

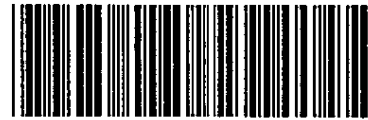
**Company Registration No. 00949665**

**Automatic Data Processing Limited**

**Report and Financial Statements**

**30 June 2013**

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COMPANIES HOUSE

# **Automatic Data Processing Limited**

## **Report and financial statements 2013**

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# **Automatic Data Processing Limited**

## **Report and financial statements 2013**

### **Officers and professional advisers**

#### **Directors**

D McGuire  
M Black (appointed 29<sup>th</sup> May 2013)  
M Bonarti

#### **Secretary**

TMF Corporate Secretarial Services Limited  
Pellipar House, 1<sup>st</sup> Floor  
9 Cloak Lane  
London  
EC4R 2RU

#### **Registered Office**

Syward Place  
Pycroft Road  
Chertsey  
Surrey  
KT16 9JT

#### **Bankers**

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

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

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

#### **Solicitors**

Clifford Chance  
10 Upper Bank Street  
London  
E14 5JJ

#### **Auditor**

Deloitte LLP  
London  
United Kingdom

# Automatic Data Processing Limited

## Directors' report

The directors' present their annual report and the audited financial statements for the year ended 30 June 2013

### Results and dividends

The results for the year are as follows

	2013 £'000	2012 £'000
Loss before taxation	(2,006)	(231)
Loss after taxation	<u>(1,096)</u>	<u>(711)</u>

The directors do not propose any dividend for the year (2012 £nil)

### Principal activities

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

### Review of the business

Turnover for the year was £46,655,000 (2012 £44,074,000)

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

Automatic Data Processing Limited is part of the Employer Services Division of ADP Inc. ADP Inc manages its operations on a divisional basis. ADP Inc provides a detailed review of the financial results and business performance of the Employer Services Division within its Annual Report Filing on Form 10-K filed with the Securities and Exchange Commission which can be accessed via the Company's website at [www.adp.com](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.

### Future developments

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

The Company is currently in the process of becoming regulated by the Financial Conduct Authority for its Payroll Disbursement Service. Other than this internal development, the directors do not anticipate any significant changes in the Company's activities in the forthcoming year.

Since the year end, the Company has issued 7,500,000 shares at a subscription price of £1.00 per share to its immediate parent company, ADP Network Services Ltd.

### Risk management

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

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

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.

### Directors

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

# **Automatic Data Processing Limited**

## **Directors' report (continued)**

### **Political and charitable donations**

During the year the Company made no political donations (2012 £nil), but charitable donations of £2,732 (2012 £359) were made

### **Employee involvement**

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

### **Disabled employees**

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

### **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 Directors' report above.

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

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

### **Auditor**

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

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

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

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

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



M Black  
Director  
24 March 2014

# **Automatic Data Processing Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements of Automatic Data Processing Limited for the year ended 30 June 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

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



Hadleigh Shekle (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
24 March 2014

# Automatic Data Processing Limited

## Profit and loss account Year ended 30 June 2013

	Note	2013 £'000	2012 £'000
<b>Turnover</b>			
Continuing operations	1	46,655	44,074
Cost of sales		(20,540)	(19,356)
<b>Gross profit</b>		26,115	24,718
Distribution costs		(2,246)	(2,182)
Administrative expenses		(28,981)	(25,094)
Other operating income		754	718
<b>Operating loss</b>	4	(4,358)	(1,840)
Interest payable and similar charges	5	(72)	(99)
Interest receivable and similar income	6	2,424	1,708
<b>Loss on ordinary activities before taxation</b>		(2,006)	(231)
Tax credit/(charge) on loss on ordinary activities	7	910	(480)
<b>Loss for the financial year</b>	17, 18	(1,096)	(711)



