

REGISTERED NUMBER: 00949665 (England and Wales)

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 30 June 2018  
for  
Automatic Data Processing Limited



Automatic Data Processing Limited

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for the Year Ended 30 June 2018

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Automatic Data Processing Limited

Company Information  
for the Year Ended 30 June 2018

<b>DIRECTORS:</b>	P Hadley J Phipps L Wake
<b>REGISTERED OFFICE:</b>	Syward Place Pycroft Road Chertsey Surrey KT16 9JT
<b>REGISTERED NUMBER:</b>	00949665 (England and Wales)
<b>INDEPENDENT AUDITOR:</b>	Deloitte LLP Statutory Auditor 1 New Street Square London EC4A 3HQ United Kingdom
<b>BANKERS:</b>	Barclays Bank plc Multinational Corporate Team Level 28 No 1 Churchill Place Canary Wharf London E14 5HP

## Automatic Data Processing Limited

### Strategic Report for the Year Ended 30 June 2018

The directors present their strategic report for the year ended 30 June 2018.

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

Turnover for the year was £65,387,000 (2017: £60,978,000), an increase of 7.2% due to continuing expansion of the Company's customer base, wider take up of different service offerings, strong customer retention and price increases.

#### **Results**

The results for the year are as follows:

	2018 £'000	2017 £'000
Gross profit	42,735	40,515
Profit before taxation	5,476	915
Profit/(loss) after taxation	<u>7,976</u>	<u>(423)</u>

Gross profit has increased by £2,220,000, representing a 5.48% increase, while profit before taxation has increased by £4,125,000, representing 450+% increase. Gross profit and profit before taxation increased due to larger revenue growth and further benefiting from economies of scale in 2018 and also due to closely monitored administrative expenses.

#### **REVIEW OF FINANCIAL POSITION**

Fixed asset investments, which represent long-term marketable securities, increased by 17.5% (2017 - 10.7%) in the year ended 30 June 2018. The increase in the long-term investments is due to an increase in the number of customers who are using ADP's money movement services.

Current asset investments decreased by 8% in 2018 compared to 2017. This related to short-term marketable securities and as a direct result the net current liability position has increased to £533,972 in 2018 from £453,777 (2017). The reduction in the short-term investment was due to fewer long-term securities being matured within the next 12 months, compared to 2017.

Cash at bank and in hand decreased to £2,534,000 from £10,338,000. This relates solely to the Company's bank balances and does not include client fund bank balances. The reduction in the cash relates to clearing out intercompany balances during the year.

Creditors falling due within one year have increased to £740,131,000 from £678,428,000 at 30 June 2018. Within this total, client obligations have increased to £716,046,000 from £646,379,000 in 2018. 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.

#### **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.

Automatic Data Processing Limited

Strategic Report (continued)  
for the Year Ended 30 June 2018

**RISK MANAGEMENT (continued)**

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.

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.

**BREXIT**

The UK is set to depart from the EU ('Brexit') when an agreement has been made. It is still unclear at this stage what the agreed deal will be and what impact this may have on the UK economy. In light of this uncertain environment, the Company has assessed its risks, based on any known and potential unknown impacts. The biggest known risk the Company faces with the Brexit, is the passporting rights it currently holds with the FCA, enabling the Company to provide payment services in the Netherlands. The ADP group are taking the required steps to ensure the services provided will continue but the associated profit, investment and liability, from this activity, will no longer reside within this ADP entity should passporting no longer be granted post Brexit or at a future agreed transition date (currently set to be 31 December 2020, if an agreement is formed). The level of profit is not material and the net Balance sheet impact is nil, as the investment (£277.6M) is equal to the liability (£277.6M). The Company has also assessed any potential impacts on our supply chain, people, technology, capital and future revenue generation. No substantial financial risks have been identified and the Company is taking steps to ensure that minimal disruption and impact is felt by its EU Nationals working in the UK. As the Company is predominantly UK centric, there is a potential impact on a decline or growth of the UK economy, particularly from any changes in the volume of its workforce. However, the opportunity will remain for the Company to continue to grow its market share.

