DBS MANAGEMENT PLC
1451043

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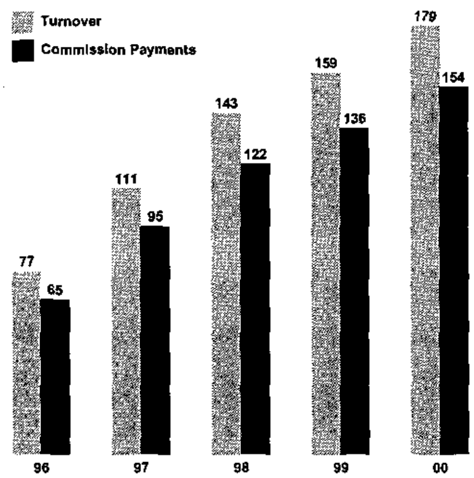
Five Year Record

	2000	1999	1998	1997	1996
Turnover (£'000)	**179,016**	159,441	142,733	111,459	77,055
Profit before taxation and exceptional items (£'000)	**6,669**	8,154	9,535	7,189	3,384
Profit before taxation (£'000)	**5,169**	7,404	2,580	6,238	3,384
Earnings per share (p)	**7.8**	11.3	3.8	9.6	6.2
Earnings per share before exceptional items (p)	**10.1**	12.4	15.1	11.7	7.0
Diluted earnings per share (p)	**7.8**	11.2	3.8	9.2	5.5
Dividend per share (p)	**5.0**	5.0	4.5	3.6	2.4
Registered Individuals	**2,807**	2,719	2,733	2,597	2,315



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Chairman's Statement

We plan to develop AssureWeb as the dominant on-line community, linking financial intermediaries to their clients and product providers.

This has been an eventful and challenging year for the Group. Following the uncertainty arising from the unsolicited approach and aborted bid for the Group in July 1999, we refocused our energy on accelerating the delivery of our internet initiative, AssureWeb. At the same time we strengthened the infrastructure of our Network.

AssureWeb, the IFA Internet Portal

At last year's AGM, I set out the Group's vision to create through AssureWeb, the complete e-commerce solution for financial services intermediaries, enabling the IFA to provide quotes for, and transact, on-line, complex financial services products. At that time, AssureWeb already had a significant user registration base of approaching 4,000 intermediaries, and possessed the backing of 19 leading life and pensions product providers, who together make up around 90% of the UK market.

The volume of business that IFAs transact is very substantial. The UK's 23,000 individual IFAs account for well over half of all regulated financial product sales and provide a continuing service to many millions of clients throughout the country. Given the scale of the opportunities, it was clear to us that the realisation of AssureWeb's substantial potential required further investment.

In January this year, on the basis of our plans to accelerate the delivery of AssureWeb, we successfully raised approximately £9.7m by way of a Placing and Open Offer. In addition to broadening services and enhancing the architecture of our technology, I said then that the funds raised would serve to heighten the profile and use of AssureWeb amongst IFAs, invest in management and infrastructure and accelerate the development of new web based services.

I am therefore very pleased to be able to report that in the last few months, substantial progress has been achieved. Since January, the number of registered users has more than doubled to over 8,500. The AssureWeb service has been considerably broadened and alliances for the strategic delivery of key components of the initiative have been struck with a number of prestigious key players, including Cap Gemini and Microsoft, as well as leading life and pensions, and mortgage providers.

The management infrastructure at AssureSoft has also been considerably strengthened with the recruitment of senior executives with the experience and credentials in their recognised fields to spearhead the initiatives within AssureWeb.

Our enhanced capability to deliver this fast moving technology is particularly demonstrated by the recent launch of our IFA Window project in which we provide IFAs with an individually customised website serving as a gateway both to their client and AssureWeb. As well as giving the IFA an immediate presence on the internet and promoting general awareness of financial matters through the provision of product and City news, this innovative project facilitates adviser access of AssureWeb and considerably enhances AssureWeb's position.

I am also very encouraged by the response that the recently launched AssureWeb share incentive scheme has generated among new and existing subscribers to the scheme. The scheme gives the user of AssureWeb a stake in the success of the enterprise by linking the granting of shares to the crystallisation of a substantial valuation of AssureWeb.

Our ambition is to develop AssureWeb as the IFA's Portal of choice linking financial intermediaries to their clients and product providers. This will be achieved by harnessing the substantial distribution capability of our Network and calling on the Group's considerable knowledge of the financial services market. Plans for the best deployment of our capabilities to maintain momentum and to take the project to its next phase are now being actively developed within the Group and with the AssureWeb team.

Whilst the delivery and operation of the internet venture is not without its attendant risks, the drive and energy of the AssureWeb team is evidenced by the acceleration of progress since the Placing. These give me good grounds to be very positive about AssureWeb's substantial potential and its value to shareholders.

The Network Businesses

DBS Financial Management PLC, the Network business consisting of over 2,800 individual advisers, remains the bedrock of the Group's profit streams. Membership has grown steadily over the past 12 months and is now at a new record high. The Network has consistently achieved strong growth in revenue: turnover is up 10% from prior year and has increased more than threefold since 1995. The introduction of the member categorisation and optional service packages have enabled services to be better tailored to the requirements of each member's practice as well as enhancing our business model. As a result of these measures, I believe that the business can againdeliver good turnover growth next year.

The changing landscape of regulations, however, presents very real challenges for the Network with compliance costs taking an increasing slice of the contribution to profit. The regulatory environment within which the business operates is once again in a state of transition, this time from the PIA to the Financial Services Authority. The FSA has recently issued conceptual statements indicating that it will focus on consumer outcomes rather than process. Such an approach should lead to a less prescriptive environment with more emphasis on attained standards and effective risk-management. We warmly welcome this approach, providing that the guiding principles do not give rise to ambiguity and varying standards.

We will harness the substantial distribution capability of our Network and call on the Group's considerable knowledge of the IFA.

Chairman's Statement

Since my interim statement to shareholders, the FSA announced plans to alter the detailed actuarial assumptions governing pension compensation, which led to very significant industry-wide delays on the settlement of claims.Whilst clearly an issue for the whole industry, I know you will share my disappointment and frustration that we have had to make a further provision of £1.5m for the Pensions Review. This is particularly disappointing given our heavy investment in, and commitment to, the early completion of the project.The decision by the FSA to conduct an industry-wide review into the sale of free-standing additional voluntary contributions (FSAVC) products will also result in some exceptional costs in the future. It is, however, a shared belief within the industry that the FSAVC review will not be anywhere near the same scale or order of magnitude as the Pensions Review. As with the Pensions Review, we are committed to the quick resolution of these regulatory undertakings and will endeavour to complete this review as soon as the detailed requirements and databases are made available.

The provision of regulatory advice and support to the intermediary is fundamental to the Network's business, and an area in which the Group has developed and acquired considerable expertise. In the light of the regulatory reviews and increasing compliance costs, we are focusing on ways in which we can continue to provide value added services for the adviser while developing successful risk management strategies to protect the Group's interests. The Network anticipates that improvements in performance will be further reinvested in compliance infrastructure and member-relations.

I am very pleased to report that our other Network-facing businesses, DBS Assured Services Limited and DBS Mortgage Services Limited, continue to grow strongly, showing a combined operating profit of £1.7m, and an increase of 61% from prior year. Both businesses are working closely with AssureWeb in the design of our electronic mortgage platform and we anticipate that further synergies with AssureWeb will be forthcoming, as insurance and mortgage services are brought on-line.

Strategy

We are working to ambitious timetables for the delivery of our internet plans. However I firmly believe that these are also very realistic. Our internet proposition is particularly strong because it enhances the capability of our customers, independent financial advisers. The importance of the intermediary distribution channel for life and pensions sales has doubled over the last seven years, as increasingly, consumers have come to recognise the benefits of independent financial advice. Indeed, almost 60% of all financial services business is now transacted by IFAs. By using technology to help improve the productivity and service of the adviser, we improve our own profitability.

In recognition of the importance of delivering on both arms of our business, AssureWeb and the Network, I have refocused the responsibilities of our Joint Group Chief Executives. Tony Kempster, the Chief Executive of DBS Financial Management, is now also responsible for the Network-facing businesses, DBS Mortgage Services and DBS Assured Services, both of which distribute almost wholly through our member firms. David Stewart, who was appointed Chief Executive of AssureSoft in November 1999, and in May 2000 of AssureWeb plc (the newly created intermediate holding company of AssureSoft Limited and a wholly owned subsidiary of DBS Management plc), is committing his energy to the delivery of AssureWeb. Tony Kempster has also taken over responsibility for the regulatory reviews from David Stewart, who had previously directed the Pensions Review project.

On behalf of the Board, I would like to take this opportunity to extend an especially warm tribute to David Stewart for his commitment and effort to the Pensions Review. He took over this particularly important and difficult project at a critical time for the Group and has carried it forward successfully. The Board also acknowledges the contribution of John Warden and Paul Cordle, who both departed the Board in March this year to pursue other business ventures. In particular, Paul had been with the Group for some ten years in a number of important member-facing roles to which his input and commitment had always been of the very highest order. We wish John and Paul well in their new enterprises.

Our proposition is particularly strong because it enhances the capability of our customer, the IFA.

Conclusion

The Group will invest a significant amount of its energy and resources in the deployment of AssureWeb and will at the same time implement plans for the further development of the Network business. I therefore anticipate that 2000/2001 will be a very important year for the Group.

I believe that the Group has accomplished much on behalf of shareholders since its formation. Investors who bought shares in DBS at our public launch in 1986 have seen an increase of thirty-one times and it is very pleasing that many original shareholders continue to hold their shares. Atthe year-end, shareholder value had also increasedfivefold since our introduction to Aim in July 1995 and we will strive to maintain growth and a dividend policy that provides a good return to shareholders.

The Associate share option scheme operated during 1989–1996 gave our member firms the opportunity to participate in the growth of the business and created significant individual wealth for a considerable number of our Network members. I am therefore very confident of both the strategy and the successful take up of our recently launched AssureWeb share incentive scheme.

We do not, however, intend that the Group should rest on past successes. Our key initiatives, the AssureWeb Incentive Scheme, IFA Window and the Network's IFA of the Future project will work in tandem to enhance the productivity of IFAs in general and DBS members in particular. By increasing our customers' success we will increase our own success. I firmly believe we are in a strong position as a Group to do so. All this would of course not be possible without the support and enthusiasm of our staff and member firms and to them, on behalf of the Board, I extend warm gratitude for their efforts over the past year.

The Group has a dynamic past and I believe the future is more exciting still.