## Automatic Data Processing Limited

### Statement of total recognised gains and losses Year ended 30 June 2013

		2013 £'000	2012 £'000 (restated see note 1)
	Note		
Loss for the financial year		(1,096)	(711)
(Losses)/gains on available for sale investments	18	(312)	682
Tax on (losses)/gains on available for sale investments		74	(174)
Actuarial loss relating to the pension scheme	17, 18	(505)	(2,512)
Deferred tax on actuarial loss	17, 18	120	(566)
Deferred tax on pension movements		(511)	-
Tax rate change impact on deferred tax		(2)	12
Pension asset not recognised		(49)	-
Deferred tax on pension asset not recognised		12	-
		<hr/>	<hr/>
Total recognised losses relating to the year		(2,269)	(3,269)
		<hr/>	<hr/>
Prior year adjustment (see note 1)		581	
		<hr/>	
Total recognised losses since the last Annual Report		(1,688)	
		<hr/>	

# Automatic Data Processing Limited

## Balance sheet 30 June 2013

		2013 £'000	2012 £'000 (restated see note 1)
	Note		
<b>Fixed assets</b>			
Tangible assets	8	1,513	1,832
Investments	10	86,710	50,734
<b>Current assets</b>			
Investments	10	83,415	76,403
Debtors amounts falling due within one year	11	17,062	14,631
Deferred tax asset	15	792	739
Cash at bank and in hand	12	3,572	6,926
		104,841	98,699
<b>Creditors: amounts falling due within one year</b>	13	(189,603)	(144,524)
<b>Net current liabilities</b>		(84,762)	(45,825)
<b>Creditors: amounts falling due after more than one year</b>	13		
<b>Provisions for liabilities</b>	14	(746)	(596)
<b>Net assets excluding pension liability</b>		2,715	6,145
Pension liability	20	(2,238)	(3,441)
<b>Total net assets</b>		477	2,704
<b>Capital and reserves</b>			
Called up share capital	16	13,000	13,000
Profit and loss account	17	(14,168)	(12,132)
Revaluation reserve	17	348	581
Other reserves	17	1,297	1,255
<b>Total shareholders' funds</b>	18	477	2,704

The financial statements of Automatic Data Processing Limited, registered number 00949665, were approved by the Board of Directors and authorised for issue on 24 March 2014

Signed on behalf of the Board of Directors



M Black  
Director

# **Automatic Data Processing Limited**

## **Notes to the financial statements Year ended 30 June 2013**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year, other than in respect of the Company's accounting policy in respect of funds held for clients, for which the Company has changed its accounting policy, as detailed below.

#### **Accounting convention**

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

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position, and its risk management procedures are set out in the review of the business and risk management sections of the Directors' report on pages 2 and 3.

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

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

#### **Share-based payments**

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

##### **a) Share options**

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

##### **b) Employee share purchase plan**

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

# **Automatic Data Processing Limited**

## **Notes to the financial statements Year ended 30 June 2013**

### **1. Accounting policies (continued)**

#### **c) Performance-based restricted shares**

The performance-based restricted shares programme contains a two-year performance period and a subsequent six-month service period. Under this programme, the Company communicates “target awards” to employees at the beginning of a performance period and, as such, dividends are not paid in respect of the “target awards” during the performance period. After the two-year performance period, if the performance targets are achieved, employees are eligible to receive dividends on any shares awarded under the programme. The performance target is based on EPS growth for the ADP Group over the performance period with possible payouts ranging from 0% to 125% of the “target award”. Compensation expense is recognized on a straight-line basis over the vesting term of approximately 30 months based upon the probable performance target that will be met.

#### **Investments in subsidiary undertakings**

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

#### **Financial instruments**

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

#### ***Financial assets***

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

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

#### ***Effective interest method***

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

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

#### ***Loans and receivables***

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

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 1. Accounting policies (continued)

#### *Available for sale investments*

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

This is a change of accounting policy for the year ended 30 June 2013.

In previous accounting periods, the Company has classified funds held for clients (including amounts due to be received from clients for payroll disbursements settled by the Company pending reimbursement from the client) as a cash balance, with a corresponding liability, presented in creditors as a client obligation. These amounts were stated at cost.