**FUTURE DEVELOPMENTS**

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

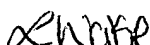
The directors do not anticipate any significant changes in the Company's activities in the forthcoming year.

**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 \$13 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](http://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: 28 June 2019

## Automatic Data Processing Limited

### Report of the Directors for the Year Ended 30 June 2018

The directors present their annual report and the audited financial statements for the year ended 30 June 2018.

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 (2017: £nil).

#### **FUTURE DEVELOPMENTS**

Details of future developments can be found in the Strategic Report on page 3 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 2017 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 (2017: £nil), but charitable donations of £3,442 (2017: £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 the approval 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 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.

#### **EVENTS SINCE THE END OF THE FINANCIAL YEAR**

Events after the balance sheet date have been detailed in Note 25 to the financial statements.

Automatic Data Processing Limited

Report of the Directors (continued)  
for the Year Ended 30 June 2018

**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: 28 June 2019

Automatic Data Processing Limited

Statement of Directors' Responsibilities  
for the Year Ended 30 June 2018

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; 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.



Report of the Independent Auditor 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 2018 and of its profit 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 (continued)

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**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.

**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.



Chris Donovan (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom  
28 June 2019

Automatic Data Processing Limited

Income Statement  
for the Year Ended 30 June 2018

	Notes	2018 £'000	2017 £'000
<b>TURNOVER</b>	4	65,387	60,978
Cost of sales		<u>(22,652)</u>	<u>(20,463)</u>
<b>GROSS PROFIT</b>		42,735	40,515
Distribution costs		<u>(2,020)</u>	<u>(2,893)</u>
Administrative expenses		<u>(37,027)</u>	<u>(38,436)</u>
		3,688	(814)
Other operating income		<u>1,875</u>	<u>1,795</u>
<b>OPERATING PROFIT</b>		5,563	981
Finance costs (net)	6	<u>(87)</u>	<u>(66)</u>
<b>PROFIT BEFORE TAXATION</b>	7	5,476	915
Tax on profit	8	<u>2,500</u>	<u>(1,338)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u><u>7,976</u></u>	<u><u>(423)</u></u>

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

Automatic Data Processing Limited

Statement of Comprehensive Income  
for the Year Ended 30 June 2018

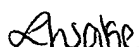
	2018 £'000	2017 £'000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	7,976	(423)
OTHER COMPREHENSIVE INCOME/(LOSS)		
(Losses) on available for sale investments (note 10)	(2,504)	(3,539)
Deferred tax on available for sale investments	(962)	1,950
Revaluation losses moved to income statement on available for sale investments	(233)	(202)
Deferred tax on revaluation gains taken into income statement	39	34
Actuarial gain/(loss) on pension schemes	13,714	(3,050)
Deferred tax on actuarial gains on pensions schemes	(4,469)	-
De-recognition of deferred tax on pension scheme	-	(401)
Tax rate change impact on deferred tax	-	210
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR, NET OF INCOME TAX	5,585	(4,998)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR	13,561	(5,421)

Automatic Data Processing Limited

Balance Sheet  
as at 30 June 2018

	Notes	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	2,199	2,486
Investments	10	<u>557,818</u>	<u>474,730</u>
		<u>560,017</u>	<u>477,216</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	11	45,923	27,960
Debtors: amounts falling due after more than one year		4,938	4,910
Investments	12	141,027	179,260
Cash at bank	13	<u>14,271</u>	<u>12,521</u>
		206,159	224,651
<b>CREDITORS</b>			
Amounts falling due within one year	14	<u>(740,131)</u>	<u>(678,428)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(533,972)</u>	<u>(453,777)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		26,045	23,439
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	(4,938)	(4,910)
<b>PROVISIONS FOR LIABILITIES</b>	17	(5,509)	(1,207)
<b>PENSION ASSET/(LIABILITY)</b>	23	<u>11,570</u>	<u>(3,766)</u>
<b>NET ASSETS</b>		<u>27,168</u>	<u>13,556</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	20,500	20,500
Revaluation reserve	19	4,275	7,935
Other reserves	19	-	2,041
Retained earnings	19	<u>2,393</u>	<u>(16,920)</u>
<b>SHAREHOLDER'S FUNDS</b>	22	<u>27,168</u>	<u>13,556</u>

