

DSTI Holdings Limited

Annual Report and Financial Statements

Year Ended

31 December 2017

Company Number 05211646

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DSTI Holdings Limited

Company Information

Directors	W Slattery (appointed 25 January 2017) P Pedonti (appointed 16 April 2018)
Registered number	05211646
Registered office	DST House St Marks Hill Surbiton Surrey KT6 4QD
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

DSTI Holdings Limited

Contents

	Page(s)
Strategic Report	1 - 2
Directors' Report	3 - 5
Independent Auditors' Report	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 32

DSTI Holdings Limited

Strategic Report For the Year Ended 31 December 2017

The directors present their strategic report of DSTI Holdings Limited for the year ended 31 December 2017.

Business review

The company provides administration support to companies within its group for which it charges a service fee.

The loss after tax for the financial year amounted to £92,001,000 (2016 - profit of £13,695,000).

No dividend was paid during the year (2016 - £Nil). The directors do not recommend the payment of a final dividend (2016 - £Nil).

DST Systems Inc., the company's ultimate parent undertaking at the reporting date, carried out a capital restructure programme during the year. The restructure resulted in an increase of the company's equity share capital of £139,442,600 through issuing 557,770,400 ordinary shares with a nominal value of £0.25 per share to DSTI Group LLP, the company's immediate parent undertaking. As part of the capital restructure, the company acquired interest in the following three investments:

- i) On 24 January 2017, the company acquired 100% interest in the common shares of DST 319 Canada Holdings, ULC, a British Columbian entity, from DSTI Group LLP. The company issued 337,770,000 ordinary shares in its own equity share capital with a nominal value of £0.25 per share to DSTI Group LLP in exchange for the investment in DST 319 Canada Holdings, ULC. Following the acquisition the company received a dividend of £79,325,000 from DST 319 Canada Holdings, ULC which was credited against the investment.
- ii) On 27 March 2017, the company acquired a 50% interest in the ordinary shares of DST Financial Services International Limited (formerly International Financial Data Services Limited) from State Street Corporation for a cash consideration of £112,170,000. Furthermore the company made a cash contribution of £53,500,000 in exchange for additional equity interest in the ordinary shares of the investment in DST Financial Services International Limited. The company acquired a further equity interest in this investment in exchange of an intercompany loan of £20,600,000 owed to the company. The total investment in DST Financial Services International Limited amounted to £186,270,000 for a 62% interest.
- iii) On 27 March 2017, the company acquired 100% of the ordinary share capital of DST Financial Services Ireland Limited (formerly IFDS Percana Group Limited) from International Financial Data Services (Ireland) Limited for a cash consideration of £7,962,000.

An internal investment valuation exercise was conducted for the year ended 31 December 2017. The value in use has been calculated using the present value of discounted projected cash flows. A discount rate of 14% (2016 - 14%) has been applied to reflect the uncertainties of future earnings over a 5 year period. The review resulted in an impairment provision of £85,453,000 which contributed to the significant loss before tax of £90,493,000 for the year.

On 4 May 2017, the Output business, DST Output Limited Group, was sold to Paragon Group Limited for cash consideration of £34,000,000. The company received £340,000 in relation to its 1% shareholding.

Key performance indicators

DSTI Holdings Limited is managed by the directors in accordance with the strategies of its intermediate parent company, DSTI Group LLP. For this reason, the directors believe that further key performance indicators for the company are not necessary or appropriate to understand the development, performance or position of the business.

DSTI Holdings Limited

Strategic Report (continued) For the Year Ended 31 December 2017

Principal risks and uncertainties

The key business risks and uncertainties affecting the company are considered to relate to the fact that the company operates within a highly competitive market place. The members of the group have reviewed the group's exposure to credit risk and liquidity risk.

Credit risk

The group has policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure from any individual counterparty is subject to a contractually agreed amount. The contract determines collectability and provides a legal framework should disputes arise over amounts billed.

Liquidity risk

The group actively monitors its liquidity and maintains a mixture of long term and short term debt finance through intercompany funding through the support of DST Systems Inc. These measures are designed to ensure the group has sufficient available funds for operations and planned expansions.

Environmental matters

No environmental matters are applicable to the company.

