disposals was to fund these obligations.

Company secretary

The functions of the company secretary, domiciliary agent and registrar is overseen by Experta Luxembourg S.A.. They are responsible for ensuring compliance with all board procedures. All directors have access to the advice and services of the company secretary.

Key governance developments

The following developments were important to Brait's corporate governance process during the year under review:

- ongoing compliance with King II and other international corporate governance codes;
- the inclusion in the JSE Socially Responsible Investment (SRI) Index for the second consecutive year;
- the implementation of an audit committee self-assessment, which evaluated and assessed the effectiveness of the group audit and risk committee;
- ongoing awareness of emerging and international governance trends, which are considered for implementation if deemed applicable to the business of Brait, taking into account market practices and substance over form; and
- the implementation of a formal compliance monitoring process responsible for evaluating the effectiveness of the company's compliance to regulatory and legal requirements.

Governance structures

Board of directors

The board meets quarterly and monitors the management, controls, compliance and proper conduct of the business under its direction. Having due regard for the recommendations by its executive committees, the board determines and monitors matters relating to the implementation and/or modification of policies and strategic plans, group investments and dispositions, major capital expenditure and operating and financial budgets.

The board Charter describes the board's mission, duties and responsibilities and, in particular, salient aspects concerning the following:

- the fiduciary responsibilities of directors;
- board composition and leadership;

- induction and orientation of new directors;
- conduct regarding conflicts of interest;
- evaluation of directors;
- board relationship to staff and external advisors, including unrestricted access to company books and records;
- succession and emergency planning; and
- board meetings and procedures.

In terms of the board Charter, the directors are to be assessed annually, both individually as directors, and collectively as a board. In addition, the non-executive members of the board, in consultation with the chairperson, formally evaluates the performance of the chief executive officer (CEO) on an annual basis.

In accordance with the company's Articles of Incorporation, all directors are subject to re-election by shareowners at each annual general meeting. The board comprises people with skills, knowledge and experience who are conscious of their duty to ensure that the group maintains a high standard of corporate governance.

The board has ensured that its information needs are well defined and regularly monitored. A formal orientation programme with members of management is provided to assist all newly appointed directors. Directors have unrestricted access to all group information, records and documents and are provided with comprehensive board packs prior to each scheduled meeting. If necessary, a board member may take independent professional advice concerning the affairs of the group, at the expense of the group.

Board membership and meeting attendance

The board of directors of the company is chaired by an independent non-executive director of the company who is supported by an additional six independent non-executive directors and six executive directors. The board is therefore comprised of a majority of non-executive, directors who are also independent of management and promote the interests of stakeholders. The independence of the non-executive directors has been assessed having regard to the criteria set out in international corporate governance codes, and King II.

Serving members of the Brait S.A. board, the date of their appointment, and their attendance at board meetings, are as follows:

	Date of appointment	Number of meetings attended during the year	Attendance record
		4 meetings held	
Non-executive directors			
ME King (<i>Senior Chairman</i>)*	29 July 1998	4	100%
RJ Koch†	29 July 1998	4	100%
AM Rosenzweig‡	29 July 1998	3	75%
JE Bodoni**	29 July 1998	3	75%
HRW Troskie‡	27 July 2005	3	100%
PL Wilmot*	3 August 1999	4	100%
PAB Beecroft†	27 July 2005	3	100%
Executive directors			
AC Ball*	29 July 1998	4	100%
JA Gnodde*	27 July 2005	3	100%
JJ Coulter°	27 July 2005	3	100%
CJ Tayelor*	29 July 1998	4	100%
SJP Weber**	28 May 2001	3	75%
BI Childst†	27 July 2005	3	100%

* South African, ** Luxembourgish, † British, ‡ Dutch, ° Irish

Risk management and internal control

Responsibility for the group's risk management, including its systems of internal financial and operational control is recognised and acknowledged by the board as being its responsibility, but specifically monitored by the group audit and risk committee. The foundations for the group's internal control process can be found in its governance principles which incorporate ethical behaviour coupled with compliance with legislation and sound accounting practice.

The control systems include clearly defined lines of accountability and delegation of authority, and provide for full reporting and analysis against approved budgets. The executive directors are responsible for determining the adequacy, extent and operation of these systems. In this regard, the executive directors are of the opinion that the systems in operation provide reasonable assurance that the assets are protected against material loss or unauthorised use and that transactions are properly authorised and documented.

The group's internal audit process reviews and tests the control of key business risks in the group as well as the assurance of the effectiveness of the internal control systems in operation. The results of these and external audit reviews are submitted to the group audit and risk committee for consideration and evaluation of the adequacy of the primary business risks as well as the systems of internal control in operation. It is the responsibility of this committee to inform the directors of any material losses which may have arisen as a result of a breakdown of the systems in operation, and to report on remedial action taken or required.

Internal audit

All business and support units within the group are subjected to an independent internal audit on an annual basis. The group follows a risk based approach and the audit and risk committee reviews and

approves audit programmes and plans. The head of internal audit has unrestricted access to the chairman of the audit and risk committee.

External audit

The group's external auditors are Deloitte S.A. and the independence of the external auditors is recognised, and reviewed with the auditors by the audit and risk committee on an annual basis.

