

Company Registration No. 2788181 (England And Wales)

DST Output (London) Limited
(formerly Innovative Output Solutions (London) Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011



DST Output (London) Limited

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DST Output (London) Limited
DIRECTOR AND ADVISORS

Director	G Givens
Company Registration Number	2788181
Registered office	Evolution House Choats Road Dagenham Essex RM9 6BF
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors The Atrium, 1 Harefield Road, Uxbridge, Middlesex, UB8 1EX
Bankers	Lloyds TSB Bank plc 25 Gresham Street, London, E2CV 7HN

DST Output (London) Limited

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The director presents his report and audited financial statements of the company for the year ended 31 December 2011

Directors

The following directors have held office during the year and to the date of signing these financial statements

M Felstead (resigned 11 January 2012)

G Givens (appointed 11 January 2012)

Principal activities

DST Output (London) Limited (previously Innovative Output Solutions

(London) Limited) provides a diverse range of services in the processing of data, printing, mailing, distribution and the distribution of information via the Internet

Business review

The results for the company show a pre-tax loss of £5.5 million (eighteen month period to December 2010 £8.6 million) for the year and turnover of £71.9 million (eighteen month period to December 2010 £109.1 million). The director has proposed and paid a dividend of £nil (eighteen month period to December 2010 £nil).

DST Output (London) Limited

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Key Performance Indicators

Management uses a range of performance measures to monitor and manage the business. Our KPIs measure past performance and also provide information to allow us to manage the business. Turnover and operating profit indicate the volume of work and its profitability. KPIs for 2011 are shown in the table below, along with prior year comparatives.

	2011 £000	2010 £000	change £000/%
Turnover	71,867	109,097	(37,230)
Turnover per employee	99	158	(59)
No of employees (FTE)	725	689	5.2%
Gross profit	32,434	51,980	(19,546)
Gross Margin	45.1%	47.6%	(2.5%)
Operating loss	(5,108)	(4,811)	(297)

The significant changes across all the KPIs in the current financial period relate to the 2010 period being 18 months, whilst the 2011 period is for 12 months.

Principal risks and uncertainties

As part of the Innovative Output Solutions Limited group, the management of risks attributable to the company is undertaken on a group wide basis.

The group's operations expose it to a variety of financial risks. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of risk and the related finance costs.

Price risk

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of continually managing exposure to commodity price risk exceeds any significant potential benefits. The risk is mitigated due to the ongoing centralisation of the group procurement team and also certain inputs being rechargeable directly to clients. The directors of the group will revisit the appropriateness of this policy should the group's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The group is exposed to customer credit risk through continuing uncertainty in the economy. The group has implemented policies that require appropriate credit checks on potential customers before work is undertaken. Additionally any significant increases in activity on existing clients will result in a reassessment of their credit risk.

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance through term loans, confidential invoice discounting facility and intercompany funding through the support of its parent company. These measures are designed to ensure the company has sufficient available funds for operations and planned expansions.

DST Output (London) Limited
DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

Interest rate risk

The group has interest bearing assets and liabilities. All intercompany liabilities carry a fixed interest rate. All external liabilities include a variable element within their interest rate. This variable rate is not currently hedged as this is currently deemed low risk. The directors of the group will revisit the appropriateness of this policy should the market change significantly.

Foreign currency risk

The majority of the group's customers and suppliers are in the United Kingdom. The foreign currency exposure arising from this small proportion of foreign currency customers and suppliers is deemed low risk by the directors. The directors of the group will revisit the appropriateness of this policy should the group's operations change in size or nature.

Research & Development

The director regards the investment in research and development as integral to the continuing success of the business and ensuring that we remain in the forefront in our industry.

Investment in New Equipment

To ensure that the group continues to deliver the quality and speed of service that our customers require, the group will continue to keep abreast and to invest in new technology to meet their requirements.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters that affect them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to other employees.

Charitable and Political Donations

The company made no political donations (2010 - nil). During the year the company made charitable donations totalling £1,000 (2010 - £2,738).

Creditor payment policy

The company's current policy concerning the payment of its creditors is to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. The company continues to review payment terms and it is a strategic objective to improve terms on an ongoing basis. Creditor days at 31 December 2011 were 75 days (2010 - 58 days).

Directors' Indemnities

DST Systems Inc maintains liability insurance for its directors. For the purposes of the Companies Act 2006, DST Systems Inc provides indemnity insurance for its directors and company secretary for qualifying third party provisions.