During the year the Company has reviewed and reconsidered the presentation of client funds. The client funds held are invested by the Company primarily in money market funds and other marketable securities, comprising publicly traded government and corporate bonds. The Company has determined that whilst these securities are highly liquid, it is more appropriate to classify them as investments, and has reclassified these items within the balance sheet, together with the reclassification of reimbursement amounts due from clients to other debtors and overdraft amounts to creditors.

Additionally, the Company has changed its accounting policy with respect to the measurement of such assets, and has elected to adopt FRS 26 Financial Instruments: Recognition and Measurement ("FRS 26") and classifies these assets as available for sale. In changing the accounting policy for such assets, the Directors consider that from a measurement point of view, the most relevant information that can be provided for financial assets is the amount that could be realised from their disposal, which is better represented by fair value rather than historic cost. A deferred tax asset/ liability is recognised on the revaluation.

As a result of electing to adopt FRS 26, the Company has also adopted FRS 23 The Effects of Changes in Foreign Exchange Rates, FRS 24 Financial Reporting in Hyperinflationary Economies, FRS 26 Financial Instruments: Recognition and Measurement and FRS 29 Financial Instruments: Disclosures. The only impact of adoption of these standards has been an increase in the disclosures presented with respect to financial instruments.

#### *Impact of change in accounting policy*

This change in accounting policy has not affected profit for the comparative period.

A summary of the effect on the statement of total recognised gains and losses for the year ended 30 June 2012 is set out below.

	2012 £'000 (as reported)	Change in accounting policy £'000	2012 £'000 (restated)
Loss for the financial year	(711)	-	(711)
Unrealised gains on investments, net of tax	-	508	508
Actuarial loss relating to the pension scheme	(2,513)	-	(2,513)
Deferred tax charge on actuarial loss	(565)	-	(565)
Total recognised losses relating to the year	<u>(3,789)</u>	<u>508</u>	<u>(3,281)</u>

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 1. Accounting policies (continued)

A summary of the effect on the balance sheet as at 30 June 2012 is set out below

	2012 £'000 (as reported)	Restatement £'000	2012 £'000 (restated)
Fixed assets	1,832	50,734	52,566
Current assets	146,437	(47,738)	98,699
Current liabilities	(142,109)	(2,415)	(144,524)
Non-current liabilities	(4,037)	-	(4,037)
Net assets	2,123	581	2,704
Share capital	13,000	-	13,000
Profit and loss account	(12,132)	-	(12,132)
Revaluation reserve	-	581	581
Other reserves	1,255	-	1,255
	2,123	581	2,704

As a result of the change in policy there has been a reclassification of £1,164,000 of reimbursement amounts due from clients from cash to other debtors and a reclassification of client fund overdrafts from cash to creditors of £2,415,000 as at 30 June 2012

In addition to the above change in accounting policy, the Directors have reviewed the disclosure of its unfunded defined pension obligations which have previously been disclosed in creditors due after more than one year and have determined that these amounts are more appropriately classified within the pension liability on the balance sheet, whilst the associated interest costs for the year ended 30 June 2012 of £98,000 have been reclassified from pension costs to interest payable and similar charges. These reclassifications have not affected net assets or net profit for the comparative period.

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 1. Accounting policies (continued)

#### *Impairment of financial assets*

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

Objective evidence of impairment could include

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

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

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

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

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

#### *Financial liabilities and equity*

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

#### *Equity instruments*

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

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 1. Accounting policies (continued)

#### *Financial liabilities*

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

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

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

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

#### *Derecognition of financial liabilities*

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

#### **Tangible fixed assets**

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

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

#### **Research and development**

Research and development is charged to the profit and loss account as incurred

#### **Repairs and renewals**

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

#### **Taxation**

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

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

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

#### **Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. All differences are taken to the profit and loss account



# **Automatic Data Processing Limited**

## **Notes to the financial statements Year ended 30 June 2013**

### **1. Accounting policies (continued)**

#### **Leases**

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

#### **Turnover**

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

#### **Cash flow statement**

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

#### **Pensions**

The Company operates a defined contribution pension scheme for qualifying employees. Pension costs for this scheme are charged to the profit and loss account in the period in which they arise