This report was approved by the board on 18-10-18

and signed on its behalf.



W Slattery
Director

DSTI Holdings Limited

Directors' Report For the Year Ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The company is the holding company for DST Process Solutions Limited and other group companies. In addition the company provides administration support to group companies for which it charges a service fee.

Results and dividends

The loss for the year, after taxation, amounted to £92,001,000 (2016 - profit £13,695,000).

Dividends are disclosed in the strategic report.

Directors

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

G Givens (resigned 16 April 2018)
W Slattery (appointed 25 January 2017)
S Hudson-Lund (resigned 25 January 2017)
P Pedonti (appointed 16 April 2018)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk, interest rate cash flow risk and foreign currency risk. The company monitors and manages these risks to avoid adverse effects on the financial performance of the company.

Credit risk

The company's revenue is mostly from other group companies so it does not face significant credit risks.

Liquidity risk

The company actively monitors its liquidity and has banking facilities in place to ensure the group has sufficient available funds for operations and planned expansions. The group is cash generative and there is not considered to be a significant risk.

Interest rate cash flow risk

The intercompany balances are interest bearing. The majority of these balances are at a fixed interest rate and the remainder, that have variable rates, are with other group companies so the company does not consider it to be necessary to manage this risk. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Foreign currency risk

The company's external turnover is mostly in sterling. The company has some intercompany turnover and costs that are denominated in the relevant subsidiaries' operating currency. The risk is not considered to be great enough to require active management. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

DSTI Holdings Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' 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 directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". Under Company law the directors must not approve the financial statements unless they are 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 directors are 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 directors are 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Directors' indemnities

DST Systems Inc. maintains liability insurance for the directors of DSTI Holdings Limited. For the purposes of the Companies Act 2006, DST Systems Inc. provides indemnity insurance for the directors and company secretary (when in office) of DSTI Holdings Limited for qualifying third party provisions. These were in force throughout the year and at the date of approval of these financial statements.

Post balance sheet event

On 16 April 2018 SS&C Technologies Holdings Inc., a leading global provider of financial services software and software-enabled services listed on the NASDAQ stock exchange, completed the acquisition of DST Systems Inc., the company's ultimate parent undertaking.

DSTI Holdings Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:


- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director 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 18-10-18

and signed on its behalf.



W Slattery
Director

DSTI Holdings Limited

Independent auditors' report to the members of DSTI Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, DSTI Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

DSTI Holdings Limited

Independent auditors' report to the members of DSTI Holdings Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

DSTI Holdings Limited

Independent auditors' report to the members of DSTI Holdings Limited (continued)

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Mark Bolton (Senior Statutory auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: **18 OCTOBER 2018**

DSTI Holdings Limited

Statement of Comprehensive Income For the Year Ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	4	15,125	16,299
Gross profit		15,125	16,299
Administrative expenses		(19,377)	(14,861)
Exceptional administrative expenses	5	(85,453)	(11,380)
Operating loss	6	(89,705)	(9,942)
Gain on disposal of investment		258	-
Income from shares in group undertakings		-	25,045
Other interest receivable and similar income	9	2,041	487
Interest payable and similar expenses	10	(3,087)	(3,985)
(Loss)/profit before taxation		(90,493)	11,605
Tax on (loss)/profit	11	(1,508)	2,090
(Loss)/profit for the financial year		(92,001)	13,695

There was no other comprehensive income for 2017 (2016 - £Nil).

All amounts relate to continuing operations.

The notes on pages 12 to 32 form part of these financial statements.

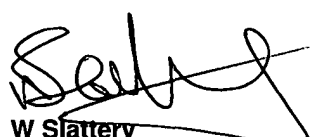
DSTI Holdings Limited

Registered number: 05211646

Statement of Financial Position As at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	12	1	5
Tangible assets	13	384	772
Investments	14	280,907	167,089
		<u>281,292</u>	<u>167,866</u>
Current assets			
Debtors: amounts falling due after more than one year	15	13,000	18,955
Debtors: amounts falling due within one year	15	10,316	30,547
Cash at bank and in hand	16	521	109
		<u>23,837</u>	<u>49,611</u>
Creditors: amounts falling due within one year	17	(59,937)	(17,268)
Net current (liabilities) / assets		<u>(36,100)</u>	<u>32,343</u>
Total assets less current liabilities		<u>245,192</u>	<u>200,209</u>
Creditors: amounts falling due after more than one year	18	(70,705)	(74,782)
Net assets		<u><u>174,487</u></u>	<u><u>125,427</u></u>
Capital and reserves			
Called up share capital	20	271,745	132,302
Share premium account		168,889	168,889
Capital contribution reserve		7,528	5,910
Profit and loss account		(273,675)	(181,674)
Total equity		<u><u>174,487</u></u>	<u><u>125,427</u></u>

