

GROUP CHIEF EXECUTIVE'S REPORT

Review of performance

2006 saw Brait build on the sound business platform and strong results of the prior year, producing a set of financial results which have exceeded the performance of 2005. All business units have contributed positively to the bottom-line and the prospects are for continued value to be derived from Brait's current portfolio of businesses and investments, and for a growing and more diversified earnings stream in the short to medium-term.

Review of operations

Private Equity

Private Equity earnings were marginally up on the prior year's strong results, with profit from operations increasing by 1%, to US\$39,1 million, producing a return on equity of 40,8% on average capital employed of US\$95,8 million. This performance was primarily driven by value recognition in investments in Brait III and growth in value of the group's proprietary investments, against a background of a strongly performing economy and capital markets in South Africa, during the period.

A number of realisations from Brait II investments were achieved during the year, which included Shoe City, Prime Cure and Unispan, leaving Brait II with one remaining investment prior to being closed and fully wound up.

The portfolio companies in Brait III, primarily Net 1, Pepkor, Logical Options and Wilderness, all performed very well operationally during the course of the year. Brait Private Equity management and team believe that there is still considerable value to be produced from the investments in Brait III. Notable transactions in Brait III, during the year, were:

- The listing of Net 1 on Nasdaq which unlocked considerable value for shareowners through the rebenchmarking of the Net 1 share to approximately eight times its prelisting value and in which Brait sold 20% of its holding.
- Leveraged recapitalisation of the Reclamation Group, through an MBO facilitated by the raising of debt in the Eurobond market, which resulted in Brait III's realisation of five times its original investment in Reclamation.

Fundraising for Brait IV continues to exhibit positive momentum, with an increased level of interest being shown in both South Africa and private equity, by both new investors and investors in existing Brait funds. The first close of Brait IV, in the first quarter of 2006, gives us great confidence that we are on track to achieve the target of US\$500 million (ZAR3,1 billion) for Brait IV which would, to date, make it the largest of the Brait funds and the largest fund raised from third parties for private equity in South Africa.

During 2005/2006, private equity grabbed international headlines with nearly US\$500 billion of private equity backed M+A deals concluded globally in 2005, and about 33% of all M+A deals in Europe generated through private equity. In South Africa, the South African Venture Capital and Private Equity Association's (SAVCA) estimate of private equity driven M+A activity was approximately ZAR5 billion (2%) for 2005. If South African capital and investment markets follow the international trends, it would indicate significant potential for the growth of private equity linked transactions in the immediate future.

At Brait we believe that the future prospects for private equity business in South Africa give rise to considerable optimism. The current macro-economic environment is the most supportive that it has been for private equity business, in Brait's 15-year history. Factors supporting this include low inflation, a low interest rate environment, strong and upwardly trending economic growth, the availability of debt finance structures and amounts that are new for this market, and the transformation of the economy through BEE, which acts as a catalyst for M+A activity. We believe that Brait is extraordinarily well positioned to take advantage of this platform, given its existing well performing portfolio of assets with considerable residual value, a new fund in Brait IV providing the capital for future investments, and a healthy pipeline of innovative and market significant transactions which are, in many cases, in an advanced stage of development. In addition to this, Brait has an experienced, cohesive team, capable of delivering on the opportunities presented and we are confident that Brait Private Equity will continue to grow assets and earnings and exceed its ROE targets.

Corporate Finance

The relatively strong improvement in corporate finance earnings, albeit a minor contribution in absolute terms, is primarily due to fees earned by the Specialised Debt unit. Fees were generated via Brait's role as advisor and lead arranger in transactions that were innovative and ground-breaking for the South African debt markets, in particular the Foodcorp and Reclamation transactions. Central to both of these transactions was the raising of debt in amounts and structure relative to equity, on a scale never previously witnessed in South Africa. Both transactions enabled the respective companies to restructure their capital base, thereby reducing their weighted average cost of capital. They made use of the High Yield bond market in Europe to raise a significant portion of the debt, and are among the first South African companies to do so. Within the Specialised Debt unit, Brait has a highly talented team with a track record of closing innovative transactions that have consistently reshaped the parameters of debt transactions in South Africa. Our intention, going forward, is to build on this platform, and to broaden the capacity and expertise of the team members into other debt products and services.

Despite the existence of a promising mid-year pipeline of mandated deals and work in progress, the M+A/advisory business continued to struggle to conclude transactions and generate fees, resulting in a US\$2,1 million operational loss for the year from this unit within the Corporate Finance segment. Consequently Brait has decided, post year-end, to restructure this unit to primarily provide internal advisory and investment support for other Brait business segments.

