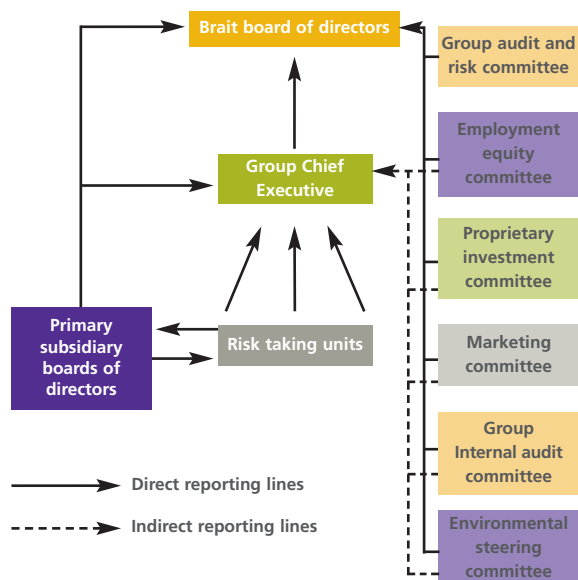


RISK MANAGEMENT REVIEW

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.