DST Output (London) Limited

Report and Financial Statements

Year Ended

31 December 2015

Company Number 02788181

DST Output (London) Limited

Company Information

Director	G Givens
Registered number	02788181
Registered office	DST House St Marks Hill Surbiton Surrey KT6 4QD
Independent Auditors	PricewaterhouseCoopers LLP The Atrium 1 Harefield Road Uxbridge Middlesex UB8 1EX
Bankers	Lloyds Bank plc 1 Claremont Road Surbiton Surrey KT6 4QS

DST Output (London) Limited

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Introduction

The Director presents his Strategic Report of DST Output (London) Limited for the year ended 31 December 2015.

Business review

The results for the company show a profit on ordinary activities before taxation of £13.4 million (2014 - £10.8 million profit) and turnover of £98 million (2014 - £88.9 million). The director has not proposed or paid a dividend in the current year (2014 - £Nil).

Key performance indicators

DST Output (London) Limited is a wholly owned subsidiary of DST Output Limited. DST Output (London) Limited is managed by the director in accordance with the strategies of its parent company, DST Output Limited. For this reason, the director believes that further key performance indicators for the company are not necessary or appropriate to understand the development, performance or position of the business. These strategies and key performance indicators are discussed in the company's parent's group strategies report which does not form part of this report.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of DST Output Limited, which include those of the company, are discussed in DST Output Limited group strategic report.

Environmental matters

The company recognises the importance of their environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates in accordance with ISO 14001 and are FSC accredited. Initiates aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Impact of the UK deciding to leave the European Union

The directors have considered the impact of the UK deciding to leave the European Union on 23 June 2016 and do not believe it will have a significant impact on the entity subsequent to the year end.

This report was approved by the board on 26/08/2016 and signed on its behalf by.

G Givens
Director

DST Output (London) Limited

Director's report
For the Year Ended 31 December 2015

The director presents his report and the financial statements for the year ended 31 December 2015.

Director's responsibilities statement

The director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless 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 period. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 him 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.

Principal activity

DST Output (London) Limited provides a range of services in the process of data, printing, mailing, distribution and the distribution of information via the internet.

Results and dividends

The profit for the year, after taxation, amounted to £10.9 million (2014 - £8.5 million).

Dividends are disclosed in the strategic report.

Director

The director who was in office during the year and up to the date of signing the financial statements was:

G Givens

Financial risk management

Price risk

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

Credit risk

The company is exposed to customer credit risk through continuing uncertainty in the economy. The company 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 company actively maintains debt finance through 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.

Interest rate risk

The company has no interest bearing assets and liabilities. All intercompany liabilities are interest free and currently deemed low risk. The director will revisit the appropriateness of this policy should the market change significantly.

Foreign currency risk

The majority of the company'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 director. The director of the company will revisit the appropriateness of this policy should the company's operations change in size or nature.

Investment in new equipment

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

Research and development activities

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.

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 group. 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 group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to other employees.

Strategy and future developments

The company will continue to focus on the implementation of a strong and stable platform to focus on its strategy of being a business partner to our customers by working alongside them to deliver cost effective and efficient client communication platforms and solutions.

Future developments will include the extension of the service offering of DST to include greater presence in the analysis and processing of data which in turn drives multichannel communication. Also considered of great importance is to develop new communication management solutions, which will meet the growing customer requirement in the UK for the manufacturers of output to be able to offer alternative solutions to traditional print management companies.

Director's indemnity

DST Systems Inc. maintains liability insurance for the director of DST Output (London) Limited. For the purpose of the Companies Act 2006, DST Systems Inc. provides indemnity insurance for the director and secretary of DST Output (London) Limited for the qualifying third party provisions. The indemnity insurance was in place for the whole period up to the date the financial statements were approved.

Statement of disclosure of information to auditors

The director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26/08/2016 and signed on its behalf by

G Givens
Director

DST Output (London) Limited

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

Report on the financial statements

Our opinion

In our opinion DST Output (London) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit 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.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2015;
- the Statement of comprehensive income for the year ended:
  the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, he has made assumptions and considered future events.

