

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 30 June 2017
for
Automatic Data Processing Limited

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Automatic Data Processing Limited

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for the Year Ended 30 June 2017

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Automatic Data Processing Limited

Company Information
for the Year Ended 30 June 2017

DIRECTORS:

P Hadley
J Phipps
L Wake

SECRETARY:

TMF Corporate Administration Services Limited

REGISTERED OFFICE:

Syward Place
Pycroft Road
Chertsey
Surrey
KT16 9JT

REGISTERED NUMBER:

00949665 (England and Wales)

INDEPENDENT AUDITOR:

Deloitte LLP
Statutory Auditor
2 New Street Square
London
EC4A 3BZ

BANKERS:

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

SOLICITORS:

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

Automatic Data Processing Limited

Strategic Report for the Year Ended 30 June 2017

The directors present their strategic report for the year ended 30 June 2017.

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

Turnover for the year was £60,978,000 (2016: £59,493,000), an increase of 2.5% 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:

	2017	2016
	£'000	£'000
Gross profit	40,515	37,737
Profit before taxation	915	1,086
(Loss)/profit after taxation	<u>(423)</u>	<u>1,193</u>

Gross profit has increased by £2,788,000, representing a 7.4% increase, while profit before taxation has decreased by £171,000, representing a 15.7% decrease. Gross profit increased due to improved customer satisfaction and retention in 2017. Profit before taxation has decreased largely due to reduced gross margins, despite the increase in turnover, combined with higher administrative expenses.

REVIEW OF FINANCIAL POSITION

Fixed asset investments increased by 10.7% and current asset investments increased by 24.9% compared to 30 June 2017 due to an increase in the number of customers who are using ADP's money movement services.

Cash at bank and in hand decreased to £10,338,000 from £8,368,000. 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 £678,428,000 from £590,938,000 at 30 June 2016. Within this total, client obligations have increased to £646,379,000 from £557,907,000 in 2016. This is due to the increased money movement services client base over the financial year.

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 Inc. 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 risk for the Company is its provision of payment services which is 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.

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.

Automatic Data Processing Limited

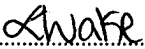
Strategic Report
for the Year Ended 30 June 2017

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 \$12 billion in revenues and approximately 700,000 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.

ON BEHALF OF THE BOARD:


.....
L Wake - Director

Date: 2nd May 2018.....

Automatic Data Processing Limited

Report of the Directors for the Year Ended 30 June 2017

The directors present their annual report and the audited financial statements for the year ended 30 June 2017.

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, including financial risk management objectives and policies which are disclosed in the Strategic Report section entitled Principal Risks and Uncertainties.

PRINCIPAL ACTIVITY

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

DIVIDENDS

The directors do not propose any dividend for the year (2016: £nil).

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross reference.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 July 2016 to the date of this report.

P Hadley
J Phipps
L Wake

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.

POLITICAL AND CHARITABLE DONATIONS

During the year the Company made no political donations (2016: £nil), but charitable donations of £3,442 (2016: £2,665) were made.

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 12 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.

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

Report of the Directors
for the Year Ended 30 June 2017

AUDITOR


Each of the persons who are 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.

ON BEHALF OF THE BOARD:


.....

L Wake - Director

Date: 2nd May 2018

Automatic Data Processing Limited

Statement of Directors' Responsibilities
for the Year Ended 30 June 2017

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), including Financial Reporting Standard 102 "The Reporting Standard applicable in the UK and Republic of Ireland". 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;
- 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

Report on the audit of 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 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Automatic Data Processing Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report to the Members of
Automatic Data Processing Limited

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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Hadleigh Shekle (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom

Date: 2 May 2018

Automatic Data Processing Limited

Income Statement
for the Year Ended 30 June 2017

	Notes	2017 £'000	2016 £'000
TURNOVER	4	60,978	59,493
Cost of sales		<u>(20,463)</u>	<u>(21,756)</u>
GROSS PROFIT		40,515	37,737
Distribution costs		(2,893)	(2,731)
Administrative expenses		<u>(38,436)</u>	<u>(35,377)</u>
		(814)	(371)
Other operating income		<u>1,795</u>	<u>1,723</u>
OPERATING PROFIT		981	1,352
Finance costs (net)	6	<u>(66)</u>	<u>(266)</u>
PROFIT BEFORE TAXATION	7	915	1,086
Tax on profit	8	<u>(1,338)</u>	<u>107</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u><u>(423)</u></u>	<u><u>1,193</u></u>

All results in the current and preceding year derive from continuing operations.

