

**AUTOMATIC DATA PROCESSING
LIMITED**

Report and Financial Statements

30 June 1999

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Griffiths	[Resigned 22 December 1999]
A J Brennan	[Appointed 22 December 1999]
J A Iturrioz	[Appointed 22 December 1999]
J Benson	(USA)
R Haviland	(USA)

SECRETARY

Clifford Chance Secretaries
200 Aldersgate Street
London EC1A 4JJ

REGISTERED OFFICE

ADP House
2 Pine Trees
Chertsey Lane
Staines
Middlesex TW18 3DS

BANKERS

Barclays Bank PLC
Corporate Banking Centre
PO Box 385
Onslow Hall
The Little Green
Richmond-upon-Thames
Surrey TW9 1WB

The Royal Bank of Scotland plc
Drummond's Branch
49 Charing Cross
Admiralty Arch
London SW1A 2DX

SOLICITORS

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 1999.

RESULTS AND DIVIDENDS

The results for the year ended 30 June 1999 are as follows:

	1999 £'000	1998 £'000
Profit before taxation	2,422	2,227
Profit after taxation	1,620	1,534

The directors paid a final dividend for the year of £3,407,000 (1998 - £nil).

REVIEW OF THE BUSINESS

The company's principal activity is the provision of computing services.

Turnover for the year was £24,591,000 (1998 - £13,953,000). Turnover for the year includes £9,319,000 from the business of GSI Travel and Transportation (UK) Limited purchased on 30 June 1998. Turnover excluding amounts generated from this acquisition increased by 9% on the previous year (1998 - 16%).

The directors believe that the revenue from their payroll services and clearing businesses will continue to increase during the coming year and that the businesses are soundly based for future profitable growth.

On 13 October 1998, the Company (through ADP Limited, a newly acquired subsidiary) purchased the entire share capital of The Chessington Partnership Limited, and consequently, acquired Chessington Computer Services Limited, the leading supplier of payroll services to the UK central government market.

Automatic Data Processing Limited's ultimate parent company, Automatic Data Processing Inc. ("ADP, Inc."), which is incorporated in the United States of America, is one of the largest computer services companies in the world. ADP Inc. is the largest payroll services provider in the world with over 350,000 clients and processes payroll and related services for over 20 million wage earners.

RESEARCH AND DEVELOPMENT

The company continues to invest in developing products and services for the evolving needs of the payroll market.

FUTURE PROSPECTS

The directors consider that 1999/00 will be a year of promising trading conditions and of making substantial investments in new services.

DIRECTORS

The existing membership of the Board is set out on page 1. All directors served throughout the year.

The directors have no beneficial interests in the share capital of the company or any other company within the UK group.

POLITICAL AND CHARITABLE DONATIONS

The company made no political donations in the year (1998 - £nil), but made charitable donations of £995 (1998- £700).

DIRECTORS' REPORT

YEAR 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

EURO

The directors have reviewed the impact of the Euro on the business and have discussed the issue with vendors and clients. The introduction of the Euro is not expected to have a major impact on the company's activities in the immediate future and the costs associated with the consideration of the Euro issue are not expected to be material.

DISABLED EMPLOYEES

It is the Company's policy to encourage the employment, training and career development of disabled persons. If employees become disabled, every effort is made for them to continue in employment or receive appropriate training. In order to safeguard its employees, the Company pursues a policy designed to provide secure working environments and training standards.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A J Brennan

Director

28 July 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF AUTOMATIC DATA PROCESSING LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

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

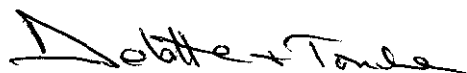
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and
Registered Auditors

28 July 2000

PROFIT AND LOSS ACCOUNT
Year ended 30 June 1999

	Note	1999 £'000	1998 £'000
TURNOVER	2	24,591	13,953
Cost of sales		(17,669)	(9,314)
Gross Profit		6,922	4,639
Distribution costs		(744)	(654)
Administrative expenses		(4,117)	(2,151)
OPERATING PROFIT	4	2,061	1,834
Interest receivable		364	393
Interest payable		(3)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,422	2,227
Tax charge on profit on ordinary activities	5	(802)	(693)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,620	1,534
Dividends – equity	6	(3,407)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(1,787)	1,534
Profit and loss account brought forward		10,400	8,866
Profit and loss account carried forward		8,613	10,400

All activities derive from continuing operations. There are no movements in shareholders' funds or recognised gains and losses for the current financial year and preceding financial year other than as stated in the profit and loss account.

