

Company Registration No. 00949665

Automatic Data Processing Limited

Annual Report and Financial Statements

30 June 2014

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Automatic Data Processing Limited

Annual report and financial statements 2014

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities	6
Independent auditor's report	7
Profit and loss account	8
Statement of total recognised gains and losses	9
Balance sheet	10
Notes to the financial statements	11

Automatic Data Processing Limited

Annual report and financial statements 2014

Officers and professional advisers

Directors

P. Hadley – appointed 17 November 2013
D. Foskett – appointed 1 December 2014
S. Finnegan – appointed 13 November 2013
M. Black – resigned 1 December 2014
D. McGuire – resigned 13 November 2013
M. Bonarti – resigned 15 November 2013

Secretary

TMF Corporate Administration Services Limited
5th Floor
6 St Andrew Street
London
EC4A 3AE

Registered Office

Syward Place
Pycroft Road
Chertsey
Surrey
KT16 9JT

Bankers

Barclays Bank plc
Multinational Corporate Team
Level 28, No 1 Churchill Place
Canary Wharf
London
E14 5HP

JPMorgan Chase Bank N.A.
PO Box 260166
Baton Rouge
LA 70826-0166

Allied Irish Bank
PO Box 96A
7/12 Dame Street
Dublin 2

Solicitors

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Automatic Data Processing Limited

Strategic report

Principal activities

The Company's principal activity is the provision of employer services.

Performance review

Turnover for the year was £50,294,000 (2013: £46,655,000), an increase of 7.8% due to continuing expansion of the Company's customer base, wider take up of different service offerings, strong customer retention and inflationary price increases.

Results

The results for the year are as follows:

	2014 £'000	2013 £'000
Profit/(loss) before taxation	3,703	(2,006)
Profit/(loss) after taxation	3,204	(1,096)

Profit before taxation has increased largely due to higher revenues as reported above, improved gross margins and higher interest income on bond investments. Gross profit is 62.9% (2013: 55.9%).

Review of financial position

Fixed asset investments increased by 32.7% during the year due to a larger percentage of long term marketable securities maturing after three and four years than for 2013.

Current asset investments increased by 25.9% during the year. This related to short-term marketable securities.

Cash at bank and in hand increased to £10,350,000 from £3,572,000 during the year. This relates solely to the company's bank balances and does not include client fund bank balances.

Creditors falling due within one year have increased to £242,657,000 from £189,603,000 in 2013. Client obligations have also increased to £223,112,000 from £172,369,000 in 2013. This can be explained by an increased client base over the financial year.

Other key developments

During the year, the Company became an authorised payment institution for the purpose of its payroll disbursement services. As a result, the Company's activities are now regulated by the Financial Conduct Authority.

Future developments

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

The directors do not anticipate any significant changes in the Company's activities in the forthcoming year.

Key performance indicators

Automatic Data Processing Limited's ultimate parent company is Automatic Data Processing Inc. ("ADP Inc."), which is incorporated in the United States of America. ADP Inc. is one of the world's largest providers of business outsourcing solutions, with more than \$11 billion in revenues and approximately 620,000 clients.

Automatic Data Processing Limited is part of the Employer Services Division of ADP Inc. ADP Inc. manages its operations on a divisional basis. ADP Inc. provides a detailed review of the financial results and business performance of the Employer Services Division within its Annual Report Filing on Form 10-K filed with the Securities and Exchange Commission which can be accessed via the Company's website at www.adp.com. For this reason, the Company's directors believe that further key performance indicators are not necessary for an understanding of the business.

Automatic Data Processing Limited

Strategic report

Principal risks and uncertainties

Competitive pressure is a continued risk for the Company. The Company manages this risk by providing value added services to its customers, whilst continually reviewing and updating its products.

The Company's principal financial assets are cash, trade debtors, money market funds and bond investments. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers. The Company has limited liquidity risk and is able to take advantage of the ADP Group's treasury management function to manage liquidity risks should the need arise. Price risk is managed with an annual review in line with inflation and market trends.

A new risk for the Company is its provision of payment services which is now regulated by the Financial Conduct Authority ("FCA"). In particular, the United Kingdom's Payment Services Regulations impose potential liability on the Company for its conduct. There is a risk that failure by the Company to comply with regulatory requirements could adversely impact ADP, through compensation to customers, settlements, penalties or other sanctions, or requirements to implement changes in the Company's business operations.

Automatic Data Processing Limited, in line with the strategy of the ADP group of companies, employs a range of business management tools and processes for the effective management of the business.