Ken Davy
Chairman

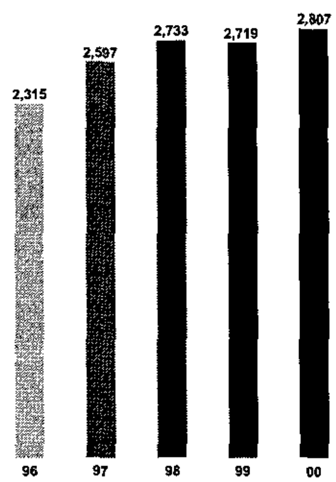
Review of Operations

The Group's turnover has continued its pattern of strong growth and is up 12% from prior year to £179.0m. Profit before tax for the year is £6.7m before exceptional items (1999: £8.2m). This consolidates a loss in AssureSoft of £0.9m (1999: profit £0.6m) in line with our strategy for the accelerated delivery of our internet initiative, AssureWeb. Excluding these factors, the Group including its share of associate income, nonetheless has increased profit by 2% compared to previous year.

The Board is therefore pleased with the achievement of the Group during an eventful and at times difficult year.

Regulatory matters continue to dominate the financial services industry headlines. As noted in the Chairman's Statement, we have revised our timetable for completion of the Pensions Review, resulting in an additional exceptional cost of £1.5m. This is primarily due to alterations in industry-wide assumptions announced by FSA during the year. The industry is also awaiting the provision of databases from the regulator to ascertain the scope of the proposed FSAVC review. These matters are further discussed below.

DBS Financial Management
This company, which operates our network of Independent Financial Advisers, is the longest established network in the UK and, despite the consolidations in the market, remains today, the largest single network in the UK with over 1,700 member firms and in excess of 2,800 registered advisers covering the whole of the UK. The subsidiary provides the Group with the largest share of its revenue and profit. Furthermore, the substantial scale of distribution of the DBS member firms creates substantial insurance and mortgage business opportunities for its sister subsidiaries, DBS Assured Services and DBS Mortgage Services, as well as providing a firm foundation for the development of AssureWeb.



Number of Registered Individuals

The Network's key focus during 1999/2000 has been the creation and implementation of new propositions relating to member categories and service packages. The categories address the needs of differing types of practice, ranging from newly formed enterprises, through to well established professional partnerships and multi-adviser businesses, many with turnovers in excess of £1m. In conjunction with the creation of member categories, we have also launched our suite of optional service packages enabling member firms to select services tailored to their business needs.

The process of reshaping the membership has been a substantial undertaking for the business and conducted in full consultation with member firms. The approach has proved worthwhile and since its introduction in February of this year, the new arrangements have had a positive reception. Additionally, the project has allowed the Network to reposition its pricing structure so that income and use of services are now more closely aligned. The exercise has necessarily required substantial investment; these amounted to £0.5m during the year for the consultation, design and piloting of services and a further £1.0m has been earmarked for the ongoing delivery of services and the management of the new categories.

The Board believes that the new flexible, equitable pricing model and the enhanced member firm productivity generated by the new service packages, will in turn translate into increased revenue for the Group. During the year, the productivity of DBS advisers increased by 12%. Additionally, feedback from the market demonstrates that the new arrangements have considerably enhanced the DBS recruitment proposition to potential new member firms. Indeed the number of Registered Individuals has grown steadily throughout the year and is at 2,807, a new record level. The Board believes that this consistent and steady pattern of turnover growth will continue.

Rising compliance costs continue to pose a real challenge for the business. The Board recognises the strategic imperative of developing a compliance strategy that effectively anticipates the evolving facets of the new regulatory regime under the remit of FSA. As part of our commitment to enhancing the compliance infrastructure of the business, senior executives of the Group meet regularly with senior officials of the FSA to develop and refine our understanding of the emerging regulatory environment. During the year, the business contained compliance costs to prior year level, however it anticipates that next year an additional £1m of compliance expenditure will be required to cater for new regulatory requirements. The business proposes to spend £0.5m on strengthening the compliance management team and included in the annual capital expenditure of £0.5m for the implementation of our enhanced management information systems are IT tools to automate aspects of risk assessment and monitoring. These will further strengthen our compliance infrastructure and enable the business to respond flexibly to the changing compliance landscape.

The debate on polarisation continues. The OFT report which recommended the maintenance of polarisation on some but not all financial products, was received with almost universal condemnation and new proposals are expected to be released by the FSA later this year. The Board remains committed to the principles of polarisation, believing these to be in the best interest of consumers.

Driven by our assessment of the likely pace of change in the industry over the next few years, the Network has commenced development of the project, IFA of the Future. This project will assist member firms to understand the characteristics of the successful IFA business in the future, and will provide direct support to member practices, enabling them to adapt successfully and prosper in the new environment. Rollout of the programme, which will be funded partly by efficiency savings and partly by the member firms, will commence at our regional conferences planned for the autumn of this year. The Board believes this project will enable DBS member firms to capture an increasing share of the rapidly growing demand for independent financial advice and in turn enhance the Network's revenue and earnings.

Our new member categories address the needs of differing types of practices by providing services tailored to their needs.

Review of Operations

Pensions and FSAVC Reviews

The Board remains resolutely committed to the completion of the Pensions Review project. At the end of 1999, resources of £7.7m had been deployed to the project, and our determination to resolve DBS cases as quickly and effectively as possible was evidenced by a clearance rate of over 90% in respect of priority (i.e. Phase 1) cases, achieved within the previous financial year.

Of the outstanding cases, we reported that the largest category related to situations where primary responsibility for clearance rested with another regulated firm or directly with the regulator. Thus at the time, the Board had good grounds to believe that the application of similar determination, commitment and impetus to the project, and drawing on the experience gained from our efforts on Phase 1, would result in the completion of Phase 2 cases by Autumn 2000. We are therefore very disappointed to report the necessity to increase the provision by an exceptional charge of £1.5m.

This results primarily from an alteration to the projected timetable to complete, following the announcement made by the FSA in December 1999 of its intention to revise a key factor used by the industry to calculate the size of pension compensation provided to investors. Notification of the revised factor (known as "factor x") was only provided to the industry on 21 June 2000. Progress on the actuarial assessment and settlement offers of pension transfer liabilities was therefore substantially slowed down during the seven months that factor x was awaited. The revised timetable anticipates resolution of a significant proportion of Phase 2 cases in the forthcoming financial year, with the remainder of Phase 2 cases being completed in 2001/2002.

The supervision and resolution of pre-Network cases (those written by member firms prior to joining the DBS Network and for which we have no liability) remains a real challenge. Not withstanding the impact of the delays resulting from factor x, we are carefully monitoring the progress of all pre-Network cases on an individual basis.

On 28 February 2000, the FSA announced its policy decision calling for an industry-wide review on the sale of certain categories of Free-Standing Additional Voluntary Contributions (FSAVC) business for the period from April 1988 to August 1999. These categories were:

- where the employer was willing to match the employee's AVC; or
- where the employer was willing to offer subsidised AVCs; or
- where the investor had converted their personal pension to an FSAVC and was entitled to join another matched or subsidised AVC scheme.

The regulator has estimated that between 40,000 and 80,000 FSAVC sales will require review across the industry. These compare with the 2.8 million personal pensions transfers transacted over the period of the Pensions Review that the regulator has estimated will require review. Given these proportions, it is a widely held belief that the scale and magnitude of the proposed FSAVC review will not approach the scale of the Pensions Review.

Guidance as to the scope and conduct of the review was issued by the FSA on 31 May 2000. IFA firms must now await the outcome of the regulator's proposal to put together an industry database (the "review database") of FSAVC sales relating to the above categories. These will be collated from product providers.

If the database as proposed in the guidance can be made available, it will significantly alleviate the issues that face intermediaries conducting a past review, who must necessarily depend on product providers for investor policy information. Network organisations also face the added challenge of investor records being dispersed throughout member firms, thus increasing the administration work required for population identification and data-gathering.

The cost of the review will be dependent on the outcome of the FSA's deliberations relating to the provision of the industry database, which are outside the control of the business and on the number of cases requiring review. These uncertainties give rise to a range of possible outcomes which could vary significantly. No charge in respect of the proposed review is included in the reported profit for the year ended 31 March 2000 because the Board considers that at one end of the range, the Group could suffer no material net loss, and because it does not believe

1999/2000 has been a very successful year for both DBS Mortgage Services and DBS Assured Services.

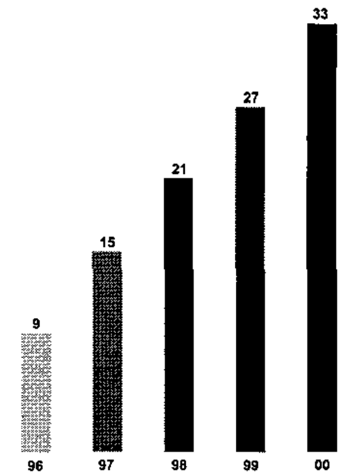
that any meaningful estimate of the future net cost of the proposed review can be made at this stage.
At the other end of the range, if the review database is not delivered as proposed or the number of cases to be reviewed increases beyond the level currently anticipated then future provision for the costs of this review may be required and these could be significant.

DBS Assured Services
The Board is pleased to report that once again DBS Assured Services, which provides general insurance products to the member firms of the DBS Financial Management Network through its agencies, has performed very well, reporting an operating profit of £1.5m (1999: £1.0m) and a profit before taxation of £1.6m (1999: £1.2m). In particular, profit share from product providers has made a key contribution during the year. The results demonstrate the consistent pattern of strong growth since the company commenced trading in January 1993.

The business has steadily increased its penetration of member firms within the Network, with the percentage of members having used its services rising to 82% from 76% in 1999. The sale of general insurance products is accompanied by the provision of administration and claims processing support facilities and of particular importance to the company's success is the consistently high level of customer satisfaction recorded in various surveys of the DBS member firms.

The integration of the management and support functions of DBS Assured Services and DBS Mortgage Services last year has enhanced cross-selling opportunities, with the number of mortgage protection plan policies sold by DBS Assured Services having risen by 54% from prior year. The business is also working very closely with AssureWeb to provide insurance products on the internet which will further enhance DBS Assured Services visibility.

The company's business activities do not fall under the remit of the Financial Services Act. The company operates as an Independent Intermediary under the

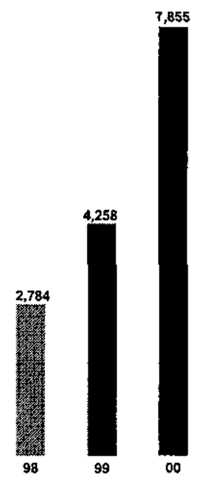


General Insurance Policies Written ('000)

Review of Operations

ABI Code of Practice. The company takes a proactive interest in regulatory developments through its representation in the relevant working parties of the General Insurance Standards Council. Should these activities become regulated, the Board believes that the business, through expertise gained within DBS Financial Management, and through its robust track record of delivery, is well placed to meet the challenges and opportunities of an increased regulatory environment.