The financial statements on pages 9 to 32 were approved and authorised for issue by the board of directors and were signed on its behalf by


W Slattery
Director

Date: 18-10-18

The notes on pages 12 to 32 form part of these financial statements.

DSTI Holdings Limited

Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2017	132,302	168,889	5,910	(181,674)	125,427
Comprehensive loss for the year					
Loss for the financial year	-	-	-	(92,001)	(92,001)
Total comprehensive loss for the year	-	-	-	(92,001)	(92,001)
Contributions by and distributions to owners					
Shares issued during the year	139,443	-	-	-	139,443
Share based payments	-	-	1,618	-	1,618
At 31 December 2017	271,745	168,889	7,528	(273,675)	174,487

Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2016	66,511	168,889	5,287	(195,369)	45,318
Comprehensive income for the year					
Profit for the financial year	-	-	-	13,695	13,695
Total comprehensive income for the year	-	-	-	13,695	13,695
Shares issued during the year	65,791	-	-	-	65,791
Share based payments	-	-	623	-	623
At 31 December 2016	132,302	168,889	5,910	(181,674)	125,427

The notes on pages 12 to 32 form part of these financial statements.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. General information

DSTI Holdings Limited is a company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

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 3).

The company has taken advantage of the exemption provided under section 401 of the Companies Act 2006 from preparing consolidated accounts. The parent undertaking of the smallest and largest group, which contains the company and its results for which group financial statements are prepared as at 31 December 2017, is DST Systems Inc., a company listed on the New York Stock Exchange at that date and whose accounts are publicly available.

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

The following principal accounting policies have been applied:

2.2 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- i) Exemption under Section 1 paragraph 1.12(b) from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows.
- ii) Exemption under Section 1 paragraph 1.12(c) from the financial instrument disclosure requirements of Section 11 paragraphs 11.42 to 11.48A and Section 12 paragraphs 12.27 to 12.29A of FRS 102 providing the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- iii) Exemption under Section 1 paragraph 1.12(d) from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.
- iv) The company has taken advantage of the exemption, under FRS 102 paragraph 33.1(a), from disclosing related party transactions as such transactions are with companies that are disclosed in the consolidated financial statements of the group in which the entity is consolidated.

This information is included in the consolidated financial statements of DST Systems Inc. as at 31 December 2017 and these financial statements may be obtained from the Securities and Exchange Commission, Division of Corporation Finance, 100 F Street, NE Washington, DC 20549, United States of America.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.3 Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

2.4 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover represents amounts recharged to other group companies in accordance with agreed recharge rate arrangements. Group companies are billed quarterly for the costs incurred during the quarter.

2.5 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 ten years.

Amortisation on purchased software is provided at a rate of between 20% and 33.3% per annum.

2.6 Tangible fixed assets

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

Fixtures, fittings and equipment	- 5 - 10 years
Computer equipment	- 3 years

2.7 Investments in subsidiary undertakings

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, whose market value can be reliably determined, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in the statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is British pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.13 Share based payments and restricted stock

As at 31 December 2017 the company's employees participated in a restricted stock plan operated by DST Systems Inc., the ultimate parent company at the reporting date. All share based payments are equity settled and are measured at the market value at the date of 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 the 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 is 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.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

2.14 Pensions

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

2.15 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge 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.

2.17 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the company. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.18 Deferred income

Deferred income represents amounts recharged to other group companies billed in advance for periods of up to 12 months and any other fees invoiced in advance for which services will be rendered within the next 12 months.

2.19 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 contribution reserve contains movement in equity settled share based payments.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

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

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see note 13)

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.