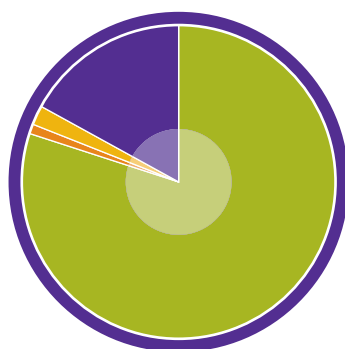
Specialised Funds

Specialised Funds' income, which consists of management and performance fees derived from the management of third party capital in the group's hedge funds, and investment returns generated from Brait's own seed capital, increased by 18% to US\$6,5 million from US\$5,5 million the prior year. Operating earnings increased by 8% to US\$1,3 million from US\$1,2 million in 2005.

The focus for Specialised Funds, during 2006, was on building capacity, and increasing funds under management. Realised revenue and earnings for the year, despite an 8% increase in earnings over 2005,

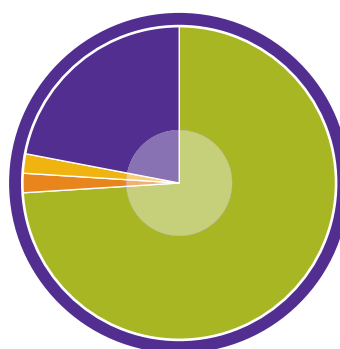
Segmental profit from operations

31 March 2006



Private Equity 74%
Corporate Finance 2%
Specialised Funds 2%
Group Investments 22%

31 March 2005



Private Equity 80%
Corporate Finance 2%
Specialised Funds 1%
Group Investments 17%

significantly understate the future potential of this business segment. Indeed, this year was characterised by an exponential increase in assets under management in the Brait Funds of Hedge Funds, of almost 700% from ZAR403,7 million to ZAR3,1 billion at year-end. A large portion of these funds were committed in the latter half of the financial year. The timing of these large inflows, combined with the group's policy of not recognising performance fees until 31 December of each year, means the business will only benefit from the fee revenue associated with this new scale of assets under management in the next financial year.

With ZAR3,1 billion of assets largely invested in its funds of hedge funds and in emerging fund opportunities, and Brait's foresight in securing nearly ZAR3,1 billion of additional capacity. Brait has firmly established itself as the leading Fund of Hedge Fund manager in South Africa. Brait's fund of hedge funds have been designed to appeal to institutional investors as a high yielding, low risk investment alternative to cash and bonds, and have attracted funds from four of the top ten pension funds, by size, in the country. Brait Absolute has a four-year track record of producing cash plus 6% with a correlation and beta to the ALSI of 0,33 and 0,06 respectively, and has recorded 44 consecutive months of positive returns. It should be noted that assets under management, plus commitments, have already exceeded ZAR4,1 billion since year-end.

We believe that Specialised Funds is well positioned within a market that is increasingly understanding of, and receptive to, hedge funds as an alternative asset class. As investors look to rebalance their portfolios, following the strong gains experienced in equities in recent years, we expect continued significant asset growth in the funds of hedge funds in 2007, particularly as investors look for more defensive investment strategies should market uncertainty and volatility persist into 2007.

During the course of the next financial year, Specialised Funds will launch a multi-strategy fund which will utilise a dynamic risk allocation process across multiple investment disciplines. This fund will exhibit risk and return parameters that differentiate it from the current Brait fund of hedge fund products.

Group Investments

Earnings from the Group Investments segment have again contributed significantly to the group's earnings performance. Operating earnings are up by 35,7% to US\$11,6 million, giving a return on equity of 16,7%.

Bayport, which provides financial services and micro-lending in sub-Saharan Africa, is the largest single contributor to this segment with operating earnings growing by 170% to US\$6,4 million. Advances have grown by 109% to US\$33,8 million, with the majority of this growth emanating from its largest businesses in Zambia, Ghana and Uganda. The bad debt experience, at 3,5%, is still well below the comparable South African industry average. A number of pilot projects are in trial which would add services in existing markets, as well as expand Bayport's regional footprint. We anticipate that a number of these projects will become operational in the second half of FY 2007.

Brait's principal interest in South African micro-lending is through its investment in Capital Alliance Finance, which was profitable and cash generative over the year.

