

DST INTERNATIONAL BILLING LIMITED

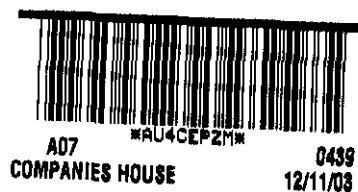
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REPORT AND ACCOUNTS

for the period ended 31st December 2002

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DST INTERNATIONAL BILLING LIMITED

REPORT AND ACCOUNTS

for the period ended 31st December 2002

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DST INTERNATIONAL BILLING LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the accounts of the Company for the period ended 31st December 2002, which were approved by the directors on 30th October 2003.

PRINCIPAL ACTIVITY

The Company was incorporated under the Companies Act 1985 as a private limited company on 8th February 2002. The Company's principal activity is the provision of software and computer consultancy and related services to the utility industry. The company commenced trading on 1st April 2002 following the transfer of trade from a related group undertaking.

RESULTS AND DIVIDEND

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

No dividends were paid during the year. The directors do not recommend the payment of a final dividend. The profit for the period after tax of £352,000 will be transferred to retained reserves.

DIRECTORS

The Directors who served at the date of this report or during the period were:

J M Winn
S P Edkins

No Director had any interest in the shares of the Company at the beginning or end of the period.

AUDITORS

PricewaterhouseCoopers LLP were appointed as auditors, and have expressed their willingness to continue in office. A resolution to reappoint them will be submitted to the Annual General Meeting.

By Order of the Board



S Cooke
Company Secretary

30th October, 2003

DST INTERNATIONAL BILLING LIMITED

DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the reports of the auditors set out on page 3 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 the 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 (other than the adoption of new accounting standards in the year);
- 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.

GOING CONCERN

The directors confirm that after making enquiries, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

DST INTERNATIONAL BILLING LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 company's affairs at 31 December 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Harman House

1 George Street

Uxbridge

Middlesex UB8 1QQ

30th October 2003

DST INTERNATIONAL BILLING LIMITED

PROFIT & LOSS ACCOUNT

for the period ended 31st December 2002

	Note	2002 £000
Turnover	2	2,453
Cost of Sales		<u>(1,710)</u>
Gross Profit		743
Administrative Expenses		<u>(239)</u>
Profit on ordinary activities before taxation	5	504
Tax on profit on ordinary activities	6	<u>(152)</u>
Retained Profit for the financial period	12	<u>352</u>

A statement of movements on reserves is given in note 12.

All gains and losses recognised above are based on historical costs and are attributable to continuing operations.

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

The notes on pages 6 to 11 form part of these financial statements.

DST INTERNATIONAL BILLING LIMITED

BALANCE SHEET

At 31st December 2002

	Note	2002 £000	£000
Fixed Assets			
Tangible assets	7		84
Current Assets:			
Debtors	8	1,317	
Creditors:			
Amounts falling due Within one year	9	(1,049)	
Net current assets			268
Total assets less current liabilities			352
Capital and reserves:			
Called up share capital	11		-
Profit and loss account	12		352
'Equity Shareholders' Funds	13		352

These accounts were approved by the directors on 30th October 2003 and were signed on its behalf by:


J M Winn
Director

The notes on pages 6 to 11 form part of these accounts.

DST INTERNATIONAL BILLING LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Convention

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are disclosed below. Interest payable and similar charges and administrative expenses are accounted for on an accruals basis. No interest is receivable on inter company debtors

(b) Revenue Recognition

Licences

Where development work is significant and is essential to the functionality of the software being delivered, licence and development revenue arising therefrom is recognised using the percentage of completion method of accounting. Revenue recognition occurs in direct proportion to the services delivered and to be delivered under the agreement over the period of time taken to complete the work. Full provision is made for all foreseeable losses.

Licence revenue arising from agreements involving insignificant development work not essential to the core functionality of the system delivered is recognised when the software is delivered, provided collectability is probable.

Services

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

Maintenance

Revenue arising from software maintenance agreements is recognised rateably over the relevant period of the maintenance contract.

(c) Amounts Recoverable on Contracts

Amounts recoverable on contracts represents revenue recognised which has not yet been invoiced to clients, less progress billings, which is separately disclosed within debtors.

The amounts recoverable on fixed price contracts is adjusted to take up profit to date or foreseeable losses in accordance with the revenue recognition accounting policy.

(d) Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible and intangible fixed assets over their expected useful lives. Depreciation is generally calculated on a straight-line basis on the original cost of the assets over the following period:

Furniture and equipment	5 - 10 years
Computers	3 years
Application software Licences	3 years

(e) System Development

Computer programming and development costs are written off in the profit and loss account as incurred.

DST INTERNATIONAL BILLING LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

1. ACCOUNTING POLICIES (Cont'd)

(f) Deferred Tax

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. The adoption of FRS 19 has not had a material impact upon the results for the period.