The notes form part of these financial statements

Automatic Data Processing Limited

Statement of Comprehensive Income
for the Year Ended 30 June 2017

	2017 £'000	2016 £'000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(423)	1,193
OTHER COMPREHENSIVE (LOSS)/INCOME		
(Losses)/gains on available for sale investments (note 10)	(3,539)	9,874
Deferred tax on available for sale investments	1,950	(1,855)
Revaluation gains moved to income statement on available for sale investments	(202)	(305)
Deferred tax on revaluation gains taken to income statement	34	58
Actuarial loss on pension schemes	(3,050)	(2,630)
Deferred tax on actuarial loss on pension scheme	-	473
Deferred tax on pension movements	-	179
De-recognition of deferred tax on pension schemes	(401)	-
Tax rate change impact on deferred tax	<u>210</u>	<u>(44)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR, NET OF INCOME TAX	<u>(4,998)</u>	<u>5,750</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR	<u>(5,421)</u>	<u>6,943</u>

The notes form part of these financial statements

Automatic Data Processing Limited

Balance Sheet

30 June 2017

	Notes	2017 £'000	2016 £'000
FIXED ASSETS			
Tangible assets	9	2,486	2,015
Investments	10	<u>474,730</u>	<u>428,726</u>
		<u>477,216</u>	<u>430,741</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	27,960	26,653
Debtors: amounts falling due after more than one year	11	4,910	5,303
Investments	12	179,260	143,545
Cash at bank	13	<u>12,521</u>	<u>12,473</u>
		224,651	187,974
CREDITORS			
Amounts falling due within one year	14	<u>(678,428)</u>	<u>(590,938)</u>
NET CURRENT LIABILITIES		<u>(453,777)</u>	<u>(402,964)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,440	27,777
CREDITORS			
Amounts falling due after more than one year	15	(4,910)	(5,303)
PROVISIONS FOR LIABILITIES	17	(1,207)	(1,480)
PENSION LIABILITY	23	<u>(3,766)</u>	<u>(2,361)</u>
NET ASSETS		13,556	18,633
CAPITAL AND RESERVES			
Called up share capital	18	20,500	20,500
Revaluation reserve	19	7,935	9,456
Other reserves	19	2,041	1,697
Retained loss	19	<u>(16,920)</u>	<u>(13,020)</u>
SHAREHOLDER'S FUNDS	22	<u>13,556</u>	<u>18,633</u>

The financial statements of Automatic Data Processing Limited, registered no 00949665 were approved by the Board of Directors on 02/05/2018 and were signed on its behalf by:

L Wake
L Wake - Director

The notes form part of these financial statements

Automatic Data Processing Limited

Statement of Changes in Equity
for the Year Ended 30 June 2017

	Called up share capital £'000	Retained loss £'000	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 July 2015	20,500	(12,191)	1,684	1,497	11,490
Profit for the year	-	1,193	-	-	1,193
Other comprehensive income	-	(2,022)	7,772	-	5,750
Total comprehensive income	-	(829)	7,772	-	6,943
Share-based payments	-	-	-	200	200
Balance at 30 June 2016	20,500	(13,020)	9,456	1,697	18,633
Loss for the year	-	(423)	-	-	(423)
Other comprehensive loss	-	(3,477)	(1,521)	-	(4,998)
Total comprehensive loss	-	(3,900)	(1,521)	-	(4,998)
Share-based payments	-	-	-	344	344
Balance at 30 June 2017	20,500	(16,920)	7,935	2,041	13,556

The notes form part of these financial statements

1. STATUTORY INFORMATION

Automatic Data Processing Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006, registered in England and Wales. Its registered office and registered number are disclosed on page 1. Its principal activities are the provision of employer services.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value.