Opinions on matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of director's remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the director

As explained more fully in the Director's Responsibilities Statement, set out on page 2, 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 & Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the director's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Sarah Quinn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

Date: 26 August 2016

DST Output (London) Limited

Statement of comprehensive income
For the Year Ended 31 December 2015

	Note	2015 £000	As restated (i) 2014 £000
Turnover	3	**98,002**	88,872
Cost of sales		**(72,907)**	(66,572)
Gross profit		**25,095**	22,300
Distribution costs		**(1,239)**	(867)
Administrative expenses		**(11,077)**	(11,027)
Operating profit	4	**12,779**	10,406
Income from fixed assets investments		**600**	360
Profit on ordinary activities before taxation		**13,379**	10,766
Tax on profit on ordinary activities	8	**(2,495)**	(2,252)
Profit for the financial year		**10,884**	8,514

All amounts relate to continuing operations.

There were no other comprehensive income in 2015 or 2014.

(i) In 2015 the company reclassified payroll expenses to the value of £20,436,000, which were previously disclosed under Administrative expenses, to Cost of sales (£19,569,000) and Distribution cost (£87,000). The comparative figures for Cost of sales, Distribution costs and Administrative expenses have been amended (previously disclosed as Cost of sales £47,003,000, Distribution costs £Nil and Administrative expenses £31,463,000).

The notes on 11 to 28 form part of these financial statements.

DST Output (London) Limited
Registered number:02788181

Statement of financial position
As at 31 December 2015

	Note		2015 £000		2014 £000
Fixed assets					
Intangible assets	9		**356**		125
Tangible assets	10		**4,655**		4,074
			5,011		4,199
Current assets					
Stocks	12	**1,508**		608	
Debtors: amounts falling due within one year	13	**22,156**		37,007	
Cash at bank and in hand	14	**2**		1	
		23,666		37,616	
Creditors: amounts falling due within one year	15	**(19,363)**		(43,456)	
Net current assets/(liabilities)			**4,303**		(5,840)
Total assets less current liabilities			**9,314**		(1,641)
Creditors: amounts falling due after more than one year	16		**(178)**		(283)
Provisions for liabilities					
Other provisions	18		**(1,465)**		(1,319)
Net assets/(liabilities)			**7,671**		(3,243)
Capital and reserves					
Called up share capital	19		**30**		30
Capital redemption reserve			**8**		8
Capital contribution reserve			**59**		29
Merger reserve			**831**		831
Profit and loss account			**6,743**		(4,141)
Total equity			**7,671**		(3,243)

The financial statements on pages 7 to 28 were approved by the Board of Directors and were signed on its behalf by

Gregg W. Givens

G Givens
Director

Date: 26/08/2016

The notes on pages 11 to 28 form part of these financial statements.

DST Output (London) Limited

Statement of changes in equity
For the year ended 31 December 2015

	Called up share capital	Capital redemption reserve	Capital contribution reserve	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2015	30	8	29	831	(4,141)	(3,243)
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	10,884	10,884
Total comprehensive income for the year	-	-	-	-	10,884	10,884
Contributions by and distributions to owners						
Capital contribution in respect of stock incentive plan	-	-	30	-	-	30
Total transactions with owners	-	-	30	-	-	30
At 31 December 2015	30	8	59	831	6,743	7,671

The notes on pages 11 to 28 form part of these financial statements.

DST Output (London) Limited

Statement of changes in equity
For the year ended31 December 2014

	Called up share capital	Capital redemption reserve	Capital contribution reserve	Merger reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2014	30	8	-	831	(12,655)	(11,786)
Comprehensive income for the year						
Profit for the financial year	-	-	-	-	8,514	8,514
Total comprehensive income for the year	-	-	-	-	8,514	8,514
Contributions by and distributions to owners						
Capital contribution in respect of stock incentive plan	-	-	29	-	-	29
At 31 December 2014	30	8	29	831	(4,141)	(3,243)

The notes on pages 11 to 28 form part of these financial statements.

1. Accounting policies

1.1 *Basis of preparation of financial statements*

DST Output (London) Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the director's report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 26.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

Accounting policies have been applied consistently, other than where new policies have been adopted.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, DST Systems, Inc, includes the company's cash flows in its own consolidated financial statements.
- The company has taken advantage of the exemption, under FRS 102 paragraphs 26.18(b), 26.19 – 26.21 and 26.23, for certain disclosure requirements in respect of share based payments, where the share based payment concerns equity instruments of DST Systems, Inc and the equivalent disclosures are included in the consolidated financial statements of ultimate parent company.
- The company has taken advantage of the exemption, under FRS 102 para 33.7 from disclosing total compensation of key management personnel.
- The company has taken advantage of the exemption for qualifying entities from certain financial instrument disclosures, on the basis that the equivalent disclosures are included in the consolidated financial statements of ultimate parent company.
- The company has taken advantage of the exemption, under FRS 33.1 (a), from disclosing related party transactions as they are all with other companies that are wholly owned by DST Systems, Inc.