- Impairment of investments (see note 14)

Investments are reviewed annually for impairment. This review includes identifying impairment indicators and if so, estimating the future cash flows generated by the asset and estimating an appropriate discount rate to apply to those cash flows.

4. Turnover

All turnover arose from a single class of business, that being provision of administrative services. Turnover represents fees for providing administrative services to other group undertakings. There is no material difference for the analysis of turnover geographically between an origin and destination basis.

5. Exceptional administrative expenses

	2017 £000	2016 £000
Exceptional items - impairment on investments	85,453	11,380

The operating exceptional items relate to amounts written off investments as described in note 14.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

6. Operating loss

The operating loss is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible assets	492	636
Amortisation of intangible assets	4	4
Fees payable to the company's auditors and their associates for other services to the group:		
- The audit of the company's annual financial statements	14	17
- Other services including taxation	127	110
Exchange differences	(188)	(3,157)
Share based payment (note 21)	1,618	623
Defined contribution pension cost (note 22)	920	993
	<u> </u>	<u> </u>

7. Employees

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	11,142	10,833
Social security costs	1,386	1,409
Cost of defined contribution scheme	920	993
	<u> </u>	<u> </u>
	<u>13,448</u>	<u>13,235</u>

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

	2017 No.	2016 No.
Administration	<u>116</u>	<u>126</u>

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

8. Directors' remuneration

The total directors' emoluments during the year amounted to £2,130,000 (2016 - £1,879,000).

The highest paid director received remuneration of £1,144,000 (2016 - £1,879,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £43,000 (2016 - £Nil).

During the year retirement benefits were accruing to one directors (2016 - none) in respect of defined contribution pension schemes.

Two directors (2016: one) were remunerated by the company, but the costs were recharged to other companies in the group totalling £947,000 (2016 - £751,000). The directors whose remuneration were recharged included restricted stock awards amounting to £201,000 vested during the year (2016 - £Nil).

9. Other interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group companies	1,633	452
Other interest receivable	269	35
Foreign exchange gain associated with financing	139	-
	<u>2,041</u>	<u>487</u>

10. Interest payable and similar expenses

	2017 £000	2016 £000
Interest payable to group undertakings	2,919	3,985
Foreign exchange loss associated with financing	168	-
	<u>3,087</u>	<u>3,985</u>

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

11. Tax on (loss)/profit

	2017 £000	2016 £000
Corporation tax		
Current tax on (loss)/profit for the year	(829)	(2,229)
Adjustments in respect of prior years	(44)	86
	<u>(873)</u>	<u>(2,143)</u>
Overseas tax	3,970	53
Total current tax charge/(credit)	<u>3,097</u>	<u>(2,090)</u>
Deferred tax		
Origination and reversal of timing differences	(316)	-
Adjustment in respect of prior years	(1,273)	-
Total deferred tax credit	<u>(1,589)</u>	<u>-</u>
Tax on (loss)/profit	<u>1,508</u>	<u>(2,090)</u>

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

11. Tax on (loss)/profit (continued)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £000	2016 £000
(Loss)/profit before tax	<u>(90,493)</u>	<u>11,605</u>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	(17,420)	2,321
Effects of:		
Non-taxable income	-	(5,009)
Expenses not deductible for tax	25	93
Impairment of fixed asset investments	16,450	2,276
Adjustments relating to prior years	(1,317)	86
Overseas taxes expensed against profits	-	(11)
Overseas tax	3,970	53
Relief for share based payments	(191)	(183)
Timing differences	-	(1,780)
Group relief	-	94
Tax losses carried forward	-	(30)
Difference in statutory tax rates	41	-
Loss on disposal	(50)	-
Total tax charge/(credit) for the year	<u>1,508</u>	<u>(2,090)</u>

Factors that may affect future tax charges

Legislation has been enacted to reduce the main UK corporation tax rate from 20% to 19% effective from 1 April 2017. A further reduction to 17% has also been enacted and will be effective from 1 April 2020. The deferred tax balances have been re-measured at these rates as appropriate.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

12. Intangible assets

	Software £000
Cost	
At 1 January 2017	11
At 31 December 2017	<u>11</u>
Accumulated amortisation	
At 1 January 2017	6
Charge for the year	4
At 31 December 2017	<u>10</u>
Net book value	
At 31 December 2017	<u><u>1</u></u>
At 31 December 2016	<u><u>5</u></u>