3. ACCOUNTING POLICIES

Accounting policies

The principal accounting policies are summarised below.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Financial reporting standard 102 - reduced disclosure exemptions

The company meets the definition of a qualifying entity under FRS 102 and has therefore 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":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

The parent of the group in whose consolidated financial statements the company's financial statements are included is Automatic Data Processing Inc. and its financial statements may be obtained from its registered office at One ADP Boulevard, Roseland, New Jersey, USA.

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 is deferred until the client has gone live on the Company's solutions and services have begun. The fees are amortised to revenue over the longer of the contractual term or the expected customer life, including estimated renewals of client contracts. Additionally, certain implementation costs are deferred until the client has gone live on the Company's solution and services have begun and are then amortised over the same period as the associated revenue.

Tangible fixed assets

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

Computer equipment	2 - 3 years
Fixtures and fittings	7 years
Leasehold improvements	Over lease term

Tangible fixed assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced below carrying value, an impairment loss is recognised in the income statement.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

3. ACCOUNTING POLICIES - continued

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 all timing differences that exist at the balance sheet date 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 measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity at the transaction or other event that resulted in the tax expense or income.

Research and development

Research and development is charged to the income statement as incurred.

Foreign currencies

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 income statement.

Leases

Rental charges under operating leases are charged to the income statement on a straight line basis over the periods of the leases, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pensions

The Company operates a defined contribution pension scheme for qualifying employees. Pension costs for this scheme are charged to the income statement in the period in which they arise. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

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 income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The net interest cost on the net defined benefit obligation is charged to the income statement and included within finance costs.

Remeasurements comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit obligation) are recognised immediately in other comprehensive income.

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 is presented separately on the face of the balance sheet. Further information on pension arrangements is set out in note 23.

3. ACCOUNTING POLICIES - continued

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 results, review of financial position, principal risks and uncertainties and future developments of the business and risk management sections of the Strategic Report. As shown on the balance sheet on page 11, the Company is in a net current liability position. This arises from the receipt of monies advanced from clients to settle payroll obligations which are short-term in nature, whilst the Company holds certain investments for the long-term and accesses funding arrangements within the ADP Group to settle the payroll obligations. The current assets and fixed asset investments held by the Company are in listed securities and hence could be realised to settle the liabilities of the Company should the need arise.

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 certain employees who are eligible to participate in the equity-settled share option scheme and cash-settled restricted share plans of Automatic Data Processing Inc., the Company's ultimate parent company. In addition, employees can participate in the employee share purchase plan.

a) Share options

Share options are granted to employees at exercise prices equal to the fair market value of 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 four years and have a term of ten years. Compensation expense for share options is recognised 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. These equity-settled share-based payment transactions are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes pricing model, which is considered by management to be the most appropriate method of valuation. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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 95% 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 95% of the market value at the date the purchase price for the offering is determined. Compensation expense for the employee share purchase plans is recognised over the vesting period of 24 months on a straight-line basis.

c) Time-based restricted shares

Shares issued under the time-based restricted share plan have a two-year vesting period. Awards are forfeited if the employee ceases to be employed by the Company prior to vesting. Compensation expense is recognised 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 remeasured 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.

3. ACCOUNTING POLICIES - continued

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.

Available for sale investments

Listed debt instruments and money market funds held by the Company that are traded in an active market are classified as being available for sale ("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 other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement 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.

3. ACCOUNTING POLICIES - continued

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 the income statement.

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 the income statement 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 the income statement 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.

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.