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

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

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 2. Information regarding directors and employees

	2013 £'000	2012 £'000
<b>Directors' emoluments</b>		
Emoluments	765	509
Company contributions to defined contribution pension scheme	13	14
	<u>778</u>	<u>523</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received under long-term incentive schemes. The directors' emoluments disclosed above include those of the highest paid director of £778,000 (2012: £523,000) of which £13,072 relates to pension contributions (2012: £14,150). The highest paid director exercised share options during the year. The remaining director, who is an employee of another ADP group company, receives no remuneration for their services as a director of the Company. One director is a member of a defined contribution pension scheme (2012: one). No directors are members of the defined benefit schemes (2012: none).

	2013 No	2012 No.
<b>Average number of persons employed (including directors)</b>		
Systems programmers	25	23
Production/operations	26	26
Customer support	352	325
Administration	34	31
Sales/marketing	178	168
	<u>615</u>	<u>573</u>

	2013 £'000	2012 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	26,582	23,638
Social security costs	3,123	2,861
Other pension costs	1,113	1,070
Share-based payments (including National Insurance Contributions)	109	87
	<u>30,927</u>	<u>27,616</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 94 (2012: 68).

#### Performance-based restricted shares

The Automatic Data Processing Inc. Group issues to certain employees, performance-based units ("PBUs") that require the Group to pay benefits to the employee at the date of exercise. The Company has recorded liabilities of £1,475,938 and £894,285 in 2013 and 2012 respectively. The fair value of the PBUs is determined by the ADP Inc. EPS growth over the performance period. The Company recorded total expenses of £1,597,502 and £896,965 in 2013 and 2012, respectively.

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 3. Share-based payments

The Company charged the following amounts to the profit and loss account in 2013 and 2012 in relation to equity-settled share-based payments

	2013 £'000	2012 £'000
Share options	42	87

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

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

	At 1 July 2012 Number	Granted Number	Exercised Number	Lapsed/ transferred Number	Outstanding At 30 June 2013 Number	Exercisable At 30 June 2013 Number
Share options	113,307	9,300	(4,752)	(56,265)	61,590	47,568
Weighted-average exercise price (\$)	38.84	59.89	38.60	38.60	44.62	41.28

#### Share options

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

#### Share purchase plan

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

### 4. Operating loss

	2013 £'000	2012 £'000
<b>Operating loss is after charging:</b>		
Rentals under operating leases		
Plant and machinery	6	36
Land and buildings	1,166	1,216
Depreciation (note 8)	851	785
Impairment loss on trade debtors	33	122
Foreign exchange (gains)/losses	99	143
Fees payable to the Company's auditor for the audit of the Company's annual accounts	75	70
Fees payable to the Company's auditor and their associates for other services tax	17	31

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 5. Interest payable and similar charges

	2013 £'000	2012 £'000
Other finance charge (see note 20)	72	99

### 6. Interest receivable and similar income

	2013 £'000	2012 £'000
Interest receivable on available for sale investments	1,975	1,580
Other finance income (see note 20)	449	128
	<u>2,424</u>	<u>1,708</u>

### 7. Tax credit/ (charge) on loss on ordinary activities

	2013 £'000	2012 £'000
<b>Current tax</b>		
UK corporation	936	-
Adjustments in respect of previous years	-	-
	<u>936</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	17	456
Adjustments in respect of previous years	(4)	(822)
Effect of changes in tax rates	(39)	(114)
	<u>(26)</u>	<u>(480)</u>
<b>Total tax credit/ (charge) for the year</b>	<u>910</u>	<u>(480)</u>

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

	2013 £'000	2012 £'000
Loss on ordinary activities before taxation	(2,006)	(231)
Tax on loss at standard UK tax rate of 23.75% (2012: 25.5%)	(476)	(59)
Non-tax deductible expenses	17	60
Capital allowances in excess of depreciation	72	64
Movement in short-term timing differences	(549)	(14)
Group relief surrendered for nil consideration	-	750
Utilisation of tax losses	-	(801)
<b>Current tax (credit)/charge for the year</b>	<u>(936)</u>	<u>-</u>

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

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

The taxable losses generated by the Company were surrendered to related companies through Group relief. Consideration of £936,000 has been charged which is equal to the tax value of the relief.