DBS Mortgage Services
1999/2000 has been a successful year for DBS Mortgage Services, which reported an operating profit of £0.2m (1999: £0.1m) and a profit before taxation of £0.3m (1999: £0.1m). The company sources mortgage products and provides packaging and administration services for the member firms of DBS Financial Management. The business was formed three years ago with the objective of broadening its appeal and sevice proposition to customers. During the current year under the leadership of the Managing Director of DBS Assured Services, the business has focused sharply on its key strengths and scaled down activities where the success of the enterprise has been more limited. This consolidation of expertise and activities is enabling the company to take advantage of opportunities in the mortgage market for the benefit of both members and clients.



Turnover Since Formation (£'000)

The mortgage industry continues to see increased regulation which is currently being imposed by the Mortgage Code. Substantial resources have already been deployed in assisting members to meet the letter and spirit of compliance and furthermore the business has commenced plans to meet the demands of an enhanced regulatory framework.

Exciting cross-selling opportunities also exist with AssureWeb, which has vigorously commenced the development of its own mortgageplatform for financial advisers. A number of electronic transactions will require off-line advice and/or completion and support, and the Board expects that DBS Mortgage Services will derive benefit from the substantial levels of IFA referrals that AssureWeb is looking to generate from its on-line facilities.

AssureSoft and AssureWeb
The acquisition of AssureSoft in 1997 was founded on the Group's strong belief that information technology would shortly play a very dominant rolein the financial services marketplace, and in particular, that it would be critical for the financial intermediary to have a stake in the technology. AssureSoft, with its expertise of desktop administration and point-of-sale software to the IFA sector, would develop the facility for the exchange of information between product providers, the financial adviser and their clients creating efficiency savings across the entire distribution chain. The Board was also clear in its vision that the medium on which to develop this facility should be the fast emerging internet platform. Thus in 1998, the concept of AssureWeb was launched.

The development of the initiative was initially funded from internal reinvestment and life and pensions product provider subscriptions. A particularly important achievement for AssureWeb during 1999/2000 has been the development of new e-commerce messages to open industry standards. This has been assisted through representation on Origo, the insurance industry technology standards setter, and the rapid coming on-line of new product provider's quotation services onto AssureWeb. AssureWeb is now supported by 24 life and pensions companies, and 9 mortgage lenders. Already a total of 11 insurers are providing on-line transaction services in addition to general content provided by most of the sponsoring organisations.

AssureWeb now offers a wide range of services enhancing the capability of the IFA.

In particular, since the summer of 1999, the Group has committed substantial effort and energy to the deployment of AssureWeb. In December 1999 the Board was pleased to reach an exclusive partnership with Keydata, an electronic provider of unit trust data to 8,000 intermediaries. This was to be the first of a series of strategic partnerships designed to broaden the content and appeal of AssureWeb.

The receipt of funds from our successful Placing and Open Offer in January this year has facilitated the acceleration of key components of the project.

AssureWeb now offers a range of services including quotations, policy valuations, unit trusts, mortgages, presentations, commission enquiry services, sales tools, news services, training, and life and pensions details and targeted e-mail services.

A number of exciting ventures are underway. New business processing for IFAs is being accelerated through the introduction of secure on-line submission of policy applications. Negotiations have been put into place to enhance scalability of delivery and content. AssureWeb is now part of a consortium of companies developing the capabilities for direct submission of mortgage information for electronic trading. The company has proven its delivery capability with the release of the first comparative quotation service and policy valuation enquiry service built to industry standards.

As mentioned in the Chairman's Statement, the recently launched IFA Window initiative provides intermediaries with the facility to design their own individually branded internet websites. In particular, it facilitates the IFA's communication with existing and prospective clients by providing, amongst other things, interactive route planners and e-mail as well as access to product illustrations and calculation tools via AssureWeb.

Considerable interest has also been generated by the AssureWeb share incentive scheme, which was introduced in May this year. The scheme has been innovatively designed to obtain and retain usage of AssureWeb. The scheme provides for up to 20% of shares in AssureWeb plc (the newly created intermediate holding company of AssureSoft) to vest in the customers and users of AssureWeb, in the event that AssureWeb realises a value in excess of £100m.

This recognises that the value of any business substantially lies in the quality of customers that the business attracts and retains. The allocation criteria of the two funds set aside for the scheme are therefore designed accordingly. The first tranche, targeted for AssureWeb registered users, should attract the attention of all financial intermediaries in the marketplace, as well as encourage the usage of our desktop products, and reward membership of the Network.

The second fund provides the businesswith discretion to allocate according to criteria that will maximise return and revenues for the enterprise. To enhance customer loyalty, the share allocation will be phased in over a period of no less than three years from the date that the AssureWeb valuation is realised. The rising number of applications for registrations since the scheme was introduced demonstrates the high level of awareness of AssureWeb amongst advisers and its usage and is expected to create a virtuous circle.

As the AssureWeb team continues to explore avenues by which customer awareness and usage can be enhanced, we also recognise that the success of our enterprise is predicated on the quality and delivery of our products. The scalability of our architecture and the migration of desktop products to our enhanced technological platform are fundamental to achieving our medium-term strategic objectives.

The business has therefore invested heavily in the quality of our executive team and has also been very selective in our choice of technological partners to deliver the various components of AssureWeb. Our ambitious programme of development includes the introduction of an on-line mortgage platform, policy servicing, comparative product quotation and new business transactions. These developments which were set out in the Placing and Offer circular of the Group, will require further investment of approximately £7m in 2000/2001.

AssureSoft is therefore projected to report a substantial loss next year as the proceeds from the Placing are deployed. After this, given the substantial potential of our marketplace, the business looks to its future with great anticipation and excitement.

Associated Undertakings

The Group's associated undertakings, New Direction Finance and its subsidiaries, have repeated their pattern of substantial growth. The business continues to be involved in the design, marketing and administration of financial services products. The complementary blend of actuarial and IT skills has enabled NDF to design innovative products for an increasing, prestigious portfolio of clients.The Group's share of profit before tax increased by 23% from £451,000 to £553,000 during 1999/2000.

AssureWeb is currently backed by the following providers:

Allied Dunbar	Prudential	Alliance & Leicester
Axa Sun Life	Royal Sun Alliance	Bank of Ireland
BUPA	Scottish Amicable	Bank of Scotland
Clerical Medical	Scottish Equitable	Halifax
CGU	Scottish Life	Northern Rock
Eagle Star	Scottish Mutual	Scottish Widows
Evergreen Retirement Assurance	Scottish Provident	Standard Life Bank
Friends Provident	Standard Life	The Mortgage Business
Guardian	Sterling	Woolwich
Legal & General	Swiss Life	
Norwich Union	Threadneedle Investments	
NPI	Zurich IFA	

Financial Review

Highlights

Turnover has continued to show strong growth, increasing by 12% or £19.6m compared with last year. This has largely been driven by the productivity of our member firms within the Network businesses increasing by 12%, and an upturn in Member recruitment.

Both of our Network focused businesses, DBS Assured Services and DBS Mortgage Services, grew significantly, with combined operating profits up by 61%, assisted by synergies effected by the merging of the management teams.

In accordance with the Group's plans, investment in our internet platform, AssureWeb, has increased substantially in the year, particularly following the successful Placing in January 2000. As a result, Group profit before tax and exceptional items, at £6.7m, is £1.5m lower than last year.

The Group maintained a strong operating cashflow of £7.5m, underlining the ability of the business to invest from within its own resource generation.

Placing

On 20 January 2000, DBS announced a Placing and Open offer of 4,489,496 new ordinary shares at 230 pence each, with no discount to the market price. This was highly successful, both with our existing shareholders and with the institutions; the placing being oversubscribed by 2.2 times raising a total of £9.7m after expenses. The funds were raised primarily to increase the rate of investment in the further development of AssureWeb.

Operating Performance

Operating profit, before exceptional items, reduced by 23% to £4.9m, reflecting primarily the acceleration of spend on AssureWeb, and the continued investment in the infrastructure of the Network.

The Network business, DBS Financial Management, increased turnover by £15.2m. Operating profit before exceptional costs remained stable at £6.9m. Increases in commissions retained by the business were offset by the development of added value services to Members which increased selling expenses by £0.7m.

DBS Mortgage Services has had an excellent year with revenue rising by 84% and operating profit by 171% to £7.9m and £0.2m respectively, as the business focused its product range and increased the penetration to member firms, combined with a generally strengthening housing market.

DBS Assured Services continued to show a high level of growth, both in turnover, up 27%, and in operating profit, up 52% to £1.5m. In particular, advantage was taken of synergies with DBS Mortgage Services to increase mortgage protection policies by 54% year on year.

The results of both DBS Mortgage Services and DBS Assured Services were improved by better use of resources following the merging of the operational management teams at the beginning of the year.

AssureSoft Limited, has focused largely on the development of AssureWeb, and the £0.9m operating loss in the current year, from the operating profit of £0.6m last year, reflects our policy of immediate write-off of development costs as well as the enhancement of management infrastructure and the deployment of our marketing campaign. This campaign which commenced towards the end of the financial year has helped bring about a substantial increase in the services' user base.

Regulatory Reviews

A detailed discussion of the regulatory reviews affecting the Group is given on page 8.

The Pensions Review continued to be a high priority of the Group throughout the year. Phase 2 of the project is now well established, though less progress has been achieved than was anticipated last year, primarily due to the emergence of new factors outside the direct control of management.

In particular, the FSA announcement, in December 1999, of its intentionto amend the prescribed formula for assessing loss on pension transfer cases, has resulted in a considerable slowing down of the review for the Group and the industry at large. Management has sought to minimise the financial impact of these delays, however it has been necessary to extend the project. Currently, the monthly overhead cost of operating the Pensions Review unit is approximately £130,000.

Accordingly, the provision has been increased by a further £1.5m, reflecting both the time delay associated with completion of the project, and the increasing cost of scarce actuarial resources.

Cash Flow and Treasury Management

The Group has a healthy cash position of £26.8m (1999: £13.6m). Excluding the placing proceeds, cash and liquid resources increased by £2.2m, despite the continued funding of the Pensions Review. Throughout the year, the Group has sought to maximise cashflow by adopting prudent treasury management. The Group has deferred payment of £2.2m of the final consideration for AssureSoft Limited by issuing floating rate, unsecured loan notes, at 1% below base rate.

Throughout the year, the Group invested in highly liquid bank accounts, following the regulatory guidelines set by PIA for capital adequacy which apply to the Network business, DBS Financial Management PLC.