BALANCE SHEET
30 June 1999

	Note	1999 £'000	1998 £'000
FIXED ASSETS			
Intangible assets	7	640	1,026
Tangible assets	8	2,623	1,383
Investments	9	50	-
		<hr/> 3,313	<hr/> 2,409
CURRENT ASSETS			
Stocks	10	204	109
Debtors	11	7,366	8,930
Cash		7,042	3,803
		<hr/> 14,612	<hr/> 12,842
CREDITORS: amounts falling due			
Within one year	12	<hr/> (8,812)	<hr/> (4,351)
NET CURRENT ASSETS		<hr/> 5,800	<hr/> 8,491
TOTAL ASSETS LESS CURRENT			
LIABILITIES		<hr/> 9,113	<hr/> 10,900
CAPITAL AND RESERVES			
Called up share capital	14	500	500
Profit and loss account		8,613	10,400
EQUITY SHAREHOLDERS' FUNDS		<hr/> 9,113	<hr/> 10,900

These financial statements were approved by the Board of Directors on 28 July 2000.

Signed on behalf of the Board of Directors



A J Brennan

Director

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Intangible fixed assets

Goodwill arising on the acquisition of a business is capitalised and amortised over a period of ten years.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Land and buildings	1.25% per annum
Computer installation	33 to 50% per annum
Fixtures and fittings	10 to 50% per annum

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Stocks

Stocks of paper and computer consumables are valued at the lower of cost and net realisable value. Cost represents the invoiced cost of purchase.

Research and development

Internal research and development is charged to the profit and loss account as incurred.

Repairs and renewals

Expenditure on repairs and renewals is charged to the profit and loss account as incurred.

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions.

All differences are taken to the profit and loss account.

Leases

Rental charges under operating leases are charged to profit and loss as incurred over the periods of the leases.

Pensions

The company operates a money purchase scheme for qualifying employees. Pension costs for this scheme are charged to the profit and loss account in the period in which they arise.

The company has previously operated a defined benefit scheme, but as explained in note 17, at the end of December 1991 the company decided to wind down this scheme.

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

2. TURNOVER

Turnover comprises amounts invoiced, excluding VAT, to third parties in the United Kingdom in respect of computing and payroll services. In the opinion of the directors, turnover derives from two classes of business, payroll services and clearing businesses, as follows:

	1999 £'000	1998 £'000
Payroll services	15,272	13,953
Clearing	9,319	-
	<u>24,591</u>	<u>13,953</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £'000	1998 £'000
Directors' emoluments		
Salaries	184	121
Pension contributions	12	44
	<u>196</u>	<u>165</u>

One director is a member of a defined contribution pension scheme (1998 – one).

	No.	No.
Average number of persons employed (including UK directors)		
Systems program	18	30
Production	257	64
Customer support	103	36
Administration	26	12
Sales/marketing	76	70
	<u>480</u>	<u>212</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	8,287	5,213
Social security costs	801	533
Other pension costs	276	202
	<u>9,364</u>	<u>5,948</u>

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

4. OPERATING PROFIT

	1999 £'000	1998 £'000
Operating profit is after charging:		
Rentals under operating leases		
Vehicle contract hire	534	484
Other operating leases	718	505
Depreciation (note 8)	929	575
Write-off of land and buildings (note 8)	929	-
Amortisation (note 7)	71	-
Loss on disposal of fixed assets	8	-
Auditors' remuneration – audit fee	32	20
	<u> </u>	<u> </u>

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
UK Corporation tax at 31% (1998 – 31%)	797	693
Adjustments to prior years' tax provisions	5	-
	<u> </u>	<u> </u>
	802	693
	<u> </u>	<u> </u>

6. DIVIDENDS

	1999 £'000	1998 £'000
Dividends paid to equity share holder		
Final dividend of £6.81 per share (1998 - £nil)	3,407	-
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

7. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 July 1998	1,026
Adjustments	(315)
	<hr/> 711 <hr/>
At 30 June 1999	711
Amortisation	
At 1 July 1998	-
Charge for the year	71
	<hr/> 71 <hr/>
At 30 June 1999	71
Net book value	
At 30 June 1999	<hr/> 640 <hr/>
At 30 June 1998	<hr/> 1,026 <hr/>

Goodwill derives from the purchase of the business of GSI Travel & Transportation (UK) Limited on 30 June 1998. The net adjustments to goodwill of £315k arise from changes in the estimated fair value of assets and liabilities acquired. These changes relate to the understatement of debtors by £420k and of taxation creditors by £105k in the closing accounts of the transferred business.