The audit and risk committee meet with the external auditors to review the scope of the external audit, budgets and any other matters arising.

In accordance with the requirements relating to pre-approval of services to Securities Exchange Commission (SEC) registrants or their subsidiaries, the group's audit and risk committee evaluates the services supplied by the external auditors to ensure that the services are not prohibited as defined by the SEC prior to approval by the committee of these services.

The external auditors attend the audit and risk committee meetings and have unrestricted access to the chairman of the audit and risk committee.

Compliance

The directors recognise their responsibility to conduct business in accordance with the applicable laws and regulations in the various countries in which the group operates. The responsibility for daily compliance with laws and regulations within the business areas rests with the various heads of departments.

The chief role of group compliance is to assist management in complying with all the applicable statutory, regulatory and supervisory requirements, and the compliance function forms part of the overall risk framework. Where applicable, business units have a dedicated

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compliance officer, with a direct link to the group compliance officer whose responsibility it is to assist with the implementation and monitoring of compliance in the particular unit. The business units follow a self-assessment approach to controls via compliance checklists.

Board committees

Certain responsibilities of the board have been delegated to board committees to assist and enable the board to properly discharge its duties and responsibilities. These committees comprise the group audit and risk committee and the remuneration committee, both of which operate under written terms of reference confirmed by the board. Ad-hoc committees are also mandated to attend to specific business matters from time to time. The existence of these committees does not, however, reduce the overall responsibility of the board and, therefore, all committees must report and make recommendations to the board.

All board committees are chaired by an independent non-executive director and are free to obtain independent external professional advice in the carrying out of their duties as and when required.

Group audit and risk committee

The group audit and risk committee has a minimum of three members all of whom are independent non-executive directors, including the chairperson. Various non-members, including the executive chairman, the group chief executive officer, group financial director, representatives of the finance function, internal auditor and external auditor attend meetings by invitation.

Membership and meeting attendance

Serving members of the group audit and risk committee, the date of their appointment, and their attendance at the meetings are as follows:

	Date of appointment	Date of resignation	Independent	Number of meetings attended during the year	Attendance record
4 meetings held					
Members					
PL Wilmot* (<i>Chairman</i>)	4 August 1999		Yes	4	100%
ME King*	9 September 1998		Yes	4	100%
RJ Koch†	9 September 1998	31 May 2006	Yes	4	100%
AM Rosenzweig‡	31 May 2006		Yes	0	n/a

* South African, † British, ‡ Dutch

Objective, duties and primary functions/responsibilities

The group audit and risk committee's primary objective is to provide the board with additional assurance regarding the quality and reliability of the financial information used by the directors and to assist them in the discharge of their duties.

Specific responsibilities in terms of the charter of the group audit and risk committee include:

- providing satisfaction to the board that adequate and appropriate financial and operating controls are in place;
- ensuring compliance with appropriate standards of governance, reporting and other regulations;
- reviewing and approving internal audit, risk and compliance policies, reports and findings;
- ensuring that significant business, financial and other risks have been identified and are being managed; and
- reviewing and recommending to the board the adoption of the interim and annual financial statements.

The group audit and risk committee has satisfied their terms of reference for the year under review.

Issues relating to accounting, auditing, internal control and financial reporting matters are discussed with the group's external auditors at meetings convened on a periodic basis. Both the internal and external auditors are afforded unrestricted access to the group audit and risk committee.

The group's internal auditors report to an independent internal audit committee as well as the group audit and risk committee. The main responsibilities of the internal audit function include the examination and evaluation of the effectiveness of operational activities, together with the attendant business risks and systems of operational and financial control. Material deficiencies, development needs and instances of non-compliance are reported to the audit and risk committee, the external auditors and operational management for resolution.

At certain meetings, time is reserved for separate discussions with the committee together with management (excluding the external auditors) and the committee together with the external auditors (excluding management). These separate discussions provide an opportunity for committee members, management and external auditors to communicate privately and independently.

The internal and external auditors have unrestricted access to the group audit and risk committee, ensuring that their independence is maintained at all times.

Remuneration committee

The remuneration committee has three members of whom two, including the chairman, are independent. The remuneration committee has a charter and is mainly charged with the remuneration strategy for the group and meets regularly to consider the annual reviews, remuneration issues, incentives and policy matters. Refer to the Remuneration report on page 42 for further detail on remuneration and remuneration policies.

Membership and meeting attendance

The serving members, the date of their appointment, and attendance at the remuneration committee meetings are as follows:

	Date of appointment	Independent	Number of meetings attended during the year	Attendance record
4 meetings held				
Members				
ME King* (<i>Chairman</i>)	9 September 1998	Yes	4	100%
AC Ball*	9 September 1998	No	3†	100%
RJ Koch†	9 September 1998	Yes	4	100%

* *South African, † British*

† *AC Ball recused himself from a meeting during the year.*

Board sub-committees

The Brait S.A. board has established several additional sub-committees which report either directly or indirectly to the board and whose functions are to manage specific risks and activities of the group. These sub-committees operate within defined terms of reference, and include the following:

- Private equity proprietary investment committee;
- Group internal audit committee;
- Social investment committee;
- Environmental steering committee;
- Employment equity committee; and
- Marketing committee.

