

FINANCIAL COMMENTARY

Headline earnings

As International Financial Reporting Standards ("IFRS") do not recognise the concept of headline earnings, the following reconciliation between earnings and headline earnings at 31 March

2006 has been provided for illustrative purposes for South African users, based on adjustments required by South African Statements of Generally Accepted Accounting Practice.

Supplementary rand information

31 March 2005 ZARm	31 March 2006 ZARm		31 March 2006 US\$m	31 March 2005 US\$m
211,7	300,8	Attributable earnings	47,0	33,9
–	(35,2)	Headline earnings adjustments:	(5,5)	–
–	(18,6)	Profit on disposal of interest in subsidiary	(2,9)	–
–	(17,9)	Profit on sale of non-current assets held for sale	(2,8)	–
–	1,3	Realisation of translation adjustment	0,2	–
211,7	265,6	Headline earnings	41,5	33,9

Segmental analysis of Brait's operations

A segmental analysis of the group's results have been prepared for the business and geographical segments of Brait's activities on pages 17 to 34. The geographical segments have been changed this year to a basis of distinguishing between the actual geographical source of income rather than distinguishing between the economic environments which have similar specific risks and regulations.

The nature of the operational income, expenses and capital flows of the principal business segment activities are as follows:

- **Private Equity**
 - annuity income flows from fixed long-term contracted management fees;
 - investment income and capital participations from fund investments and proprietary 'private equity' styled transactions;
 - investing income typically includes dividends, interest, investment gains and capital participations, which are market and specific investment dependent;
 - the cost structure is predominantly fixed; and
 - significant capital is co-invested in the group's private equity funds and to a lesser extent on proprietary investments.
- **Corporate Finance**
 - recurring advisory income from specialised financial services;
 - lumpy participation fees are derived from the specialised finance activities;
 - the cost structure is variable; and
 - minimal capital is required.
- **Specialised Funds**
 - annuity income flows from contracted management fees;
 - investment income from seed capital in the group's funds;
 - investing returns typically include dividends, interest and investment gains, which are market and specific investment dependent;
 - the cost structure is predominantly fixed; and
 - seed capital is invested in the group's hedge fund products and in emerging hedge funds.

Group capital

- recurring income from strategic investments and loans in subsidiaries, associates and joint ventures; and
- meaningful capital investments.

Accounting policies

The financial statements of the group are prepared in accordance with IFRS on the going-concern principal and using the historical cost basis, except where otherwise indicated.

The accounting policies are consistent with those applied in the previous year.

Currency hedge

Brait has consistently applied its policy of hedging the majority of its South African rand tangible net assets into US dollars, which is the presentation and performance measurement currency of Brait S.A.. As at 31 March 2006, approximately 88% of the group's capital, inclusive of the currency hedge, was effectively maintained in US dollars. The average cover for the year, including inherent hedges, exceeded 80%.

The purpose of the hedging policy is to protect the US dollar capital of the group against rand weakness for the following reasons:

- the group's functional and presentation currency is in US dollars;
- the group's performance measurement targets are set in US dollars in order to be aligned with its presentation currency;
- the group has a significant international shareholder base which is unique for a predominantly South African focused financial services business. The hedging strategy offers these shareowners protection against Rand weakness; and
- the hedge provides greater reporting transparency and simplicity of the group results. Without the hedge, the impact of currency translation adjustments would obscure the core underlying performance of the group's operations.