Financial Instruments

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has not entered into derivative transactions during the year. It is, and has been throughout the period under review, the Group's policy that any trading shall be restricted to highly liquid financial instruments. The Group's financial assets comprise short-term debtors and cash at bank. Excluding bank loans and floating rate unsecured loan notes, the Group has no financial liabilities other than short-term creditors.

The main risks arising from the Group's financial instruments are interest rate risk, and liquidity risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged throughout the year.

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group's policy is to maintain high levels of liquidity, in accordance with PIA guidelines for capital adequacy of DBS Financial Management. Accordingly, bank borrowings are minimal, and are held at floating rates of interest. The unsecured loan notes, held by the vendors of AssureSoft Limited, were issued due to the beneficial interest rates available and their relatively short expected maturity.

Dividend Policy and Proposed Dividend

In line with the Board's stated policy of maintaining a balance between re-investment and a progressive dividend policy, the Directors propose a final dividend of 3.35p (1999: 3.35p) to be paid on 12 September 2000 to shareholders on the register on 7 July 2000. This brings the total dividend to 5.0p, unchanged from the year ended 31 March 1999.

This represents a dividend cover for the year of 1.5 times (1999: 2.2 times).

Earnings per Share

Earnings for the year is 7.8p per share (1999: 11.3p). The underlying earnings after excluding exceptional charges is 10.1p per share (1999: 12.4p).

Year 2000

The Board is pleased to report that the Group's transition into the new Millennium progressed smoothly, under the direction of the Year 2000 Steering Committee, headed by the Chief Executive of DBS Financial Management. No significant issues either within the Group or within member firms were reported.

The Board

Standing:
Tony Kempster, Chris Batterham, David Stewart
Seated:
Cielo Cartwright, Godfrey Jillings, Ken Davy, Christopher Taylor

Mr Ken Davy ALIA (Dip)
Executive Chairman

Ken Davy created the Network concept in 1982, which was launched through DBS in 1983. He has served on the Boards of the PIA and PIA Ombudsman Bureau and was President of the Life Insurance Association in 1992/1993. He is currently joint Deputy Chairman of IFA Promotion Limited and a Director of Money Education Limited. Ken Davy is also a founding Director of the Association of IFAs, the intermediary advisers' trade association, formed in 1999.

Mr Tony Kempster MSc MBA FCII
Joint Group Chief Executive

Tony Kempster, who is Chief Executive of the Network, DBS Financial Management, has been active in the financial services industry for over twenty years. Prior to joining the Board on 24 April 1998, he had been Managing Director of Prudential Holborn Limited, leading the team which first established the Prudential as a major force in the IFA market. He was appointed Joint Group Chief Executive in November 1999.

Mr David Stewart BA (Hons) ACA
Joint Group Chief Executive

David Stewart joined DBS as Group Financial Controller in 1993 having had previous experience at KPMG and Heywood Williams Group PLC. He was Group Finance Director from 1994 to 1998 and Group Managing Director from 1998 to 1999. Since becoming Joint Group Chief Executive and Chief Executive of AssureSoft Limited in November 1999, he has been responsible for raising the profile and accelerating the development of the internet enterprise, AssureWeb.

Mrs Cielo Cartwright BSc (Hons) ACA
Company Secretary

Cielo Cartwright joined DBS in 1998 after a number of years with Ernst & Young. Prior to pursuing a finance career, she gained experience of the life and pensions industry with Guardian Financial Services.

Mr Godfrey Jillings ACIB
Non-Executive Deputy Chairman

Between 1958 and 1990 Godfrey Jillings held a number of executive appointments in the NatWest Group, including Chief Executive of NatWest Personal Financial Management Limited and a Director of NatWest Stockbrokers. He was Chief Executive of FIMBRA between 1990 and 1994 and a Deputy Chief Executive of the PIA in 1993 and 1994. He joined the Board of DBS in 1994 and other current directorships include Baronsmead VCT plc and Baronsmead VCT2 plc. Godfrey Jillings is chairman of the Remuneration Committee.

Mr Christopher Taylor MA MBA
Non-Executive Director

Christopher Taylor has enjoyed an academic career in the business sector, lecturing at Cranfield and Harvard Business Schools before joining Hill Samuel Group plc. He has also held positions at Tarmac plc, Babcock International plc and Smiths Industries PLC. He is currently Non-Executive Director of Hays plc. Christopher Taylor is chairman of the Audit Committee.

Mr Chris Batterham MA FCA
Non-Executive Director

Chris Batterham is International Business Development Director of UUNET, a major ISP and part of WorldCom Inc. He was instrumental in the stock market flotation of UNIPALM Group PLC. He is currently Non-Executive Director of SDL International plc, as well as a number of other companies operating in information technology. Chris Batterham was appointed Non-Executive Director of AssureSoft Limited in April 2000.

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Corporate Governance Report

The Group remains fully committed to maintaining high standards in corporate governance, and the Board supports the principles of good governance and the Code of Best Practice contained in the Listing Rules of the London Stock Exchange ("Combined Code") and adopted by the UK Listing Authority of the Financial Services Authority, FSA.

Throughout the year, the Company complied with the recommendations of the Combined Code, taking advantage of the transitional arrangements as set out in the letter from the London Stock Exchange at the end of September 1999. The following statement, and the Report of the Remuneration Committee on pages 22 to 25, describe how the principles set out in the Combined Code have been applied by the Company.

Composition and Operation of the Board

The Board of Directors currently comprises three Executive and three independent Non-Executive Directors. The Executive Directors' roles have been clearly defined; the Chairman is responsible for the strategic direction of the Group and for the running of the Board; the two Chief Executives are jointly responsible for the effective operation of the Group. Mr Kempster and Mr Stewart have specific responsibilities for the Network focused businesses and AssureWeb business respectively.

The Board believes that all of the Non-Executive Directors are independent of management and are not involved in the executive decision making processes of the Group. They do, however, make their expertise available to the businesses. Mr Jillings, the senior Non-Executive Director and Deputy Chairman, has devoted additional time to the Network, for which he was remunerated. Mr Batterham has been appointed to the Board of AssureSoft in a non-executive capacity.

The Board meets on a regular basis throughout the year, usually monthly, to direct and control the strategy and operating performance of the Group. The Company Secretary is responsible, under the direction of the Chairman, for ensuring that all relevant matters are itemised on an Agenda. The Board receives, typically a week in advance of the meeting, any papers required to enable informed discussion. There is a standing agenda item to consider the timeliness and quality of information on key matters in the businesses.

The schedule of matters reserved for the Board's decision has been formally documented and includes all investments, acquisitions or disposals, the authorisation of significant capital expenditure or disposal of assets, the appointment of both main Board and subsidiary Directors and any significant revenue expenditure which is not in line with strategies previously adopted by the Board.

Also reserved for Board review is any transaction by a Group company likely to require an announcement under the Listing Rules and any contractual agreement with any party that entails significant ongoing risk or liabilities during the life of the contract.

The Board has approved and documented the procedures by which a Director is entitled to take independent professional advice, at the Group's expense, in furtherance of his role as a Director.

In line with best practice, the Board has delegated to subcommittees audit, remuneration and director nomination matters. The subcommittees are responsible for providing the Board with their findings and recommendations on these areas.

Audit Committee

The Audit Committee is responsible for ensuring that the Board has an objective and independent perspective of the Group's operating and financial controls, compliance procedures and the quality and management of the Group's assets.

The Committee consists of the three Non-Executive Directors, and is chaired by Mr Taylor. The Committee meets formally a minimum of twice a year and informally throughout the year. The Committee receives and reviews reports from the Company Secretary, the Group's Compliance Officer, and the external auditors, covering matters arising from the audit, including control issues, and risk management papers from within the businesses. These Officers are additionally provided with direct access to the Committee at any time during the year to discuss any relevant matters as they arise.

Corporate Governance Report

Internal Controls
The Board recognises that it has overall responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, there are inherent limitations in any system of control; such a system can only manage, rather than eliminate, the risk of failure to meet business objectives, and therefore can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group has adopted a hierarchical structure of reporting, with clearly defined areas of responsibility. This allows relevant information to be channelled through progressively higher levels of management, and ultimately to the Board.

Management and Board assessment of internal controls are assisted by the internal audit function, who provide a degree of assurance as to the operation and validity of the system of internal control. The function is independent of individual operating departments and reports to the Company Secretary. Detailed reports on audits performed are issued to and followed up with relevant management, with summary findings made available to the Board. The function is also a resource used by the Board to focus and direct work on key projects, such as Pensions Review and AssureWeb.

Processes for Identifying, Evaluating and Managing Risk
The Combined Code introduced a requirement that the Board review the effectiveness of the Group's system of internal control at least once a year. This extended the existing requirement in respect of internal financial controls to encompass all controls including financial, operational, compliance and risk management.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and for enabling the Board to be kept fully informed. However, as guidance for directors 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull Guidance) was published in September 1999, the Board has taken advantage of the transitional arrangements and has confined its review to the effectiveness of the internal financial controls during the year ended 31 March 2000. The Board confirms that processes are in place to comply fully with the Turnbull Guidance throughout the year ending 31 March 2001.

Management are responsible for the identification and evaluation of significant risks affecting their areas of the businesses, together with the development of suitable internal controls. There are specific policies and practical guidance, which are provided on the Group's Intranet site, for both staff and management for the reporting procedures implemented and resolution of disciplinary issues, including suspected fraudulent activities. Detailed reports are prepared monthly for individual companies' boards, covering the significant operational areas of the business, allowing matters to be brought to that board's attention. Additionally the senior Executives hold fortnightly operational meetings where action points that result are minuted and followed up in subsequent meetings.

The Board discusses key developments within the industry and the Chairman maintains debate and focus on the critical and strategic areas of the Group. At Board meetings, the Joint Group Chief Executives present the performance of their respective businesses, and appraise the Board of the impact of risks and of new opportunities identified, as well as seeking Board sanction to commit to new significant expenditure or obligations or to divert from previous strategies. The Group finance report provides the Board with monthly financial information including key performance indicators and comparison with budget and subsequent forecasts, analysed from reports submitted by the individual subsidiary finance teams. The Company Secretary also ensures, through a formal report, that relevant statutory and legal matters are brought to the Board's attention in a timely manner.

The Board places particular importance on the need to ensure that its Network business meets the requirements of its regulator, the Financial Services Authority and other relevant legislation, and is committed to the highest standards of compliance. The Group Compliance Officer, who is responsible for the Group's medium and long-term strategy on regulatory affairs and for the maintenance of effective compliance processes, has regular meetings with the regulator to plan for future requirements and to foster good regulatory relationships that aid the formulation of appropriate policies to minimise areas of exposure. Additionally, the Group Compliance Officer formally appraises the Board and Audit Committee of regulatory developments, usually on a quarterly basis.