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



D Foscett
Director

27 March 2015

Automatic Data Processing Limited

Directors' report

The directors' present their annual report and the audited financial statements for the year ended 30 June 2014.

The Company has chosen, in accordance with section 414C (11) of the Companies act 2006, to include such matters of strategic importance to the Company in the Strategic Report which otherwise would be required to be disclosed in the Directors' Report.

Directors

The membership of the Board throughout the year and since the year-end is set out on page 1. The directors have no beneficial interests in the share capital of the Company or any other company within the UK group.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, and its risk management procedures are set out in the review of the business and risk management sections of the Strategic Report.

ADP Netherlands B.V. has confirmed its intention to provide such financial support as necessary to the company to enable it to meet its liabilities as they fall due for a minimum period of twelve months from the date of these financial statements. ADP Netherlands B.V. is the immediate parent company of ADP Network Services Limited, which is the parent undertaking of Automatic Data Processing Limited.

Accordingly, the directors, having considered the letter of financial support received from ADP Netherlands B.V. and the ability of ADP Netherlands B.V. to provide the financial support, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Dividends

The directors do not propose any dividend for the year (2013: £nil).

Political and charitable donations

During the year the Company made no political donations (2013: £nil), but charitable donations of £2,665 (2013: £2,732) were made.

Employee involvement

Information on business developments and operational matters is disseminated to staff through quarterly briefing sessions, occasional staff events, presentations and additional written briefings as matters arise. The Company regularly consults with employees for views on matters affecting them. Automatic Data Processing Inc., the Company's ultimate parent company, makes available a share purchase plan in which all employees can participate to encourage employee involvement in the Group's performance.

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.

Automatic Data Processing Limited

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

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

A handwritten signature in black ink, consisting of a stylized 'D' followed by a series of diagonal strokes.

D Foscett
Director

27 March 2015

Automatic Data Processing Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable 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.

Independent auditor's report to the members of Automatic Data Processing Limited

We have audited the financial statements of Automatic Data Processing Limited for the year ended 30 June 2014 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Hadleigh Shekle (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 March 2015

Automatic Data Processing Limited

Profit and loss account Year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Turnover			
Continuing operations	2	50,294	46,655
Cost of sales		(18,659)	(20,540)
Gross profit		31,635	26,115
Distribution costs		(2,484)	(2,246)
Administrative expenses		(29,248)	(28,981)
Other operating income		1,028	754
Operating profit/(loss)	5	931	(4,358)
Interest payable and similar charges	6	-	(72)
Interest receivable and similar income	7	2,772	2,424
Profit/(loss) on ordinary activities before taxation		3,703	(2,006)
Tax (charge)/credit on profit/(loss) on ordinary activities	8	(499)	910
Profit/(loss) for the financial year	18, 19	3,204	(1,096)

Automatic Data Processing Limited

Statement of total recognised gains and losses Year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Profit/(loss) for the financial year		3,204	(1,096)
Losses on available for sale investments	19	(617)	(312)
Deferred tax on losses on available for sale investments		123	74
Revaluation gains transferred to profit and loss on disposal of available for sale investments		(91)	-
Deferred tax on revaluation gains transferred to profit and loss disposal of available for sale investments		18	-
Actuarial loss relating to the pension scheme	21	(1,046)	(505)
Deferred tax on actuarial loss	21	209	120
Deferred tax on pension movements		(353)	(511)
Tax rate change impact on deferred tax		4	(2)
Pension asset not recognised		(775)	(49)
Deferred tax on pension asset not recognised		155	12
		<hr/>	<hr/>
Total recognised gains/(losses) relating to the year		831	(2,269)
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Automatic Data Processing Limited

Balance sheet 30 June 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	9	1,419	1,513
Investments	11	115,073	86,710
		<u>116,492</u>	<u>88,223</u>
Current assets			
Investments	11	105,092	83,415
Debtors: amounts falling due within one year	12	19,115	17,062
Deferred tax asset	16	926	792
Cash at bank and in hand	13	12,965	3,572
		<u>138,098</u>	<u>104,841</u>
Creditors: amounts falling due within one year	14	<u>(242,657)</u>	<u>(189,603)</u>
Net current liabilities		<u>(104,559)</u>	<u>(84,762)</u>
Provisions for liabilities	15	<u>(773)</u>	<u>(746)</u>
Net assets excluding pension liability		11,160	2,715
Pension liability	21	<u>(2,286)</u>	<u>(2,238)</u>
Total net assets		<u>8,874</u>	<u>477</u>
Capital and reserves			
Called up share capital	17	20,500	13,000
Profit and loss account	18	(12,784)	(14,168)
Revaluation reserve	18	(205)	348
Other reserves	18	1,363	1,297
Total shareholders' funds	19	<u>8,874</u>	<u>477</u>

The financial statements of Automatic Data Processing Limited, registered number 00949665, were approved by the Board of Directors and authorised for issue on 27 March 2015.