DST Output (London) Limited

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Post Balance Sheet event

In June the name of the company was changed from Innovative Output Solutions (London) Limited to DST Output (London) Limited, this change was made to align the company with its' UK and ultimate parent

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and are deemed to be reappointed under Section 487(2) of the Companies Act 2006

Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

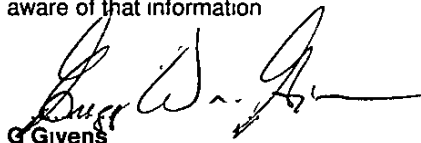
Company law requires the directors to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- the financial statements have been prepared under applicable UK Accounting Standards, where there is any material departure it is disclosed and explained in the financial statement, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the director has taken all the necessary steps that they ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information



G Givens
Director

Date 13/08/12

DST Output (London) Limited

Independent Auditors' Report to the Members of DST Output (London) Limited

We have audited the financial statements of DST Output (London) Limited for the year ended 31 December 2011 which comprise of the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DST Output (London) Limited
Independent Auditors' Report to the Members of DST Output (London)
Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jaskamal Sarai (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

13/08/12

DST Output (London) Limited

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year ended 2011 £000	18 month period ended 31 December 2010 £000
Turnover	2	71,867	109,097
Cost of sales		(39,432)	(57,117)
Gross profit		32,435	51,980
Administrative expenses		(37,548)	(56,978)
Other operating income		5	187
Operating loss	3	(5,108)	(4,811)
Loss on sale of tangible assets		(114)	(1,973)
Loss on ordinary activities before interest		(5,222)	(6,784)
Investment income	4	140	320
Interest payable and similar charges	5	(373)	(2,087)
Loss on ordinary activities before taxation		(5,455)	(8,551)
Tax on loss on ordinary activities	6	1,464	1,822
Loss for the financial period	19	(3,991)	(6,729)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented

There are no material differences between the loss on ordinary activities before taxation and the loss for the period stated above and their historical cost equivalents

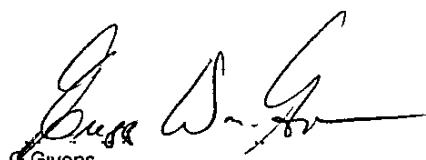
DST Output (London) Limited

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 £'000	£'000	2010 £'000	£'000
Fixed assets					
Intangible assets	9		5,123		5,518
Tangible assets	10		9,372		13,172
Investments	11		1		2
			<hr/>		<hr/>
			14,496		18,692
Current assets					
Stocks	12	984		766	
Debtors	13	22,760		20,835	
Cash at bank and in hand		82		357	
		<hr/>		<hr/>	
		23,826		21,958	
Creditors amounts falling due within one year	14	(46,485)		(41,129)	
		<hr/>		<hr/>	
Net current liabilities			(22,659)		(19,171)
Total assets less current liabilities			<hr/> (8,163)		<hr/> (479)
Creditors amounts falling due after more than one year	15		(1,200)		(4,779)
Provisions for liabilities	16		(1,584)		(1,698)
			<hr/>		<hr/>
Net Liabilities			(10,947)		(6,956)
Capital and reserves			<hr/>		<hr/>
Called up share capital	18		30		30
Other reserves	19		839		839
Profit and loss account	19		(11,816)		(7,825)
			<hr/>		<hr/>
Total Shareholders' deficit	20		(10,947)		(6,956)
			<hr/>		<hr/>

The notes on pages 10 to 25 form part of the financial statements

Approved by the Board and authorised for issue on 13/08/12


G Givens
Director

Company Registration No. 2788181

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DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

Accounting convention and comparative figures

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The principal accounting policies have been applied consistently and are disclosed below. During the period to 31 December 2010 the company changed its accounting reference date from 30 June to 31 December, resulting in the comparative figures included in these financial statements reflecting an eighteen month period.

Going concern

The directors have concluded that it is appropriate to prepare the financial statements on a going concern basis in accordance with the Companies Act 2006 because its ultimate parent company, DST Systems Inc., has given a written undertaking that it will continue to support the company for at least the next 12 months after signing to allow it to meet its liabilities as they fall due. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The company is a subsidiary undertaking of its ultimate parent DST Output Limited (previously Innovative Output Solutions Limited) a company incorporated in 2010 and registered in England and Wales. The company and its subsidiaries are included in the consolidated financial statements of DST Output Limited, which are publically available. Therefore, the company has taken advantage of the exemption in s400 of the Companies Act 2006 and has not prepared consolidated financial statements.

