

REGISTERED NO. 02381880

PORTFOLIO MANAGEMENT SOFTWARE LTD

REPORT AND ACCOUNTS

FOR THE YEAR TO 31ST DECEMBER 1997



PORTFOLIO MANAGEMENT SOFTWARE LTD

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PORTFOLIO MANAGEMENT SOFTWARE LIMITED

REPORT OF THE DIRECTORS

The Directors present their annual report and the accounts of the Company for the year to 31st December 1997, which were approved by the Directors on 22nd October 1998.

PRINCIPAL ACTIVITY

The Company was largely dormant during this period. Any activity was primarily concerned with winding down the company following the transfer of its business to its ultimate UK parent company, DST International Limited.

RESULTS AND DIVIDEND

The results for the year are set out in the attached accounts.

No dividends were paid during the year (1996: nil). The directors do not recommend the payment of a final dividend. The Company's profit for the year after tax was £14,240 (1996: £73,000) and will be set off against the accumulated deficit on the profit and loss account.

DIRECTORS

The directors who served at the date of this report or during the year were:

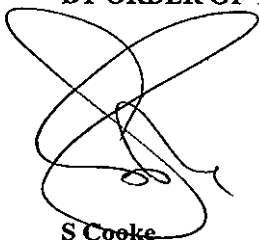
J M Winn

At 31st December 1997, the director has no interest in the shares of the company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and a resolution to reappoint them will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD



S Cooke
Company Secretary
Date: 22nd October 1998

PORTFOLIO MANAGEMENT SOFTWARE LIMITED

DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the report of the auditors set out on page 5 is made to advise shareholders on the relative responsibilities of the directors and of the auditors in respect of the financial statements.

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 of the profit or loss of the Company for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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.

**AUDITORS' REPORT TO THE MEMBERS OF
PORTFOLIO MANAGEMENT SOFTWARE LIMITED**

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

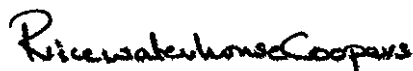
BASIS OF OPINION

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 Company's circumstances, 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 the affairs of the Company at 31st December 1997 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.



PRICEWATERHOUSECOOPERS

**Chartered Accountants
and Registered Auditors**

London

Date: 22nd October 1998

PORTFOLIO MANAGEMENT SOFTWARE LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1997

		Year to 31 December 1997	Year to 31 December 1996
		£000	£000
Turnover	2	7	-
Cost of Sales		-	-
Gross Profit		7	-
Administration Expenses		-	77
Operating Profit		7	77
Other interest receivable and similar income		7	1
Profit on ordinary activities before taxation	5	14	78
Tax on ordinary activities	6	-	(5)
Profit on ordinary activities after taxation		14	73

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profit and loss for the above financial periods.

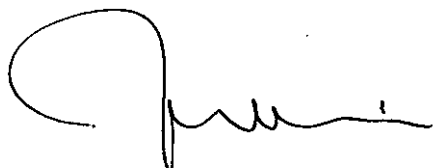
The notes on pages 8 to 11 form part of these financial statements.

PORTFOLIO MANAGEMENT SOFTWARE LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1997

		31 December 1997		31 December 1996	
		£000	£000	£000	£000
Current Assets:					
Debtors	7	507		728	
Cash at bank and in hand		-		3	
		<u>507</u>		<u>731</u>	
Creditors: Amounts falling due within One year					
	8	<u>(1)</u>		<u>(239)</u>	
Net Current Assets			<u>506</u>		<u>492</u>
Total Assets Less Current Liabilities			<u><u>506</u></u>		<u><u>492</u></u>
Capital and Reserves:					
Called up share capital	9	600		600	
Share premium	10	37		37	
Profit and loss account	10	<u>(131)</u>		<u>(145)</u>	
Shareholders' Funds (equity interests)	11		<u><u>506</u></u>		<u><u>492</u></u>

These accounts were approved by the directors on 22nd October 1998



J M Winn

Director

Date: 22nd October 1998

The notes on pages 8 to 11 form part of these financial statements.

PORTFOLIO MANAGEMENT SOFTWARE LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Convention

These accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied consistently to items considered material in relation to the Company's accounts.