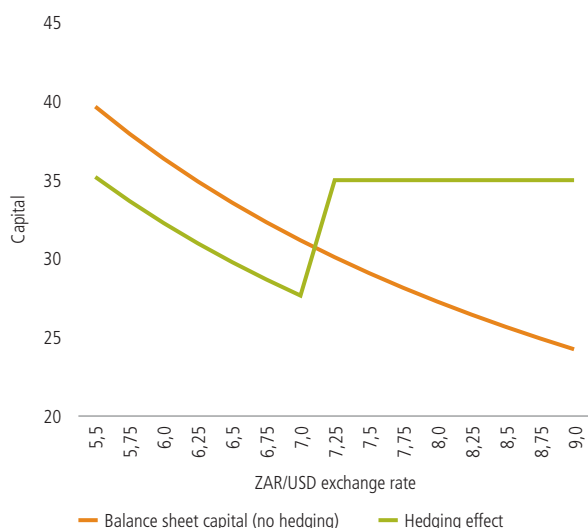
Included in the 88% US dollar capital cover is a US\$35,0 million five year currency call option, purchased in March 2006, against the tangible net asset investment by the group in its South African operation. The primary terms of the option include a maturity date of 25 March 2011 and a forward rate of ZAR7,084 to the US dollar. The spot rate at the acquisition date of the option was ZAR6,235 to the US dollar.

The previous currency hedge comprised a US\$30,0 million cross currency swap taken out in February 2005 with a settlement date at the end of March 2006, combined with a put option to sell US\$30,0 million against the rand at a rate of ZAR5,84 to the US dollar.

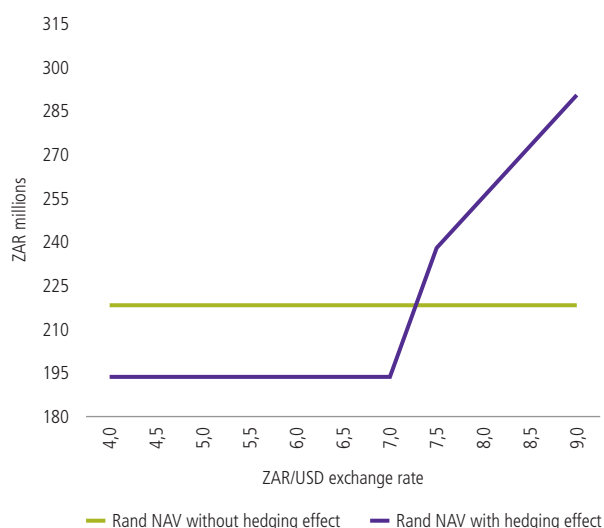
The income statement charge for the period of the currency hedge was US\$2,2 million (2005: US\$4,1 million). This cost is offset by a gain of US\$0,7 million arising from the translation of the group's non-US dollar assets into US dollars at 31 March 2006 which is disclosed under the foreign currency translation reserve in the balance sheet in compliance with IFRS.

An approximate illustrative impact of the currency hedge on the group's net asset value ('NAV') in US dollars and rands is set out respectively in the graphs below.

US\$ capital before and after hedging



ZAR capital before and after hedging



Earnings continue to grow strongly

Debt capital – US\$73 million

Capital has traditionally been a scarce resource for Brait and consequently the group has always preserved and managed its capital judiciously. At the same time, Brait has had to balance this resource within the limits of its dividend policy which has been to distribute regular and substantial dividends as part of Brait's goal of generating incremental long-term wealth accumulation for shareowners.

Brait currently has a US\$13,0 million (ZAR80 million) unsecured short-term banking facility which it has utilised to meet its working capital and short-term operational financing needs. This facility though, has not been substantial enough for Brait to pursue its longer term growth strategy. Brait has been reluctant to raise new equity capital to fund its growth due to the perceived market underpricing of Brait's equity.

Over the last twelve months the accessibility to unsecured funding as well as the cost of raising corporate debt finance has declined significantly in South Africa. Importantly for Brait, this has presented a window of opportunity to raise a significant amount of low cost, long-term debt which will meet the group's need for capital to expand its operations.

Immediately prior to 31 March 2006, Brait secured a long-term debt facility and has drawn down the full capital balance. The principal terms of the facility are as follows:

- Amount: ZAR450 million (approximately US\$73 million)
- Instrument: Redeemable preference shares issued by Brait South Africa Limited
- Rate: 78% of the South African prime rate on a floating rate basis
- Term: Seven year loan with a redemption schedule commencing annually at the end of the fourth year
- Currency: ZAR
- Guarantees: Brait S.A. group underpin
- Early redemption: Brait is entitled to an early redemption at any time prior to the specified settlement dates.