This information is included in the consolidated financial statements of DST Systems, Inc as at 31 December 2015 and these financial statements may be obtained from 333 West 11th Street, Kansas City, MO 64105, USA.

1. Accounting policies (continued)

1.3 Consolidation

The company is a wholly owned subsidiary of DST Output Limited, a company incorporated in England and Wales. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the company and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of DST Output Limited.

1.4 Turnover

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 at the point of dispatch.

Services
Development and consulting services are provided on a time and material basis. The revenue is recognised as the service provided. Turnover provided under a fixed price contact is recognised on a percentage of completion basis.

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

1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the costs of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

The estimated useful lives range as follows:

Short term leasehold property	-	Shorter of the remaining lease period of 10 years
Plant & machinery	-	4 - 7 years
Motor vehicles	-	3 - 5 years
Fixtures & fittings	-	3 - 5 years
Computer equipment	-	2 - 3 years

1. Accounting policies (continued)

1.7 Impairment

The company performs impairment reviews in respect of tangible fixed assets where events or change 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 higher of its net realisable value and its value in use, is less than its carrying amount.

1.8 Capital risk management

Capital risk is monitored by the DST Output Limited group management. The groups'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.

1.9 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.10 Investments

Investments held as fixed assets are shown at costs less provision for impairment.

1.11 Stocks 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 the 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.

1.12 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amount payable by the company to the fund in respect of the year.

1.13 Government grants

Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets.

1.14 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 the profit and loss account.

1. Accounting policies (continued)

1.15 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 lease period.

1.16 Provisions

Provisions are recognised where the company 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 company under operating leases. The provision recognised represents the least cost of exiting by contract offset by any benefits expected to be received under it.

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

1.17 Reserves

The company's reserves are as follows:

- Called up share capital represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.
- The capital contribution reserve contains movement in equity settled share based payments.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

1. Accounting policies (continued)

1.18 Share based payments

The company's employees participate in a restricted stock plan operated by DST Systems Inc., the ultimate parent company. All share based payments are equity settled and are measured at the market value at the date of the grant. The market value determined at the grant date is expensed on a straight line basis over the vesting period, based on the company's estimate of the number of options that will eventually vest. The number of shares that will vest is based on the number of shares granted less the company's estimate of the proportion of the grants that will lapse between the grant and the vesting of the stock.

Share options vest and generally become fully exercisable over 3 years of continued employment, vesting in one third increments on each anniversary from the grant date. The company recognises expense on a straight-line basis over the requisite service period for the entire award.

The Black-Scholes option valuation model is used in estimating the fair values of options granted. In addition, option valuation models require the use of assumptions, including expected stock price volatility which are arrived at by observations of historical volatility trends, generally over a three year period. In determining the expected life of option grants, a simplified method is applied, which uses the weighted average of the vesting period and the contractual term of each option granted. The risk free interest rates used are based on actual US Government zero-coupon rates for bonds matching the expected term of the option as of the option grant date.

1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements the director has made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- Tangible assets (see note 10)

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Contract accounting

The company applies its policies on turnover and contracts when recognising revenue and profit on partially completed contracts. The application of this policy requires judgements to be made in respect of the total expected costs to complete and the profit margin achievable on each contract. The company has in place established internal review processes to ensure that the evaluation of costs and revenues is based upon appropriate estimates.

- Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

3. Turnover

Analysis of turnover by country of destination:

	2015 £000	2014 £000
United Kingdom	**94,189**	85,054
Rest of Europe	**1,707**	1,959
Rest of the world	**2,106**	1,859
	98,002	88,872

4. Operating profit

The operating profit is stated after charging:

	2015 £000	2014 £000
Depreciation of tangible fixed assets	**1,778**	2,501
Amortisation of intangible assets, including goodwill	**167**	201
Fees payable to the company's auditor for the audit of the company's financial statements	**154**	154
Other assurance services	**-**	13
Operating lease rentals:		
- plant and machinery	**1,644**	1,721
- other operating leases	**1,843**	1,756
Reversal of impairment charge on intergroup loans	**(1,970)**	-

5. Employees

Staff costs were as follows:

	2015 £000	2014 £000
Wages and salaries	**20,025**	19,872
Social security costs	**1,857**	1,839
Cost of defined contribution scheme	**203**	202
	22,085	21,913

The average monthly number of employees, including the director, during the year was as follows:

	2015 No.	2014 No.
Administrative Staff	**164**	205
Sales	**11**	8
Operations Staff	**538**	499
	713	712

6. Director's remuneration

The director did not receive any emoluments for his services as a director of the company during the year (2014 - £Nil). The director was remunerated by other group companies and no recharges were made. It is not possible to apportion the proportion of the director's work that was performed for the company.

7. Income from investments

	2015 £000	2014 £000
Dividends received from joint ventures and associates	**600**	360

8. Tax on profit on ordinary activities

	2015 £000	2014 £000
Current tax		
Current tax on income for the year	**2,045**	2,356
Current tax adjustments in respect of prior years	**(136)**	(251)
Total current tax	**1,909**	2,105
Deferred tax		
Origination and reversal of timing differences	**282**	(265)
Prior year adjustment	**139**	412
Affect of change in tax rates	**165**	-
Total deferred tax	**586**	147
Tax on profit on ordinary activities	**2,495**	2,252

8. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	**13,379**	10,766
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	**2,709**	2,315
Effects of:		
Non-taxable dividend income	**(520)**	(77)
Expenses non deductible for tax	**144**	(138)
Adjustments to tax charge in respect of prior periods	**3**	161
Effect of tax rate reduction on deferred tax	**165**	-
Loss on disposal of operation	**-**	(6)
Relief for share based payments	**(6)**	(3)
Total tax charge for the year	**2,495**	2,252

Factors that may affect future tax charges

Finance Act 2015 included legislation reducing the main UK corporation tax rate from 20% to 19%, effective from 1 April 2017. A further reduction to 18% was also enacted with an effective from date of 1 April 2020. The deferred tax balances have been re-measured at these rates as appropriate as they are the latest substantially enacted tax rates.

The Chancellor has announced that the main UK corporation tax rate will now be reduced to 17% with an effective from date of 1 April 2020. However, as this 17% rate has not yet been substantially enacted it has not been applied to any figures in these accounts.

9. Intangible assets

	Software
	£000
Cost	
At 1 January 2015	1,644
Additions	398
At 31 December 2015	2,042
Amortisation	
At 1 January 2015	1,519
Charge for the year	167
At 31 December 2015	1,686
Net book value	
At 31 December 2015	356
At 31 December 2014	125

10. Tangible assets

	S/Term Leasehold Property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost or valuation						
At 1 January 2015	6,117	12,603	642	917	1,407	21,686
Additions	107	1,846	-	156	250	2,359
Disposals	-	(494)	(115)	-	-	(609)
At 31 December 2015	6,224	13,955	527	1,073	1,657	23,436
Accumulated depreciation						
At 1 January 2015	4,031	10,975	510	813	1,283	17,612
Charge for the year	698	744	53	104	178	1,777
Disposals	-	(493)	(115)	-	-	(608)
At 31 December 2015	4,729	11,226	448	917	1,461	18,781
Net book value						
At 31 December 2015	1,495	2,729	79	156	196	4,655
At 31 December 2014	2,086	1,628	132	104	124	4,074

11. Investments

The company holds share capital in the following companies:

Company	Country of incorporation	Shares held	Class %	Nature of business
Participating Interests				
Joint ventures				
dsi Billing Services Limited	England and Wales	Ordinary shares	50	Billing & service providers
Associates				
European Direct Mail Specialists services	England and Wales	Ordinary shares	50	Mailing & delivery
Response Handling Centre Limited	England and Wales	Ordinary shares	34	Administration Support

12. Stocks

	2015 £000	2014 £000
Raw materials	**784**	385
Work in progress	**724**	223
	1,508	608

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

13. Debtors: amounts falling due within one year

	2015 £000	2014 £000
Trade debtors	**16,803**	17,723
Amounts owed by group undertakings	**318**	13,862
Amounts owed by joint ventures and associated undertakings	**176**	364
Other debtors	**11**	11
Deferred tax asset (note 17)	**1,512**	2,098
Prepayments and accrued income	**3,336**	2,949
	22,156	37,007