Major subsidiary companies

Brait International Limited board

The Brait International Limited board is, in addition to its statutory obligations, mandated as a sub-committee of the Brait S.A. board with the responsibility to carry out specific tasks delegated to it in respect of the group's international operations outside South Africa. Serving members of the international board are:

Name	Date of appointment	Date of resignation
Executive directors		
BI Childs (<i>Chairman</i>)†	21 October 2004	
EA Venpin*	22 July 2004	30 March 2006
D Boodhoo*	10 June 2003	

* *Mauritian, † British*

Brait South Africa Limited board ("BSAL board")

The South African holding company board, in addition to its statutory obligations, is mandated by the Brait S.A. board to carry out specific tasks delegated to it in respect of the South African operations of the group. The serving members of the BSAL board are tabled below:

Name	Date of appointment	Date of resignation
Independent non-executive directors		
BL Sibiyi (<i>Chairman</i>)*	1 October 2004	
OK Chikane*	1 October 2004	
ME Gevers*	1 November 2004	
I Matthews*	1 November 2004	
(<i>Alternate to ME Gevers</i>)		
BMC Ngcobo*	1 October 2004	28 September 2005
<i>Reappointed –</i>	25 January 2006	
VV Reddy*	1 October 2004	
SDM Zungu*	10 October 2004	
Executive directors		
AC Ball*	11 July 2000	
AD Campbell*	6 October 2003	
JJ Coulter°	6 June 2005	
FR de Beer*	25 January 2006	
DG Field*	11 June 2004	
JA Gnodde*	10 October 2002	
E Guiterrez-Garcia*	1 April 2003	
WF Hirzebruch*	1 April 2003	
BL MacRobert*	1 January 2003	
CL Smart*	1 April 2003	
CJ Tayelor*	10 October 2002	

* *South African, ° Irish*

BOARD PROFILE

Mervyn Eldred King (68)*

BA, LLB (cum laude) H Dip Tax (Wits)

Senior Chairman – Appointed to the board 1998

Mervyn King is a senior counsel and former Judge of the Supreme Court of South Africa. He has chaired and been a director of several companies listed on the Johannesburg Stock Exchange, including First National Bank Holdings Limited, Capital Alliance Limited, Metro Cash & Carry Limited and Frame Group Holdings.

In South Africa, he is Professor Extraordinaire at the University of South Africa on Corporate Citizenship, Chairman of the King Committee on Corporate Governance in South Africa, President of the Advertising Standards Authority, First Vice president of the Institute of Directors Southern Africa, a member of the Securities Regulation Panel which oversees all mergers and acquisitions in South Africa, Chairman of the Board of Governors of the Witwatersrand University Foundation and Chairman of the Appeal Committee of the United Cricket Board of South Africa.

He is a member of the Private Sector Advisory Group to the World Bank on Corporate Governance, a member of the international advisory boards of Stern Stewart of the USA, Tomorrows Company of the United Kingdom and the Asian Centre of Corporate Governance. He is the chairman and a member of the United Nations Steering Committee of eminent persons to review the governance and oversight within the United Nations, its funds, programmes and specialised agencies.

He was the first President of the Commonwealth Association of Corporate Governance, a former Governor of the International Corporate Governance Network and the South African representative of the International Chamber of Commerce International Court of Arbitration in Paris.

He is presently Chairman of the Automobile Association of South Africa, Strate, the settlement arm of trades in equities and other instruments in South Africa and a director of JD Group listed in Johannesburg.

He has consulted, advised and spoken on legal, business and corporate governance issues in 28 countries and has received many awards.

Antony Charles Ball (47)*

BCom (Hons), MPhil (Oxon), CA(SA)

Executive Chairman – Appointed to the board 1998

Antony Ball was a co-founder of Brait's Private equity business. He has led the raising and governance of the group's principal private equity funds. He is responsible for numerous of the groups' private equity investments. He was appointed group Chief Executive of Brait in March 2000 and Executive Chairman in 2005.

Paul Adrian Barlow Beercroft (59)†

MA (Oxon) Physics, MBA (Harvard Business School), F. Inst. P

Non-Executive Director – Appointed to the board 2005

Adrian Beercroft has a first class honours degree in physics from the Queen's College, Oxford. Following graduation in 1968, he worked for ICL in the computer industry for five years. In 1974 he went as a Harkness Fellow to the Harvard Business School, graduating as a Baker scholar in 1976. He then joined the Boston Consulting Group in London. He was promoted to manager in 1979 and then to vice-president of BCG Worldwide in 1982.

Adrian joined Apax, the venture capital and private equity investment company, in 1984. He played a major part in the international expansion of the business, which now has over US\$15 billion under management. Apax is widely recognised as one of the leading private equity houses in Europe. Adrian is the company's chief investment officer and second largest shareholder. He was chairman of the British Venture Capital Association in 1991/92. He has represented Apax on the boards of over 20 private and public companies.

