Management's Discussion and Analysis of the Group's Performance

Revenue and Profits

The Group recorded a profit attributable to shareholders of US$3.6 million (2001: loss of US$98.3 million) in the year ended 31 March 2002. Detailed analysis of these figures can be seen in the consolidated income statement.

The change in the results is mainly due to the improvement in the results of the Korean associate, KoreaOnline Limited ("**KOL**"), which contributed US$15.7 million profit during the year (2001: loss of US$40.2 million, inclusive of goodwill impairment of US$32.9 million). During the corresponding period last year, KOL suffered significant losses due to its insurance, asset management and banking businesses. Subsequent to 31 March 2001, these businesses were closed and full provision had already been made in the year ended 31 March 2001 for closure costs. Additionally, upon a restructuring scheme of KOL the two securities businesses, Regent Securities Co Ltd and Ileun Securities Co Ltd, were merged to form Bridge Securities Co Ltd in January 2002. This contributed a significant part of profit to the group of KOL.

The technology and internet stock investment environment remains poor. bigsave Holdings plc and AstroEast.com Limited contributed a combined loss of US$3.3 million, net of minority interests (2001: loss of US$39.6 million, inclusive of goodwill impairment of US$36.5 million). The revenue of the asset management business division was reduced by 59% to US$3.1 million (2001: US$7.6 million) partly due to the reduction in assets under management upon the restructuring scheme. The corporate investment business incurred a loss of US$4.8 million (2001: loss of US$11.3 million), which, as compared with last year, has reduced by 57% due to the provision made on a portfolio basis for the technology stakes last year.

Costs

The Group has always taken care to keep its operational costs as low as possible, conducive with efficient operations. A bonus scheme is operated for the core staff based on a percentage of profits earned. A provision for bonuses of US$0.9 million has been made for the year. However, the Board has decided not to award cash bonuses to eligible participants until the cash flow position of the Group materially changes.

Balance Sheet

The shareholders' equity increased slightly by 3.5% to US$87 million (2001: US$84.1 million) during the year and KOL now accounts for approximately 90% of the total shareholders' funds as at 31 March 2002. The remaining Group assets comprise the technology investments of US$4 million and other corporate investments of US$5 million. Full provision has been made for bigsave Holdings plc as at 31 March 2002.

As indicated in note 10 to the financial statements in this annual report, the Group has been in discussion with the tax authorities in the United Kingdom in relation to profits declared by UK subsidiaries since 1994. Whilst no liability has been admitted, the Group has deemed it prudent to provide US$2.5 million against possible claims. The Company and its subsidiaries are in the final stages of reaching a negotiated settlement with the UK taxation authorities. It is anticipated that this will be finalised shortly and that the general provision will be adequate to meet it. Accordingly, the provision previously made has been transferred to current liabilities.

The borrowings of the Group amounted to US$428,000 at the balance sheet date and were limited to those of bigsave Holdings plc. The wholly-owned subsidiaries of the Group had no borrowings at that date, which is in keeping with the Directors' stated policy.

Management's Discussion and Analysis of the Group's Performance (continued)

Future Funding

As at 31 March 2002, the Group had US$5.1 million net cash or 6% of its total shareholders' funds of which US$5 million formed part of "head office" funding. There were no material charges against Group assets.

The Company's subsidiaries and associates may require funding as their businesses develop. It is expected that the bulk of such funding will be obtained from external sources but, dependent upon the amount and the duration, funding will also be made available by the Group from its internal resources.

Management of Risk

The Company is exposed to foreign currency fluctuations arising from operations of its subsidiaries and associates. This exposure relates mainly to the translation between US dollars and non-US dollar currencies. The Group has not taken any currency hedge against the investments in Korea and United Kingdom due to their non-cash nature and the high hedging cost such hedging would involve.

As KOL was responsible for approximately 90% of the total shareholders' fund as at 31 March 2002, the Company is exposed to the fluctuations in the equity values of KOL. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the KOL management. Despite the current dispute between iRegent and the KOL management team, iRegent will continue to monitor its exposure through working with the KOL management. However, iRegent and The State of Wisconsin Investment Board ("**SWIB**") are in the process of seeking to change the management team at KOL. In this respect, on 11 July 2002, iRegent and SWIB jointly deposited with the board of directors of KOL a notice requisitioning an extraordinary general meeting ("**EGM**") for the purpose of the dismissal of all of the current directors of the board of KOL and the appointment of new directors to the board of KOL. iRegent, SWIB and certain other minority shareholders, which together own approximately 83% of the issued share capital of KOL, have expressed their commitment to vote, and therefore are expected to vote, in favour of the resolutions contained in the requisition notice. In response to the requisition notice, the board of directors of KOL has issued a notice of an EGM to be held on 10 January 2003 to consider and, if thought fit, pass the ordinary resolutions outlined in the requisition notice. Accordingly, iRegent and SWIB commenced legal action in the Cayman Islands on 2 August 2002 seeking an order that KOL does convene an EGM as requisitioned by iRegent and SWIB within 7 days of the court order or such other period as the court thinks fit or that, unless KOL convenes the EGM as requisitioned by iRegent and SWIB within 7 days of the court order or such other period as may be ordered by the court, iRegent and SWIB be at liberty to convene the EGM. It is expected that the application seeking the relief sought by iRegent and SWIB will be heard by the court on 16 and 17 October 2002.

Through investments of Interman Holdings Limited and Interman Limited in technology related ventures, the Group is exposed to the technology sector. The ability of these companies in controlling their operating cash requirements is key to their development and hence the value of the Group's investment in them. The Group's specialist investment managers closely monitor the operations and performance of these companies.

Management's Discussion and Analysis of the Group's Performance (continued)

Management of Risk (continued)

The Group will operate both equity market and currency hedges from time to time and on a speculative basis. Speculative investment is carefully controlled, in accordance with parameters set by the Board, in short term situations where physical assets may be inappropriate. There is strict segregation between the investment management and settlement functions.

In the course of the Group's normal operations, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 March 2002, the amount of these margin deposits was US$264,000 (2001: US$6,000).

In terms of the total operations of the Group, activities of this nature are of limited materiality.

Contingent Liabilities

The Group was not involved in any material litigation or disputes during the year ended 31 March 2002 apart from the action commenced against KoreaOnline Limited as described in page 21 above.

Employees

The Group, including its subsidiaries but excluding associates, employed approximately 20 employees at 31 March 2002. The remuneration policy is to reward key employees by a combination of salaries, profit related bonuses and share options, where appropriate. For employees below board level, remuneration will be determined by the Director(s) responsible for the division whilst, for Directors, remuneration is determined by a sub-committee of the Board. In all cases, grants of share options will be agreed by the Board as a whole.