Signed on behalf of the Board of Directors



D Foskett
Director

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year, as detailed below.

Accounting convention

The financial statements are prepared under the historical cost convention, except for available for sale investments which are recorded at fair value, as permitted by the Companies Act and in accordance with applicable United Kingdom accounting standards ("UK GAAP").

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, and its risk management procedures are set out in the review of the business and risk management sections of the Strategic Report.

ADP Netherlands B.V. has confirmed its intention to provide such financial support as necessary to the Company to enable it to meet its liabilities as they fall due for a minimum period of twelve months from the date of these financial statements. ADP Netherlands B.V. is the immediate parent company of ADP Network Services Limited, which is the parent undertaking of Automatic Data Processing Limited.

Accordingly, the directors, having considered the letter of financial support received from ADP Netherlands B.V. and the ability of ADP Netherlands B.V. to provide financial support, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

Share-based payments

The Company has applied the requirements of FRS 20 Share-based payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 July 2006.

a) Share options

Share options are granted to employees at exercise prices equal to the fair market value of the ultimate parent company, Automatic Data Processing Inc's common stock on the dates of grant. Share options are issued under a graded vesting schedule, generally vesting rateably over five years and have a term of ten years. Compensation expense for share options is recognized over the requisite service period for each separately vesting portion of the share option award. Automatic Data Processing Inc. has granted rights to its equity instruments to certain employees of the Company. This share based compensation is accounted for as equity-settled in the consolidated financial statements of the parent. UITF 44 requires the Company to record an expense for such compensation (see note 3) in accordance with FRS 20 with a corresponding increase in equity as a contribution from the parent.

b) Employee share purchase plan

Prior to November 2005, ADP Inc offered an employee share purchase plan that allowed eligible employees to purchase shares of common stock at 85% of the lower of market value as of the date the purchase price for an offering was determined or market value as of the end of such offering. In November 2005, the employee share purchase plan was revised, beginning on 1 January 2006, whereby eligible employees can purchase shares of common stock at 85% of the market value at the date the purchase price for the offering is determined. Compensation expense for the employee share purchase plans is recognized over the vesting period of 24 months on a straight-line basis.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

1. Accounting policies (continued)

c) Time-based restricted shares

Shares issued under the time-based restricted shares programme contains a two-year vesting period. Awards are forfeited if the employee ceases to be employed by the Company prior to vesting. Compensation expense is recognized on a straight-line basis over the vesting period of 24 months, initially based on the fair value of the award on the grant date and subsequently re-measured at each balance sheet date during the vesting period. Employees are eligible to receive dividends on shares awarded. Time-based restricted shares are settled in cash and cannot be transferred during the vesting period.

Investments in subsidiary undertakings

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

1. Accounting policies (continued)

Available for sale investments

Listed investments and money market funds held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Investments classified as available for sale are recognised at fair value, with gains and losses arising from changes in fair value recognised directly in the statement of total recognised gains and losses, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the statement of recognised gains and losses is including in profit or loss for the period.

Impairment of financial assets

The Company's financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the statement of recognised gains and losses are reclassified to profit or loss in the period. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

1. Accounting policies (continued)

Financial liabilities

All financial liabilities of the Company are classified as other financial liabilities.

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The periods generally applicable are:

Computer installation	2 – 3 years
Fixtures and fittings	7 years
Leasehold improvements	Over lease term

Research and development

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.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in the statement of total recognised gains and losses, in which case the deferred tax is also dealt with in the statement of total recognised gains and losses.

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.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

1. Accounting policies (continued)

Leases

Rental charges under operating leases are charged to profit and loss on a straight line basis over the periods of the leases, even if the payments are not made on such a basis.

Turnover

Revenue, which is stated net of Value Added Tax, is recognised as services are performed and once the obligations to the client have been fulfilled. Revenue relating to implementation services for a new client is recognised when the implementation services are complete, which is normally at the time of the first payroll processing.

Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Automatic Data Processing Inc. and its cash flows are included within the consolidated financial statements of that company which are publicly available.

Pensions

The Company operates a defined contribution pension 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 also operates two funded defined benefit pension schemes and one unfunded scheme. For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset (to the extent the surplus is assessed as recoverable by the Company) or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet. Further information on pension arrangements is set out in note 20.