Jean Ernest Bodoni (58)**

Commercial Engineer

Non-Executive Director – Appointed to the board 1998

Jean Bodoni has in excess of 30 years' experience in the Luxembourg banking sector and currently holds the position of President of the Executive Board with Experta Luxembourg S.A.. Jean is a director of a number of Luxembourg resident companies.

Brett Ivor Childs (44)†

CA(SA)

Executive Director – Appointed to the board 2005

Brett Childs, following completion of his training with Deloitte & Touche in 1987, co-founded a small re-insurance consultancy business providing investigative and audit services to the London re-insurance industry which was sold in 1994. He was one of the first to be approved by Lloyds of London to act in the capacity of Finance Director to agencies managing the first corporate capital syndicates admitted to Lloyds of London.

He joined New Africa Technology Holdings (Proprietary) Limited, the information technology arm of New Africa Investments Limited, in 1998 as Finance Director. Following a management buy-out in 2000, he managed the buy-out vehicle realising value for its shareowners through IPO's and trade sales. Following this, he started his own successful private equity investment company in Mauritius where he currently resides. Brett joined Brait in November 2004 as Executive Chairman of its Mauritian operation.

John Joseph Coulter (44)°

Law Degree (Trinity College Dublin), Master's in Business Studies (University College Dublin)

Group Chief Executive – Appointed to the board 2005

After a 20 year career with JPMorgan in London, New York and Johannesburg, John Coulter joined Brait S.A. as the Group Chief Executive Officer in June 2005. Prior to joining Brait, John was Chairman, Investment Banking, for JPMorgan in Central and Eastern Europe, Middle East and Africa from 2004 to 2005. He was the Chief Executive Officer of JPMorgan South Africa from 1999 to 2005 with functional responsibility for Investment Banking. From 2002 to 2004, John was Chairman of the Foreign Bankers Association. On joining JPMorgan in 1985, John was employed in Interest Rate, Currency Swaps and Commodity Derivatives businesses in London and then New York until 1996 when he returned to London to head JPMorgan's Commodity Trading businesses.

John Andrew Gnodde (40)*

BCom (UCT)

Executive Deputy Chairman – Appointed to the board 2005

John Gnodde, is a director of Brait and CEO of Brait's private equity business and has overall responsibility for Brait's private equity funds, having previously led the management of each of the Predecessor Funds. John joined Brait in 1995 and has been responsible for investments in consumer products, construction, pharmaceutical, manufacture, beverages, resources, mobile telecommunications and recruitment outsourcing among others. Prior to joining Brait, John worked for Goldman Sachs International in London for six years where he served in the investment banking division.

Richard John Koch (55)†

MA (Oxon), MBA (Wharton)

Non-Executive Director – Appointed to the board 1998

Richard Koch was a founder of The LEK Partnership, a partner of Bain & Co and a consultant with the Boston Consulting Group, and has advised the chief executive officers and chairmen of many blue-chip American and European corporations. Richard is an author, investor and promoter in private equity investment.

Allan Mark Rosenzweig (51)‡

BA, LLB, H Dip Tax

Non-Executive Director – Appointed to the board 1998

Allan Rosenzweig was an international tax advisor and corporate financier with Price Waterhouse including its New York office and Intertax, a South African international tax consultancy. Allan is a director of both listed and unlisted companies. He joined the MIH Group where he served as Group Director of Corporate Finance. Allan is also a founding member of the Ibex Group, which is active in the field of asset-backed finance. Allan is currently based in New York.

Christopher John Tayelor (49)*

BAcc, CA(SA), AMP (Harvard)

Finance Director – Appointed to the board 1998

Chris Tayelor was part of the Southern African national technical team at Price Waterhouse before he joined Johannesburg Consolidated Investment Company Limited ("Johnnies") in Corporate Finance, which he headed from 1990 to 1994. Following the unbundling of Johnnies, Chris was appointed Financial Director of JCI Limited and to the boards of its listed operations. He left this position prior to joining Brait in May 1998.

Hermanus Roelof Willem Troskie (36)‡

B Juris, LLB, LLM

Non-Executive Director – Appointed to the board 2005

Herman Troskie, is a director of Maitland, an international professional services firm, and resides in Luxembourg. After completing a legal research project at the Vrije Universiteit in Amsterdam, Herman spent three years in legal practice in Cape Town before joining the Luxembourg office of Maitland in 1998. He specialises in the area of international corporate structuring and financing, and has experience in international tax planning for corporate entities and individuals, with a particular focus on Luxembourg and other European cross-border investment structures. His practice also includes the listing of companies and investment funds. Herman is admitted as a South African Attorney and as an English Solicitor.

Serge Joseph Pierre Weber (42)**

Business Diploma (ESSEC Business School, Paris)

Executive Director – Appointed to the board 2001

Serge Weber is a director of TRAXYS Europe SA, part of the TRAXYS SA Group, a joint-venture created in 2003 between the Luxembourg based ARCELOR Group and the Belgian-based UMICORE Group. He is the Chief Financial Officer of TRAXYS Europe and the Group Controller for the TRAXYS Group, a leading metals and minerals marketing and trading group operating worldwide. He has worked in treasury and finance for many years, including Renault Trucks in France and SA des Minerais in Luxembourg.