The financial statements of Automatic Data Processing Limited, registered no 00949665 were approved by the Board of Directors on 29 JUNE 2019 and were signed on its behalf by:



L Wake - Director

Automatic Data Processing Limited

Statement of Changes in Equity  
for the Year Ended 30 June 2018

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
<b>Balance at 1 July 2016</b>	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)	-	(5,421)
Share-based payments	-	-	-	344	344
<b>Balance at 30 June 2017</b>	20,500	(16,920)	7,935	2,041	13,556
Profit for the year	-	7,976	-	-	7,976
Actuarial gain on pension schemes	-	13,714	-	-	13,714
Other comprehensive loss	-	-	(2,737)	-	(2,737)
Taxation in respect of items in comprehensive income	-	(4,469)	(923)	-	(5,392)
Total comprehensive income	-	17,221	(3,660)	-	13,561
Transfer of other reserves to retained earnings	-	2,041	-	(2,401)	-
Share-based payments	-	51	-	-	51
<b>Balance at 30 June 2018</b>	20,500	2,393	4,275	-	27,168

## Automatic Data Processing Limited

### Notes to the Financial Statements for the Year Ended 30 June 2018

#### 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.

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. Defined benefit scheme has been closed for new employees. For defined benefit schemes 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.

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 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 assets at 30 June 2018 is £11,570,000 (pension liabilities -2017: £3,766,000).

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:

	2018	2017
	£'000	£'000
United Kingdom	64,211	56,838
Europe	610	2,362
Rest of World	566	1,778
	<u>65,387</u>	<u>60,978</u>

5. **EMPLOYEES AND DIRECTORS**

	2018	2017
	£'000	£'000
Wages and salaries	28,696	27,617
Social security costs	3,324	3,019
Other pension costs	<u>2,085</u>	<u>2,361</u>
	<u>34,105</u>	<u>32,997</u>

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

5. **EMPLOYEES AND DIRECTORS - continued**

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

	2018	2017
Systems programmers	45	44
Production/operations	141	139
Customer support	362	344
Administration	30	28
Sales/marketing	91	96
	<u>669</u>	<u>651</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 158 (2017: 141).

	2018 £'000	2017 £'000
Money market funds	382,000	339,467
Company contributions to defined contribution pension schemes	<u>19,890</u>	<u>19,890</u>
	<u>401,890</u>	<u>359,357</u>

No directors exercised share options during the year (2017 – none).

Information regarding the highest paid director is as follows:

	2018 £	2017 £
Emoluments	<u>234,859</u>	<u>210,907</u>

The directors' emoluments disclosed above include those of the highest paid director of £234,859 (2017: £210,907) of which £12,089 (2017: £11,777) relates to pension contributions. Two directors are members of a defined contribution pension scheme (2017: two). No directors are members of the defined benefit schemes (2017: none).

6. **FINANCE COSTS (NET)**

	2018 £'000	2017 £'000
Bank interest	7	17
Other finance charges	<u>80</u>	<u>49</u>
	<u>87</u>	<u>66</u>

7. **PROFIT BEFORE TAXATION**

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

	2018 £'000	2017 £'000
Rentals under operating leases	927	1,052
Depreciation - owned assets	1,227	935
Fees payable to the Company's auditor for the audit of the Company's annual accounts	176	137
Foreign exchange differences	(1)	(3)
Impairment loss on trade debtors	<u>634</u>	<u>419</u>

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

8. TAX ON PROFIT

**Analysis of the tax (credit)/charge**

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

	2018	2017
	£'000	£'000
Current tax	(372)	-
Deferred tax	<u>(2,128)</u>	<u>1,338</u>
Tax on profit	<u>(2,500)</u>	<u>1,338</u>

UK corporation tax has been charged at 19% (2017 - 20%).