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Brait intends to apply the capital as follows:

- to accelerate growth of existing operations;
 - increase Brait IV co-investment
 - new private equity proprietary investing
 - additional seed capital and product development in Specialised Funds
 - loan book growth and expansion in Bayport
- to initiate new organic business activities; and
- to facilitate BEE investing opportunities.

Brait may also consider a limited share buyback programme.

The outcome of the deployment of the additional capital should:

- enhance earnings growth from investment returns;
- increase the growth in funds under management;
- improve Brait's earnings yield from capital and share buyback efficiencies; and
- improve Brait's market rating by decreasing earnings dependency on private equity investing income.

Brait will continue to follow its stringent investment disciplines before investing this new capital. Subsequent to year-end, Brait has deposited a large portion of the capital drawn with the Brait Absolute Fund as a cautionary interim investment until such time as it is allocated to the group's operations.

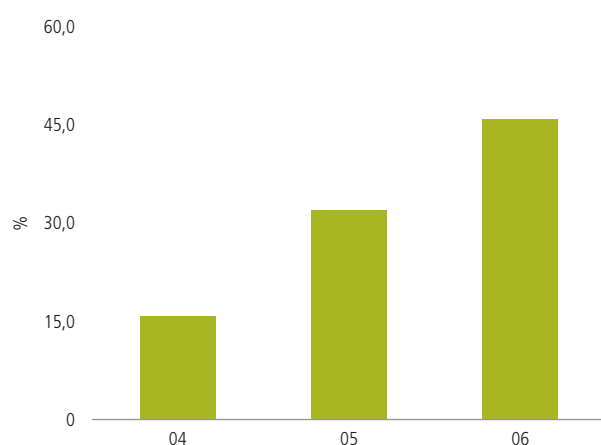
Operations and performance

Brait has continued its strong performance in the previous year with improved earnings in all business areas. This performance was primarily driven by the private equity and group investment operations.

Key financial scorecard performance deliverables this year have been:

- an annual 45,9% return on shareowners' funds and a cumulative long-term ROE since 1 April 2003 of 36% – this substantially exceeds the group's long-term target ROE of 20% in US dollars;
- cumulative fund commitments of US\$1 529 million exceed the group objective of US\$852 million by 79%; and
- cumulative funds invested increased by 72% from US\$615 million to US\$1 060 million against the group objective of 20% per annum.

Return on equity (ROE)



Income statement

An analysis of the line item results for the year ended 31 March 2006 as disclosed in the income statement is set out below:

Revenue

Group revenue for the year was US\$44,5 million, marginally down from the US\$45,0 million reported for the previous year.

The following sets out revenue per operating segment for the year under review:

	31 March 2006 US\$m	31 March 2005 US\$m	Variance US\$m	% change
Private Equity	11,0	22,8	(11,8)	(51,8)
Corporate Finance	7,9	4,1	3,8	92,7
Specialised Funds	3,9	2,4	1,5	62,5
Group Investments	21,7	15,7	6,0	38,2
Revenue	44,5	45,0	(0,5)	(1,1)

The decrease of 51,8% in revenue from Private Equity, was more than offset by the increase in other private equity income, and was largely the result of significant dividend received on the disposal of a proprietary investment in the prior year.

Revenue from Corporate Finance and Specialised Funds, which is predominantly fee income, increased substantially from the previous year by 92,75% and 62,5% respectively, albeit off a low base.

Group Investments' revenue, comprising primarily of interest income in Bayport, increased by 38,2% and can be directly attributed to the growth in the underlying business volumes.