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

13. Tangible assets

	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost			
At 1 January 2017	296	1,395	1,691
Additions	-	104	104
At 31 December 2017	296	1,499	1,795
Accumulated depreciation			
At 1 January 2017	118	801	919
Charge for the year	51	441	492
At 31 December 2017	169	1,242	1,411
Net book value			
At 31 December 2017	127	257	384
At 31 December 2016	178	594	772

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

14. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2017	223,007
Additions	199,350
Disposals	(722)
At 31 December 2017	<u>421,635</u>
Accumulated impairment	
At 1 January 2017	55,918
Charge for the year	85,453
Elimination on disposals	(643)
At 31 December 2017	<u>140,728</u>
Net book value	
At 31 December 2017	<u><u>280,907</u></u>
At 31 December 2016	<u><u>167,089</u></u>

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

14. Investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company as at 31 December 2017:

Name	Country of incorporation	Registered address	Class of shares	Holding	Principal activity
DST Financial Services International Limited (formerly International Financial Data Services Limited)	England and Wales	DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS	Ordinary	62%	Provision of accountholder & policyholder administration services
IFDS Financial Services Limited*	England and Wales	DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS	Ordinary	100%	Provision of financial products and plan manager services
DST Financial Services Europe Limited (formerly International Financial Data Services (UK) Limited)*	England and Wales	DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS	Ordinary	100%	Provision of dealing administration services
The Administration Partnership Limited*	England and Wales	DST House, St. Nicholas Lane, Basildon, Essex SS15 5FS	Ordinary	100%	Dormant
Pensions and Actuarial Services Limited	England and Wales	DST House, St Marks Hill, Surbiton, Surrey, KT6 4QD	Ordinary	100%	Developer and vendor of specialist computer software
DST Process Solutions Limited	England and Wales	DST House, St Marks Hill, Surbiton, Surrey, KT6 4QD	Ordinary	100%	Holding company provider of software and software development
DST Process Solutions SA (Pty) Limited*	South Africa	4th Floor The Firs, Cnr Biermann & Cradock Avenue, Rosebank, 2196	Ordinary	100%	Software consultancy
DST (Hong Kong) Limited*	Hong Kong	2902 3 The Gateway Tower Two, Harbor City, 25 Canton Road, Tsimshatsui, Hong Kong	Ordinary	100%	Software consultancy
DST Global Solutions (Realty) Limited*	England and Wales	DST House, St Marks Hill, Surbiton, Surrey, KT6 4QD	Ordinary	100%	Real estate operations
DST Financial Services Ireland Limited (formerly IFDS Percana Group Limited)	Republic of Ireland	16 Joyce Way Park West Business Park Dublin 12	Ordinary	100%	Computer software developer and consultant

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

14. Investments (continued)

Name	Country of incorporation	Registered address	Class of shares	Holding	Principal activity
DST International Managed Services Limited (formerly IFDS Percana International Managed Services Limited)*	Republic of Ireland	16 Joyce Way Park, West Business Park, Dublin 12	Ordinary	100%	Insurance agency & third party administration
DST Bluedoor Holdings Pty Limited	Australia	Level 17, 469 La Trobe Street, Melbourne, VIC 3000	Ordinary	100%	Software consultancy
Bluedoor Technologies Pty Limited*	Australia	Level 17, 469 La Trobe Street, Melbourne, VIC 3000	Ordinary	100%	Software consultancy
DST Bluedoor Pty Limited*	Australia	Level 17, 469 La Trobe Street, Melbourne, VIC 3000	Ordinary	100%	Software consultancy
DST Process Solutions (Australia) Pty Limited*	Australia	Level 17, 469 La Trobe Street, Melbourne, VIC 3000	Ordinary	100%	Software consultancy
DST 319 Canada Holdings, ULC	British Columbia	Blake Cassels & Gaydon LLP 595 Burrard Steet, Suite 2600, The Three Bentall Centre, P.O. Box 49314, Vancouver, British Columbia V7X 1L3	Common shares	100%	Holding company
ALPS Fund Services Canada, Inc.*	Canada	c/o Aux soins de 199 Bay Street, Commerce Court West, Suite 4000, Toronto ON L3R 0H9	Common shares	100%	Provides services for securities brokerage
DST Canada Holdings, Inc.*	British Columbia	Blake Cassels & Gaydon LLP 595 Burrard Steet, Suite 2600, The Three Bentall Centre, P.O. Box 49314, Vancouver, British Columbia V7X 1L3	Common shares	100%	Holding company
DST Subservo, Inc.*	British Columbia	Blake Cassels & Gaydon LLP 595 Burrard Steet, Suite 2600, The Three Bentall Centre, P.O. Box 49314, Vancouver, British Columbia V7X 1L3	Common shares	100%	Software compliance engine service for brokers/dealers