2. Turnover

An analysis of turnover by geographical market is given below:

	2014 £'000	2013 £'000
United Kingdom	50,073	46,572
European Union (excluding United Kingdom)	221	83
	<u>50,294</u>	<u>46,655</u>

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

3. Information regarding directors and employees

	2014 £'000	2013 £'000
Directors' emoluments		
Emoluments	687	765
Company contributions to defined contribution pension scheme	4	13
	<u>691</u>	<u>778</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. The directors' emoluments disclosed above include those of the highest paid director of £587,270 (2013: £778,000) of which £nil relates to pension contributions (2013: £13,072). The highest paid director did not exercise share options during the year. The remaining director, who is also an employee of the company, receives remuneration for their services as a director of the Company. One director is a member of a defined contribution pension scheme (2013: one). No directors are members of the defined benefit schemes (2013: none).

	2014 No	2013 No.
Average number of persons employed (including directors)		
Systems programmers	25	25
Production/operations	25	26
Customer support	337	352
Administration	35	34
Sales/marketing	231	178
	<u>653</u>	<u>615</u>

	2014 £'000	2013 £'000
Staff costs during the year (including directors)		
Wages and salaries	29,357	26,582
Social security costs	3,480	3,123
Other pension costs	2,289	1,113
Share-based payments (including National Insurance Contributions)	86	109
	<u>35,212</u>	<u>30,927</u>

Excluded from the above analysis for the average number of persons employed by the Company are employees whose costs are fully recharged to related companies. During the year, the average number of such employees was 110 (2013: 94).

Performance-based restricted shares

The Automatic Data Processing Inc. Group issues to certain employees, performance-based units ("PBUs") that require the Group to pay benefits to the employee at the date of exercise. The Company has recorded liabilities of £1,751,066 and £1,475,938 in 2014 and 2013 respectively. The fair value of the PBUs is determined by the ADP Inc. EPS growth over the performance period. The Company recorded total expenses of £275,128 and £1,597,502 in 2014 and 2013, respectively.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

4. Share-based payments

The Company charged the following amounts to the profit and loss account in 2014 and 2013 in relation to equity-settled share-based payments:

	2014 £'000	2013 £'000
Share options	66	42

These amounts have been credited to equity as a capital contribution in accordance with UITF 44 "Group and Treasury Share Transaction" (see note 1 accounting policies).

Movements on share options granted and weighted average exercise price during the year are as follows:

	At 1 July 2013 Number	Granted Number	Exercised Number	Lapsed/ transferred Number	Outstanding At 30 June 2014 Number	Exercisable At 30 June 2014 Number
Share options	47,568	11,200	(15,997)	18,774	61,545	41,390
Weighted-average exercise price (\$)	41.28	79.31	43.08	43.08	47.65	44.62

Share options

The fair value of each share option was estimated on the date of grant using a binomial option pricing model. The binomial model considers a range of assumptions related to volatility, risk-free interest rate and employee exercise behaviour. Expected volatilities utilized in the binomial model are based on a combination of implied market volatilities, historical volatility of the Group's share price and other factors. Similarly, the dividend yield is based on historical experience and expected future changes. The risk-free rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The binomial model also incorporates exercise and forfeiture assumptions based on an analysis of historical data. The expected life of the share option grants is derived from the output of the binomial model and represents the period of time that options granted are expected to be outstanding. Details of the key assumptions used are disclosed in the consolidated accounts of Automatic Data Processing Inc.

Share purchase plan

The employee share purchase plans are open to all employees and provide for a purchase price equal to the daily average market price on the date of grant, less 15 per cent. The shares can be purchased during a two-week period each year.

5. Operating profit

	2014 £'000	2013 £'000
Operating profit is after charging:		
Rentals under operating leases		
Plant and machinery	44	6
Land and buildings	1,119	1,166
Depreciation (note 8)	907	851
Impairment loss on trade debtors	194	33
Foreign exchange losses	7	99
Fees payable to the Company's auditor for the audit of the Company's annual accounts	78	75
Fees payable to the Company's auditor for other services: tax compliance	16	17

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

6. Interest payable and similar charges

	2014 £'000	2013 £'000
Other finance charge (see note 20)	-	72

7. Interest receivable and similar income

	2014 £'000	2013 £'000
Interest receivable on available for sale investments	2,660	1,975
Other finance income (see note 20)	112	449
	<u>2,772</u>	<u>2,424</u>