Critical accounting judgements and key sources of estimate uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

3. **ACCOUNTING POLICIES - continued**

The estimates and underlying assumptions are reversed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimates (which are dealt with separately below) that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Implementation services – deferred revenue

The Company's revenues are primarily attributable to fees for providing employer services' payroll processing fees, fees for other HR related services, and fees charged to implement clients on the Company's solutions. The Company enters into agreements for a fixed fee per transaction - for example, the number of payees or number of payrolls processed. Fees associated with services are recognised in the period services are rendered and earned under service arrangements with clients where services are fixed or determinable and collectability is reasonably assured. Client implementation fees are charged to set clients up on the Company's solutions and are deferred until the client has gone live and services have begun. These fees are amortised to revenue over the longer of the contractual term or expected client life, including estimated renewal of client contracts, which is estimated to be 7 years. The amount of fees deferred as at 30 June 2017 is £6,896,000 (2016: £7,308,000). Changes in the amortisation period arising from changes in expected client life would change the amount of revenue recognised.

The areas in which the directors are required to make estimates which involve a higher degree of judgement or complexity are described below:

Pension plans

The Company operates two funded defined benefit pension schemes and one unfunded scheme. Changes in significant assumptions could materially affect the amounts recognised, particularly the rate used to discount the projected benefit obligation. Note 23 to the financial statements describes the principal discount rate, salary increase, inflation, mortality and pension payment increase assumptions that have been used to determine the pension and post-retirement charges. The calculation of any charge relating to pensions is dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on advice of the Company's actuaries, on prior experience and market conditions. The carrying value of the pension liabilities at 30 June 2017 is £3,766,000 (2016: £2,361,000).

4. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2017 £'000	2016 £'000
United Kingdom	56,838	55,275
Europe	2,362	2,046
Rest of World	1,778	2,172
	<u>60,978</u>	<u>59,493</u>

5. **EMPLOYEES AND DIRECTORS**

	2017 £'000	2016 £'000
Wages and salaries	27,617	28,704
Social security costs	3,019	3,077
Other pension costs	2,361	2,352
	<u>32,997</u>	<u>34,133</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

5. EMPLOYEES AND DIRECTORS - continued

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

	2017	2016
Systems programmers	44	45
Production/operations	139	152
Customer support	344	343
Administration	28	28
Sales/marketing	96	108
	<u>651</u>	<u>676</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 141 (2016: 135).

	2017 £	2016 £
Directors' remuneration	339,467	442,186
Directors' long term incentive schemes	-	119,117
Company contributions to defined contribution pension schemes	<u>19,890</u>	<u>19,269</u>

No directors exercised share options during the year (2016 - one director).

Information regarding the highest paid director is as follows:

	2017 £	2016 £
Emoluments	<u>210,907</u>	<u>340,160</u>

The directors' emoluments disclosed above include those of the highest paid director of £210,907 (2016: £340,160) of which £11,777 (2016: £7,902) relates to pension contributions. Two directors are members of a defined contribution pension scheme (2016: three). No directors are members of the defined benefit schemes (2016: none).

6. FINANCE COSTS (NET)

	2017 £'000	2016 £'000
Bank interest	17	5
Other finance charges	<u>49</u>	<u>261</u>
	<u>66</u>	<u>266</u>

7. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging/(crediting):

	2017 £'000	2016 £'000
Rentals under operating leases	1,052	953
Depreciation - owned assets	935	857
Fees payable to the Company's auditor for the audit of the Company's annual accounts	137	88
Fees payable to the Company's auditor for other services: tax compliance	-	17
Foreign exchange differences	(3)	(63)
Impairment loss on trade debtors	<u>419</u>	<u>47</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

8. TAX ON PROFIT

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit for the year was as follows:

	2017	2016
	£'000	£'000
Deferred tax	<u>1,338</u>	<u>(107)</u>
Tax on profit	<u>1,338</u>	<u>(107)</u>

UK corporation tax has been charged at 19.75% (2016 - 20%).