(*indirectly held)

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

14. Investments (continued)

As part of a capital restructure, the company acquired interest in the following three investments:

i) On 24 January 2017, the company acquired 100% interest in the common shares of DST 319 Canada Holdings, ULC, a British Columbian entity, from DSTI Group LLP. The company issued 337,770,000 ordinary shares in its own equity with a nominal value of £0.25 per share to DSTI Group LLP in exchange for the investment in DST 319 Canada Holdings, ULC. Following the acquisition the company received a dividend of £79,325,000 from DST 319 Canada Holdings, ULC which was credited against the investment.

ii) On 27 March 2017, the company acquired a 50% interest in the ordinary shares of DST Financial Services International Limited (formerly International Financial Data Services Limited) from State Street Corporation for a cash consideration of £112,170,000. Furthermore the company made a cash contribution of £53,500,000 in exchange for additional equity interest in the ordinary shares of the investment in DST Financial Services International Limited. The company acquired a further equity interest in this investment in exchange of an intercompany loan of £20,600,000 owed to the company. The total investment in DST Financial Services International Limited amounted to £186,270,000 for a 62% interest.

iii) On 27 March 2017, the company acquired 100% of the ordinary share capital of DST Financial Services Ireland Limited (formerly IFDS Percana Group Limited) from International Financial Data Services (Ireland) Limited for a cash consideration of £7,962,000.

iv) On 4 May 2017, the Output business, DST Output Limited Group, was sold to Paragon Group Limited for cash consideration of £34,000,000. The company received £340,000 in relation to its 1% shareholding.

Investments in subsidiaries are included at cost less provision for any permanent diminution in value. The carrying value of the investments is reviewed periodically by the directors and carrying values are impaired if circumstances since the acquisition or formation of a subsidiary justify an impairment of the value. The directors perform an impairment review of all assets each year. When it is apparent that the carrying value of the investment exceeds the estimated net present value of the future cash flows less non-operating assets, an impairment provision is charged against the result for the year.

In accordance with FRS 102 (Impairment of fixed assets and goodwill) the carrying value of the company's subsidiaries has been compared to their recoverable amounts, represented by the higher of their value in use or net realisable value to the company. An internal valuation exercise was conducted for the financial period. The value in use has been calculated using the present value of discounted projected cash flows. A discount rate of 14% (2016 - 14%) has been applied to reflect the uncertainties of future earnings over a 5 year period. The review resulted in an impairment provision of £85,453,000 (2016 - £11,380,000) at the year end.

15. Debtors

	2017 £000	2016 £000
Due after more than one year		
Amounts owed by group undertakings	11,411	18,955
Deferred tax asset (note 19)	1,589	-
	13,000	18,955

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

15. Debtors (continued)

Amounts owed by group undertakings due after more than one year represents an unsecured loan of £11,411,000 (2016 - £18,955,000) to DST Bluedoor Holdings Pty Limited that bears interest at Reserve Bank of Australia base rate plus 3%, subject to a minimum rate of 6%. The loan is fully repayable in January 2019.

	2017 £000	2016 £000
Due within one year		
Trade debtors	411	78
Amounts owed by group undertakings	9,140	8,296
Other debtors	598	21,936
Prepayments and accrued income	167	237
	<u>10,316</u>	<u>30,547</u>

All amounts owed by group undertakings due within one year are unsecured, interest free and repayable on demand.