8. Tax charge/(credit) on profit/(loss) on ordinary activities

	2014 £'000	2013 £'000
Current tax		
UK corporation tax	477	(936)
	<u>477</u>	<u>(936)</u>
Deferred tax		
Origination and reversal of timing differences	(104)	(17)
Adjustments in respect of previous years	-	4
Effect of changes in tax rates	126	39
	<u>22</u>	<u>26</u>
Total tax charge/(credit) for the year	<u>499</u>	<u>(910)</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2014 £'000	2013 £'000
Profit/(loss) on ordinary activities before taxation	3,703	(2,006)
Tax on loss at standard UK tax rate of 22.5% (2013: 23.75%)	833	(476)
Non-tax deductible expenses	12	17
Depreciation in excess of capital allowances	70	72
Movement in short-term timing differences	(438)	(549)
Current tax charge/(credit) for the year	<u>477</u>	<u>(936)</u>

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

8. Tax charge/(credit) on loss on ordinary activities (continued)

In the 2013 Finance Act it was enacted that the UK corporation tax rate would be reduced from 23% to 21% effective 1 April 2014 and 20% effective 1 April 2015. These reductions were substantively enacted at the balance sheet date and the impact thereof is therefore reflected in these financial statements.

9. Tangible fixed assets

	Computer installation £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 July 2013	5,241	580	1,246	7,067
Additions	494	157	162	813
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2014	5,735	737	1,408	7,880
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 July 2013	4,153	493	908	5,554
Charge for the year	709	47	151	907
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2014	4,862	540	1,059	6,461
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 2014	873	197	349	1,419
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2013	1,088	87	338	1,513
	<hr/>	<hr/>	<hr/>	<hr/>

10. Fixed asset investments

The movement in long-term marketable securities classified as fixed asset investments is as follows:

	Marketable securities £'000
At fair value:	
At 1 July 2013	86,710
Acquisitions	41,171
Disposals	(12,191)
Revaluation	(617)
	<hr/>
At 30 June 2014	115,073
	<hr/>

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

11. Available for sale investments: funds held for clients

The historic cost of client funds held as at 30 June 2014 was £223,112,397 (2013: £172,369,000). An equivalent liability is recognised on the balance sheet as client obligations.

Client funds are primarily invested in money market funds and government and corporate bonds which are recognised at fair value. Fair values are determined using quoted prices and as such all available for sale investments are classified as Level 1 financial assets in the fair value hierarchy.

	Historic cost £'000	Cumulative unrealised gains/ (losses) £'000	Fair value £'000
Cash and cash equivalents	2,614	-	2,614
Funds due from clients	77	-	77
Short-term marketable securities	105,002	90	105,092
Long-term marketable securities	115,419	(346)	115,073
	<hr/>	<hr/>	<hr/>
Total funds held for clients	223,112	(256)	222,856
	<hr/>	<hr/>	<hr/>
Total client liability (Note 13)	223,112		
	<hr/>		

The marketable securities comprise:

	2014 £'000	2013 £'000
Money market funds	84,212	71,224
Corporate and government bonds	135,953	98,901
	<hr/>	<hr/>
	220,165	170,125
	<hr/>	<hr/>

Cumulative fair value losses of £256,000 (2013: gain of £452,000) have been recognised directly in the statement of total recognised gains and losses on these investments.

Maturities of long-term marketable securities

	2014 £'000	2013 £'000
Due after one year up to two years	24,629	21,787
Due after two years up to three years	20,770	20,111
Due after three years up to four years	24,191	13,198
Due after four years	45,483	31,614
	<hr/>	<hr/>
	115,073	86,710
	<hr/>	<hr/>

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

12. Debtors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade debtors	11,364	10,491
Amounts due from fellow subsidiary undertakings	3,298	2,824
Corporation tax debtor	-	19
Interest receivable	2,747	2,191
Other debtors	319	279
Prepayments and accrued income	1,387	1,258
	<u>19,115</u>	<u>17,062</u>

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period taken on provision of services is 41 days (2013: 42 days). No interest is charged on the debtors for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balance at 2% above Barclays Bank Base Rate. The Company has recognised an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances against doubtful debts are recognised against trade receivables between 90 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an assessment of the counterparty's current financial position.

Before accepting any new customer, the Company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. There are no customers at either balance sheet date who represent more than 5 per cent of the total balance of trade receivables.