**Reconciliation of total tax (credit)/charge 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:

	2018	2017
	£'000	£'000
Profit before tax	<u>5,476</u>	<u>915</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	1,040	183
Effects of:		
Depreciation in excess of capital allowances	232	181
Expenses not deductible for tax purposes	4	4
Movement in short-term timing differences	183	(117)
Group relief claimed for nil consideration	(1,459)	(248)
Reversal of deferred tax on income statement items	-	1,338
Deferred tax on income statement items	(2,128)	-
Prior year tax adjustment	(372)	-
Total tax (credit)/charge	<u>(2,500)</u>	<u>1,338</u>

The Finance Act No2 2015 included provisions to reduce the UK corporation tax rate to 19% with effect from 1 April 2018. The Finance Act 2017 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 2018, the Company had £3,264,000 of deferred tax liability (2017 - £816,000 deferred tax assets – not recognised).

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>COST</b>				
At 1 July 2017	1,807	1,387	7,248	10,442
Additions	<u>87</u>	<u>120</u>	<u>733</u>	<u>940</u>
At 30 June 2018	<u>1,894</u>	<u>1,507</u>	<u>7,981</u>	<u>11,382</u>
<b>DEPRECIATION</b>				
At 1 July 2017	1,387	754	5,815	7,956
Charge for year	<u>186</u>	<u>148</u>	<u>893</u>	<u>1,227</u>
At 30 June 2018	<u>1,573</u>	<u>902</u>	<u>6,708</u>	<u>9,183</u>
<b>NET BOOK VALUE</b>				
At 30 June 2018	<u>321</u>	<u>605</u>	<u>1,273</u>	<u>2,199</u>
At 30 June 2017	<u>420</u>	<u>633</u>	<u>1,433</u>	<u>2,486</u>

10. FIXED ASSET INVESTMENTS

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

	Marketable securities £'000
<b>At fair value:</b>	
At 1 July 2017	474,730
Acquisitions	180,438
Disposals	(2,967)
Reclassifications < 1 year	(89,516)
Amortisation of premiums / discounts	(3,730)
Foreign exchange revaluation	1,367
Revaluation	<u>(2,504)</u>
At 30 June 2018	<u>557,818</u>

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

10. **FIXED ASSET INVESTMENTS - continued**

**Available for sale investments: funds held for clients**

The historic cost of client funds held as at 30 June 2018 was £716,046,000 (2017: £646,379,000). 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)	11,737	-	11,737
Funds due from clients	2	-	2
Outstanding amounts due from marketable securities (note 11)	10,661	-	10,661
Short-term marketable securities (note 12)	140,731	296	141,027
Long-term marketable securities	<u>552,915</u>	<u>4,903</u>	<u>557,818</u>
Total funds held for clients	<u>716,046</u>	<u>5,199</u>	<u>721,245</u>
Total client liability (note 14)	<u>716,046</u>		

The marketable securities comprise:

	2018 £'000	2017 £'000
Money market funds	51,513	134,666
Corporate and government bonds	<u>647,332</u>	<u>519,324</u>
	<u>698,845</u>	<u>653,990</u>

Cumulative fair value gains of £5,199,000 (2017: £7,395,000) have been recognised directly in the statement of other comprehensive income on these investments.

Maturities of long-term marketable securities

	2018 £'000	2017 £'000
Due after one year up to two years	231,854	91,287
Due after two years up to three years	152,681	42,491
Due after three years up to four years	48,015	116,263
Due after four years	<u>125,268</u>	<u>224,689</u>
	<u>557,818</u>	<u>474,730</u>



Notes to the Financial Statements - continued  
for the Year Ended 30 June 201811. DEBTORS: AMOUNTS FALLING DUE  
WITHIN ONE YEAR

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	14,454	12,482
Amounts owed by group undertakings	7,222	4,120
Interest receivable	8,840	7,991
Other debtors	3,340	2,059
Amounts due from marketable securities - settlement	10,661	-
Prepayments and accrued income	1,406	1,308
	<u>45,923</u>	<u>27,960</u>
Amounts falling due after more than one year:		
Other debtors	<u>4,938</u>	<u>4,910</u>
Aggregate amounts	<u>50,861</u>	<u>32,870</u>

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

Amounts owed by group undertakings related to intercompany trading activities are settled via a monthly netting exercise through PNC (Royal Bank of Scotland).