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

14. Cash at bank and in hand

	2015 £000	2014 £000
Cash at bank and in hand	**2**	1
	2	1

15. Creditors: Amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**1,819**	4,273
Amounts owed to group undertakings	**10,229**	33,061
Amounts owed to joint ventures	**-**	16
Other creditors	**415**	653
Taxation and social security	**1,995**	1,462
Capital grant	**84**	84
Accruals and deferred income	**4,821**	3,907
	19,363	43,456

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

16. Creditors: Amounts falling due after more than one year

	2015 £000	2014 £000
Accruals and deferred income	**108**	164
Capital grants	**70**	119
	178	283

17. Deferred taxation

	Deferred tax £000
At 1 January 2015	**2,098**
Charged to the profit or loss	**(586)**
At 31 December 2015	**1,512**

The deferred tax balance brought forward at 1 January 2014 was £2,245k, the charge to profit or loss was £147k and the balance carried forward at 31 December 2014 was £2,098k.

The deferred tax asset is made up as follows:

	2015 £000	2014 £000
Accelerated capital allowances	**1,502**	1,966
Short term timing difference	**10**	132
Total	**1,512**	2,098

18. Provisions

	Dilapidation provision	Onerous lease provision	Total
	£000	£000	£000
At 1 January 2015	572	747	1,319
Reclassification	747	(747)	-
Charge in financial year	146	-	146
At 31 December 2015	**1,465**	**-**	**1,465**

Dilapidation

Provision for dilapidations represents the estimated cost of repairs required under all current property rentals prior to the end of the lease term.

Onerous lease

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

19. Called up share capital

	2015	2014
	£000	£000
Authorised, allotted, called up and fully paid		
29,906 (2014 - 29,906) Authorised shares of £1 each	**30**	30

20. Contingent liabilities

The company is a participant in a group banking arrangement in relation to a 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.

21. Share based payments

The company's Stock Incentive Plan includes restricted stock units (RSUs) which entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain key employees at fair market value at the date of grant as remuneration. RSUs vest in three years provided that the employee remains with the company and are payable in the common stock of DST Systems Inc. upon vesting.

The total charge for the year relating to share based remuneration was £30,223 (2014: £28,727), all of which relates to equity-settled share based payment transactions.

22. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the schemes and amounted to £203,000 (2014: £202,000).

23. Commitments under operating lease

	2015 £000	2014 £000
Expiry date:		
Not later than 1 year	3,397	1,410
Later than 1 year and not later than 5 years	3,198	1,388
Later than 5 years	-	481
	6,595	3,279

24. Related party transactions

The related party transactions undertaken in the year are as follows:

	2015 £000	2014 £000
Joint ventures and associates		

	2015	2014
dsi Billing Services		
Sales	**1,154**	1,599
Purchases	**(112)**	(44)
Management (charges)/credit	**(37)**	(37)
Dividend received	**600**	360
	1,605	1,878
European Direct Mailing Services Limited		
Sales	**375**	513
Management (charges)/credit	**(25)**	(25)
Response Handling Centre Limited		
Management (charges)/credit	**(20)**	(20)

	2015	2014
The following balances were owed to/ (owed by) the company at the year end:		
dsi Billing Services Limited - owed to	**47**	52
dsi Billing Services Limited - owed by	**-**	(16)
European Direct Mailing Services Limited	**129**	312

25. Ultimate parent undertaking and controlling party

The immediate parent undertaking is dsicmm Group Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and controlling party is DST Systems, Inc, a company incorporated in the United States of America.

DST Output 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. The consolidated financial statements of DST Systems, Inc are available from 333 West 11th Street, Kansas City, MO 64105, USA.

26. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of the transition is 1 January 2014. Set out below are the changes in accounting policies. These changes had no impact on profit for the year ended 31 December 2014 or the total equity as at 1 January 2014 and 31 December 2014.

The following were changes in accounting policies arising from the transition to FRS 102:

Computer software

Computer software with a book value of £256,000 at 1 January 2014, has been reclassified from tangible to intangibles assets as required under FRS 102. This has no effect on the company's net assets nor on profit for the year, except that the previous depreciation charge is now described as amortisation. The amount reclassified at 31 December 2014 was £125,000.