The Company does not hold any collateral or other credit enhancements over any of its trade debtors nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Ageing of past due but not impaired trade debtors

	2014 £'000	2013 £'000
31-60 days	4,710	2,910
61-90 days	373	455
91-120 days	78	135
	<u>5,161</u>	<u>3,500</u>

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

12. Debtors: amounts falling due within one year (continued)

Movement in the allowance for doubtful debts

	2014 £'000	2013 £'000
Balance at 1 July 2013	188	270
Impairment losses recognised	194	-
Impairment losses utilised	(36)	-
Impairment losses reversed	-	(82)
Balance at 30 June 2014	346	188

In determining the recoverability of a trade debtor, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Ageing of impaired trade debtors

	2014 £'000	2013 £'000
91-120 days	78	135
121-150 days	71	41
151-180 days	45	25
>180 days	116	126
	310	327

The directors consider that the carrying amount of trade and other debtors is approximately equal to their fair value.

13. Cash at bank and in hand

	2014 £'000	2013 £'000
Cash at bank – client funds	2,615	2,445
Cash at bank and in hand	10,350	1,127
	12,965	3,572

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

14. Creditors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade creditors	2,154	2,021
Amounts owed to fellow subsidiary undertakings for a loan	2,123	2,123
Amounts due to fellow subsidiary undertakings	3,121	2,284
Client obligations (Note 11)	223,112	172,369
Other taxes and social security	2,529	2,362
Accruals and deferred income	9,126	8,444
Corporation tax payable	458	-
Other creditors	34	-
	<u>242,657</u>	<u>189,603</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 45 days (2013: 47 days). For most suppliers no interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

The client obligations relate to amounts owed to third parties on behalf of clients (note 11).

15. Provision for liabilities

	Dilapidations £'000	NIC on share options £'000	Total £'000
At 1 July 2013	642	104	746
Charged to the profit and loss account	7	20	27
	<u>649</u>	<u>124</u>	<u>773</u>
At 30 June 2014			

Included in the dilapidations provision is an amount of £611,400 (2013: £545,000) which relates to the dilapidations provision on a lease expiring March 2020 and £37,625 (2013: £nil) which relates to a lease expiring August 2023; it is expected that the provisions will be utilised after the lease expiry dates.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

16. Deferred taxation

The Company has recognised a deferred tax asset of £926,000 (2013: £792,000) as the directors expect future taxable profits to be generated in the foreseeable future.

	2014 £'000	2013 £'000
Deferred tax assets		
Short-term timing differences	926	792
Opening balance	792	739
Charge to profit and loss account	(22)	(26)
Credit to statement of total recognised gains and losses	156	79
Closing balance	926	792

17. Called up share capital

	2014 £'000	2013 £'000
Allotted, called up and fully paid:		
20,500,000 ordinary shares of £1 each (2013: 13,000,000)	20,500	13,000

During the year, the Company issued 7,500,000 shares at a subscription price of £1.00 per share to its immediate parent company, ADP Network Services Limited for cash.

18. Reserves

	Other reserves £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 July 2013	1,297	348	(14,168)
Profit for the financial year	-	-	3,204
Unrealised losses on available for sale investments, net of tax	-	(553)	-
Actuarial loss	-	-	(1,046)
Deferred tax on actuarial loss	-	-	209
Pension asset not recognised	-	-	(775)
Deferred tax on pension asset not recognised	-	-	155
Deferred tax on pensions movements	-	-	(363)
Share-based payments (note4)	66	-	-
At 30 June 2014	1,363	(205)	(12,784)

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

19. Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit/(loss) for the financial year	3,204	(1,096)
Issue of share capital (note 17)	7,500	-
Share-based payments (note 4)	66	42
Unrealised losses on available for sale investments, net of tax	(553)	(233)
Actuarial loss relating to pension scheme	(1,046)	(505)
Deferred tax on actuarial loss	209	120
Pension asset not recognised	(775)	(49)
Deferred tax on pension asset not recognised	155	12
Deferred tax on pensions movements	(363)	(518)
Net increase/(decrease) in shareholders' funds	8,397	(2,227)
Opening shareholders' funds	477	2,704
Closing shareholders' funds	8,874	477

20. Operating lease commitments

At 30 June 2014, the Company was committed to making the following payments during the next year in respect of operating leases:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Within one year	-	-	-	7
Within two to five years	-	-	90	-
After five years	1,058	-	836	-
	1,058	-	926	7

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

21. Pension

ADP Pension and Life Assurance Plan

Defined contribution scheme

The Company currently operates a money purchase defined contribution scheme.

The pension cost for the current year totalled £2,289,000 (2013: £1,185,000). As at the balance sheet date, there were outstanding pension contributions totalling £305,160 (2013: £185,000).

Defined benefit scheme

Some of the employees of Automatic Data Processing Limited were eligible for membership of the ADP Pension & Life Assurance Plan, a funded defined benefit scheme operating in the UK. This scheme is no longer open to new employees.