NOTES TO THE ACCOUNTS
Year ended 30 June 1999

8. TANGIBLE FIXED ASSETS

	Land and Buildings £'000	Computer Installation £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 1998	-	3,468	1,284	4,752
Additions	2,100	710	343	3,153
Disposals	-	(491)	(171)	(662)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	2,100	3,687	1,456	7,243
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 July 1998	-	2,348	1,021	3,369
Write-off	929	-	-	929
Charge for the year	13	660	256	929
Disposals	-	(487)	(120)	(607)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1999	942	2,521	1,157	4,620
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 1999	1,158	1,166	299	2,623
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1998	-	1,120	263	1,383
	<hr/>	<hr/>	<hr/>	<hr/>

Computer equipment and furniture costing £2,705,000 was fully depreciated at 30 June 1999 (1998 - £2,705,000).

NOTES TO THE ACCOUNTS**Year ended 30 June 1999****9. FIXED ASSET INVESTMENTS**

	Shares in Subsidiary Undertakings £'000
Cost and net book value at 1 July 1998	-
Additions	50
	<hr/>
Cost and net book value at 30 June 1999	50
	<hr/> <hr/>

On 4 September 1998, the Company purchased the entire share capital of ADP Limited (2 Ordinary shares of £1 each) from ADP Network Services Limited (the Company's immediate parent undertaking) and purchased 49,998 new Ordinary shares of £1 each from ADP Limited.

Name of Subsidiary	Country of incorporation	Holding	Proportion held	Nature of business
ADP Limited	England	Ordinary shares	100%	Holding Company

10. STOCKS

	1999 £'000	1998 £'000
Paper and computer consumables	204	109
	<hr/>	<hr/>

11. DEBTORS

	1999 £'000	1998 £'000
Trade debtors	5,966	4,631
Amounts due from parent and fellow subsidiaries undertakings	261	3,630
Amounts due from subsidiary undertakings	146	-
Prepayments and accrued income	926	668
Other debtors	67	1
	<hr/>	<hr/>
	7,366	8,930
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£'000	£'000
Trade creditors	941	624
Amounts due to parent and fellow subsidiaries undertakings	2,936	1,126
Amounts due to subsidiary undertakings	1,949	-
Corporation tax	871	960
Other taxes and social security	1,098	652
Accruals and deferred income	6	980
Other creditors	1,011	9
	<u>8,812</u>	<u>4,351</u>

13. DEFERRED TAXATION

The amount of deferred tax provided in the financial statements and the potential amounts not provided are:

	Provided		Unprovided	
	30 June	30 September	30 June	30 September
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Capital allowance in excess of depreciation	-	-	(597)	(619)
Other	-	-	(42)	(43)
	<u>-</u>	<u>-</u>	<u>(639)</u>	<u>(662)</u>

14. CALLED UP SHARE CAPITAL

	1999	1998
	£'000	£'000
Authorised, called up, allotted and fully paid: 500,000 ordinary shares of £1 each	500	500
	<u>500</u>	<u>500</u>

15. CAPITAL COMMITMENTS

	1999	1998
	£'000	£'000
Contracted for but not provided	-	41
	<u>-</u>	<u>41</u>

NOTES TO THE ACCOUNTS**Year ended 30 June 1999****16. OPERATING LEASE COMMITMENTS**

At 30 June 1999 the company was committed to making the following payments during the next year in respect of operating leases:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	-	104	-	45
Within two to five years	274	426	-	373
After five years	295	-	398	-
	<u>569</u>	<u>530</u>	<u>398</u>	<u>418</u>

17. PENSION SCHEME

At the end of December 1991 the company decided to wind down its defined benefit scheme and all employees have now been transferred to a defined contribution scheme. The assets of the scheme are held in separate trustee administered funds. The company currently operates a money purchase defined contribution scheme.

18. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS8, 'Related Party Disclosures', not to disclose transactions with other group entities.

19. ULTIMATE PARENT COMPANY AND PARENT COMPANY

The ultimate parent company and controlling party is Automatic Data Processing Inc. which is incorporated in the United States of America. The immediate parent company is ADP Network Services Limited, a company registered in England and Wales. Copies of the group financial statements of Automatic Data Processing Inc. may be obtained from One ADP Boulevard, Roseland, New Jersey, USA. The company is exempt from the obligation to prepare and deliver group accounts. Copies of the group financial statements of ADP Network Services Limited may be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff, CF4 3UZ.