16. Cash at bank and in hand

	2017 £000	2016 £000
Cash at bank and in hand	<u>521</u>	<u>109</u>

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

17. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	508	767
Amounts owed to group undertakings	56,872	9,537
Taxation and social security	205	351
Other creditors	445	4,743
Accruals and deferred income	1,907	1,870
	<u>59,937</u>	<u>17,268</u>

Amounts owed to group undertakings falling due within one year include the following unsecured loans:

- £4,150,000 (2016 - £Nil) from DST Canada Holdings Inc. that bears interest at Bank of England base rate plus 2.5% and is payable by May 2018.
- £32,027,000 (2016 - £Nil) from DST Financial Services International Limited, that bears interest at Bank of England base rate plus 2.5% with a minimum rate of at least 2.5% and the loan is payable on demand.
- All other company creditors are unsecured, interest free and payable on demand.

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

	2017 £000	2016 £000
Amounts owed to group undertakings	<u>70,705</u>	<u>74,782</u>

Amounts owed by group undertakings due after more than one year include the following unsecured loans:

- £6,706,000 (2016 - £27,300,000) from DST Systems Inc. that bears interest at Bank of England base rate plus 2.5% and is payable by December 2022.
- £63,999,000 (2016 - £47,468,000) from DST Process Solution Limited that bears interest at Bank of England base rate plus 2% with a minimum rate of at least 2.5% and the loan is payable by December 2019.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

19. Deferred taxation

	2017 £000	2016 £000
At beginning of year	-	-
Adjustment in respect of prior years	1,273	-
Charged to profit or loss	316	-
At end of year	1,589	-

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	199	-
Short term timing differences	1,390	-
	1,589	-

A deferred tax asset of £1,223,000 (2016 - £2,336,000) was not recognised as at 31 December 2017. This asset relates to tax losses.

20. Share capital

	2017 £000	2016 £000
Authorised, allotted, called up and fully paid		
1,086,978,689 (2016 - 529,208,289) Ordinary shares of £0.25 each	271,745	132,302

DST Systems Inc., the company's ultimate parent undertaking at the reporting date, carried out a capital restructure programme during the year resulting in an increase of the company's equity capital of £139,442,600. As part of this capital restructure the company issued 557,770,400 ordinary shares with a nominal value of £0.25 per share to DSTI Group LLP, the company's immediate parent undertaking.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

21. Share based payments

The total charge for the year relating to share based remuneration was £1,618,000 (2016 - £623,000), all of which relates to equity settled share based payment transactions.

Restricted Stock Units

The company's stock incentive plan includes restricted stock units (RSU's) and performance stock units (PSU's). Both RSU's and PSU's are issued to certain key employees at fair market value at the date of grant as remuneration. RSU's contain service features and convert to DST shares on a one to one-basis upon vesting. RSU's vest in one third increments on each anniversary from the grant date. PSU's contain service and performance features in which the number of restricted shares to be awarded depends on the attainment of defined company-wide performance goals. PSU's are granted at a target number of shares and generally vest at the end of a 3 year requisite service and performance period. The number of shares ultimately earned will range from zero to 200% of the target award based on actual attainment.

Share Options

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 the 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 is 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.

There were no (2016 - Nil) employees in the Share Options scheme at the reporting date.

22. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund which amounted to £920,000 (2016 - £993,000).

Contributions totalling £65,000 (2016 - £108,000) were payable to the fund at the reporting date and included in creditors.

23. Commitments under operating leases

The company had no commitments under non-cancellable operating leases as at the reporting date.

24. Post balance sheet events

On 16 April 2018 SS&C Technologies Holdings Inc., a leading global provider of financial services software and software-enabled services listed on the NASDAQ stock exchange, completed the acquisition of DST Systems Inc., the company's ultimate parent undertaking.

DSTI Holdings Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

25. Controlling party

The immediate parent undertaking is DSTI Group LLP, a limited liability partnership incorporated in England and Wales.

As at 31 December 2017, the ultimate parent undertaking and controlling party was DST Systems Inc., a company incorporated in the United States of America and was also the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of DST Systems Inc. are available from the Securities and Exchange Commission, Division of Corporation Finance, 100 F Street, NE Washington, DC 20549, United States of America.

From 16 April 2018 the ultimate parent undertaking and controlling party is SS&C Technologies Holdings Inc.