The amounts recognised in the balance sheet are as follows:

	2014 £'000	2013 £'000
Present value of funded obligations	10,074	9,402
Fair value of plan assets	(9,926)	(9,271)
Deficit	148	131
Related deferred tax asset	(30)	(30)
Net liability at end of the year	118	101

Amounts recognised in the profit and loss account are as follows:

	2014 £'000	2013 £'000
Interest costs	428	420
Return on assets	(540)	(501)
Total income included in interest receivable and similar income	(112)	(81)

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

21. Pension (continued)

Change in the present value of scheme liabilities:

	2014 £	2013 £
At beginning of the year	9,402	8,946
Interest cost	428	420
Actuarial loss	491	251
Gross benefits paid	(247)	(215)
At end of the year	<u>10,074</u>	<u>9,402</u>

Change in the fair value of assets:

	2014 £	2013 £
At beginning of the year	9,271	8,224
Employer contributions	452	452
Expected return on assets	539	501
Actuarial (loss)/gain	(89)	309
Gross benefits paid	(247)	(215)
At end of the year	<u>9,926</u>	<u>9,271</u>

The Company expects to contribute £452,000 to the ADP Limited Pension & Life Assurance Plan in the year to 30 June 2015.

Assets as a proportion of total scheme assets at the balance sheet date:

	2014	2013
Equities	50%	45%
Fixed Income Bonds	37%	43%
Property	4%	3%
Cash	<u>9%</u>	<u>9%</u>

Property amounts to £377,000 (2013: £297,000) of the total fair value of scheme assets.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

21. Pension (continued)

Principal actuarial assumptions at the balance sheet date

	2014	2013
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	3.25%	3.28%
Discount rate	4.33%	4.61%
Inflation assumptions	3.36%	3.38%
Rate of return on scheme assets	5.75%	6.00%

The actual rate of return on scheme assets was £450,000 (2013: £810,000).

The mortality assumption is made up of two components: the underlying base table and the allowance for future improvements in life expectancy. The base tables adopted are the SINXA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2009 with 1% p.a. long-term improvements (2013: CMI 2009 with 1% p.a. long-term improvements).

Amounts for the current and previous four periods are as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligations	10,074	9,402	8,946	7,584	7,178
Scheme assets	(9,926)	(9,271)	(8,224)	(7,100)	(5,969)
Deficit	148	131	722	484	1,209
Experience adjustments on scheme liabilities	-	-	273	-	-
Experience adjustments on scheme assets	-	(309)	291	475	373

ADP Chessington Pension scheme

The former employees of Chessington Computer Services Limited are eligible for membership of the ADP Chessington Pension Scheme, a funded defined benefit scheme operating in the UK.

Contributions made in respect of the year ended 30 June 2014 totalled £1,200,000 (2013: £1,199,000).

On the 30 July 2009 Automatic Data Processing Limited replaced Chessington Computer Services Limited as the principal employer for the ADP Chessington Pension Scheme

	2014 £'000	2013 £'000
Present value of funded obligations	37,898	35,079
Fair value of plan assets	(39,155)	(35,128)
	(1,257)	(49)
Effect of asset limit	1,257	49
Deficit	-	-
Related deferred tax asset	-	-
Net liability at the end of the year	-	-

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

21. Pension (continued)

Amounts recognised in the profit and loss are as follows:

	2014 £'000	2013 £'000
Interest costs	1,601	1,492
Return on assets	(1,601)	(1,860)
Total (income) included in interest receivable and similar income	-	(368)

Change in benefit obligations:

	2014 £'000	2013 £'000
At beginning of the year	35,079	31,701
Interest cost	1,601	1,492
Actuarial loss	1,911	2,466
Gross benefits paid	(693)	(580)
At end of the year	37,898	35,079

Change in the fair value of assets:

	2014 £'000	2013 £'000
At beginning of the year	35,128	30,694
Employer contributions	1,200	1,199
Expected return on assets	2,034	1,860
Actuarial gain	1,486	1,955
Gross benefits paid	(693)	(580)
At end of the year	39,155	35,128

The Company expects to contribute £1,200,000 to the ADP Chessington Pension Scheme in the year to 30 June 2015.

Assets as proportion of total scheme assets at the balance sheet date:

	2014	2013
Equities	55%	56%
Fixed Income Bonds	45%	44%
Cash	-	-

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

21. Pension (continued)

Principal actuarial assumptions at the balance sheet date

	At 30 June 2014	At 30 June 2013
Rate of increase in pensions in payment	3.25%	3.28%
Discount rate	4.33%	4.61%
Inflation assumptions	3.36%	3.38%
Rate of return on scheme assets	5.75%	6.00%

The mortality assumption is made up of two components: the underlying base table and the allowance for future improvements in life expectancy. The base tables adopted are the S1NXA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2009 with 1% p.a. long-term improvements (2013: CMI 2009 with 1% p.a. long-term improvements).

