

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 31 March 2006.

NATURE OF BUSINESS

Brait is an investment and financial services group with its primary listing on the Luxembourg Stock Exchange. It also has secondary listings on the Johannesburg and London stock exchanges. The group has shareowners' funds of US\$158 million as at 31 March 2006 and diverse earnings from the following activities:

- private equity management fees and investment returns;
- specialised funds management fees and investment returns;
- corporate and debt advisory services; and
- group investment returns.

SHARE CAPITAL

Authorised

The authorised share capital of the company comprises 150 000 000 ordinary shares of no par value.

Issued

During the year, the company increased its ordinary issued share capital from 102 255 732 ordinary shares of no par value by way of a bonus issue of 8 231 589 ordinary shares to 110 487 321 ordinary shares of no par value. Of this number, 9 024 663 ordinary shares are held for delivery of shares granted to management in terms of the Brait S.A. Share Incentive Scheme, Brait South Africa Share Scheme 2005 and the Brait Executive Share Purchase Scheme.

Unissued shares

At the forthcoming annual general meeting, members will be asked to place the unissued shares in the capital of the company under the control of the directors in terms of the provisions of the company's Articles of Incorporation.

It should be noted that in terms of the Articles the directors may not issue shares in any one year, whether for cash or otherwise, if the issue exceeds 10% of the company's issued ordinary share capital and such issues shall not in aggregate, in any three-year period, exceed 15% of the company's issued ordinary share capital.

Renewal of authority for the repurchase of shares

The conditions relating to the repurchase by the company of its own shares are governed by the company's Articles of Incorporation which provide, inter alia, that this authority shall not extend beyond the date of the forthcoming annual general meeting unless such authority is renewed by shareowners in general meeting. At the forthcoming annual general meeting shareowners will accordingly be requested to renew this authority until the conclusion of the next annual general meeting to be held on 25 July 2007.

DEBT CAPITAL RAISED

In March 2006 a subsidiary of the group, Brait South Africa Limited, raised US\$72,9 million (ZAR450 million) preference share capital to provide additional capital to leverage the group's internal growth strategy. A total of 450 000 (four hundred and fifty thousand) cumulative redeemable preference shares were issued at a par value

of ZAR0,01 and a premium of ZAR999,99 per share. These shares carry a dividend of 78% of the South African prime interest rate and are redeemable (at issue price) in four tranches on 31 July of each year commencing in 2010 until 2013.

Including the abovementioned debt raised, the total borrowings in the group remain well within the maximum limit of 150% of the total capital and reserves of the group as stipulated in the company's Articles of Incorporation.

SUBSIDIARY COMPANIES

The interests in subsidiary and associated companies, where considered to be material in the light of the group's financial position and results, are set out on pages 108.

FINANCIAL RESULTS

The financial results of Brait S.A. group are set out in the financial statements and accompanying notes for the year ended 31 March 2006.

DIVIDENDS

• Interim dividend 2005

The board announced an interim dividend of 7,85 US cents (51,51 South African cents) per ordinary share on 3 November 2005. The dividend, which absorbed US\$8,342,973 was paid on 21 November 2005 to shareowners registered as such on the record date, 18 November 2005. Shareowners will be asked to ratify and confirm the declaration by the board and the payment of the interim dividend at the annual general meeting of shareowners of the company which will be held in Luxembourg on Wednesday, 26 July 2006.

• Final dividend

The board has recommended a final dividend of 10,39 US cents per share for the year ended 31 March 2006. In terms of the Articles of Incorporation, shareowners are required to approve the declaration of the dividend which will be tabled at the forthcoming annual general meeting of shareowners of the company. If approved by shareowners, payment of the final dividend, in respect of the year ended 31 March 2006 will be effected on Wednesday, 16 August 2006 to shareowners registered as such on the record date, Friday 11 August 2006. The last date to trade 'cum dividend' will be Thursday, 3 August 2006 and the share will commence trading 'ex dividend' on Friday, 4 August 2006. Share certificates may not be dematerialised or rematerialised between Friday, 4 August 2006 and Friday, 11 August 2006 both days inclusive. No transfers between registers may take place between Friday, 28 July 2006 and Friday, 11 August 2006 both days inclusive. Non-resident shareowners registered on the South African register, who prefer their dividends to be paid in US dollars, are advised to inform their CSDPs/brokers accordingly and provide their banking details to their CSDPs/brokers by the required deadline in terms of their agreements entered into with their CSDPs/brokers.