Peter Linford Wilmot (66)*

CA(SA)

Non-Executive Director – Appointed to the board 1999

Peter Wilmot was the chairman of Deloitte & Touche in South Africa from 1996 until his retirement in August 1999 after a career spanning 41 years in the auditing profession. Peter has chaired the Accounting Practices Committee and was President of the Transvaal Society of Chartered Accountants and the South African Institute of Chartered Accountants. He was also the deputy chairman of the Standards Advisory Council of the International Accounting Standards Board and is the immediate past Chairman of the Accounting Practices Board.

Nationality

* South African

** Luxembourgish

† British

‡ Dutch

° Irish

REMUNERATION REPORT

The remuneration committee's main objective is to provide the board with assurance that the employees, directors and senior executives of the group are fairly rewarded for their individual contributions to the group's performance. The group views the inclusion of share incentives as an essential element in the remuneration package, as this promotes an alignment of interests with shareowners and incentivises long-term commitment. Share incentive schemes and fringe benefit policies are regularly reviewed by the remuneration committee.

The remuneration strategy includes the determination of incentive pay structures for directors and senior executives, for both the short and long term, and the positioning of these levels in accordance with trends in local and international markets.

Non-executive directors

Non-executive directors do not have service agreements. Letters of appointment confirm the terms and conditions of their service. Remuneration packages of non-executive directors are agreed and determined by the remuneration committee. Directors fees are structured so as to encourage maximum board and subcommittee participation. Certain non-executive directors were paid additional fees varying between US\$11 250 and US\$36 750 for the year, depending on the time spent on certain activities of the group.

The following scale of fees for meeting attendance was in place for the year:

- US\$2 750 per meeting as a member of the Brait S.A. board
- US\$3 150 per meeting as the chairman of the Brait S.A. board
- US\$1 365 per meeting as a member of other board committees
- US\$2 100 per meeting as the chairman of other board committees

For the 2007 financial year, a fee increase of 5% was recommended and approved by the board.

Executive directors and employees

Service agreements entered into with executive directors are initially fixed for a certain term and, thereafter, may be terminated by either party giving requisite written notice to each other. The terms of employment and remuneration packages are approved by the remuneration committee. Executive directors are not permitted to accept external remunerative work or board appointments without approval of the Brait S.A. board.

Remuneration packages for executive directors and employees comprise some or all of the following:

- Base salary and benefits
- Annual bonus
- Long-term equity and/or share incentive plans

Base salary and benefits

Executive directors and employees are permitted to structure their base salaries and benefits in terms of existing legislation in their employment domicilium. Salary packages, including benefits, are reviewed annually with reference to relevant geographical and industry criteria as a benchmark. Benefits largely include provident fund, group life, disability, medical aid and other benefits as dictated by competitive market practices.

Annual bonuses

Annual bonuses are closely linked to performance and pre-determined targets on both formulaic and discretionary bases.

Share equity and incentive schemes

A summary of the scheme rules and share entitlements outstanding and granted to directors and employees of the group under the various schemes are as follows:

Brait S.A. Share Incentive Scheme

Salient features

- The scheme is a share option scheme with deferred delivery.
- Entitlements are granted at market price at the date of grant.
- Vesting typically accrues within six years.
- Entitlements expire after eight years.
- Entitlements are forfeited if the participant leaves the group before vesting.

Entitlements granted under the scheme:

	2006	2005
Share entitlements outstanding at beginning of year	2 975 262	2 568 624
Granted and exercised	150 000	1 374 480
Delivered	(808 018)	(61 151)
Cancelled (by resignation, retrenchment or repurchase)	(578 740)	(906 691)
Share entitlements outstanding at end of year	1 738 504	2 975 262

Analysis of share entitlements outstanding at 31 March 2006

Entitlement expiry date	Number of shares	Issue price (ZAR)
31 December 2010	48 750	8,57
31 December 2011	648 690	7,19
30 June 2012	670 964	7,20
6 July 2012	220 100	7,22
1 October 2013	150 000	18,04
	1 738 504	

The Brait Executive Share Purchase Scheme

Salient features

- The scheme is structured as a share purchase scheme and participants are offered an opportunity to acquire ordinary shares in the company at a price fixed on a leveraged, deferred payment and delivery basis. Critically, participants are required to make an upfront contribution equal to one third of the market value of their entitlements granted.
- Participants are offered ordinary shares at market price.
- Participants are offered leverage (loan finance) based on twice the value of their contributions.
- The leverage is subject to an arm's length related interest rate.
- The scheme shares or any rights flowing from such shares vest over three years.
- Participants may only take delivery of their entitlements under the scheme on vesting and full settlement of their loan accounts.
- Loan accounts must be settled within five years of the grant of shares or the entitlements expire.

- Unvested entitlements are forfeited if the participant leaves the group before vesting.

The executives carry market risk on any decline in the Brait share price during the tenure of the scheme up to a maximum limit of their pre-paid contribution and will benefit from any market price increase, but only to the extent that the increase exceeds the compounded prime interest rate on the advance, net of dividends.