Cash flow statement and related party transactions

The company is a wholly owned subsidiary of DST Output Limited (previously Innovative Output Solutions Limited) and is included in the consolidated financial statements of DST Output Limited, which are publically available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under FRS1 revised 1996. The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the DST Output Limited group or investees of the group. For details of other related party transactions see note 24.

Turnover Recognition

Turnover represents amounts receivable for goods and services net of VAT and discounts.

Print-mail

Turnover is recognised based upon the number of packages or items printed and delivered to or mailed on behalf of clients.

Services

If development and consulting services are provided on a time and materials basis the turnover arising therefrom is recognised as the services are provided. If such services are provided under a fixed price contract then turnover is recognised on a percentage of completion basis.

Real Estate

Rental income, in respect of operating leases, is recognised as turnover in the profit and loss account evenly over the period to which it relates.

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

Deferred income on contracts

Deferred income represents items billed in advance for periods of up to 12 months or items which do not yet fulfil the turnover recognition criteria

Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the separable net assets of the business acquired. Acquired goodwill is amortised in equal annual instalments over its estimated useful economic life of twenty years. Goodwill is reviewed annually for impairment. Any impairment is recognised immediately in the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life.

Assets being depreciated on a straight line basis except for motor vehicles, computers, office equipment & furniture and production machinery which are calculated on either accelerated methods of depreciating assets or straight line basis. The assets are depreciated over the following periods:

Land and buildings leasehold	shorter of the remaining lease period or 10 years
Plant and machinery	4 - 7 years
Fixtures, fittings & equipment	3 - 5 years
Computer equipment	2 - 3 years
Motor vehicles	3 - 5 years

Impairment

The company performs impairment reviews in respect of tangible fixed assets and intangible assets where events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised when the receivable amount of an asset, which is the higher for an asset is net realisable value and its value in use, is less than its carrying amount.

Capital risk management

Capital risk is monitored by the DST Output Limited (previously Innovative Output Solutions Limited) group management. The group's objectives when managing capital are to safeguard its ability to continue as a going concern and maintain an optimal capital structure to minimise the cost of capital. This is undertaken through changes made to the underlying debt structures within the group and, where appropriate, issuing shares or selling assets to reduce debt.

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

Leasing commitments

Assets obtained under finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Stock and work in progress

Stock comprising raw materials, consumables and work in progress are valued at the lower of cost and net realisable value, after allowance for obsolete and slow moving items. Provision is made where necessary for obsolete and slow moving and defective stocks.

Work in progress is valued on the basis of direct costs based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

Reverse lease premium

Amounts received as an incentive to enter into operating leases are capitalised and amortised through the profit and loss account on a straight line basis over the shorter of the period up to the date of the first rent review or the expiry of the lease itself

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue during the period. Actual results could differ from these estimates

Provisions

Provisions are recognised where the group is deemed to have a legal or constructive obligation, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made

Provisions for dilapidations represent the estimated cost of repairs required under all current property rentals prior to the end of the lease term

Provision for onerous leases relates to vacant properties held by the group under operating leases. The provision recognised represents the least cost of exiting by contract offset by any expected benefits expected to be received under it

Any provision for impairment of trade debtors is established where there is evidence that the group will not be able to collect all amounts due. The provision is determined by reference to previous experience of collectability relevant to specific customer

2 Turnover

The turnover of the company for the year has been derived from its principal activity as follows -

<i>By destination</i>	Year ended 31 December 2011 £000	18 month period ended 31 December 2010 £000
United Kingdom	67,207	102,769
Europe	2,220	2,343
Rest of World	2,440	3,985
All turnover originates in the United Kingdom	<u>71,867</u>	<u>109,097</u>