The setting of the Group's medium and longer term goals is assisted by the arrangement of twice-yearly Group strategy meetings, which are held off site. At these meetings the Board reviews the performance of the Group and makes plans for enhancing shareholder value on the basis of the Directors' assessment of the likely developments in the business landscape.

Relationship with Shareholders

The Company is committed to building strong relationships and a mutual understanding of objectives with its shareholders. Institutional shareholders are invited to briefings to discuss the interim and preliminary results, and to enable longer term strategy to be explained. Furthermore, there is regular communication, additional briefings and presentations throughout the year with such shareholders and with the Group's advisers, to obtain feedback on the Group's performance.

The Company also places importance on its relationship with private investors. The Annual General Meeting, which will be held on 8 September 2000, allows an opportunity to meet and question the Board. The corporate website, www.dbsmanagement.plc.uk contains the most recent results of the Company and provides a means of raising queries with the Group management.

Remuneration Report

It is the responsibility of the Remuneration Committee to consider and recommend to the Board the terms and conditions of service of each Executive Director and Officer of the Company, including all forms of remuneration and incentive schemes, together with arrangements in respect of termination or compensation settlements.

The Committee is authorised by the Board to carry out any investigation relevant to its terms of reference. In doing this it is specifically authorised to seek any information it requires from any employee and to obtain expert advice from the Group's external auditors and professional advisers or otherwise receive independent professional advice and to request the attendance of such employees or advisers as it sees fit.

During the year, the Committee has comprised Mr G. F. Jillings, the Committee's chairman, Mr C. Batterham and Mr C. S. Taylor. The Company has complied with the provisions of the Combined Code, except as they relate to the length of Directors' service contracts, described below, and this report has been prepared in accordance with Schedule B of the Combined Code. The decisions of the Committee are taken by majority vote.

The remuneration of Non-Executive Directors is determined by the Board and is assessed by reference to compensation paid to similarly qualified individuals undertaking Non-Executive roles within other organisations. The Board considers that, having regard to the experience and knowledge of the individuals concerned, these payments represent an effective use of the Group's resources.

Policy on Remuneration of Executive Directors

In determining an appropriate remuneration policy for recommendation to the Board, the Committee's objective is to ensure that the Group is able to attract, retain and motivate Executives of the necessary calibre to make a major contribution to the Group's success. The composition of the remuneration of Executives takes account of long-term performance through the phased granting of options which can only be exercised in certain circumstances and subject to the performance criteria described below. In framing the policy, the Committee also takes into account the Group's overall performance, achievement of corporate objectives and individual performance.

Long-Term Incentive Schemes

Throughout the year, the Group continued to adopt "the 1995 Approved Scheme" and "the 1995 Unapproved Scheme", which take account of guidelines published by the Association of British Insurers. The acquisition price payable for each ordinary share under either of these Schemes will not be less than the middle market quotation of an ordinary share on the last day of dealing before the date of grant.

In reviewing the future operation of the Schemes the Committee notes the provisions within the rules of both Schemes which ensure that the exercise of an option will depend on satisfaction of the performance conditions attached to it at the time it was granted. The Committee recognises the ongoing importance of performance conditions in order to ensure that the interests of shareholders and Executive Directors remain closely aligned. In the event of future grants, options will not normally be exercisable unless, over a three year period commencing no earlier than the end of the Group's accounting period immediately preceding the date of grant, there has been growth in the earnings per share of the ordinary shares that exceeds the growth in the retail prices index by an average of 2% per year. The Committee, at its discretion, may recommend alternative conditions, as set out on page 25.

Service Contracts

Each Director has entered into a service agreement with the Group. In order to protect the Group's interests these agreements contain terms protecting sensitive information and business relationships as well as preventing Directors from entering into competition with any of the Group's principal activities.

Mr Stewart and Mr Kempster have service agreements which are terminable by the Company on the giving of twelve months' notice, and by the Director on the giving of six months' notice. The contract of Mr Davy may be terminated by the Group on three years' notice. This agreement was entered into prior to the publication of recent Corporate Governance publications. The Committee considers that, although this contract is of a longer duration than that recommended in Schedule B of the Combined Code, this is appropriate in view of the length of Mr Davy's previous service to the Group and the substantial knowledge of the Group's activities that he has acquired. Mr Davy may terminate his contract on the giving of six months' notice to the Company.

Non-Executive Directors

Each Non-Executive Director has been provided with a formal letter of appointment. Under the terms of his appointment each Non-Executive Director shall continue in office until he is subject to re-election in accordance with the Articles and, if re-elected, for a period of three years thereafter. At the end of this period the appointment will be reviewed by the Board in conjunction with the Director, in order to assess whether it is in the best interests of the Group for the appointment to be renewed for a further period.

Summary of Remuneration

Directors' emoluments

	Fees and salary £'000	Benefits £'000	Money purchase pension contributions £'000	**2000 Total £'000**	1999 Total £'000
Executive Directors:					
K. E. Davy	184	17	18	**219**	212
D. Stewart	160	12	15	**187**	170
W. A. Kempster	160	15	15	**190**	158
P. H. Cordle (resigned 21.3.00)	78	13	7	**98**	97
J. H. Warden (appointed 9.11.99, resigned 3.3.00)	24	4	2	**30**	—
M. J. Greenwood (resigned 23.4.98)	—	—	—	**—**	14
	606	61	57	**724**	651
Non-Executive Directors:					
G. F. Jillings	72	—	—	**72**	75
C. M. Batterham (appointed 9.4.99)	20	—	—	**20**	—
C. S. Taylor (appointed 9.4.99)	20	—	—	**20**	—
K. Andrew (resigned 9.4.99)	—	—	—	**—**	44
	112	—	—	**112**	119
Aggregate emoluments	718	61	57	**836**	770

The Group does not operate a formal bonus scheme. Annual bonuses are determined by the Remuneration Committee, on a discretionary basis, based on the performance of individual Group companies during the year. The Directors did not participate in any bonus in the current year.

In accordance with the terms of a Compromise Agreement made upon his resignation from the Board on 23 April 1998, Mr Greenwood received 12 monthly instalments of £14,133 amounting to £169,596 for the year (1999: £155,463). The instalments will continue until February 2001 with amounts receivable from new employment deductible from amounts payable by the Group.

Remuneration Report

Directors' Pension Entitlements

Contributions are made to a Group Personal Pension Scheme on behalf of Executive Directors and other Executives within the Group. The level of contributions is calculated on the basis of a fixed percentage of base salary and does not differ from the percentage contribution paid for the benefit of other staff included in the Scheme. Directors and other Executives have the option of increasing contributions by means of salary sacrifice.

Other Benefits

Executive Directors are provided with permanent health insurance, critical illness cover, life assurance at four times salary (subject to a maximum salary cap of £90,600 for the tax year 1999/2000), private health cover and a company car on which all running costs are met.

Directors' Share Options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options (as adjusted for the effect of the 4:1 bonus issue on 21 August 1997) are as follows:

	1999 number	Granted number	Lapsed number	2000 number	Exercise price pence	Earliest date from which exercisable	Expiry date
Approved:							
D. Stewart	18,018	—	—	18,018	200.0	31.7.2001	31.7.2008
W. A. Kempster	18,018	—	—	18,018	200.0	31.7.2001	31.7.2008
P. H. Cordle	—	15,748	(15,748)	—	190.5	31.8.2002	31.8.2009
J. H. Warden	—	15,748	(15,748)	—	190.5	31.8.2002	31.8.2009
Unapproved:							
D. Stewart	31,982	—	—	31,982	200.0	31.7.2001	31.7.2005
	50,000	—	—	50,000	200.0	31.7.2002	31.7.2005
	100,000	—	—	100,000	200.0	31.7.2003	31.7.2005
		100,000	—	100,000	190.5	31.8.2002	31.8.2009
W. A. Kempster	31,982	—	—	31,982	200.0	31.7.2001	31.7.2005
	50,000	—	—	50,000	200.0	31.7.2002	31.7.2005
	100,000	—	—	100,000	200.0	31.7.2003	31.7.2005
		100,000	—	100,000	190.5	31.8.2002	31.8.2009
P. H. Cordle	—	34,252	(34,252)	—	190.5	31.8.2002	31.8.2009
J. H. Warden	—	34,252	(34,252)	—	190.5	31.8.2002	31.8.2009
Share Save Scheme:							
D. Stewart	—	5,783	—	5,783	167.5	1.2.2003	1.8.2003
W. A. Kempster	—	5,783	—	5,783	167.5	1.2.2003	1.8.2003
J. H. Warden	—	10,074	(10,074)	—	167.5	1.2.2005	1.8.2005

As at 23 June 2000, no further options had lapsed or been exercised.

The options granted to W. A. Kempster and D. Stewart in 1999 were granted at a premium of 33.5p (20%) on the market price at the date of grant.

The approved and unapproved options granted during the year at 190.5p, were granted at the market price on the day prior to the date of the grant. Full rights of exercise of these options is subject to the growth in earnings per share exceeding the growth in the retail price index by 10%.

The share save options were granted at 167.5p, the market price on the date of the grant. The share save scheme was made available to all employees, and the terms of exercise for the directors are consistent with all other share save option holders.

The market price of the shares at 31 March 2000 was 171p and the range during the year was 126p to 262.5p.

Nomination Committee

The responsibilities of the Remuneration Committee include those of a Nomination Committee. The responsibilities of a Nomination Committee include making recommendations to the Board on all proposed new appointments to the Board.

Directors' Report
for the year ended 31 March 2000

The Directors present their Annual Report and the audited Financial Statements of the Company and its subsidiaries ("the Group") for the year ended 31 March 2000.

Results and Dividends
The Group profit after taxation attributable to the shareholders of the Company for the year ended 31 March 2000 was £3.6m (1999: £5.1m).

The Directors have recommended a final dividend of 3.35p per ordinary share which, together with the interim dividend of 1.65p, makes a total of 5.0p for the year (1999: 5.0p). After provision of £2.4m for the total dividend, the profit of £1.1m was credited to reserves.

Principal Activities
The Group supplies support services to, and operates a network of, IFAs, arranges mortgages and general insurance products and provides computer software and internet services for use in the financial services industry.

Business Review
The Chairman's Statement on pages 2 to 5, the Review of Operations on pages 6 to 12 and the Financial Review on pages 14 to 15 provide a review and a description of the trading of the Group during the year, references to recent events and likely future developments.

Events since the Balance Sheet Date
On 3 May 2000, DBS Management plc formed a new wholly owned subsidiary, AssureWeb plc. On 4 May 2000, the Company transferred its entire shareholding in AssureSoft Limited to AssureWeb plc in exchange for 100 million 10p ordinary shares in AssureWeb plc.