Entitlements granted under the scheme:

	2006	2005
Share entitlements outstanding at beginning of year	16 563 460	17 296 489
Granted	2 500 000	500 000
Delivered	(12 185 907)	(778 105)
Cancelled (by resignation, retrenchment or repurchase)	—	(454 924)
Share entitlements outstanding at end of year	6 877 553	16 563 460

Analysis of share entitlements outstanding at 31 March 2006

Repayment date of loan balance	Interest rate of loan	Prepaid contributions by participants US\$	Outstanding loan account balances US\$	Number of shares granted	Share purchase price US\$
31 March 2008	US dollar Prime	457 605	537 344	1 933 269	0,7101
25 October 2008	US dollar Prime	460 212	550 767	1 944 284	0,7101
13 May 2009	US dollar Prime	167 700	246 053	500 000	1,0062
31 March 2010	US dollar Prime	1 565 833	3 758 062	2 500 000	1,8790
		2 651 350	5 092 226	6 877 553	

Brait South Africa Share Scheme 2005

Salient features

- A new scheme implemented with effect from 1 April 2005.
- The scheme consists of a management scheme and an executive scheme.
- The executive scheme requires a capital contribution on which the executive is exposed to market risk.
- The scheme is based on a share appreciation right linked to a Brait S.A. share.
- A vested share appreciation is converted into shares at market price.
- Entitlements are granted at market price at the date of grant.
- Vesting accrues between three and five years.
- Entitlements are forfeited if the participant leaves the group before vesting.

Entitlements granted under the scheme:

	Management scheme	Executive scheme	Total
Share entitlements outstanding at beginning of year	—	—	—
Granted	2 110 823	—	2 110 823
Cancelled (by resignation or retrenchment)	—	—	—
Share entitlements outstanding at end of year	2 110 823	—	2 110 823

REMUNERATION REPORT CONTINUED

Analysis of share entitlements outstanding at 31 March 2006

	Expiry date	Number of shares	Issue price (ZAR)
A shares – 5 years	31 March 2010	1 250 823	11,83
A shares – 5 years	30 September 2010	125 000	18,04
A shares – 5 years	31 December 2010	135 000	18,99
C shares – 3 years	31 March 2008	500 000	11,83
C shares – 3 years	31 December 2008	100 000	18,99
		2 110 823	

Directors' emoluments

For Brait S.A. and its subsidiaries

Remuneration

For the year ended 31 March 2006	Fees and expenses as directors US\$000	Cash salary US\$000	Performance bonus US\$000	Other benefits (note 1) US\$000	Other services (note 2) US\$000	2006 Total US\$000
Executive directors						
AC Ball	12,4	507,7	781,5	33,4	–	1 335,0
BI Childs	8,3	48,0	–	–	–	56,3
JJ Coulter (note 3)	8,3	232,0	–	804,6*	–	1 044,9
JA Gnodde (note 3)	8,3	298,3	922,6	24,7	–	1 253,9
CJ Tayelor	11,2	339,1	518,0	32,9	–	901,2
SJP Weber	–	–	–	–	36,8	36,8
	48,5	1 425,1	2 222,1	895,6	36,8	4 628,1
Non-executive directors						
PAB Beecroft	8,3	–	–	–	14,0	22,3
J Bodoni	8,3	–	–	–	–	8,3
ME King	20,1	–	–	–	184,0	204,1
RJ Koch	17,8	–	–	–	21,0	38,8
AM Rosenzweig	8,3	–	–	–	21,0	29,3
HRW Troskie	8,3	–	–	–	11,2	19,5
PL Wilmot	19,4	–	–	–	21,0	40,4
	90,5	–	–	–	272,2	362,7
Total US\$000	139,0	1 425,1	2 222,1	895,6	309,0	4 990,8

* Mr Coulter was paid a US\$750 000 'sign-on' consideration in June 2005. Should he leave the group's services prior to 1 June 2008, a pro-rata portion will be refundable

Note 1 Other benefits represent provident fund contributions, motor vehicle allowances, medical aid and group life cover.

Note 2 Other services represent time spent by directors in the management and/or day-to-day activities of the company and/or its subsidiaries.

Note 3 Messrs Coulter and Gnodde were appointed directors of the company on 27 July 2005. Their remuneration is in respect of the eight month period from this date.

Directors' emoluments (continued)

For Brait S.A. and its subsidiaries

Remuneration

For the year ended 31 March 2005	Fees and expenses as directors US\$000	Cash salary US\$000	Performance bonus US\$000	Other benefits (note 1) US\$000	Other services (note 2) US\$000	2005 Total US\$000
For the year ended 31 March 2005						2005 Total
Executive directors						
AC Ball	16,0	461,0	800,0	34,0	—	1 311,0
CJ Tayelor	10,0	307,0	400,0	33,0	—	750,0
SJP Weber	—	—	—	—	36,0	36,0
	26,0	768,0	1 200,0	67,0	36,0	2 097,0
Non-executive directors						
J Bodoni	8,0	—	—	—	—	8,0
FZ Haller (resigned 7 February 2005)	12,0	—	—	—	17,0	29,0
ME King	25,0	—	—	—	185,0	210,0
RJ Koch	16,0	—	—	—	20,0	36,0
AM Rosenzweig	10,0	—	—	—	20,0	30,0
PL Wilmot	39,0	—	—	—	—	39,0
	110,0	—	—	—	242,0	352,0
Total US\$000	136,0	768,0	1 200,0	67,0	278,0	2 449,0