Other income

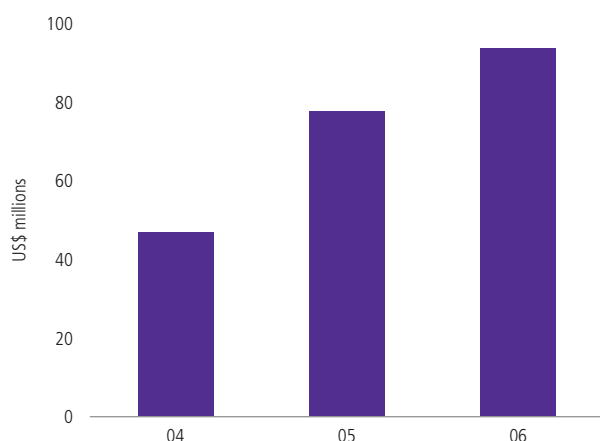
Other income increased by 50,3% to US\$49,3 million from US\$32,8 million.

The following sets out the other income per operating segment for the year under review:

	31 March 2006 US\$m	31 March 2005 US\$m	Variance US\$m	% change
Private Equity	45,9	29,8	16,1	54,0
Corporate Finance	(0,1)	(0,3)	0,2	66,7
Specialised Funds	2,6	3,1	(0,5)	(16,1)
Group Investments	0,9	0,2	0,7	>100
Other income	49,3	32,8	16,5	50,3

The increase in other income is predominantly the result of fair value recognitions of Private Equity's underlying funds and proprietary investments. Unrealised fair value gains totalling US\$41,9 million are included in this income.

Revenue and other income



Operating expenses

Operating expenses increased by 38% from US\$30,9 million in the previous year to US\$42,6 million and is primarily attributable to the following:

- an increase in Bayport's operating expenses which accounts for 33% of the total increase;
- 25% of the increase relates to non-recurring abnormal charges of approximately US\$4 million in private equity for:
 - > raising Brait IV
 - > new Private Equity accounting and administration system; and
 - > infrastructural costs and performance awards in Specialised Funds; and
- the balance of 4% to normal inflationary increases.

Associates

Income from associates has increased marginally from US\$1,6 million to US\$1,7 million and comprises largely of the group's equity income share from its 32% interest in its South African BEE partner holding company, Sitogo Holdings (Pty) Limited.

Joint ventures

The group's joint venture interests comprise its 50% stake in Capital Alliance Finance (CAF). No income was recorded on the group equity holding in CAF's micro-lending business during the year as the operation focused on collecting cash to repay shareholders' loans rather than aggressively pursuing growth in its lending book. A substantial amount of the shareowners' loans were repaid and this policy will continue until the business is self financing.

Finance costs

Finance costs relate largely to interest paid on the shareowners' loan from Brait's BEE partner, Sitogo Holdings and the remainder of the financing structure on Brait's Johannesburg office building that was disposed of during the second half of the financial year.

Capital items

Capital items include the following:	2006 US\$m	2005 US\$m
– The fair value adjustment to the financial liability of US\$8,2 million, arising from the 26% sale of the South African operations to Brait's BEE partner.*	(1,4)	(7,1)
– Profit generated on the disposal of part of Brait's interest in Bayport Holdings to new strategic partners reducing its economic interest to 41,66%.	2,9	–
– Currency hedge cost as referred to on page 12.	(2,2)	(4,1)
– Profit generated on the disposal of Brait's Johannesburg office building and fittings.	2,8	–
– Realisation of translation adjustment following the part repayment of the rand denominated loans granted by Brait S.A. to Sitogo Holdings (Pty) Limited and Brait South Africa Limited.	(0,2)	–
Total capital items	1,9	(11,2)

* The purchase consideration paid by Sitogo to Brait S.A. for its 26% interest in Brait South Africa is accounted for under IFRS as a financial liability and not as a minority shareowner. The financial liability is fair valued annually to match the net asset value of Brait South Africa.