SHARE INCENTIVE SCHEMES

Brait currently operates various share incentive schemes for the purpose of incentivising directors, executives and management of the

DIRECTORS' REPORT CONTINUED

group and to align their economic interests with shareowners and retain their services on a long-term basis.

The maximum number of entitlements that may be granted in terms of the three schemes are as follows:

The Brait S.A. Share Incentive Scheme	– 6,7% of the company's issued share capital.
The Brait Executive Share Purchase Scheme	– 19,6% of the company's issued share capital (limited to 20 million ordinary shares).
Brait South Africa Share Scheme 2005 (new scheme implemented on 1 April 2005)	– The shares granted under this scheme may not in aggregate exceed the capacity authorised in the above two 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 outlined in the 'Remuneration Report' section on page 42.

DIRECTORATE

During the year, the following members were appointed to the Brait S.A. board:

	Date of appointment
Non-executive	
HRW Troskie**	27 July 2005
PAB Beecroft•	27 July 2005
Executive	
BI Childs•	27 July 2005
JJ Coulter^	27 July 2005
JA Gnodde*	27 July 2005

* South African, • British, ** Dutch, ^ Irish

No other changes in the composition of the board of directors occurred between 31 March 2006 and the date of this report. In terms of the company's Articles of Incorporation, the directors' terms of office end immediately after the conclusion of the annual general meeting of shareowners and they may be re-appointed at that meeting.

Accordingly, Messrs AC Ball, PAB Beecroft, JE Bodoni, BI Childs, JJ Coulter, JA Gnodde, ME King, RJ Koch, AM Rosenzweig, CJ Tayelor, HRW Troskie, SJP Weber and PL Wilmot retire from the board at the annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to information available to the company, after reasonable enquiry, the aggregate interests of the directors and their families at the date of this report, including the holdings of ordinary shares and share entitlements, were as follows:

	31 March 2006	31 March 2005
Number of shares held		
• Beneficial	6 999 103	5 711 684
• Non-beneficial	108 000	–
Number of share scheme entitlements		
• Beneficial	4 292 377	2 195 307
• Non-beneficial	–	–

A register of the directors' interest in the capital of the company is available on request. There were no changes to the directors' interests between 31 March 2006 and the date of this report.

MAJOR SHAREOWNERS

According to information available to the company, after reasonable enquiry, the following shareowners held 5% or more of the issued capital of the company as at 31 March 2006:

Shareowner	%
Stanlib Group (for and on behalf of clients)	7,5
The Brait Executive Share Scheme	6,2
Public Investment Commissioner	5,3
Investec Group (for and on behalf of clients)	5,0

DIRECTORS' EMOLUMENTS

An analysis of the remuneration of executive and non-executive directors is disclosed under 'Remuneration Report' on page 42. A register of individual directors' emoluments is maintained at the company's offices and is available on request at the company's offices.

SPECIAL RESOLUTIONS

At the extraordinary general meeting held on 27 July 2005 special resolutions were passed in terms of which:

- the issued capital was increased from US\$153 383 598 to US\$165 730 981,50 by the issue of 8 231 589 fully paid Brait S.A. shares to the Brait Executive Share Purchase Trust
- To amend the company's Articles of Incorporation for the issue of the additional Brait S.A. shares pursuant to the abovementioned resolution.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No events have taken place between 31 March 2006 and the date of this report, which would have a material impact on either the financial position or operating results of the group.

COMPOSITION OF GROUP COMMITTEES

The composition of the board, the group audit and risk, remuneration and other sub-committees of the board are disclosed in the corporate governance section of this report.

CORPORATE GOVERNANCE

Full details regarding the company's commitment to and its compliance with appropriate international corporate governance practices are set out on pages 35 to 39.