In the 2013 Finance Act it was enacted that the UK corporation tax rate would be reduced from 23% to 21% effective 1 April 2014 and 20% effective 1 April 2015. However, these reductions were not substantively enacted at the balance sheet date and the impact thereof is not therefore reflected in these financial statements.

### 8. Tangible fixed assets

	Computer installation £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
<b>Cost</b>				
At 1 July 2012	4,990	672	1,183	6,845
Additions	469	-	63	532
Disposals	(218)	(92)	-	(310)
At 30 June 2013	5,241	580	1,246	7,067
<b>Depreciation</b>				
At 1 July 2012	3,688	547	778	5,013
Charge for the year	683	38	130	851
Disposals	(218)	(92)	-	(310)
At 30 June 2013	4,153	493	908	5,554
<b>Net book value</b>				
At 30 June 2013	1,088	87	338	1,513
At 30 June 2012	1,302	125	405	1,832

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 9. Fixed asset investments

	Shares in subsidiary undertaking £'000
<b>Cost</b>	
At 1 July 2012 and 30 June 2013	47,108
Disposals	(47,108)
	<hr/>
At 30 June 2013	<hr/> -
 <b>Provision for impairment</b>	
At 1 July 2012 and 30 June 2013	(47,108)
Disposals	47,108
	<hr/>
At 30 June 2013	<hr/> -
 <b>Net book value</b>	
At 30 June 2012 and 30 June 2013	<hr/> -
	<hr/>

During the year, the subsidiary undertakings ADP Limited and AGC Application Group Limited were liquidated

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 2012	50,734
Acquisitions	36,288
Disposals	-
Revaluation	(312)
	<hr/>
At 30 June 2013	<hr/> 86,710

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 10. Available for sale investments: funds held for clients

The historic cost of client funds held as at 30 June 2013 was £172,369,000 (2012 £125,122,000). An equivalent liability is recognised on the balance sheet as client obligations.

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

	Historic cost £'000	Cumulative Unrealised gains/(losses) £'000	Fair value £'000
Cash and cash equivalents	2,445	-	2,445
Funds due from clients	251	-	251
Short-term marketable securities	83,324	91	83,415
Long-term marketable securities	86,349	361	86,710
	<hr/>	<hr/>	<hr/>
Total funds held for clients	172,369	452	172,821
	<hr/>	<hr/>	<hr/>
Total client liability (Note 13)	172,369		
	<hr/>		

The marketable securities comprise

	2013 £'000	2012 £'000
Money market funds	71,224	76,404
Corporate and government bonds	98,901	50,733
	<hr/>	<hr/>
	170,125	127,137
	<hr/>	<hr/>

Cumulative fair value gains/(losses) of £452,000 have been recognised directly in the statement of total recognised gains or losses on these investments.

Maturities of long-term marketable securities

	2013 £'000	2012 £'000
Due after one year up to two years	21,787	12,408
Due after two years up to three years	20,111	11,903
Due after three years up to four years	13,198	20,202
Due after four years	31,614	6,221
	<hr/>	<hr/>
	86,710	50,734
	<hr/>	<hr/>

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 11. Debtors: amounts falling due within one year

	2013	2012
	£'000	£'000 (restated)
Trade debtors	10,491	8,818
Amounts due from fellow subsidiary undertakings	2,824	1,746
Corporation tax debtor	19	245
Interest receivable	2,191	1,376
Other debtors	279	1,231
Prepayments and accrued income	1,258	1,215
	<u>17,062</u>	<u>14,631</u>

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

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

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

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



# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

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

#### Ageing of past due but not impaired trade debtors

	2013 £'000	2012 £'000
31-60 days	2,910	3,300
61-90 days	455	383
91-120 days	135	104
	<u>3,500</u>	<u>3,787</u>