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 2018, £1,925,000 (2017: £1,986,000) of deferred implementation costs were expected to be recovered in less than one year and £4,938,000 (2017: £4,910,000) after more than one year. The remaining other debtors of £1,415,000 (2017: £70,000) relate to costs to be recharged to other group companies.

Trade debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost. The average credit period taken on provision of services is 40 days (2017: 41 days). No interest is charged on the debtors. 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.

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

	2018 £'000	2017 £'000
31-60 days	5,281	5,633
61-90 days	826	541
91-120 days	<u>448</u>	<u>316</u>
	<u>6,555</u>	<u>6,490</u>

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

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

Movement in the allowance for doubtful debts

	2018	2017
	£'000	£'000
Opening balance	1,115	720
Impairment losses recognised	634	419
Impairment losses utilised	-	(24)
Closing balance	<u>1,749</u>	<u>1,115</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

	2018	2017
	£'000	£'000
91-120 days	448	316
121-150 days	259	177
151-180 days	103	69
> 180 days	<u>1,283</u>	<u>731</u>
	<u>2,093</u>	<u>1,293</u>

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

12. CURRENT ASSET INVESTMENTS

	2018	2017
	£'000	£'000
Marketable securities	<u>141,027</u>	<u>179,260</u>

13. CASH AT BANK

	2018	2017
	£'000	£'000
Cash at bank - client funds	11,737	2,183
Cash at bank and in hand	<u>2,534</u>	<u>10,338</u>
	<u>14,271</u>	<u>12,521</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000	£'000
Trade creditors	2,058	920
Client obligations (note 10)	716,046	646,379
Amounts owed to group undertakings	5,922	11,755
Social security and other taxes	2,131	1,993
VAT	2,186	2,202
Outstanding amounts due for marketable securities	-	1,860
Other creditors	201	56
Accruals and deferred income	<u>11,587</u>	<u>13,263</u>
	<u>740,131</u>	<u>678,428</u>

Amounts owed to group undertakings are settled via a monthly netting exercise through PNC (Royal Bank of Scotland). 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 33 days (2017: 37 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.

Accruals and deferred income includes an amount of £1,924K (2017: £1,986K) relating to implementation revenue.

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

	2018	2017
	£'000	£'000
Accruals and deferred income	<u>4,938</u>	<u>4,910</u>

Accruals and deferred income balance comprises implementation revenue of £4,938,000 (2017: £4,910,000).

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

## 16. LEASING AGREEMENTS

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

	2018 £'000	2017 £'000
Within one year	1,573	1,538
Between one and five years	1,819	2,450
More than five years	-	30
	<u>3,392</u>	<u>4,018</u>

## 17. PROVISIONS FOR LIABILITIES

	Deferred tax £'000	Dilapidations £'000	NIC on share options £'000	Total £'000
At 1 July 2017	-	1,000	207	1,207
(Credited)/charged to the income statement	(2,128)	996	42	(1,090)
Charged to other comprehensive income	<u>5,392</u>	<u>-</u>	<u>-</u>	<u>5,392</u>
At 30 June 2018	<u>3,264</u>	<u>1,996</u>	<u>249</u>	<u>5,509</u>

Included in the dilapidations provision is an amount of £1,250,000 (2017: £854,000) which relates to the dilapidations provision on a lease expiring March 2020, an amount of £537,500 (2017: £129,000) which relates to a lease expiring August 2023 and an amount of £209,050 (2017: £17,000) 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 four or five 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 £102.47 (\$134.14) 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:	2018 £'000	2017 £'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 2018

## 19. RESERVES

	Retained earnings £'000	Revaluation reserve £'000	Other reserves £'000	Total £'000
At 1 July 2017	(16,920)	7,935	2,041	(6,944)
Profit for the year	7,976			7,976
Share-based payments	51	-	-	51
Transfer of other reserve to retained earnings	2,041	-	(2,041)	-
Actuarial gain on pension schemes	13,714	-	-	13,714
Realised gain on available for sale investments recycled to the income statement, net of tax	-	(233)	-	(233)
Deferred tax on available for sale investments	-	(923)	-	(923)
Deferred tax on pension schemes	(4,469)	-	-	(4,469)
Unrealised losses on available for sale investments, net of tax	-	(2,504)	-	(2,504)
At 30 June 2018	<u>2,393</u>	<u>4,275</u>	<u>-</u>	<u>6,668</u>

Options have been granted under the parent company's share option scheme during the year. There were 1,371 shares granted (2017 – 1,462) and shares exercised were 7,751 (2017 – 4,863). The share price at the balance sheet date was £102.47 (\$134.14). Movements in share options are represented in other reserves.