The actual rate of return on scheme assets was £3,520,000 (2013: £3,814,000).

Amounts for the current and previous four periods are as follows:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligations	37,898	35,079	31,701	30,274	28,624
Scheme assets	(39,155)	(35,128)	(30,694)	(26,985)	(22,629)
Effect of asset limit	1,257	49	-	-	-
Deficit	-	-	1,007	(3,289)	(5,995)
Experience adjustments on scheme liabilities	-	-	(584)	-	-
Experience adjustments on scheme assets	(1,486)	(1,955)	554	(2,209)	(1,700)

ADP Annual Compensation Payments

Some of the employees of Automatic Data Processing Limited were eligible for membership of the ADP Annual Compensation Payment scheme, an unfunded defined benefit scheme operating in the UK. This scheme is no longer open to new employees.

Contributions made in respect of the year ended 30 June 2014 totalled £114,000 (2013: £114,000).

	2014 £'000	2013 £'000
At beginning of the year	2,137	2,127
Employer contributions	(105)	(114)
Interest cost	96	72
Actuarial loss	41	52
At end of the year	2,169	2,137

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

21. Pension (continued)

Principal actuarial assumptions at the balance sheet date

	At 30 June 2014	At 30 June 2013
Discount rate	4.33%	4.61%
Inflation assumptions	3.38%	3.38%

The mortality assumption is made up of two components: the underlying base table and the allowance for future improvements in life expectancy. The base tables adopted are the SINFA /SINMA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2009 with 1% p.a. long-term improvements (2013: CMI 2009 with 1% p.a. long-term improvements).

21. Related party disclosures

The Company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8, 'Related Party Disclosures', not to disclose transactions with other wholly-owned group entities.

The Company's pension schemes are also considered to be related parties. All transactions between Automatic Data Processing Limited and its associated pension schemes are disclosed in Note 21.

22. Capital risk management

Risk management

The Company manages its capital to ensure that it will be able to continue as going concern; this strategy remains unchanged from the prior year.

The capital structure of the Company consists of net funds (available for sale investments and cash receipts less client fund obligations and bank overdrafts) and equity of the Company (comprising issued capital, reserves, and retained earnings).

The Company is not subject to any externally imposed capital requirements.

The Company's principal financial assets are cash, trade debtors, money market funds and bond investments. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers within trade debtors, whilst the Company's investments in bonds are of an investment grade. The Company has limited liquidity risk and is able to take advantage of the ADP Group's treasury management function to manage liquidity risks should the need arise. Price risk is managed with an annual review in line with inflation and market trends. The Company's exposure to foreign exchange risk is not significant. The Company has limited exposure to interest rate risk as the majority of its investments are in fixed rate bonds.

There have been no significant changes in the risks faced by the Company or in its management of those risks in the current year.

Automatic Data Processing Limited, in line with the strategy of the ADP group of companies, employs a range of business management tools and processes for the effective management of the business.

Automatic Data Processing Limited

Notes to the financial statements Year ended 30 June 2014

23. Capital risk management continued (continued)

Categories of financial instruments

	2014 £'000	2013 £'000
Financial assets:		
Available for sale investments	220,165	170,125
Loans and receivables (including cash and cash equivalents)	31,629	19,601
	<u>251,794</u>	<u>189,726</u>
Financial liabilities:		
Amortised cost	<u>238,811</u>	<u>185,082</u>

The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

All financial liabilities have a maturity date of less than one year.

Other gains and losses

	2014 £'000	2013 £'000
Losses recognised directly in equity on available for sale investments	(617)	(312)
Revaluation gains transferred to profit and loss on disposal of available for sale investments	(91)	-
	<u>(708)</u>	<u>(312)</u>

No other gains or losses have been recognised in respect of loans and receivables other than impairment losses recognised/reversed in respect of trade debtors (see notes 5 and 12). No gains or losses have been recognised on financial liabilities measured at amortised cost in either the current or preceding year.

23. Ultimate parent company and immediate 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 incorporated in England & Wales.

The parent company of the smallest and largest group which prepares consolidated financial statements that include the results of Automatic Data Processing Limited is Automatic Data Processing Inc. Copies of the group financial statements of Automatic Data Processing Inc. may be obtained from One ADP Boulevard, Roseland, New Jersey, USA.