Directors and their Interests
The Directors serving at the date of this report are detailed on page 17, Mr C. M. Batterham and Mr C. S. Taylor were appointed on 9 April 1999. In accordance with the Company's Articles of Association, Mr G. F. Jillings and Mr W. A. Kempster retire by rotation and offer themselves for re-election.

The Directors who held office at 31 March 2000 had the following interests in the shares, other than share options, of DBS Management plc. No other interests were held in other Group undertakings at 31 March 2000.

	23 June 2000		**31 March 2000**		31 March 1999 or date of appointment	
5p ordinary shares	Beneficial number	Non-beneficial number	**Beneficial number**	**Non-beneficial number**	Beneficial number	Non-beneficial number
K. E. Davy	4,877,252	4,562,928	**4,877,252**	**4,562,928**	5,177,252	4,562,928
D. Stewart	85,860	—	**85,860**	**—**	85,860	—
W. A. Kempster	—	—	**—**	**—**	—	—
C. M. Batterham	21,980	—	**21,980**	—	—	—
C. S. Taylor	—	—	**—**	—	—	—
G. F. Jillings	282,096	—	**282,096**	—	271,072	—

Details of Directors' interests in the Share Option Schemes of the Company at 31 March 2000, 31 March 1999 and 23 June 2000 are shown in the Remuneration Report on pages 22 to 25.

Employees

The Group is committed to a policy of equal opportunity in recruitment, training, career development and promotion of staff, irrespective of sex, marital status, race or ethnic origin. The Group further recognises its responsibilities towards disabled persons and does not discriminate against them in terms of job offers, training or career development and prospects.

The Group places great importance on good communications with all its employees and seeks to inform and involve staff in the development of its operations and in the achievement of its business goals. This is accomplished by a variety of means including an Intranet site, internal newsletters, frequent face to face communications, team briefings and regular appraisals.

Charitable Contributions

During the year the Group made donations for charitable purposes totalling £5,000 (1999: £4,000).

Creditor Payment Policy

Whilst the Group does not follow a formal code, it seeks to maintain good relations with all of its trading partners. In particular, it is the Group's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 March 2000, the Company's trade creditors represented 6 days purchases (1999: 8 days); Group: 19 days (1999: 24 days).

Substantial Shareholdings

In addition to the shares held by Directors and disclosed on page 26, as at 23 June 2000, the Directors are aware of the following interests representing 3% or more of the share capital of the Company:

Name	Percentage of issued share capital
Trusts managed by the AMVESCAP Management Group	14.0
Trusts managed by Phillips & Drew Fund Management Group	5.9
Trusts managed by the Halifax Group	4.6
Trusts managed by the Gartmore Group	4.1
Trusts managed by Fuji Investment Management	3.4
Trusts managed by the Jupiter Asset Management Group	3.0

Annual General Meeting

Details of the Annual General Meeting to be held at The Hilton National, Huddersfield on 8 September 2000 at 10.30am and full explanations of the Resolutions to be proposed appear in a separate Notice of Annual General Meeting enclosed with this Annual Report.

Auditors

Arthur Andersen have signified their willingness to be re-appointed and a resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the Board

C Cartwright

C. B. Cartwright
Company Secretary
23 June 2000

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

After making enquiries, the Directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They have a general responsibility for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

To the Shareholders of DBS Management plc

We have audited the Financial Statements on pages 30 to 48 which have been prepared under the historical cost convention and the accounting policies set out on pages 34 and 35. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the Directors which form part of the Remuneration Report on pages 22 to 25.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including, as described on page 28, the Financial Statements. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our professions ethical guidance.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and the Group is not disclosed.

We review whether the corporate governance statement on pages 19 to 21 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance Statement, and consider if it is consistent with the audited Financial Statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
1 City Square
Leeds LS1 2AL
23 June 2000

Consolidated Profit and Loss Account
for the year ended 31 March 2000

	Notes	2000 £'000	1999 £'000
Turnover – continuing operations	2	**179,016**	159,441
Commission payments		**153,810**	136,424
		25,206	23,017
Operating expenses – pre-exceptional		**20,302**	16,622
Exceptional operating expenses	16	**1,500**	750
Total operating expenses	3	**21,802**	17,372
Operating profit – continuing operations	2	**3,404**	5,645
Income from interests in associated undertakings	4	**553**	451
Net interest receivable	5	**1,212**	1,308
Profit on ordinary activities before taxation	6	**5,169**	7,404
Taxation	8	**1,604**	2,318
Profit for the financial year		**3,565**	5,086
Dividends	9	**2,418**	2,261
Retained profit for the financial year	18	**1,147**	2,825
Basic earnings per share	10	**7.8p**	11.3p
Diluted earnings per share	10	**7.8p**	11.2p
Basic earnings per share before exceptional items	10	**10.1p**	12.4p

The accompanying notes and accounting polices are an integral part of these Financial Statements.

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 March 2000

	2000 £'000	1999 £'000
Profit for the financial year	**3,565**	5,086
Exchange rate translation differences	**—**	(13)
Total recognised gains relating to the year	**3,565**	5,073

The accompanying notes and accounting policies are an integral part of these Financial Statements.

Consolidated Balance Sheet
at 31 March 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	**3,367**	3,348
Investments	12	**957**	558
		4,324	3,906
Current assets			
Debtors	13	**28,603**	20,436
Associate members' bank account	14	**5,489**	6,778
Cash at bank and in hand		**26,819**	13,611
		60,911	40,825
Creditors			
Amounts falling due within one year	15	**42,435**	32,935
Net current assets		**18,476**	7,890
Total assets less current liabilities		**22,800**	11,796
Creditors			
Amounts falling due after more than one year	15	**—**	70
		22,800	11,726
Provisions for liabilities and charges	16	**4,817**	4,747
Net assets		**17,983**	6,979
Capital and reserves			
Called up share capital	17	**2,491**	2,261
Share premium account	18	**11,440**	1,813
Profit and loss account	18	**4,052**	2,905
Equity shareholders' funds	19	**17,983**	6,979

The accompanying notes and accounting policies are an integral part of these Financial Statements.

Approved by the Board of Directors on 23 June 2000 and signed on its behalf by:

D. Stewart
Joint Group Chief Executive

W. A. Kempster
Joint Group Chief Executive

Balance Sheet
at 31 March 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	11	**2,074**	2,093
Investments	12	**7,361**	7,111
		9,435	9,204
Current assets			
Debtors	13	**2,322**	1,797
Cash at bank and in hand		**9,659**	69
		11,981	1,866
Creditors			
Amounts falling due within one year	15	**5,284**	5,561
Net current assets/(liabilities)		**6,697**	(3,695)
Total assets less current liabilities		**16,132**	5,509
Creditors			
Amounts falling due after more than one year	15	**595**	693
		15,537	4,816
Provisions for liabilities and charges		**—**	—
Net assets		**15,537**	4,816
Capital and reserves			
Called up share capital	17	**2,491**	2,261
Share premium account	18	**11,440**	1,813
Profit and loss account	18	**1,606**	742
Equity shareholders' funds		**15,537**	4,816

The accompanying notes and accounting policies are an integral part of these Financial Statements.

Approved by the Board of Directors on 23 June 2000 and signed on its behalf by:

D. Stewart
Joint Group Chief Executive

W. A. Kempster
Joint Group Chief Executive

Consolidated Cash Flow Statement

for the year ended 31 March 2000

	Notes	2000 £'000	1999 £'000
Net cash inflow from operating activities	1	**7,549**	3,866
Dividends received from associate		**216**	109
Returns on investments and servicing of finance			
Interest received		**1,310**	1,400
Interest paid		**(84)**	(60)
Net cash inflow from returns on investments and servicing of finance		**1,226**	1,340
Taxation			
Corporation tax paid		**(2,661)**	(543)
Advance corporation tax paid		**(183)**	(379)
Taxation paid		**(2,844)**	(922)
Capital expenditure and financial investment			
Purchase of fixed asset investments		**(250)**	—
Payments to acquire tangible fixed assets		**(507)**	(680)
Receipts from disposal of tangible fixed assets		**—**	113
Net cash outflow from capital expenditure and financial investment		**(757)**	(567)
Acquisition and disposals			
Payment of deferred consideration for acquisition of AssureSoft Limited		**(930)**	—
Net cash outflow from acquisitions and disposals		**(930)**	—
Equity dividends paid		**(2,263)**	(2,138)
Net cash inflow before use of liquid resources and financing		**2,197**	1,688
Management of liquid resources			
Withdrawals from short-term deposits	3,4	**7,038**	91
Net cash inflow from management of liquid resources		**7,038**	91
Financing			
Issue of ordinary share capital		**9,857**	102
Repayment of loans	3	**(135)**	(123)
Net cash inflow/(outflow) from financing		**9,722**	(21)
Increase in cash in the year	2	**18,957**	1,758

The accompanying notes and accounting policies are an integral part of these Financial Statements.

Accounting Policies

The principal accounting policies adopted by the Group are set out below and have been consistently applied throughout the year and are consistent with those adopted in the preceding year.

Accounting Convention

The Financial Statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of DBS Management plc and all its subsidiary undertakings made up to 31 March 2000. Acquisitions are accounted for under the acquisition method. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the profit and loss account from the date of acquisition or up to the date of disposal.

Associated Undertakings

Associates are undertakings in which the Group has a long-term interest, normally 20% to 50% of the equity voting rights, and over which the Group, through participation in policy decisions, exercises significant influence. Associates are included in the Group's consolidated Financial Statements using the equity method, and the Group's share of its associates' operating results made up to 31 March 2000 are stated immediately after the Group's operating results. In the Company balance sheet, interests in associates are stated within fixed asset investments at cost less amounts written off.

Depreciation

Depreciation is calculated to write off the cost less the residual value of tangible fixed assets over their expected useful economic lives. The principal rates of depreciation are as follows:

Freehold buildings	–2.5% straight line
Motor vehicles	–25% straight line
Office and computer equipment and fittings	–Rates between 15% and 25% straight line
Freehold land is not depreciated	

Taxation

Corporation tax is provided on taxable profits at the current rate. Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

Provision is made under the liability method at current rates for taxation deferred by timing differences between profits as stated in the Financial Statements and as computed for taxation purposes, where these timing differences are not expected to continue in the future. No credit is taken for deferred tax assets unless recovery without replacement by equivalent debit balances is certain.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, up to a maximum of twenty years. Provision is made for any impairment. Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods expected to benefit. Goodwill arising on acquisitions in the year ended 31 March 1999 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Foreign Currency Translation
Assets, liabilities and results of subsidiary undertakings denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Translation differences arising on the application of year end rates of exchange to opening net assets of overseas subsidiary undertakings are dealt with through reserves.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are retranslated using the exchange rate at the balance sheet date.