Reconciliation of total tax charge/(credit) included in the income statement

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016
	£'000	£'000
Profit before tax	<u>915</u>	<u>1,086</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	180	217
Effects of:		
Depreciation in excess of capital allowances	181	153
Expenses not deductible for tax purposes	4	-
Movement in short-term timing differences	(117)	(3)
Group relief claimed for nil consideration	(248)	(466)
Reversal of deferred tax on income statement items	1,338	-
Prior year tax adjustment	<u>-</u>	<u>(8)</u>
Total tax charge/(credit)	<u>1,338</u>	<u>(107)</u>

The Finance Act No2 2015 included provisions to reduce the UK corporation tax rate to 19% with effect from 1 April 2017. The Finance Act 2016 introduced further legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 and these rates have therefore been used to measure deferred tax assets and liabilities where applicable.

At 30 June 2017, the Company had £816,000 (2016 - £455,000 deferred tax liability) of unrecognised deferred tax assets. There is no expiry date on timing differences or unused tax losses.

A deferred tax asset has not been recognised as there is insufficient evidence that there will be suitable taxable profits will arise in the future to utilise such timing differences. There is no expiry date on timing differences or unused tax losses.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
COST				
At 1 July 2016	1,446	1,238	6,352	9,036
Additions	<u>361</u>	<u>149</u>	<u>896</u>	<u>1,406</u>
At 30 June 2017	<u>1,807</u>	<u>1,387</u>	<u>7,248</u>	<u>10,442</u>
DEPRECIATION				
At 1 July 2016	1,301	614	5,106	7,021
Charge for year	<u>86</u>	<u>140</u>	<u>709</u>	<u>935</u>
At 30 June 2017	<u>1,387</u>	<u>754</u>	<u>5,815</u>	<u>7,956</u>
NET BOOK VALUE				
At 30 June 2017	<u>420</u>	<u>633</u>	<u>1,433</u>	<u>2,486</u>
At 30 June 2016	<u>145</u>	<u>624</u>	<u>1,246</u>	<u>2,015</u>

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 2016	428,726
Acquisitions	88,396
Reclassifications < 1 year	(44,594)
Amortisation of premiums / discounts	(3,310)
Foreign exchange revaluation	9,051
Revaluation	<u>(3,539)</u>
At 30 June 2017	<u>474,730</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

10. FIXED ASSET INVESTMENTS - continued

Available for sale investments: funds held for clients

The historic cost of client funds held as at 30 June 2017 was £646,379,000 (2016: £557,907,000). 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	Cumulative unrealised gains	Fair value
	£'000	£'000	£'000
Cash and cash equivalents (note 13)	2,183	-	2,183
Funds due from clients	1	-	1
Outstanding amounts due for marketable securities (note 14)	(1,860)	-	(1,860)
Short-term marketable securities (note 12)	179,009	251	179,260
Long-term marketable securities	467,046	7,684	474,730
Total funds held for clients	646,379	7,935	654,314
Total client liability (note 14)	646,379		

The marketable securities comprise:

	2017 £'000	2016 £'000
Money market funds	134,666	112,853
Corporate and government bonds	519,324	459,418
	<u>653,990</u>	<u>572,271</u>

Cumulative fair value gains of £7,935,000 (2016: £11,675,000) have been recognised directly in the statement of other comprehensive income on these investments.

Maturities of long-term marketable securities

	2017 £'000	2016 £'000
Due after one year up to two years	91,287	44,738
Due after two years up to three years	42,491	81,165
Due after three years up to four years	116,263	51,654
Due after four years	224,689	251,169
	<u>474,730</u>	<u>428,726</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

**11. DEBTORS: AMOUNTS FALLING DUE
 WITHIN ONE YEAR**

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	12,482	11,897
Amounts owed by group undertakings	4,120	4,243
Interest receivable	7,991	6,484
Other debtors	2,059	2,178
Prepayments and accrued income	<u>1,308</u>	<u>1,851</u>
	<u>27,960</u>	<u>26,653</u>
Amounts falling due after more than one year:		
Other debtors	<u>4,910</u>	<u>5,303</u>
Aggregate amounts	<u>32,870</u>	<u>31,956</u>

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

Included in other debtors are certain implementation costs that are deferred until the client has gone live on the Company's solution and services have begun and which are then amortised over the longer of the contractual term or the expected customer life. At 30 June 2017, £1,986,113 (2016: £2,005,000) of deferred implementation costs were expected to be recovered in less than one year and £4,909,659 (2016: £5,303,000) in more than one year.