Retained earnings 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 and 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 FUNDS

	2018 £'000	2017 £'000
Profit/(loss) for the financial year	7,976	(423)
Other comprehensive income relating to the year (net)	5,585	(4,998)
Credit to equity for share-based payments	<u>51</u>	<u>344</u>
Net addition to/(reduction in) shareholder funds	13,612	(5,077)
Opening shareholder's funds	<u>13,556</u>	<u>18,633</u>
Closing shareholder funds	<u>27,168</u>	<u>13,556</u>

23. PENSION

**Defined contribution scheme**

The Company currently operates a money purchase defined contribution scheme.

The pension cost for the current year totalled £2,084,611 (2017: £2,361,000). As at the balance sheet date, there were outstanding pension contributions totalling £241,336 (2017: £563,631).

**Defined benefit scheme**

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

**Date of the most recent comprehensive actuarial valuation**

The most recent triennial actuarial valuations of scheme assets and the present value of the defined benefit obligation were carried out at 31 March 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.

Out of the £13.7m actuarial gain as at 30 June 2018, approximately half of the gain was in relation to experience as a result of incorporating the updated data from the 31 March 2017 triennial valuation (i.e., actual inflation over the inter-valuation period, member movement). The remainder of the gain arose as a result of rolling forward prior year approximate valuations to the formal valuation of 31 March 2017 updated to take account of current market conditions and the requirement of FRS 102.

**ADP Pension and Life Assurance Plan**

The amounts recognised in the balance sheet are as follows:

	2018 £'000	2017 £'000
Fair value of plan assets	13,370	12,786
Present value of funded obligations	(11,262)	(12,845)
Surplus/(deficit)	2,108	(59)

Amounts recognised in the income statement are as follows:

	2018 £'000	2017 £'000
Interest costs	329	342
Return on assets	(331)	(329)
Total (income)/cost included in finance costs (net)	(2)	13

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

23. PENSION – continued

Change in the present value of scheme liabilities:

	2018	2017
	£'000	£'000
At beginning of the year	12,845	11,983
Interest cost	329	342
Actuarial (gain)/loss	(1,531)	902
Gross benefits paid	(381)	(382)
	<u>11,262</u>	<u>12,845</u>

Change in the fair value of assets:

	2018	2017
	£'000	£'000
At beginning of the year	12,786	11,395
Interest income	331	329
Employer contributions	455	449
Benefit payments from plan assets	(381)	(382)
Administrative expenses paid from plan assets	(173)	(189)
Return on plan assets (excluding interest income)	352	1,184
	<u>13,370</u>	<u>12,786</u>

The Company expects to contribute £210,000 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:

	2018	2017
Equities	21%	42%
Fixed Income Bonds	79%	58%

Principal actuarial assumptions at the balance sheet date:

	2018	2017
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	2.90%	3.20%
Discount rate	2.90%	2.60%
Inflation assumptions	3.10%	3.20%

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

23. PENSION - continued

The actual rate of return on scheme assets was £683,000 (2017: £1,513,000).

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 2016 with 1.5% p.a. long-term improvements (2017: CMI 2013 with 1.5% p.a. long-term improvements).

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

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Scheme assets	13,370	12,786	11,395	10,512	9,926
Defined benefit obligations	(11,262)	(12,845)	(11,983)	(10,380)	(10,074)
Surplus/(deficit)	2,108	(59)	(588)	132	(148)
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 2018 totalled £1,140,000 (2017: £1,140,000).