In November 2005, Brait South Africa Limited established an independent mezzanine fund management business, Mezzanine Partners (Pty) Ltd ("Mezzanine Partners"), in a joint venture with Old Mutual Asset Managers (South Africa) (Pty) Ltd and Mezzanine Partners executive management. At year-end the fund had US\$45 million capital committed. It concluded its maiden investment subsequent to year-end.

The remaining earnings in this segment were derived from the group's treasury activities and other minor investments.

Capital

The accessibility of unsecured funding for companies has increased, while the cost of raising corporate debt finance, has declined significantly in South Africa, and this has presented a window of opportunity for Brait to raise a significant amount of low cost, long-term debt, which will meet the group's need or capital to expand its operations.

GROUP CHIEF EXECUTIVE'S REPORT CONTINUED

Immediately prior to 31 March 2006, Brait secured a US\$73 million (ZAR450 million) long-term debt facility and has drawn down the capital in full.

Brait intends to use the capital for expansion of existing operations, new organic business activities and BEE investing opportunities. A small portion may be used for a share buy-back programme. The deployment of this capital should enhance earnings growth, create capital efficiencies and improve Brait's market rating by decreasing earnings dependency on private equity investing income.

Strategic review and outlook

Our 2006 goals were primarily operational in nature and largely built on similar goals for 2005:

- Focus on driving value of high impact investment in Private Equity. This was achieved as evidenced by a 40,8% return on equity from that business.
- Make substantial progress in raising of Brait Fund IV. A successful first closing of Brait IV, and the positive response received from investors gives us confidence that the Fund target of US\$500 million (ZAR3,1 billion) will be achieved.
- Increase funds under management in Specialised Funds. With assets under management increasing by almost 700% to ZAR3,1 billion, this goal was achieved in spectacular fashion.
- Improve profitability and sustainability of Corporate Finance. Both objectives were achieved in respect of the Specialised Debt business, however, we were disappointed that continued lack of profitability in the M+A/advisory unit has led to a need to restructure that business unit.
- Further develop our investment in Bayport.

For the year ahead, our objectives build on the achievements and solid business platform created over the last few years, and look to utilise the increased pools of capital available to Brait to capitalise on the opportunities we see across all our business segments:

- In Private Equity, maximise value in investments in Brait III, finalise Brait IV and begin the investment process in that fund.
- In Specialised Funds to build assets under management, secure additional hedge fund capacity and launch a multi strategy fund.
- Within Corporate Finance it is our intention to broaden our product and service capabilities in the capital markets.
- Develop and leverage our investment in Bayport, and further explore a number of opportunities, primarily in financial services, that are potential additions to our suite of strategic investments.

In conclusion, we believe that the sustainable macro-economic prospects for Brait's core businesses are as good as they have been in the past decade. In the absence of any unexpected significant negative market or other events outside of the group's control, we are encouraged as to the prospects for continued earnings growth and the generation of attractive equity returns for our shareowners.

Sustainability

The sale of 26% of Brait South Africa Limited ("Brait") to Sitogo Holdings (Pty) Ltd ("Sitogo"), a broad-based black empowerment grouping led by a number of entrepreneurial black business people, was concluded in the prior financial year. The partnership between the Sitogo and Brait executives is working well as evidenced by increased interaction and joint exploration of business opportunities between the

partners. The partnership has already created value for all stakeholders. For example, the benefit of the partnership to the business was clearly felt in the gathering of assets under management this year. Secondly, the original intention in the Sitogo transaction was that forecast earnings and cash generation would be sufficient to repay the underpinning financing within six years. Earnings and cash generation over the two years of the partnership is 15% ahead of forecast with the expected commensurate benefit to Sitogo.

In terms of broader BEE impact, Brait benchmarks itself against the applicable sections of the Financial Services Charter Scorecard, namely employment equity, procurement, ownership and control and corporate social investment. When measured against these criteria Brait scored an "A" rating for the year.

Brait is a strong supporter of the JSE Limited's Socially Responsible Investment (JSE SRI) Index. The JSE SRI Index evaluates companies on their sustainability in terms of governance, economic, environmental and social factors and Brait is pleased to be one of 58 companies included in the 2005/2006 annual review of the JSE SRI Index.

Staff and stakeholders

The strong relationship we have with all our stakeholders is critical to the performance and sustainability of our business. On behalf of the executive and my partners at Brait, I would like to formally thank my colleagues at Brait for their hard work and dedication, our shareowners and BEE partners for their commitment and partnership, and our clients and private equity and specialised fund investors for their loyalty and support. Your partnership is much appreciated and important to the current and future success of Brait.



John Coulter
Group Chief Executive
19 June 2006