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 (2016: 39 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% 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

	2017	2016
	£'000	£'000
31-60 days	5,633	4,601
61-90 days	541	594
91-120 days	<u>316</u>	<u>193</u>
	<u>6,490</u>	<u>5,388</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

11. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Movement in the allowance for doubtful debts

	2017	2016
	£'000	£'000
Opening balance	720	673
Impairment losses recognised	419	47
Impairment losses utilised	(24)	-
Closing balance	<u>1,115</u>	<u>720</u>

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

	2017	2016
	£'000	£'000
91-120 days	316	193
121-150 days	177	95
151-180 days	69	77
> 180 days	<u>731</u>	<u>407</u>
	<u>1,293</u>	<u>772</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

12. CURRENT ASSET INVESTMENTS

	2017	2016
	£'000	£'000
Marketable securities	<u>179,260</u>	<u>143,545</u>

13. CASH AT BANK

	2017	2016
	£'000	£'000
Cash at bank - client funds	2,183	4,105
Cash at bank and in hand	<u>10,338</u>	<u>8,368</u>
	<u>12,521</u>	<u>12,473</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£'000	£'000
Trade creditors	920	2,814
Client obligations (note 10)	646,379	557,907
Amounts owed to group undertakings	11,755	7,354
Social security and other taxes	1,993	2,077
VAT	2,202	1,686
Outstanding amounts due for marketable securities	1,860	6,806
Other creditors	56	92
Accruals and deferred income	<u>13,263</u>	<u>12,202</u>
	<u>678,428</u>	<u>590,938</u>

Amounts included in trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 37 days (2016: 39 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 10).

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017	2016
	£'000	£'000
Accruals and deferred income	<u>4,910</u>	<u>5,303</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £'000	2016 £'000
Within one year	1,538	1,467
Between one and five years	2,450	3,900
More than five years	30	-
	<u>4,018</u>	<u>5,367</u>

17. PROVISIONS FOR LIABILITIES

	Deferred tax £'000	Dilapidations £'000	NIC on share options £'000	Total £'000
At 1 July 2016	455	877	148	1,480
Charged to the income statement	1,338	123	59	1,520
Credited to other comprehensive income	(1,793)	-	-	(1,793)
At 30 June 2017	<u>-</u>	<u>1,000</u>	<u>207</u>	<u>1,207</u>

Included in the dilapidations provision is an amount of £854,000 (2016: £736,000) which relates to the dilapidations provision on a lease expiring March 2020, an amount of £129,000 (2016: £126,000) which relates to a lease expiring August 2023 and an amount of £17,000 (2016: £16,000) relating to a lease expiring in May 2020. It is expected that the provisions will be utilised after the lease expiry dates.

Other provisions relate to National Insurance Contributions (NIC) which will become payable on exercise of share options. The share options are issued under a graded vesting schedule, generally vesting rateably over 4 or 5 years and have a term of ten years. The amount payable is dependent on the Company's share price at the date of exercise of the options. The provision has been calculated based on the share price at the balance sheet date of \$116.89 and the assumption that 100% of eligible employees will exercise the share options and that the rate of NIC is 13.8%.

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the group. See note 24 for further information.

18. CALLED UP SHARE CAPITAL**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2017 £'000	2016 £'000
20,500,000	Ordinary	£1	<u>20,500</u>	<u>20,500</u>

The Company has one class of ordinary shares which carry no right to fixed income.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