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

3	Operating loss	Year ended 31 December 2011 £000	18 month period ended 31 December 2010 £000
	Operating loss is stated after charging		
	Amortisation of goodwill	395	639
	Depreciation of tangible assets - owned	3,250	2,773
	Depreciation of tangible assets - leased	471	1,762
	Operating lease rentals - plant and machinery	2,389	3,753
	Operating lease rentals - other	2,759	4,720
	Loss on foreign exchange transactions	35	66
	Impairment of fixed assets	-	1,379
	Services provided by the company's auditor		
	Fees payable for the audit	99	65
	Fees payable for other services – taxation	75	17
		<hr/>	<hr/>
4	Investment income	Year ended 31 December 2011 £000	18 month period ended 31 December 2010 £00
	Dividends received from joint ventures and associates	140	320
		<hr/>	<hr/>
		140	320
		<hr/>	<hr/>
5	Interest payable and similar charges	Year ended 31 December 2011 £000	18 month period ended 31 December 2010 £000
	Bank loans and overdrafts	-	1,290
	Finance lease interest	356	782
	Other interest	17	15
		<hr/>	<hr/>
		373	2,087
		<hr/>	<hr/>

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

6 Tax on loss on ordinary activities

	Year ended 31 December 2011 £000	18 month period ended 31 December 2010 £000
Current period tax		
Tax credit	(550)	(236)
Adjustment for prior year	40	(97)
	<hr/> (510)	<hr/> (333)
Deferred tax		
Deferred tax credit	(1,047)	(1,489)
Adjustment in respect of prior years	28	-
Impact of change in tax rate	65	-
	<hr/> (1,464)	<hr/> (1,822)
Tax on loss on ordinary activities	<hr/> <hr/> (1,464)	<hr/> <hr/> (1,822)
Factors affecting the tax charge for the period		
The tax assessed for the period is higher (2010 higher) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below		
Loss on ordinary activities before taxation	(5,455)	(8,551)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.50% (2010 – 28.00%)	(1,446)	(2,394)
	<hr/> (1,446)	<hr/> (2,394)
Effects of		
Expenses not deductible for tax	(178)	344
Depreciation in excess of capital allowances	957	1,116
Non taxable group income	(37)	(89)
Tax losses carried forward	274	176
Other timing differences	(119)	611
Adjustment in respect of prior year	39	(97)
	<hr/> 936	<hr/> 2,061
Current tax charge	<hr/> <hr/> (510)	<hr/> <hr/> (333)

Factors which may affect future tax charges

During the year, as a result of the change in the UK main Corporation tax rate from 28% to 26% that was substantively enacted on 29 March 2011 and was effective from 1 April 2011, the relevant deferred tax balances have been re-measured

In addition to this change in the rate of Corporation tax, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement, with the Corporate tax rate reducing to 24% from 1 April 2012. Further reductions to reduce the main rate by 1% per annum to 22% by 1 April 2014 are proposed. As none of these expected rate reductions had been substantively enacted at the balance sheet date the impact of these future changes is not included in these financial statements

The directors are of the opinion that the financial effect of these future rate reductions will not be significant

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

7 Directors' emoluments

Year ended 31 December 2011 £000	18 month period ended 31 December 2010 £000
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Emoluments for qualifying services

-	1,294
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Ten directors received emoluments for their services as directors to the company in the period to 8 September 2010. Following this date, all directors are remunerated through other group companies and no recharges were made. It is not possible to apportion the proportion of the remaining director's work that was performed for the company.

There are no directors for whom retirement benefits are accruing under money purchase pension schemes (2010 - nil).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services

-	206
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DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

8 Employees

Number of employees

The average monthly number of staff employed by the company during the financial period (including directors) amounted to

	Year ended 31 December 2011 Number	18 month period ended 31 December 2010 Number
Administrative staff	163	138
Sales staff	15	14
Operations staff	547	537
	725	689

Employment costs

	£'000	£'000
Wages and salaries	22,767	33,679
Social security costs	2,255	2,898
Other pension costs	203	205
	25,225	36,782

9 Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2011	7,410
Additions	-
	7,410
At 31 December 2011	7,410
Amortisation	
At 1 January 2011	1,892
Charge for the year	395
	2,287
At 31 December 2011	2,287
Net book value	
At 31 December 2011	5,123
At 1 January 2011	5,518