Share entitlements

(a) Brait S.A. Share Incentive Scheme	2006			2005		
	Expiry date	Shares granted	Issue price (ZAR)	Expiry date	Shares granted	Issued price (ZAR)
RJ Koch	31 Dec 11	15 300	7,19	31 Dec 11	15 300	7,19
	6 July 12	34 700	7,22	6 July 12	34 700	7,22
ME King	31 Dec 11	24 000	7,19	31 Dec 11	24 000	7,19
	6 July 12	76 000	7,22	6 July 12	76 000	7,22
AM Rosenzweig	31 Dec 11	15 300	7,19	31 Dec 11	15 300	7,19
	6 July 12	34 700	7,22	6 July 12	34 700	7,22
SJP Weber	31 Dec 11	10 000	7,19	31 Dec 11	10 000	7,19
	6 July 12	40 000	7,22	6 July 12	40 000	7,22
PL Wilmot	31 Dec 11	15 300	7,19	31 Dec 11	15 300	7,19
	6 July 12	34 700	7,22	6 July 12	34 700	7,22
BI Childs	1 Oct 13	50 000	18,04	—	—	—
HRW Troskie	1 Oct 13	50 000	18,04	—	—	—
PAB Beecroft	1 Oct 13	50 000	18,04	—	—	—
		450 000			300 000	

(b) Brait Executive Share Purchase Scheme

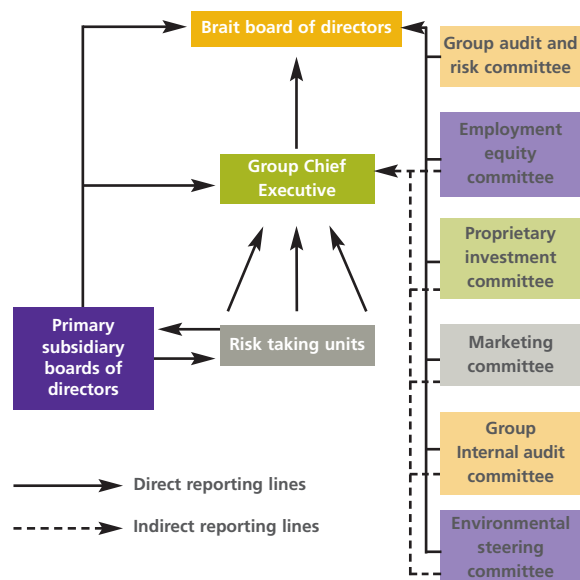
	2006					2005			
	Prepaid contribution by the participant US\$000	Outstanding loan account balance US\$000	Expiry date	Shares granted	Issue price US\$	Outstanding loan account balance US\$000	Expiry date	Shares granted	Issue price US\$
CJ Tayelor	—	—	—	—	—	822	31 Mar 08	1 895 307	0,7101
JA Gnodde	318	373	31 Mar 08	1 342 377	0,7101	—	—	—	—
JJ Coulter	1 566	3 758	31 Mar 10	2 500 000	1,8790	—	—	—	—

RISK MANAGEMENT REVIEW

Managing risk to enhance shareowner value goes to the very heart of Brait's business. The group places great importance and priority on its approach to risk management and has a strong culture of risk management. It recognises that risk impacts on profitability and is an integral component of most transactions. A careful process of risk management is employed to effectively identify, evaluate and assess all types of risks and to optimise the risk-reward trade-off.

Risk management responsibility and structures

Ultimate responsibility for the formulation of risk management policies and the systems of control and review lies with the board of Brait and the boards of its primary subsidiaries. There are nonetheless, intervening committees and executives who have designated responsibility for focusing on specific risk categories. Effective risk management is also achieved through the decentralisation of responsibilities to managers of risk taking units, with reporting lines to the group Chief Executive and designated risk committees. The risk control structures are summarised in the following diagram:



Different types of risks are clearly defined and such definitions provide the basis for measuring risk and implementing risk management processes.

The group has risk exposures to market risk, credit risk, interest rate and liquidity risk, currency risk, solvency risk, operational risk, legal and compliance risk and strategic risk. These risk factors are considered below.

Market risk

Market risk is the potential change in the value of a financial instrument resulting from changes in market conditions. On a portfolio basis, this is the risk of a decrease in the value of the portfolio as a result of an adverse move in market parameters such as equity prices.

Primary control of risk is established through a comprehensive limit structure that promotes the alignment of the group's risk appetite, primarily for proprietary investments.

Investment limits at each control level are approved by the board and reviewed regularly to ascertain their relevance and appropriateness. Management is expected at all times to remain within the prescribed limits.

Brait measures the current profit and loss on its proprietary investment portfolio monthly, or more regularly if specifically needed. The monthly reports are supplemented by a full quarterly review of all investments. Controls are in place to ensure that other market risk transactions are booked at prevailing market rates and that positions are revalued at current market prices.

The risk measurement function in the group operates with clear independence and authority from the operations and reports to senior management and the board.

