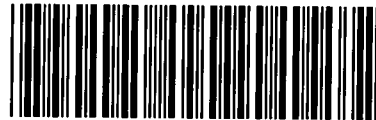


REGISTERED NUMBER: 00949665 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 30 June 2016
for
Automatic Data Processing Limited

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Automatic Data Processing Limited

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for the Year Ended 30 June 2016

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Automatic Data Processing Limited

Company Information
for the Year Ended 30 June 2016

DIRECTORS:	P Hadley J Phipps L Wake
COMPANY SECRETARY:	TMF Corporate Administration Services Limited
REGISTERED OFFICE:	Syward Place Pycroft Road Chertsey Surrey KT16 9JT
REGISTERED NUMBER:	00949665 (England and Wales)
INDEPENDENT AUDITOR:	Deloitte LLP Chartered Accountants and Statutory Auditor 2 New Street Square London EC4A 3BZ
BANKERS:	Barclays Bank plc Multinational Corporate Team Level 28 No 1 Churchill Place Canary Wharf London E14 5HF
SOLICITORS:	Clifford Chance 10 Upper Bank Street London E14 5JJ

Automatic Data Processing Limited

Strategic Report for the Year Ended 30 June 2016

The directors present their strategic report for the year ended 30 June 2016.

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

Turnover for the year was £59,493,000 (2015: £56,130,000), an increase of 6.0% due to continuing expansion of the Company's customer base, wider take up of different service offerings, strong customer retention and inflationary price increases.

RESULTS

The results for the year are as follows:

	2016	2015
	£'000	£'000
Profit before taxation	1,086	1,079
Profit after taxation	<u>1,193</u>	<u>1,623</u>

Profit before taxation has marginally increased and gross profit is 63.4% (2015: 63.7%).

REVIEW OF FINANCIAL POSITION

Fixed asset investments increased by 66.1% during the year due to an increase in the number of customers who are using ADP's money movement services.

Current asset investments decreased by 34.0% during the year. This related to short-term marketable securities and as a direct result the net current liability position has increased to £402,964,000 from £240,478,000 in 2015.

Cash at bank and in hand increased to £12,473,000 from £8,688,000 during the year.

Creditors falling due within one year have increased to £590,938,000 from £503,836,000 in 2015. Within this total, client obligations have increased to £557,907,000 from £479,099,000 in 2015. This can be explained by an increased 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 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.

Automatic Data Processing Limited

Strategic Report - continued
for the Year Ended 30 June 2016

FUTURE DEVELOPMENTS

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

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

KEY PERFORMANCE INDICATORS

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

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

ON BEHALF OF THE BOARD:

exhbf
.....
L Wake - Director

Date: 29/03/17
.....

Automatic Data Processing Limited

Report of the Directors for the Year Ended 30 June 2016

The directors present their annual report and the audited financial statements for the year ended 30 June 2016.

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.

DIVIDENDS

The directors do not propose any dividend for the year (2015: £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

P Hadley has held office during the whole of the period from 1 July 2015 to the date of this report.

Other changes in directors holding office are as follows:

J Phipps - appointed 6 April 2016
S D Finnegan - resigned 30 June 2016
D Foscett - resigned 5 April 2016
L Wake – appointed 1 July 2016

The current membership of the Board 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 (2015: £nil), but charitable donations of £2,665 (2015: £11,780) 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 results, review of financial position, principal risks and uncertainties and future developments sections of the Strategic Report. As shown on the balance sheet on page 10, 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 the financial support, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

EMPLOYEE INVOLVEMENT

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

DISABLED EMPLOYEES

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

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.....
L Wake - Director

Date: 29/03/17.....

Automatic Data Processing Limited

Directors' Responsibilities Statement
for the Year Ended 30 June 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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

We have audited the financial statements of Automatic Data Processing Limited for the year ended 30 June 2016, 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 26. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 and express an opinion on 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 Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

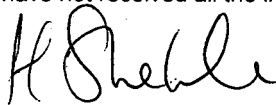
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors 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
2 New Street Square
London
EC4A 3BZ

Date: 31 March 2017

Automatic Data Processing Limited

Income Statement
for the Year Ended 30 June 2016

	Notes	2016 £'000	2015 £'000
TURNOVER	4	59,493	56,130
Cost of sales		<u>(21,756)</u>	<u>(20,363)</u>
GROSS PROFIT		37,737	35,767
Distribution costs		(2,731)	(2,569)
Administrative expenses		<u>(35,377)</u>	<u>(33,723)</u>
		(371)	(525)
Other operating income		<u>1,723</u>	<u>1,544</u>
OPERATING PROFIT		1,352	1,019
Interest receivable and similar income	6	<u>-</u>	<u>92</u>
		1,352	1,111
Interest payable and similar expenses	7	<u>(266)</u>	<u>(32)</u>
PROFIT BEFORE TAXATION	8	1,086	1,079
Tax on profit	9	<u>107</u>	<u>544</u>
PROFIT FOR THE FINANCIAL YEAR		<u><u>1,193</u></u>	<u><u>1,623</u></u>