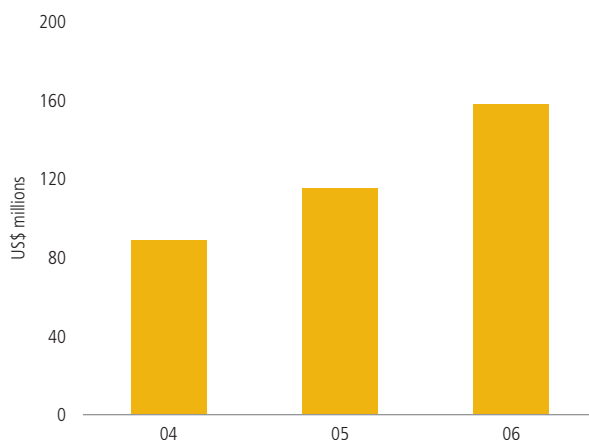
Taxation

The taxation expense for the year of US\$2,7 million arises primarily from Brait's non-South African operations. In South Africa, the group has estimated tax losses of some US\$38,7 million at 31 March 2006 (2005: US\$38,2 million) of which US\$8,6 million has been absorbed by the deferred tax asset of US\$2,8 million carried at year-end.

Net asset value

Group net asset value in US dollars has increased by 54,5% after adding back dividends paid during the year.

Change in NAV



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Balance sheet

A simplified analysis of the group balance sheet at 31 March 2006 after deconsolidating Bayport, is depicted below.



Cash flow statement

An analysis of the movement in line item results as disclosed in the cash flow statement is set out below:

- **Net cash generated from operating and investment activities**

- **Operating activities**

Operating cash, including dividend and interest received reduced from US\$20,6 million in the previous year to US\$12,9 million and is primarily the result of lower dividends received on private equity investments.

- **Working capital**

Working capital increase reflects the significant growth in the Bayport advances book (US\$17,0 million) that was partly offset by decreases in strategic loans and other receivables.

- **Investing activities**

The net year-on-year inflow of US\$22,0 million on investing activities was largely the result of proceeds received on the realisation of private equity investments and the disposal of Brait's Johannesburg office building and fittings.

- **Cash flows from financing activities**

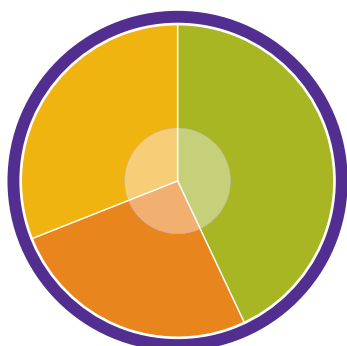
The net year-on-year financing activity inflow of US\$61,7 million was attributed primarily to the raising of US\$72,9 million from the issue of redeemable preference shares by the subsidiary company, Brait South Africa Limited. The group also applied US\$15,1 million to settle the outstanding secured liability associated with the funding of the office building and fittings that were disposed of during the year.

At March 2006 the balance sheet was strong with approximately 53% (2005: 16%) of shareowners' capital held in cash and cash equivalents. This balance includes a large portion of the debt capital drawn just prior to year-end.

An analysis of cash generated and cash applied in operating and investment activities is depicted in the following graphs:

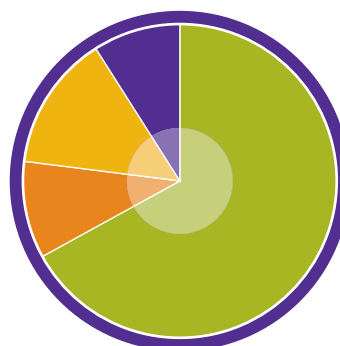
2006 net cash generated from operating investments and investment activities

Cash generated US\$49,4 million



- Investing activities US\$22,0 million (44%)
- Working capital US\$12,9 million (26%)
- Operating activities US\$14,5 million (30%)

Cash applied US\$25,1 million



- Bayport US\$17,0 million (67%)
- Finance cost US\$2,4 million (10%)
- Capital items US\$3,5 million (14%)
- Taxation US\$2,2 million (9%)