Credit and counterparty risk

Credit and counterparty risk refers to the effects on future cash flows and earnings of borrowers defaulting on their obligations. This also covers trading counterparties, issuers of instruments held by the group or as collateral. Such risk arises primarily from lending and investment activities as well as from the settlement of proprietary financial market transactions and those undertaken on behalf of clients.

Brait manages these risks by setting prudent credit exposure limits, constantly measuring current credit exposures, estimating maximum potential credit exposures that may arise over the duration of a transaction, and responding quickly when corrective action needs to be taken.

All material credit exposures are governed by authorisation limits at both subsidiary and Brait S.A. board level.

Impairment provisions for doubtful debts are raised throughout the year and approved by the audit and risk committee.

Interest rate and liquidity risks

Interest rate risk refers to the impact on future cash flows and earnings of assets and liabilities of interest rates repricing either at different points in time or on a different basis.

Exposures to interest rate movements are managed by a combination of floating and fixed rate instruments, which give the group its desired maturity profile. The interest rates of the majority of the group's term borrowings have been fixed in order to minimise the risks of interest rate volatility and match the estimated yield of the underlying assets funded with the borrowings, where applicable. The maturity of borrowings is disclosed in the notes to the financial statements.

Liquidity risk arises in the general funding of the group's activities when there are mismatches between the sizes and maturities of assets and liabilities and also in its Funds Management and trading operations. The liquidity risk refers to the ability of the group to meet its financial obligations as they fall due.

Currency risk

Although the group's holding company is domiciled in Luxembourg and its financial and reporting currency is the US dollar, it has

significant operations and/or investments in South Africa, Europe, Mauritius, North America and Australia. The group's net assets reflect the currency impact on individual investments. Brait has undertaken to mitigate the currency exposure of these net assets by hedging or holding a large portion of its capital in US dollars. At 31 March 2006, approximately 88% of the net tangible assets of the group was covered or held in US dollars.

Solvency risk

It is essential to ensure that the group is adequately capitalised to absorb potential losses in its activities, to maintain the confidence of all those with whom it does business and to fund the future growth of its operations. The geographical and legal structure of the group minimises the potential contamination of losses in one segment of operation with those of another. The group also has a satisfactory capital base to support the operations of its underlying businesses.

The group held some 53% of its capital in short-term cash deposits at 31 March 2006 and has approved banking facilities of US\$13,0 million (ZAR80,0 million).

Operational risk and IT technology

Operational risk is the potential for loss caused by a breakdown in information, communication and transaction processing systems and procedures. While these risks can never be fully protected, Brait attempts to reduce them by maintaining comprehensive systems of internal controls, and sound policies and practices in the areas of information technology, human resources, physical security and insurance. The enforcement and monitoring of compliance with such policies and standards of practice is an essential component of operational risk management.

The group has dedicated significant resource and commitment to an internal audit function, which is focused on a business and risk-based audit approach. The primary responsibility for operational risk management lies at business unit management level. The group also ensures that operational risk is minimised through the implementation of sound accounting methods, administrative controls and a code of conduct.

The assessment of information technology is in the hands of the executive committee which not only sets IT policies, but also act as the final decision making authority. The group employs both onsite and offsite disaster recovery facilities which are tested regularly. Business continuity plans are in place in the case of catastrophic events. All business processes are supported by software systems, which are kept current with the latest technology trends.

The group audit and risk committee, which has responsibility, *inter alia*, for overseeing of the management of operational risk, comprises non-executive directors to whom both the external auditors and internal auditor function have direct access. The functioning of this committee is dealt with more fully under the corporate governance section of the annual report.

Legal risk

Legal risk is the risk that transactions or agreements with third parties may not be legally enforceable or do not reflect the intentions approved by the boards or their committees. Brait recognises the legal risks inherent in complex financial transactions. Brait engages reputable third party legal professionals who are familiar with the group's operations and the specific nature of its business for its transactions in order to mitigate such risks.

Compliance risk

Compliance or regulatory risk is the risk of non-compliance with regulatory requirements. Brait has allocated skilled staff to specific compliance functions as part of its risk management framework. The management of compliance risk is achieved through monitoring, reporting and other services, and reports regularly to the audit and risk committee.

Risk management for fund investment

The group acts as manager for several funds financed primarily by third party capital. In both Private Equity and Specialised Funds these funds are typically subject to a number of governance controls with risk management effects, including where appropriate:

- fund mandates setting out investment parameters including targeted markets, transaction types and investment limits;
- controlled investment processes including appropriate approval by investment committees;
- investor review by way of periodic reporting and performance evaluation;
- advisory committee review for resolution of certain potential conflicts of interest; and
- statutory and regulatory controls.

Brait's internal control processes ensure that fund mandates are adhered to, and these controls are subject to internal audit and thus audit and risk committee review. The effect on Brait's financial position is assessed by applying sensitivity analysis to material positions held in its funds under management.

Conclusion

The key focus of Brait's risk management strategy is ongoing identifying, assessing, managing and monitoring all known forms of risk resident in its operations. This is a continuous process of developing and enhancing comprehensive risk and control procedures so as to enable the group to effectively identify and monitor all potential risks that it may reasonably be exposed to.