

DST SYSTEMS INC
Form 10-Q
May 10, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2006
or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 1-14036

DST SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

333 West 11th Street, Kansas City, Missouri

(Address of principal executive offices)

43-1581814

(I.R.S. Employer
Identification No.)

64105

(Zip Code)

(816) 435-1000

(Registrant's telephone number, including area code)

No Changes

(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares outstanding of the Company's common stock as of April 30, 2006:

Common Stock \$0.01 par value 69,706,083

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The brand, service or product names or marks referred to in this Report are trademarks or service marks, registered or otherwise, of DST Systems, Inc. or its subsidiaries or affiliates or of vendors to the Company.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Introductory Comments

The Condensed Consolidated Financial Statements of DST Systems, Inc. ("DST" or the "Company") included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to enable a reasonable understanding of the information presented. These Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2005.

The results of operations for the three months ended March 31, 2006, are not necessarily indicative of the results to be expected for the full year 2006.

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DST Systems, Inc.
Condensed Consolidated Balance Sheet
(dollars in millions, except per share amounts)
(unaudited)

| | March 31, 2006 | December 31, 2005 |
|--|-------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 99.3 | \$ 80.2 |
| Transfer agency investments | 69.4 | 93.3 |
| Accounts receivable | 360.6 | 386.2 |
| Deferred income taxes | 33.6 | 32.9 |
| Other assets | 47.6 | 48.9 |
| Assets of businesses held for sale | | 118.9 |
| | 610.5 | 760.4 |
| Investments | 1,702.7 | 1,405.2 |
| Properties | 499.1 | 492.4 |
| Goodwill | 75.2 | 75.1 |
| Intangibles | 18.8 | 18.9 |
| Other assets | 75.6 | 90.8 |
| Assets of business held for sale | | 186.7 |
| Total assets | \$ 2,981.9 | \$ 3,029.5 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities | | |
| Debt due within one year | \$ 861.2 | \$ 863.1 |
| Transfer agency deposits | 69.4 | 93.3 |
| Accounts payable | 94.8 | 97.6 |
| Accrued compensation and benefits | 64.3 | 90.2 |
| Deferred revenues and gains | 69.5 | 69.4 |
| Other liabilities | 157.4 | 160.3 |
| Income taxes payable | 153.2 | 137.7 |
| Liabilities of businesses held for sale | | 110.7 |
| | 1,469.8 | 1,622.3 |
| Long-term debt | 548.0 | 541.4 |
| Deferred income taxes | 385.5 | 318.0 |
| Other liabilities | 57.2 | 52.1 |
| | 2,460.5 | 2,533.8 |
| Commitments and contingencies (Note 9) | | |