#### Movement in the allowance for doubtful debts

	2013 £'000	2012 £'000
Balance at 1 July 2012	270	185
Impairment losses recognised	-	85
Impairment losses reversed	(82)	-
	<u>188</u>	<u>270</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

	2013 £'000	2012 £'000
91-120 days	135	105
121-150 days	41	60
151-180 days	25	45
>180 days	126	192
	<u>327</u>	<u>402</u>

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

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 12. Cash at bank and in hand

	2013 £'000	2012 £'000 (restated)
Cash at bank – client funds	2,445	-
Cash at bank and in hand	1,127	6,926
	<u>3,572</u>	<u>6,926</u>

### 13. Creditors

	2013 £'000	2012 £'000 (restated)
<b>Amounts falling due within one year:</b>		
Trade creditors	2,021	2,125
Bank overdraft – client funds	-	2,415
Amounts owed to fellow subsidiary undertakings for a loan	2,123	2,123
Amounts due to fellow subsidiary undertakings	2,284	2,009
Client obligations (Note 10)	172,369	125,122
Other taxes and social security	2,362	2,340
Accruals and deferred income	8,444	8,390
	<u>189,603</u>	<u>144,524</u>

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

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

The client obligations relate to amounts owed to third parties on behalf of clients (note 10).

### 14. Provision for liabilities

	Dilapidations £'000	NIC on share options £'000	Total £'000
At 1 July 2012	559	37	596
Charged to the profit and loss account	83	67	150
At 30 June 2013	<u>642</u>	<u>104</u>	<u>746</u>

Included in the dilapidations provision is an amount of £545,000 which relates to the dilapidations provision on a lease expiring March 2020 and £97,000 which relates to a lease expiring July 2017, it is expected that the provisions will be utilised after the lease expiry dates.

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 15. Deferred taxation

The Company has recognised a deferred tax asset of £792,000 (2012 £739,000) as the directors expect future taxable profits to be generated in the foreseeable future

	2013 £'000	2012 £'000 (restated)
Deferred tax assets		
Short-term timing differences	722	559
Capital allowances in excess of depreciation	70	180
Total	<u>792</u>	<u>739</u>
Opening balance (as restated)	739	1,381
Charge to profit and loss account	(26)	(480)
Credit / (charge) to statement of total recognised gains and losses	79	(162)
Closing balance	<u>792</u>	<u>739</u>

### 16. Called up share capital

	2013 £'000	2012 £'000
Allotted, called up and fully paid:		
13,000,000 ordinary shares of £1 each (2012 13,000,000)	<u>13,000</u>	<u>13,000</u>

Since the year end, the Company has issued 7,500,000 shares at a subscription price of £1.00 per share to its immediate parent company, ADP Network Services Ltd

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 17. Reserves

	Other reserves £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 July 2012	1,255	581	(12,132)
Loss for the financial year	-	-	(1,096)
Unrealised losses on available for sale investments, net of tax	-	(233)	-
Actuarial loss	-	-	(505)
Deferred tax on actuarial loss	-	-	120
Pension asset not recognised	-	-	(49)
Deferred tax on pension asset not recognised	-	-	12
Deferred tax on pensions movements	-	-	(518)
Share-based payments (note 3)	42	-	-
At 30 June 2013	<u>1,297</u>	<u>348</u>	<u>(14,168)</u>

### 18. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000 (restated)
Loss for the financial year	(1,096)	(711)
Issue of share capital (note 15)	-	7,500
Share-based payments (note 3)	42	87
Unrealised (losses)/gains on available for sale investments, net of tax	(233)	520
Actuarial loss relating to pension scheme	(505)	(2,512)
Deferred tax on actuarial (loss)/gain	120	(566)
Pension asset not recognised	(49)	-
Deferred tax on pension asset not recognised	12	-
Deferred tax on pensions movements	(518)	-
Net (decrease)/increase in shareholders' funds	<u>(2,227)</u>	<u>4,318</u>
Opening shareholders' deficit as previously stated		(1,675)
Prior year adjustment (note 1)		61
Opening shareholders' deficit (as restated)	<u>2,704</u>	<u>(1,614)</u>
Closing shareholders' (deficit)/funds	<u>477</u>	<u>2,704</u>