The Company is a wholly owned subsidiary of DST Systems Inc. and is included in the consolidated financial statements of DST Systems Inc. which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions (but not balances) with entities that are part of the DST Systems Inc. group.

(b) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Any gains or losses are taken to the profit and loss account.

(c) Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and value added tax.

(d) Software maintenance agreements

All support fees invoiced to clients are recognised as revenue evenly over the period that they apply to. The unrecognised portion is held as deferred income under current liabilities.

(e) Tangible fixed assets and depreciation

Depreciation is calculated on all tangible fixed assets to write down their cost to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Computer equipment	3 years
Office furnishings and equipment	5 years

(f) Leased Assets

The cost of operating leases are charged to the profit and loss account as they accrue.

(g) Implementation credits

An implementation credit is deducted from licence fees invoices where an amount of implementation time has been included in the licence contract free of charge. The income is then recognised as revenue when earned.

PORTFOLIO MANAGEMENT SOFTWARE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

2. TURNOVER

The turnover attributable to 1997 was generated in the UK.

3. STAFF NUMBERS AND COSTS

There were no persons employed by the Company during the year.

The average number of persons employed by the group (including directors) during the year was:

	Year to 31 December 1997	Year to 31 December 1996
Analysts/Programmers	nil	nil
Administration/Sales	nil	nil
	<u>nil</u>	<u>nil</u>

There were no payroll costs for the year

	Year to 31 December 1997	Year to 31 December 1996
Wages and salaries	-	(72)
Social security costs	-	-
Pension costs	-	-
	<u>-</u>	<u>(72)</u>

4. DIRECTORS' EMOLUMENTS

The director did not receive any emoluments (1996: £nil) for his services to the company.

5. PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/Loss on ordinary activities before taxation is arrived at after charging:

	Year to 31 December 1997 £000	Year to 31 December 1996 £000
Management Fee	-	-
Depreciation	-	12
Auditors' remuneration	-	-
Directors' emoluments	-	-

The auditors' remuneration is borne by another group company.

PORTFOLIO MANAGEMENT SOFTWARE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

6 TAXATION

	Year to 31 December 1997 £000	Year to 31 December 1996 £000
Current period @ 33%	-	-
Prior period	-	5
	<u>-</u>	<u>5</u>

7. DEBTORS

	31 December 1997 £000	31 December 1996 £000
Amounts due from group undertakings	507	593
Corporation tax	-	135
	<u>507</u>	<u>728</u>

The amounts due from group undertakings are non-interest bearing.

8. CREDITORS: amount falling due within one year

	31 December 1997 £000	31 December 1996 £000
Other creditors	1	19
Amounts due to group undertakings	-	220
	<u>1</u>	<u>239</u>

9. SHARE CAPITAL

	31 December 1997 £000	31 December 1996 £000
Authorised		
900,000 ordinary shares of £1 each	900	900
100,000 non-voting ordinary shares of £1 each	100	100
	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
600,000 ordinary shares of £1 each	<u>600</u>	<u>600</u>

PORTFOLIO MANAGEMENT SOFTWARE LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

10. RESERVES

	Share Premium Account £000	Profit and Loss Account £000
At 1 st January 1997	37	(145)
Profit for the year	-	14
At 31 st December 1997	<u>37</u>	<u>(131)</u>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS

	£000
Shareholders' funds as at 1 st January 1997	492
Profit for the year	<u>14</u>
Shareholders' funds as at 31 st December 1997	<u>506</u>

12. FINANCIAL COMMITMENTS

(a) Operating leases

At 31st December 1997, the company had no annual commitments (1996 commitments of £938) under a non-cancellable operating lease.

(b) Future capital expenditure

The company has no commitments for future capital expenditure.

13. CONTINGENT LIABILITIES

There are no contingent liabilities nor has the company issued any guarantees nor entered into any commitments which have not been reflected in these accounts.

14. PARENT COMPANY

The ultimate parent company is DST Systems Inc., a company incorporated in Kansas City, Missouri, USA. The group accounts can be obtained from 333 W, 11th Street, Kansas City, MO 64105-1594, USA.