Intangible assets represent goodwill arising on acquisitions

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

10 Tangible fixed assets

	Leasehold Land and Buildings £000	Plant and Machinery £000	Fixtures and Fittings £000	Computer Equipment £000	Motor Vehicles £000	Total £000
Cost						
At 1 January 2011	5,729	14,577	667	1664	1,037	23,674
Reclassification	-	(83)	83	-	-	-
Additions	3	514	32	784	-	1,333
Transfer to fellow group undertaking	-	(2,569)	-	-	-	(2,569)
Disposals	(2)	(434)	(4)	(24)	(158)	(622)
At 31 December 2011	5,730	12,005	778	2,424	879	21,816
Accumulated depreciation						
At 1 January 2011	1,469	7,040	419	990	584	10,502
Reclassification	-	(71)	71	-	-	-
Charge for the period	619	2,275	108	551	168	3,721
Transfer to fellow group undertaking	-	(1,414)	-	-	-	(1,414)
Disposals	(1)	(229)	(3)	(21)	(111)	(365)
At 31 December 2011	2,087	7,601	595	1,520	641	12,444
Net book value						
At 31 December 2011	3,643	4,404	183	904	238	9,372
At 1 January 2011	4,260	7,537	248	674	453	13,172

Included above are assets held under finance leases contracts as follows

	Plant and machinery £000
Net book values	
At 31 December 2011	1,103
At 1 January 2011	7,522
Depreciation charge for the year	
To 31 December 2011	471
To 31 December 2010	1,762

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

11 Fixed asset investments

	Shares in group undertakings £000	Total £000
Cost		
At 1 January 2011	4,316	4,316
Disposal	(1)	(1)
	<hr/>	<hr/>
At 31 December 2011	4,315	4,315
	<hr/>	<hr/>
Provisions for diminution in value		
At 1 January and 31 December 2011	4,314	4,314
	<hr/>	<hr/>
Net book value		
At 31 December 2011	1	1
	<hr/>	<hr/>
At January 2011	2	2
	<hr/>	<hr/>

During the year the company disposed of Colourworks Ltd and Clickonprint com Ltd

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held Class	%	Nature of Business
Subsidiary undertakings				
Directly held:				
IOS Business Couriers Limited	England and Wales	Ordinary shares	75	Courier services
dsi Nexdax Limited	England and Wales	Ordinary shares	100	Dormant
Participating interests				
Joint ventures				
dsi Billing Services Limited	England and Wales	Ordinary shares	50	Billing and service providers
Associates				
European Direct Mail Specialists Limited	England and Wales	Ordinary shares	50	Mailing and delivery services
Response Handling Centre Limited	England and Wales	Ordinary shares	34	Administration Support for Fundraising companies

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

12	Stocks and work in progress	2011 £000	2010 £000
	Raw materials and consumables	439	747
	Work in progress	545	19
		984	766
		984	766

The replacement cost of raw materials and consumables is not materially different from the amounts stated above

13	Debtors	2011 £000	2010 £000
	Trade debtors	7,859	12,513
	Amounts owed by parent and fellow subsidiary undertakings	7,927	5,978
	Amounts owed by joint ventures and associates	724	354
	Other debtors	304	94
	Prepayments and accrued income	4,195	1,080
	Corporation tax	-	18
	Deferred tax asset (note 16)	1,751	798
		22,760	20,835
		22,760	20,835

Gross trade debtors are subject to the company's invoice discounting facility and amount to £7,877,008 (2010 £10,484,461) after allowing for disallowed items

Amounts owed by parent and fellow subsidiary undertakings and by participating interests are unsecured, repayable on demand and do not bear any interest

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

14	Creditors: amounts falling due within one year	2011	2010
		£000	£000
	Trade creditors	3,571	4,815
	Amounts owed to parent and fellow subsidiary undertakings	30,373	20,997
	Amounts owed to joint ventures and associates	-	266
	Other taxes and social security costs	768	1,677
	Other creditors	770	2,448
	Accruals and deferred income	6,350	6,179
	Deferred bonus scheme	911	986
	Capital grant	144	113
	Confidential invoice discounting facility	3,287	1,705
	Net obligations under finance lease	311	1,943
		<hr/>	<hr/>
		46,485	41,129
		<hr/>	<hr/>

The confidential invoice discounting facility is secured in relation to the trade debtors of the company (subject to a maximum 85% of gross debtors) and is repayable on demand. It attracts interest at Bank of England base rate plus 2% per annum.

Amounts owed to parent and fellow subsidiary undertakings are unsecured, repayable on demand and do not bear any interest.

15	Creditors: amounts falling due after more than one year	2011	2010
		£000	£000
	Other creditors	-	239
	Deferred bonus scheme	437	1,111
	Capital grant	500	550
	Net obligations under finance lease	263	2,879
		<hr/>	<hr/>
		1,200	4,779
		<hr/>	<hr/>

Future commitments under finance lease agreements are as follows:

	2011	2010
	£000	£000
Amounts payable within one year	311	1,943
Amounts payable between one and two years	263	2,879
	<hr/>	<hr/>
	574	4,822
	<hr/>	<hr/>

A number of finance leases were extinguished in the year.