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 19. Operating lease commitments

At 30 June 2013, the Company was committed to making the following payments during the next year in respect of operating leases

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire				
Within one year	-	7	-	-
Within two to five years	90	-	90	7
After five years	836	-	1,177	-
	<u>926</u>	<u>7</u>	<u>1,267</u>	<u>7</u>

### 20. 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 £1,185,000 (2012 £1,168,000). As at the balance sheet date, there were outstanding pension contributions totalling £185,000 (2012 £175,000).

##### *Defined benefit scheme*

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

The amounts recognised in the balance sheet are as follows

	2013 £'000	2012 £'000
Present value of funded obligations	9,402	8,946
Fair value of plan assets	(9,271)	(8,224)
Deficit	131	722
Related deferred tax asset	(30)	(173)
Net liability at end of the year	<u>101</u>	<u>549</u>

Amounts recognised in the profit and loss account are as follows

	2013 £'000	2012 £'000
Interest costs	420	403
Return on assets	(501)	(455)
Total income included in interest receivable and similar income	<u>(81)</u>	<u>(52)</u>

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 20. Pension (continued)

Change in the present value of scheme liabilities

	2013 £	2012 £
At beginning of the year	8,946	7,584
Interest cost	420	403
Actuarial loss	251	1,211
Gross benefits paid	(215)	(252)
At end of the year	9,402	8,946

Change in the fair value of assets

	2013 £'000	2012 £'000
At beginning of the year	8,224	7,100
Employer contributions	452	1,212
Expected return on assets	501	455
Actuarial gain/ (loss)	309	(291)
Gross benefits paid	(215)	(252)
At end of the year	9,271	8,224

The Company expects to contribute £452,000 to the ADP Limited Pension & Life Assurance Plan in the year to 30 June 2014

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

	2013	2012
Equities	45%	44%
Fixed Income Bonds	43%	41%
Property	3%	4%
Cash	9%	11%

Property amounts to £297,000 (2012 £304,000) of the total fair value of scheme assets

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 20. Pension (continued)

Principal actuarial assumptions at the balance sheet date

	2013	2012
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	3.28%	2.96%
Discount rate	4.61%	4.75%
Inflation assumptions	3.38%	2.96%
Rate of return on scheme assets	6.00%	6.00%

The actual rate of return on scheme assets was £810,000 (2012 £164,000)

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 S1NXA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2009 with 1% p.a. long-term improvements (2012 MC with 1% minimum improvements).

Amounts for the current and previous four periods are as follows

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligations	9,402	8,946	7,584	7,178	5,918
Scheme assets	9,271	8,224	7,100	5,969	4,642
Deficit	131	722	484	1,209	1,276
Experience adjustments on scheme liabilities	-	273	-	-	(1,204)
Experience adjustments on scheme assets	(309)	291	475	373	(795)

#### 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 2013 totalled £1,199,000 (2012 £3,216,000).

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

	2013 £'000	2012 £'000
Present value of funded obligations	35,079	31,701
Fair value of plan assets	(35,128)	(30,694)
	(49)	1,007
Effect of asset limit	49	-
Deficit	-	1,007
Related deferred tax asset	-	(242)
Net liability at the end of the year	-	765

# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 20. Pension (continued)

Amounts recognised in the profit and loss are as follows

	2013 £'000	2012 £'000
Interest costs	1,492	1,620
Return on assets	(1,860)	(1,696)
Total (income) included in interest receivable and similar income	<u>(368)</u>	<u>(76)</u>

Change in benefit obligations

	2013 £'000	2012 £'000
At beginning of the year	31,701	30,274
Interest cost	1,492	1,620
Actuarial loss	2,466	456
Gross benefits paid	<u>(580)</u>	<u>(649)</u>
At end of the year	<u>35,079</u>	<u>31,701</u>