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

The notes form part of these financial statements

Statement of Comprehensive Income
for the Year Ended 30 June 2016

	Notes	2016 £'000	2015 £'000
PROFIT FOR THE YEAR		1,193	1,623
OTHER COMPREHENSIVE INCOME			
Gains on available for sale investments	11	9,874	2,451
Deferred tax on gains on available for sale investments	9	(1,855)	(490)
Revaluation gains moved to profit & loss	11	(305)	(90)
Deferred tax on revaluation gains	9	58	18
Actuarial loss on pension schemes	19	(2,630)	(1,968)
Deferred tax on actuarial loss	9	473	393
Deferred tax on pension movements	9	179	(461)
Tax rate change impact on deferred tax	9	(44)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>5,750</u>	<u>(147)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>6,943</u></u>	<u><u>1,476</u></u>

The notes form part of these financial statements

Balance Sheet
30 June 2016

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Tangible assets	10	2,015	1,640
Investments	11	<u>428,726</u>	<u>258,086</u>
		<u>430,741</u>	<u>259,726</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	26,653	31,563
Debtors: amounts falling due after more than one year	12	5,303	5,647
Investments	13	143,545	217,460
Cash at bank	14	<u>12,473</u>	<u>8,688</u>
		187,974	263,358
CREDITORS			
Amounts falling due within one year	15	<u>(590,938)</u>	<u>(503,836)</u>
NET CURRENT LIABILITIES		<u>(402,964)</u>	<u>(240,478)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,777	19,248
CREDITORS			
Amounts falling due after more than one year	15	(5,303)	(5,647)
PROVISIONS FOR LIABILITIES	17	(1,480)	(889)
PENSION LIABILITY	23	<u>(2,361)</u>	<u>(1,222)</u>
NET ASSETS		<u>18,633</u>	<u>11,490</u>
CAPITAL AND RESERVES			
Called up share capital	18	20,500	20,500
Revaluation reserve	19	9,456	1,684
Other reserves	19	1,697	1,497
Retained earnings	19	<u>(13,020)</u>	<u>(12,191)</u>
SHAREHOLDERS' FUNDS	22	<u>18,633</u>	<u>11,490</u>

The financial statements were approved by the Board of Directors on 29 MARCH 2017 and were signed on its behalf by:

L Wake

L Wake - Director

The notes form part of these financial statements

Automatic Data Processing Limited

Statement of Changes in Equity
for the Year Ended 30 June 2016

	Called up share capital £'000	Retained earnings £'000	Revaluation reserve £'000	Other reserves £'000	Total equity £'000
Balance at 1 July 2014 as previously stated	20,500	(12,784)	(205)	1,363	8,874
Changes on transition to FRS 102 (see note 26)	-	1,006	-	-	1,006
At 1 July 2014 as restated	20,500	(11,778)	(205)	1,363	9,880
Profit for the year	-	1,623	-	-	1,623
Gains on available for sale investments	-	-	2,451	-	2,451
Revaluation gains moved to profit and loss	-	-	(90)	-	(90)
Actuarial loss on pension schemes	-	(1,968)	-	-	(1,968)
Tax relating to items of other comprehensive income	-	(68)	(472)	-	(540)
Credit to equity for equity-settled share-based payments	-	-	-	134	134
Balance at 30 June 2015	20,500	(12,191)	1,684	1,497	11,490
Profit for the year	-	1,193	-	-	1,193
Gains on available for sale investments	-	-	9,874	-	9,874
Revaluation gains moved to profit and loss	-	-	(305)	-	(305)
Actuarial loss on pension schemes	-	(2,630)	-	-	(2,630)
Tax relating to items of other comprehensive income	-	608	(1,797)	-	(1,189)
Credit to equity for equity-settled share-based payments	-	-	-	200	200
Balance at 30 June 2016	20,500	(13,020)	9,456	1,697	18,633

The notes form part of these financial statements

1. STATUTORY INFORMATION

Automatic Data Processing Limited (the Company) is a company limited by shares under the Companies Act 2006, registered in England and Wales. Its registered office is 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 prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information, see note 26.

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 has 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; and
- 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 are readily available as set out in note 20.

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.

3. ACCOUNTING POLICIES - continued

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

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 profit and loss account 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.

3. ACCOUNTING POLICIES - continued

Pensions

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

The Company also operates two funded defined benefit pension schemes and one unfunded scheme. For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The net interest cost on the net defined benefit obligation is charged to profit or loss 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.