Leased Assets
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease agreement.

Pension Costs
The Group contributes to the independently administered personal pension plans of certain employees. The charge against profits is the amount of contributions payable to these schemes in respect of the accounting period.

Research and Development
Expenditure on research is written off as incurred except where the Directors consider that the future recoverability of individual projects can reasonably be anticipated. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. Provision is made for any impairment.

Claims Provision
In the normal course of business, the Group becomes party to legal actions and claims. The results of such claims cannot be forecast with certainty; a provision is made which is the Directors' best estimate of the expected value of such claims.

Capital Instruments
Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Revenue and Expense Recognition
The Group follows the accruals accounting concept. Turnover represents the amounts derived from the provision of goods and services exclusive of VAT. The provision for commission reclaims represents the expected value of commissions potentially reclaimable by product providers in respect of policies cancelled during the indemnity period, based on the past experience of such reclaims.

Notes to the Consolidated Cash Flow Statement

1 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2000 £'000	1999 £'000
Operating profit	**3,404**	5,645
Depreciation	**484**	377
Loss on disposal of tangible fixed assets	**4**	17
(Increase)/decrease in debtors	**(8,364)**	3,658
Increase/(decrease) in creditors	**11,951**	(3,627)
Increase/(decrease) in provisions	**70**	(2,204)
Net cash inflow from operating activities	**7,549**	3,866

Included within net cash inflows from operating activities are exceptional cash outflows arising from the Pensions Review amounting to £1,483,000 (1999: £3,004,000).

2 Reconciliation of Net Cash Flow to Movement in Net Funds

	2000 £'000	1999 £'000
Increase in cash in year	**18,957**	1,758
Cash outflow from repayment of debt	**135**	123
Cash flow from management of liquid resources	**(7,038)**	(91)
Issue of unsecured loan notes	**(2,170)**	—
Net funds as at beginning of year	**20,187**	18,397
Net funds as at end of year	**30,071**	20,187

3 Analysis of Net Funds

	At 1 April 1999 £'000	Cash flow £'000	Other non-cash movements £'000	**At 31 March 2000 £'000**
Cash at bank and in hand	2,935	20,246	—	**23,181**
Associate members' bank account	6,778	(1,289)	—	**5,489**
	9,713	18,957	—	**28,670**
Current asset investments	10,676	(7,038)	—	**3,638**
Debt due in less than one year	(132)	135	(2,240)	**(2,237)**
Debt due in more than one year	(70)	—	70	**—**
Net funds	20,187	12,054	(2,170)	**30,071**

The associate members' bank account is held in trust for the purpose of settling amounts due to member firms of DBS Financial Management PLC under the terms of their agency agreement with that company.

4 Cash and Liquid Resources

Liquid resources comprise term deposits with a maturity of three months or less. Cash at bank and in hand in the balance sheet comprises cash at bank plus current asset investments in the above table.

Notes to the Financial Statements

1 Parent Company Profit and Loss Account

As permitted by s.230 of the Companies Act 1985 no profit and loss account of the parent Company is presented. £3,282,000 (1999: £2,363,000) of the consolidated profit for the financial year attributable to the shareholders of DBS Management plc has been dealt with in the Financial Statements of that Company.

2 Turnover, Operating Profit and Net Assets

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities. The Group operates wholly within the UK.

An analysis of turnover, operating profit and net assets by class of business is stated below:

	Turnover		Operating profit		Net assets	
	2000 £'000	1999 £'000	**2000 £'000**	1999 £'000	**2000 £'000**	1999 £'000
Software and Internet services	**2,504**	2,666	**(897)**	607	**(4)**	617
Network related services	**176,512**	156,775	**7,165**	7,234	**8,650**	7,922
Head office	**—**	—	**(2,864)**	(2,196)	**9,337**	(1,560)
	179,016	159,441	**3,404**	5,645	**17,983**	6,979

3 Operating Expenses

	2000 £'000	1999 £'000
Selling expenses	**2,256**	1,364
Compliance, regulatory and related expenses	**5,455**	5,438
Administrative expenses –pre-exceptional	**12,591**	9,820
Administrative expenses –exceptional Pensions Review costs (note 16)	**1,500**	750
Total operating expenses	**21,802**	17,372

4 Income from Interests in Associated Undertakings

	2000 £'000	1999 £'000
Share of profits before taxation for the year ended 31 March	**553**	451

5 Net Interest Receivable

	2000 £'000	1999 £'000
Interest receivable	**1,263**	1,332
Interest payable on bank borrowings	**(51)**	(24)
	1,212	1,308

6 Profit on Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after taking account of the following:

	2000 £'000	1999 £'000
Depreciation	**484**	377
Loss on disposal of fixed assets	**4**	17
Research and development expenditure	**2,010**	1,383
Operating leases		
–plant and equipment	**544**	482
–other	**154**	37
Auditors' remuneration		
–audit fees	**57**	58
–other	**191**	81

Auditors' remuneration relating to the Company was £24,000 (1999: £24,000).

Particulars of employees (including Directors) are shown below:

	2000 £'000	1999 £'000
Wages and salaries	**8,733**	7,489
Social security costs	**796**	700
Other pension costs	**293**	201
	9,822	8,390

The pension cost charge for the year of £293,000 (1999: £201,000) represents contributions payable to independently administered personal pension plans of individual employees. At the end of the year contributions of £16,000 (1999: £19,000) were owed by the Group.

The average monthly number of persons employed by the Group during the year was:

	2000 Number	1999 Number
Office and management staff	**410**	391

Of the above total, 47 related to staff employed in the Group's dedicated Pensions Review Unit (1999: 86). Some of the persons employed in this Unit were on fixed term contracts.

7 Directors' Remuneration and Interests

Details of the Directors' remuneration and interests in the shares of the Company are given in the Remuneration Report on pages 22 to 25, and in the Directors' Report on page 26.

8 Taxation

	2000 £'000	1999 £'000
UK Corporation tax	**1,416**	2,186
Share of taxation of associated undertakings	**188**	132
	1,604	2,318

The exceptional item in note 3 has the effect of reducing the taxation charge by approximately £450,000 (1999: £232,000). There is no provided or unprovided deferred tax liability in the current or prior year.

9 Dividends

	2000 £'000	1999 £'000
Interim paid on 19 January 2000 at 1.65p per share (1999: 1.65p)	**748**	746
Final proposed to be paid on 12 September 2000 at 3.35p per share (1999: 3.35p)	**1,670**	1,515
	2,418	2,261

10 Earnings per Ordinary Share

The calculation of earnings per share are based on the following:

	2000 £'000	1999 £'000
Profit for the financial year	**3,565**	5,086
Exceptional items (net of tax) (note 16)	**1,050**	518
Profit for the financial year before exceptional items	**4,615**	5,604

	Number	Number
Weighted average number of shares	**45,887,207**	45,084,588
Dilutive potential ordinary shares	**107,176**	127,440
Diluted weighted average number of shares	**45,994,383**	45,212,028

Basic earnings per share	**7.8p**	11.3p
Diluted earnings per share	**7.8p**	11.2p
Basic earnings per share before exceptional items	**10.1p**	12.4p

11 Tangible Assets

	Freehold land and buildings £'000	Office and computer equipment and fittings £'000	Motor vehicles £'000	**Total £'000**
Group				
Cost:				
At beginning of year	2,504	2,257	28	**4,789**
Additions	—	507	—	**507**
Disposals	—	(620)	—	**(620)**
At end of year	2,504	2,144	28	**4,676**
Depreciation:				
At beginning of year	206	1,212	23	**1,441**
Charge for the year	52	427	5	**484**
Disposals	—	(616)	—	**(616)**
At end of year	258	1,023	28	**1,309**
Net book value at 31 March 2000	**2,246**	**1,121**	**—**	**3,367**
Net book value at 31 March 1999	2,298	1,045	5	3,348

	Freehold land and buildings £'000	Office and computer equipment and fittings £'000	Motor vehicles £'000	**Total £'000**
Company				
Cost:				
At beginning of year	2,263	29	—	**2,292**
Additions	—	42	—	**42**
At end of year	2,263	71	—	**2,334**
Depreciation:				
At beginning of year	195	4	—	**199**
Charge for the year	46	15	—	**61**
At end of year	241	19	—	**260**
Net book value at 31 March 2000	**2,022**	**52**	**—**	**2,074**
Net book value at 31 March 1999	2,068	25	—	2,093

The cost of non-depreciable assets included in the freehold land and buildings category above for both Group and Company at 31 March 2000 amounted to £424,000 (1999: £424,000).

12 Investments

	2000		1999	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Investment in associated undertakings	**707**	**34**	558	34
Investment in subsidiary undertakings	**—**	**7,077**	—	7,077
Other investments	**250**	**250**	—	—
	957	**7,361**	558	7,111

	Group £'000	**Company £'000**
Investment in associated undertakings:		
At beginning of year	**558**	**34**
Share of result for the year	**365**	**—**
Dividends received in the year	**(216)**	**—**
At end of year	**707**	**34**

	Group £'000	**Company £'000**
Investment in subsidiary undertakings:		
At beginning and end of year	**—**	**7,077**

	Group £'000	**Company £'000**
Other investments:		
Additions in the year	**250**	**250**
At end of year	**250**	**250**

12 Investments (continued)

	Principal activity	Class of share	Proportion of shares held
Subsidiary undertakings			
Trading companies:			
DBS Financial Management PLC	Network of Independent Financial Advisers	Ordinary	100%
DBS Assured Services Limited	General insurance services	Ordinary	100%
AssureSoft Limited	Software and internet services	Ordinary	100%
DBS Mortgage Services Limited	Mortgage services	Ordinary	100%
DBS National Financial Services Limited	Broking of unsecured loans	Ordinary	100%
Holly Bank Properties Limited	Property management	Ordinary	100%
PTC Actuarial Services Limited	Actuarial support services	Ordinary	100%
Non-trading companies:			
DBS Management (Deutschland) GmbH		Ordinary	100%
The Pre-Retirement Education Programmes Limited		Ordinary	100%
DBS Financial Management (Sheffield) Limited		Ordinary	100%
Associated undertakings			
New Direction Finance Limited	Lump sum and regular premium products	Ordinary	29.3%
NDF Administration Limited	Retirement income products	Ordinary	33.3%
Other investments:			
Keydata UK Limited	Provision of financial information	Ordinary	5%

All of the above companies are incorporated and operate in England, except for DBS Management (Deutschland) GmbH which is incorporated in Germany. The latest audited financial information for the associated undertakings is for the year ended 30 June 1999.

During the year the effective interest of the Company in New Direction Finance Limited reduced from 31.7% to 29.3%, following the issue of shares in the associated undertaking to a third party.