(g) Deferred Income on Contracts

Deferred income represents support fees billed in advance for periods of up to 12 months, licence fees billed which do not fulfil the revenue recognition criteria, other fees invoiced in advance for which services will be rendered within the next 12 months, and the amount by which progress payments and any provisions for foreseeable losses on contracts exceeds revenue recognised.

(h) Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

(i) Pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. In addition the Group makes contributions to the personal pension plans of certain employees who are not members of the group scheme.

(j) Cashflow & Related Parties

The Company is a wholly owned subsidiary of DST International Limited and is included in the consolidated financial statements of DST International Limited, 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 International Limited and DST Systems Inc. (the ultimate holding company) groups.

DST INTERNATIONAL BILLING LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

2. TURNOVER

Turnover represents licence, consulting, development and maintenance fees net of all localised sales taxes such as VAT in the UK. No analysis of turnover by class of business is given as, in the opinion of the directors, there is only one class of business.

Turnover by geographic region, based on the origin of the Company's clients and the location of their ultimate authorising management, comprises:

	2002 £000
United Kingdom	1,885
Rest of Europe	155
North America	209
Rest of World	204
	<u>2,453</u>

3. STAFF NUMBERS AND COSTS

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

	2002 Number
Analysts/Programmers	34
Administration/Sales	3
	<u>37</u>

All employees are engaged in the principal activity of the Company.

The aggregate payroll cost for the year is set out below :

	2002 £000
Wages and salaries	1,196
Social security costs	120
Pension costs	36
	<u>1,352</u>

4. DIRECTORS EMOLUMENTS

None of the Directors of the Company received or were due to receive emoluments. The remuneration of the directors was borne by the immediate parent company, DST International Limited.

5. OPERATING PROFIT

Profit on ordinary activities is stated after charging	2002 £000
Auditors' remuneration	
- audit	13
- other non-audit services	-
Depreciation	27
Operating lease rental costs	
- other operating leases	31
Exchange losses	4

DST INTERNATIONAL BILLING LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES 2002 £000

Factors affecting tax charge for period

(a) Group relief purchased from group companies (note 6b)	154
Deferred taxation (note 10)	(2)
Current period tax charge	<u>152</u>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

(b) Profit on ordinary activities before tax	<u>504</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	152
Effects of:	
Capital allowances for period in excess of depreciation	(1)
Other short term timing differences	<u>3</u>

UK corporation tax charge covered by group relief purchased from group companies	<u>154</u>
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7. TANGIBLE FIXED ASSETS

	Office Equipment & Furniture £	Computer Equipment & Software £	Total £
Cost:			
At 8th February 2002	-	-	-
Transfer from related group company	5	15	26
Additions	52	33	85
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
At 31st December 2002	<u>57</u>	<u>54</u>	<u>111</u>
Depreciation:			
At 8th February 2002	-	-	-
Charged in year	5	22	27
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
At 31st December 2002	<u>5</u>	<u>22</u>	<u>27</u>
Net Book Value:			
At 31st December 2002	<u>52</u>	<u>32</u>	<u>84</u>
At 8th February 2002	<u>-</u>	<u>-</u>	<u>-</u>

8. DEBTORS

	2002 £000
Trade debtors	697
Other debtors	19
Deferred tax (note 10)	2
Amounts recoverable on contracts	123
Amounts owed by immediate parent undertakings	<u>476</u>
	<u>1,317</u>

DST INTERNATIONAL BILLING LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £000
Trade creditors	29
Other creditors	140
Other taxation and social security	100
Amounts owed to group undertakings	266
Accruals and deferred income on contracts	503
	<u>1,038</u>

10. DEFERRED TAXATION

Full provision is made in the accounts for deferred tax
as follows:

	2002 £000
Accelerated capital allowances	1
Other short term timing differences	(3)
	<u>(2)</u>
At 8th February	-
Charge in respect of current year	(2)
	<u>(2)</u>
Asset at 31 December	<u>(2)</u>

11. CALLED UP SHARE CAPITAL

	2002 £
(A) AUTHORISED 1,000 Ordinary shares of £1 each	<u>1,000</u>
(B) ALLOTTED, CALLED UP AND FULLY PAID 1 Ordinary share of £1 each	<u>1</u>

12. PROFIT AND LOSS ACCOUNT

	2002 £000
At 8th February 2002	-
Profit for the financial period	<u>352</u>
At 31 December	<u>352</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £000
At 8th February 2002	-
Profit for the financial period	<u>352</u>
At 31 December	<u>352</u>

DST INTERNATIONAL BILLING LIMITED

NOTES TO THE ACCOUNTS (Cont'd)

14. ULTIMATE PARENT COMPANY

The immediate parent company is DST International Limited, which is the smallest undertaking to consolidate the results of the Company. The ultimate parent company is DST Systems Inc., a company incorporated in the USA. Group accounts can be obtained from 333 W 11th Street, Kansas City, Missouri, 64105-1594, USA.