

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

Revenue and Profits

The Group recorded a loss attributable to shareholders of US\$7.3 million (2002: profit of US\$3.6 million) in the year ended 31 March 2003.

The loss was mainly attributable to the Group's share of loss after tax of US\$5.7 million (2002: profit of US\$15.7 million) from its Korean associate, Bridge Investment Holding Limited ("**BIH**", formerly KoreaOnline Limited). The slowdown in the Korean securities markets coupled with an absence of a planning process for the merger of the two main operating subsidiaries of BIH, Regent Securities Co., Ltd ("**RSC**") and Ileun Securities Co., Ltd ("**ISC**") now operating as Bridge Securities Co., Ltd ("**BSC**"), resulted in BIH making a loss of US\$16.9 million for the year ended 31 March 2003. In addition, the loss was also attributable to general provisions having been made in respect of litigation affecting BIH and the write down of the deferred tax assets at BSC. Intense competition in the securities industry fuelled by declining volumes and online trading resulted in a fall in commission rates as well as a loss in the market share for BSC. The cost base at BSC has increased while revenues have remained flat compared to the previous year. In comparison to the preceding year, revenues were significantly lower and BSC suffered a significant loss at the retail division. Furthermore, significant issues relating to the merger of RSC and ISC have not been appropriately addressed so that the benefits of the merger have yet to be achieved.

The revenue of the asset management business division was reduced by 28% to US\$2.2 million (2002: US\$3.1 million) partly due to the reduction in assets under management. The technology and internet stock investment environment remains poor. The revenue of internet retailing has been decreased significantly by 99% to US\$15,000 (2002: US\$4.3 million).

Balance Sheet

The shareholders' equity decreased slightly by 2.1% to US\$85.2 million (2002: US\$87.0 million) during the year and BIH now accounts for approximately 91.5% (2002: 90%) of the total shareholders' equity as at 31 March 2003. The remaining Group assets comprise the technology investments of US\$0.6 million and other corporate investments of US\$6.6 million. As mentioned in the Group's 2002 annual report, its investment in bigsave Holdings plc was fully provided as at 31 March 2002 and there has been no effect on the Group's income statement or balance sheet during the year.

There were no borrowings for the Company and the Group at the balance sheet date which is in keeping with the Directors' stated policy.

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Future Funding

As at 31 March 2003, the Group had US\$2.1 million net cash or 2.5% of its total shareholders' equity. 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 BIH was responsible for approximately 91.5% of the total shareholders' equity as at 31 March 2003, the Company is exposed to the fluctuations in the equity values of BIH. The exposure is to the Korean economy, and its credit and equity markets. The responsibility for management of these risks rests with the BIH management.

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.

The Group will operate both equity market and currency hedges from time to time. 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 2003, the amount of these margin deposits was US\$240,000 (2002: US\$264,000).

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

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Contingent Liabilities

The Group was not involved in any material litigation or disputes during the year ended 31 March 2003 apart from the action commenced by the former executive directors of BIH against BIH, which is described in note 14 to the Financial Statements.

Employees

The Group, including its subsidiaries but excluding associates, employed approximately 20 employees at 31 March 2003. 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. During the year and up to the date of this annual report, no share options were granted to eligible participants.