Post Balance Sheet Event

On 3 May 2000, DBS Management plc formed a new, wholly owned subsidiary, AssureWeb plc. On 4 May 2000, the company transferred its entire shareholding in AssureSoft Limited to AssureWeb plc, in exchange for 100,000,000 10p ordinary shares in AssureWeb plc.

13 Debtors

	2000		1999	
	Group £'000	**Company £'000**	Group £'000	Company £000
Due within one year:				
Trade debtors	**1,867**	**2**	2,591	1
Amounts owed by subsidiary undertakings	**—**	**1,581**	—	1,110
Other debtors (note 15)	**25,546**	**645**	15,912	578
Prepayments and accrued income	**1,190**	**94**	1,870	45
	28,603	**2,322**	20,373	1,734
Due in more than one year:				
Other debtors	**—**	**—**	63	63
	28,603	**2,322**	20,436	1,797

14 Associate Members' Bank Account

The associate members' bank account is held in trust for the purposes of settling amounts due to member firms of DBS Financial Management PLC under the terms of their agency agreements with that company.

15 Creditors

	2000		1999	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Due within one year:				
Mortgage loan	**67**	**67**	132	132
Unsecured loan notes	**2,170**	**2,170**	—	—
Trade creditors	**8,373**	**28**	8,818	48
Amounts owed to subsidiary undertakings	**—**	**167**	—	72
Corporation tax	**953**	**—**	2,385	—
Advance corporation tax	**—**	**—**	186	186
Proposed dividend	**1,669**	**1,669**	1,515	1,515
Other taxation and social security	**264**	**1**	242	31
Other creditors	**24,365**	**345**	18,107	3,190
Accruals and deferred income	**4,574**	**837**	1,550	387
	42,435	**5,284**	32,935	5,561

Other creditors and other debtors (note 13) include the Directors' current best estimate of the amounts due and recoverable in respect of the settlement of Pensions Review cases. Other creditors also includes amounts due in respect of agreed claims which are secured by cash deposits in a restricted account of £86,000 (1999: £90,000). These amounts are shown within cash at bank and in hand.

The unsecured loan notes, issued in final consideration for the acquisition of AssureSoft Limited, carry interest at 1% below Yorkshire Bank base lending rate, and are repayable at the note holders option no earlier than 16 June 2000, and thereafter with 30 days notice.

The mortgage loan is secured by a fixed charge over the freehold buildings of DBS Management plc. The rate of interest is variable between 1% and 1.25% above the Yorkshire Bank base lending rate.

15 Creditors (continued)

	2000		1999	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Due in more than one year:				
Mortgage loan	—	—	70	70
Amounts owed to subsidiary undertakings	—	**595**	—	623
	—	**595**	70	693

	2000		1999	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Borrowings are repayable as follows:				
In one year, or less	**2,237**	**2,237**	132	132
In more than one year, but less than two years	—	—	70	70
	2,237	**2,237**	202	202

The policy adopted in managing the liquidity and interest risks of the Group is contained within the Financial Review on page 15.

16 Provisions

	2000		1999	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Provision for claims	**374**	**—**	444	—
Provision for commission reclaims	**1,056**	**—**	933	—
Provision for Pensions Review	**3,387**	**—**	3,370	—
	4,817	**—**	4,747	—

	Group £'000	**Company £'000**
Provision for claims:		
At beginning of year	**444**	**—**
Utilised during year	**(111)**	**—**
Provided during year	**130**	**—**
Released during year	**(89)**	**—**
At end of year	**374**	**—**

	Group £'000	**Company £'000**
Provision for commission reclaims:		
At beginning of year	**933**	**—**
Utilised during year	**(1,619)**	**—**
Provided during year	**1,742**	**—**
At end of year	**1,056**	**—**

	Net £'000	Recoverable £'000	**Group £'000**	**Company £'000**
Provision for Pensions Review:				
At beginning of year	1,261	2,109	**3,370**	**—**
Utilised during year	(656)	(827)	**(1,483)**	**—**
Provided during year	1,500	—	**1,500**	**—**
At end of year	2,105	1,282	**3,387**	**—**

Following the Securities and Investment Board's review of pension transfers, organisations within the industry have made provisions for future liabilities and costs which they expect to incur. The Group has been involved through its member firms in business of this nature. Following the regulator's announcement to revise a key factor used by the industry to calculate investor compensation, the Group has, in common with other organisations throughout the industry, extended its timetable for completing the project. The Directors have estimated that an additional charge of £1,500,000 (note 3) is required to complete the review. Amounts recoverable of £1,282,000 are included within trade debtors (note 13). The Group remains highly committed to completing the exercise as soon as possible in accordance with the high priority it places on this issue.

17 Called Up Share Capital

	2000 Number	2000 £'000	1999 Number	1999 £'000
Authorised:				
Ordinary shares of 5p each	**100,000,000**	**5,000**	100,000,000	5,000
Allotted, called up and fully paid:				
Ordinary shares of 5p each	**49,833,413**	**2,491**	45,223,917	2,261

The following changes to the share capital of the Company have taken place during the year:

Ordinary shares of 5p each	Number of shares	Subscription price pence	Consideration received £'000
In issue at beginning of year	**45,223,917**		
Options exercised	**120,000**	99.0	119
Placing and open offer	**4,489,496**	230.0	9,738
	4,609,496		9,857
In issue at end of year	**49,833,413**		

The placing and open offer raised £10,326,000 prior to expenses of £588,000. The options were exercised by current and ex-employees of the Group. No director exercised options in the year.

The following options were outstanding in respect of the Company's ordinary shares at 31 March 2000:

	Number of shares	Nominal value of shares £	Subscription price pence	Date normally exercisable
DBS Management plc Unapproved Share Option Scheme	75,000	3,750	14.5	1996 to 2000
DBS Management 1995 Approved Share Option Scheme	20,000	1,000	99.0	1999 to 2006
	36,036	1,802	200.0	2001 to 2008
	62,992	3,150	190.5	2002 to 2009
	55,944	2,797	214.5	2002 to 2009
DBS Management 1995 Unapproved Share Option Scheme	63,964	3,198	200.0	2001 to 2005
	100,000	5,000	200.0	2002 to 2005
	200,000	10,000	200.0	2003 to 2005
	337,008	16,850	190.5	2002 to 2009
	144,056	7,203	214.5	2002 to 2009
DBS Management plc Savings-Related Share Option Scheme	196,806	9,840	167.5	2003 to 2003
	99,097	4,955	167.5	2005 to 2005

18 Reserves

	Group £'000	Company £'000
Profit and loss account:		
At beginning of year	**2,905**	**742**
Retained profit for the financial year	**1,147**	**864**
At end of year	**4,052**	**1,606**
Share premium account:		
At beginning of year	**1,813**	**1,813**
Arising during the year	**9,627**	**9,627**
At end of year	**11,440**	**11,440**

The total amount of goodwill written off against the profit and loss reserves is £5,432,000 (1999: £5,432,000).

19 Reconciliation of Movements in Group Equity Shareholders' Funds

	2000 £'000	1999 £'000
Profit for the financial year	**3,565**	5,086
Dividends	**(2,418)**	(2,261)
	1,147	2,825
Exchange rate translation differences on foreign currency net investments	**—**	(13)
Goodwill arising from purchase of business	**—**	(1,600)
Issues of ordinary shares	**9,857**	102
Net increase in equity shareholders' funds	**11,004**	1,314
Equity shareholders' funds at beginning of the year	**6,979**	5,665
Equity shareholders' funds at end of the year	**17,983**	6,979

20 Contingencies and Commitments

The Group and Company have commitments for capital expenditure as follows:

	2000		1999	
	Group £'000	Company £'000	Group £'000	Company £'000
Contracted for, but not included in the Financial Statements	**24**	**—**	—	—

20 Contingencies and Commitments (continued)

Annual commitments under operating leases are as follows:

	2000		1999	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Group				
Expiring within one year	**—**	**70**	—	43
Between two and five years	**151**	**295**	61	269
In over five years	**—**	**—**	46	—
	151	**365**	107	312
Company				
Expiring within one year	**—**	**10**	—	11
Between two and five years	**44**	**10**	—	31
	44	**20**	—	42

As more fully described in the Review of Operations on page 8, the Board believes that the decision reached by the FSA to conduct an industry-wide review into the sale of free-standing additional voluntary contributions (FSAVC) products will result in additional exceptional costs in the future. Nevertheless, it is a widely held belief in the industry, that given the proportion of sales of FSAVC relative to personal pensions, the scale of the proposed review will be significantly less than that of the Pensions Review. The FSA proposes to make available an industry database ("the review database") of cases requiring review. Such a database, if complete and classified as intended, would alleviate the difficulties of population identification and data gathering and would substantially reduce the cost of the proposed review. This cost will therefore be dependent on the extent to which the review database will be available, which is outside the Group's control, and on the number of cases requiring review. These uncertainties give rise to a range of possible outcomes which could vary significantly.

No charge in respect of the proposed review is included in the reported profit for the year ended 31 March 2000 because the Board considers that at one end of the range the Group could suffer no material net loss and because it does not believe that any meaningful estimate of the future net cost of the proposed review within this range can be made at this stage. At the other end of the range, if the review database is not delivered as proposed or the number of cases to be reviewed increases beyond the level currently anticipated then future provision for the costs of this review may be required and these could be significant. Furthermore, in the light of the Group's risk management procedures, no losses other than those associated with the conduct of the review are expected to arise. As with the Pensions Review, the Board is committed to the quick resolution of its regulatory undertakings and will endeavour to put into place project plans to complete this review as soon as requirements are clarified.

21 Related Party Transactions

The Group leases accommodation owned by Bank Court Limited, a company in which Mr K. E. Davy has a beneficial interest. The rental payable on the property is £44,150 per annum and is based on commercial at-arms-length market rates. As at 31 March 2000, there were no outstanding amounts due to or receivable from Bank Court Limited.

During the year ended 31 March 2000 NDF Administration Limited paid commission totalling £1,067,000 (1999: £778,000) to DBS Financial Management PLC. This was shared with member firms of DBS Financial Management PLC in accordance with normal commission sharing arrangements. There was no debtor or creditor with either NDF Administration Limited or New Direction Finance Limited at the year end.

Group Directory

DBS Trading Companies
Principal Offices

DBS Management plc
Independence House
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Huddersfield HD3 3HN
Tel: 01484 422224
Fax: 01484 510242
http://www.dbsmanagement.plc.uk
Company Registration Number: 1451043

DBS Financial Management PLC
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Tel: 01484 422224
Fax: 01484 455494
http://www.dbsfinancialmanagement.plc.uk

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DBS Mortgage Services Ltd
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