19. RESERVES

	Retained loss £'000	Revaluation reserve £'000	Other reserves £'000	Total £'000
At 1 July 2016	(13,020)	9,456	1,697	(1,867)
Loss for the year	(423)	-	-	(423)
Share-based payments	-	-	344	344
Actuarial loss on pension schemes	(3,050)	-	-	(3,050)
Reversal of deferred tax on revaluation gains	-	2,186	-	2,186
Realised gain on available for sale investments recycled to the income statement, net of tax	-	(168)	-	(168)
Reversal of deferred tax on pension schemes	(427)	-	-	(427)
Unrealised losses on available for sale investments, net of tax	-	(3,539)	-	(3,539)
At 30 June 2017	<u>(16,920)</u>	<u>7,935</u>	<u>2,041</u>	<u>(6,944)</u>

Options have been granted under the parent company's share option scheme during the year. There were 8,925 shares granted (2016 - 7,824) and shares exercised were 21,637 (2016 - 20,061). The share price at the balance sheet date was \$102.46. Movements in share options are represented in other reserves.

Retained loss represents cumulative profits or losses, net of dividends, including unrealised profit on the pension adjustments. The revaluation reserve represents the cumulative effect of unrealised gains recognised on listed securities held within fixed asset investments and current asset investments.

20. 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 the United Kingdom and registered in England & Wales. Its registered office is as for the Company and is stated on page 1.

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 its registered office at One ADP Boulevard, Roseland, New Jersey, USA.

21. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2017 £'000	2016 £'000
(Loss)/profit for the financial year	(423)	1,193
Other comprehensive income relating to the year (net)	(4,998)	5,750
Credit to equity for share-based payments	344	200
Net (reduction)/addition to shareholder's funds	(5,077)	7,143
Opening shareholder's funds	<u>18,633</u>	<u>11,490</u>
Closing shareholder's funds	<u>13,556</u>	<u>18,633</u>

23. 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 £2,361,000 (2016: £2,352,000). As at the balance sheet date, there were outstanding pension contributions totalling £563,631 (2016: £373,390).

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.

Date of the most recent comprehensive actuarial valuation

The most recent actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr Bruce Watson, Fellow of the Institute of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the Projected Unit Credit method.

The amounts recognised in the balance sheet are as follows:

	2017 £'000	2016 £'000
Fair value of plan assets	12,786	11,395
Present value of funded obligations	(12,845)	(11,983)
Deficit	(59)	(588)

Amounts recognised in the income statement are as follows:

	2017 £'000	2016 £'000
Interest costs	342	389
Return on assets	(329)	(402)
Total cost/(income) included in finance costs (net)	13	(13)

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

23. PENSION – continued

Change in the present value of scheme liabilities:

	2017	2016
	£'000	£'000
At beginning of the year	11,983	10,380
Interest cost	342	389
Actuarial loss	902	1,490
Gross benefits paid	(382)	(276)
At end of the year	12,845	11,983

Change in the fair value of assets:

	2017	2016
	£'000	£'000
At beginning of the year	11,395	10,512
Interest income	329	402
Employer contributions	449	551
Benefit payments from plan assets	(382)	(276)
Administrative expenses paid from plan assets	(189)	(149)
Return on plan assets (excluding interest income)	1,184	355
At end of the year	12,786	11,395

The Company expects to contribute £455,000 to the ADP Limited Pension & Life Assurance Plan in the year to 30 June 2018.

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

	2017	2016
Equities	42%	46%
Fixed Income Bonds	58%	45%
Property	0%	4%
Cash	0%	5%

Property amounts to £nil (2016: £412,000) of the total fair value of scheme assets.

Principal actuarial assumptions at the balance sheet date:

	2017	2016
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	3.20%	2.80%
Discount rate	2.60%	2.90%
Inflation assumptions	3.20%	2.80%

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

23. PENSION - continued

The actual rate of return on scheme assets was £1,513,000 (2016: £757,000).

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 S2PA 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 2013 with 1.5% p.a. long-term improvements (2016: CMI 2013 with 1.5% p.a. long-term improvements).

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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Scheme assets	12,786	11,395	10,512	9,926	9,271
Defined benefit obligations	(12,845)	(11,983)	(10,380)	(10,074)	(9,402)
Surplus/(deficit)	(59)	(588)	132	(148)	(131)
Experience adjustments on scheme liabilities	-	-	(518)	-	-

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 2017 totalled £1,140,000 (2016: £1,160,000).