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:

	2018	2017
	£'000	£'000
Fair value of plan assets	56,501	54,192
Present value of funded obligations	(44,705)	(55,481)
Surplus/(deficit)	11,796	(1,289)



Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

23. PENSION - continued

Amounts recognised in the income statement are as follows:

	2018	2017
	£'000	£'000
Interest costs	1,429	1,366
Return on assets	(1,408)	(1,394)
Total income included in finance costs (net)	21	(28)

Change in the present value of scheme liabilities:

	2018	2017
	£'000	£'000
At beginning of the year	55,481	47,616
Interest cost	1,429	1,366
Actuarial (gain)/loss	(11,202)	7,504
Gross benefits paid	(1,003)	(1,005)
At end of the year	44,705	55,481

Change in the fair value of assets:

	2018	2017
	£'000	£'000
At beginning of the year	54,192	48,107
Interest income	1,408	1,394
Employer contributions	1,140	1,140
Benefit payments from plan assets	(1,003)	(1,005)
Administrative expenses paid from plan assets	(206)	(196)
Return on plan assets (excluding interest income)	970	4,752
At end of the year	56,501	54,192

The Company expects to contribute £140,000 to the ADP Chessington Pension Scheme in the year to 30 June 2019.

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

	2018	2017
Equities	20%	41%
Fixed Income Bonds	80%	59%

Automatic Data Processing Limited

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

23. **PENSION - continued**

Principal actuarial assumptions at the balance sheet date:

	2018	2017
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	2.90%	3.20%
Discount rate	2.90%	2.60%
Inflation assumptions	3.10%	3.20%

The actual rate of return on scheme assets was £2,378,000 (2017: £6,146,000).

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 2016 with 1.5% p.a. long-term improvements (2017: CMI 2013 with 1.5% p.a. long-term improvements).

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

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Scheme assets	56,501	54,192	48,107	43,013	39,155
Defined benefit obligations	(44,705)	(55,481)	(47,616)	(42,149)	(37,898)
Surplus/(deficit)	11,796	(1,289)	491	864	1,257
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 2018 totalled £107,000 (2017: £105,000).

	2018 £'000	2017 £'000
At beginning of the year	2,418	2,264
Employer contributions	(107)	(105)
Interest cost	61	64
Actuarial (gain)/loss	(38)	195
At end of the year	2,334	2,418

Notes to the Financial Statements - continued  
for the Year Ended 30 June 2018

23. **PENSION - continued**

Principal actuarial assumptions at the balance sheet date:

	2018	2017
Rate of increase in salaries	-	-
Inflation assumptions	2.90%	3.20%
Discount rate	3.10%	2.60%

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 2016 with 1.5% p.a. long-term improvements (2017: CMI 2013 with 1.5% p.a. long-term improvements).

24. **DEFERRED TAXATION**

At 30 June 2018, the Company had £3,265,000 (2017 - £816,000 unrecognised deferred tax asset) deferred tax liability. As at 30 June 2017 a deferred tax asset was not recognised as there was insufficient evidence that suitable taxable profits would arise in the future to utilize such timing differences. Previously de-recognised deferred taxes from the prior year were re-recognised in 2018 considering that the Company is in a net deferred tax liability position as at 30 June 2018. There is no expiry date on timing differences or unused tax losses.

	2018 £'000	2017 £'000
Deferred tax assets/ (liabilities)		
Accelerated capital allowances	917	-
Pension surplus	(4,470)	-
Other short-term timing differences	288	-
	<u>(3,265)</u>	<u>-</u>
Opening balance	-	(455)
Credit/(debit) to the income statement	2,128	(1,338)
(Debit)/credit to the statement of other comprehensive income	<u>(5,393)</u>	<u>1,793</u>
Closing balance	<u>(3,265)</u>	<u>-</u>

25. **POST BALANCE SHEET EVENTS**

On 14 June 2019, Automatic Data Processing Limited (ADP UK) acquired 100% shareholding of Softcom (Ireland) Limited, for the amount of £10.48m (€11.78m).

Softcom is a payroll and HR Service provider company in Dublin, Ireland. This acquisition follows many years of close collaboration between the two entities and will enhance ADP UK's international presence.