Change in the fair value of assets

	2013 £'000	2012 £'000
At beginning of the year	30,694	26,985
Employer contributions	1,199	3,216
Expected return on assets	1,860	1,696
Actuarial gain/(loss)	1,955	(554)
Gross benefits paid	<u>(580)</u>	<u>(649)</u>
At end of the year	<u>35,128</u>	<u>30,694</u>

The Company expects to contribute £1,200,000 to the ADP Chessington Pension Scheme in the year to 30 June 2014

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

	2013	2012
Equities	56%	51%
Fixed Income Bonds	44%	42%
Cash	<u>-</u>	<u>7%</u>



# Automatic Data Processing Limited

## Notes to the financial statements Year ended 30 June 2013

### 20. Pension (continued)

Principal actuarial assumptions at the balance sheet date

	At 30 June 2013	At 30 June 2012
Rate of increase in pensions in payment	3.28%	2.96%
Discount rate	4.61%	4.75%
Inflation assumptions	3.38%	2.96%
Rate of return on scheme assets	6.00%	6.00%

The mortality assumption is made up of two components: the underlying base table and the allowance for future improvements in life expectancy. The base tables adopted are the S1NXA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2009 with 1% p.a. long-term improvements (2012: MC with 1% minimum improvements).

The actual rate of return on scheme assets was £3,814,000 (2012: £1,142,000).

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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Defined benefit obligations	35,079	31,701	30,274	28,624	22,597
Scheme assets	35,128	30,694	26,985	22,629	17,210
Effect of asset limit	49	-	-	-	-
Deficit	-	1,007	(3,289)	(5,995)	(5,387)
Experience adjustments on scheme liabilities	-	(584)	-	-	722
Experience adjustments on scheme assets	(1,955)	554	(2,209)	(1,700)	(2,379)

#### 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 2013 totalled £114,000 (2012: £nil).

	2013 £'000	2012 £'000
At beginning of the year	2,127	2,028
Employer contributions	(114)	-
Interest cost	72	99
Actuarial loss	52	-
At end of the year	2,137	2,127

## Automatic Data Processing Limited

### Notes to the financial statements Year ended 30 June 2013

#### 20. Pension (continued)

Principal actuarial assumptions at the balance sheet date

	At 30 June 2013	At 30 June 2012
Discount rate	4.61%	4.75%
Inflation assumptions	3.38%	2.96%

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 S1NFA/S1NMA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2009 with 1% p.a. long-term improvements (2012: MC with 1% minimum improvements).

#### 21. Related party disclosures

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

The Company's pension schemes are also considered to be related parties. All transactions between Automatic Data Processing Limited and its associated pension schemes are disclosed in Note 20.

#### 22. Capital risk management

##### 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 earnings).

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

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

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

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

## Automatic Data Processing Limited

### Notes to the financial statements Year ended 30 June 2013

#### 22. Capital risk management continued (continued)

##### Categories of financial instruments

	2013 £'000	2012 £'000
<b>Financial assets:</b>		
Available for sale investments	170,125	127,137
Loans and receivables (including cash and cash equivalents)	19,601	13,170
	<u>189,726</u>	<u>140,307</u>
<b>Financial liabilities:</b>		
Amortised cost	<u>185,082</u>	<u>140,344</u>

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

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

##### Other gains and losses

	2013 £'000	2012 £'000
Losses/ (gains) recognised directly in equity on available for sale investments	(312)	682
Profit/(loss) on disposal of available for sale investments	-	-
	<u>(312)</u>	<u>682</u>

No other gains or losses have been recognised in respect of loans and receivables other than impairment losses recognised / reversed in respect of trade debtors (see notes 4 and 11) No gains or losses have been recognised on financial liabilities measured at amortised cost in either the current or preceding year

#### 23. Ultimate parent company and immediate parent company

The ultimate parent company and controlling party is Automatic Data Processing Inc , which is incorporated in the United States of America The immediate parent company is ADP Network Services Limited, a company incorporated in Great Britain

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