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

The amounts recognised in the balance sheet are as follows:

	2017 £'000	2016 £'000
Fair value of plan assets	54,192	48,107
Present value of funded obligations	(55,481)	(47,616)
(Deficit)/surplus	(1,289)	491

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

23. PENSION - continued

Amounts recognised in the income statement are as follows:

	2017	2016
	£'000	£'000
Interest costs	1,366	1,586
Return on assets	(1,394)	(1,638)
Total income included in finance costs (net)	<u>(28)</u>	<u>(52)</u>

Change in the present value of scheme liabilities:

	2017	2016
	£'000	£'000
At beginning of the year	47,616	42,149
Interest cost	1,366	1,586
Actuarial loss	7,504	4,704
Gross benefits paid	(1,005)	(823)
At end of the year	<u>55,481</u>	<u>47,616</u>

Change in the fair value of assets:

	2017	2016
	£'000	£'000
At beginning of the year	48,107	43,013
Interest income	1,394	1,638
Employer contributions	1,140	1,160
Benefit payments from plan assets	(1,005)	(823)
Administrative expenses paid from plan assets	(196)	(158)
Return on plan assets (excluding interest income)	4,752	3,277
At end of the year	<u>54,192</u>	<u>48,107</u>

The Company expects to contribute £1,140,000 to the ADP Chessington Pension Scheme in the year to 30 June 2018.

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

	2017	2016
Equities	41%	55%
Fixed Income Bonds	59%	45%

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

23. PENSION - continued

Principal actuarial assumptions at the balance sheet date:

	2017	2016
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	3.20%	2.80%
Discount rate	2.60%	2.90%
Inflation assumptions	3.20%	2.80%

The actual rate of return on scheme assets was £6,146,000 (2016: £4,915,000).

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 S2PA 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 2013 with 1.5% p.a. long-term improvements (2016: CMI 2013 with 1.5% p.a. long-term improvements).

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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Scheme assets	54,192	48,107	43,013	39,155	35,128
Defined benefit obligations	(55,481)	(47,616)	(42,149)	(37,898)	(35,079)
Surplus/(deficit)	(1,289)	491	864	1,257	49
Experience adjustments on scheme liabilities	-	-	577	-	-

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 2017 totalled £105,000 (2016: £104,000).

	2017 £'000	2016 £'000
At beginning of the year	2,264	2,218
Employer contributions	(105)	(104)
Interest cost	64	82
Actuarial loss	195	68
At end of the year	2,418	2,264

Notes to the Financial Statements - continued
for the Year Ended 30 June 2017

23. **PENSION - continued**

Principal actuarial assumptions at the balance sheet date:

	2017	2016
Rate of increase in salaries	-	-
Inflation assumptions	3.20%	2.80%
Discount rate	2.60%	2.90%

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 S2PA 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 2013 with 1.5% p.a. long-term improvements (2016: CMI 2013 with 1.5% p.a. long-term improvements).

24. **DEFERRED TAXATION**

At 30 June 2017, the Company had £816,000 (2016 - £455,000 liability) of unrecognised deferred tax assets. There is no expiry date on timing differences or unused tax losses.

A deferred tax asset has not been recognised as there is insufficient evidence that there will be suitable taxable profits will arise in the future to utilise such timing differences. There is no expiry date on timing differences or unused tax losses.

	2017 £'000	2016 £'000
Deferred tax assets/ (liabilities)	-	-
Accelerated capital allowances	-	585
Pension deficit	-	425
Other short-term timing differences	-	(1,465)
	<u>-</u>	<u>(455)</u>
Opening balance	(455)	627
(Debit)/credit to the income statement	(1,338)	107
Credit/(debit) to the statement of other comprehensive income	<u>1,793</u>	<u>(1,189)</u>
Closing balance	<u>-</u>	<u>(455)</u>

25. **RISK MANAGEMENT**

The Company manages its capital to ensure that it will be able to continue as a 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 loss).

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.