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

16 Provisions for liabilities and charges

	Deferred tax asset £'000	Dilapidations £'000	Onerous Leases £'000	Total £'000
Balance at 1 January 2011	(798)	1,176	522	900
Profit and loss account	(953)	(358)	244	(1,067)
	(1,751)	818	766	(167)
Included within debtors (note 13)	1,751	-	-	1,751
Balance at 31 December 2011	-	818	766	1,584

Analysis of provisions

Provisions, (excluding deferred taxation), are expected to materialise as follows

	Dilapidations Leases £000	Onerous leases £000	Total £000
Within one year	124	766	890
Between one and two years	125	-	125
Between three and five years	374	-	374
More than five years	195	-	195
	818	766	1,584

The deferred tax asset is made up as follows:

	2011 £'000	2010 £'000
(Decelerated) / Accelerated capital allowances	(1,024)	549
Tax losses	(614)	(753)
Other timing differences	(113)	(594)
	(1,751)	(798)

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

17 Pension

	Year ended 31 December 2011	18 month period ended 31 December 2010
Defined contribution		
	£000	£000
Contributions payable by the company for the period	203	205
	<u> </u>	<u> </u>

18 Called up share capital

	2011 £000	2010 £000
Allotted and fully paid		
29,906 (2010 29,906) Ordinary shares of £1 each	30	30
	<u> </u>	<u> </u>

19 Statement of movements on reserves

	Other Reserves (see below) £000	Profit and loss account £000
Balance at 1 January 2011	839	(7,825)
Loss for the financial period	-	(3,991)
	<u> </u>	<u> </u>
Balance at 31 December 2011	839	(11,816)
	<u> </u>	<u> </u>
Other reserves		
Capital redemption reserve		
Balance at 1 January & 31 December 2011	8	
	<u> </u>	
Merger Reserve		
Balance at 1 January & 31 December 2011	831	
	<u> </u>	

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

20	Reconciliation of movements in shareholders' deficit	2011 £'000	2010 £'000
	Opening shareholders' deficit	(6,956)	(227)
	Loss for the financial period	(3,991)	(6,729)
	Closing shareholders' deficit	(10,947)	(6,956)

21 Contingent liabilities

The company is a participant in a group banking arrangement in relation to dsicmm Group Limited under which the company has issued an unlimited guarantee to the bank, under the terms of a fixed and floating charge, to support this group facility

22 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

	Land and buildings		Other	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Operating leases which expire				
Within one year	160	104	1,012	1,909
Between two and five years	214	192	1,193	1,331
In over five years	1,984	2,226	-	-
	2,358	2,522	2,205	3,240

DST Output (London) Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

23 Control

The company's immediate parent undertaking is dsicmm Group Limited, a company registered in England and Wales

The ultimate parent undertaking and controlling party is DST Systems Inc a company incorporated in the USA

DST Output Limited (previously Innovative Output Solutions Limited) is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of DST Output Limited can be obtained from Evolution House, Choats Road, Dagenham, Essex, RM9 6BF

DST Systems Inc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of DST Systems Inc are available from 333 W 11th Street, Kansas City, Missouri, 64105-1594 USA

24 Related party transactions

The related party transactions undertaken in the period are as follows

		2011 £	2010 £
Fellow subsidiaries:			
IOS Business Couriers Limited (75%)	Sales	245,050	378,550
	Purchases	(926,146)	(1,654,774)
	Management charges	57,956	80,413
Joint ventures and associates:			
dsi Billing Services Limited	Sales	863,351	1,081,293
	Purchases	(6,526)	(37,754)
	Management charges	86,687	(73,892)
	Dividend received	140,000	320,000
European Direct Mailing Services Limited	Sales	801,776	977,212
	Management charges	35,000	-
Response Handling Centre Limited	Sales	30,684	3,570

The following balances were owed to / (owed by) the company at the period end

IOS Business Couriers Limited	(1,364,702)	(361,375)
dsi Billing Services Limited	186,392	(266,196)
European Direct Mailing Services Limited	519,929	348,325
Response Handling Centre Limited	17,390	5,799