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 10, 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.

3. **ACCOUNTING POLICIES - continued**

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 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 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

In conjunction with IAS 39, 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 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 profit or loss for the period.

3. 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 other comprehensive income 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.

3. 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.

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.

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

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

Revenue recognition

The Company's revenues are primarily attributable to fees for providing employer services' payroll processing fees, fees for other HR related services, and fees charged to implement clients on the Company's solutions. The Company enters into agreements for a fixed fee per transaction – for example, the number of payees or number of payrolls processed. Fees associated with services are recognised in the period services are rendered and earned under service arrangements with clients where services are fixed or determinable and collectability is reasonably assured. Client implementation fees are charged to set clients up on the Company's solutions and are deferred until the client has gone live and services have begun. These fees are amortised to revenue over the longer of the contractual term or expected client life, including estimated renewal of client contracts.

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.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

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:

	2016	2015
	£'000	£'000
United Kingdom	55,275	52,948
Europe	2,046	1,584
Rest of World	2,172	1,598
	<u>59,493</u>	<u>56,130</u>

5. EMPLOYEES AND DIRECTORS

	2016	2015
	£'000	£'000
Wages and salaries	28,704	30,069
Social security costs	3,077	3,301
Other pension costs	2,352	2,334
	<u>34,133</u>	<u>35,704</u>

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

	2016	2015
	No.	No.
Systems programmers	45	50
Production/operations	152	147
Customer support	343	352
Administration	28	33
Sales/marketing	108	102
	<u>676</u>	<u>684</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 135 (2015: 131).

	2016	2015
	£'000	£'000
Directors' remuneration	442	228
Directors' long term incentive schemes	119	23
Directors' excess retirement benefits	3	13
	<u>564</u>	<u>264</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

5. **EMPLOYEES AND DIRECTORS - continued**

The directors' emoluments disclosed above include those of the highest paid director of £340,160 (2015: £135,898) of which £7,902 (2015: £7,302) relates to pension contributions. This director resigned as a director of the Company on 5 April 2016. Three directors are members of a defined contribution pension scheme (2015: two). No directors are members of the defined benefit schemes (2015: none).

One director exercised share options during the year (2015: none).

6. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016 £'000	2015 £'000
Other finance income	-	92

7. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2016 £'000	2015 £'000
Interest expense	5	5
Other finance charges	261	27
	<u>266</u>	<u>32</u>

8. **PROFIT BEFORE TAXATION**

The profit is stated after charging/(crediting):

	2016 £'000	2015 £'000
Rentals under operating leases	953	1,400
Depreciation - owned assets	857	769
Fees payable to the Company's auditor for the audit of the Company's annual accounts	88	85
Fees payable to the Company's auditor for other services: tax compliance	17	16
Foreign exchange differences	(63)	(159)
Impairment loss on trade debtors	<u>47</u>	<u>327</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

9. **TAX ON PROFIT ON ORDINARY ACTIVITIES**

Analysis of the tax credit

The tax credit on the profit for the year was as follows:

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax	-	(155)
Deferred tax		
Origination and reversal of timing differences	(213)	(389)
Effect of decrease in tax rate on opening liability	106	-
	<u> </u>	<u> </u>
Tax on profit	<u>(107)</u>	<u>(544)</u>

UK corporation tax has been charged at 20%.

In addition to the above, the following tax charges have been recognised in other comprehensive income:

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax	-	-
Deferred tax	<u>1,189</u>	<u>540</u>
Tax on profit	<u>1,189</u>	<u>540</u>

Reconciliation of total tax credit included in profit and loss

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

	2016 £'000	2015 £'000
Profit before tax	<u>1,086</u>	<u>1,079</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.75%)	217	224
Effects of:		
Expenses not deductible for tax purposes	-	36
Depreciation in excess of capital allowances	153	159
Movement in short-term timing differences	(3)	(369)
Group relief claimed for nil consideration	(466)	(542)
Prior year tax adjustment	<u>(8)</u>	<u>(52)</u>
Total tax credit	<u>(107)</u>	<u>(544)</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

9. **TAX ON PROFIT ON ORDINARY ACTIVITIES - continued**

The standard rate of tax applied to reported profit on ordinary activities is 20% (2015: 20.75%). The applicable tax rate for UK deferred tax recognition has changed following the substantive enactment of Finance (No. 2) Act 2015 from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. A further rate reduction to 17% effective 1 April 2020 was enacted after the balance sheet date.

During the year beginning 1 July 2016, the net reversal of deferred tax assets and liabilities is expected to increase the corporation tax charge for the year by £5,000.

10. **TANGIBLE FIXED ASSETS**

	Leasehold improve- ments £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
COST				
At 1 July 2015	1,408	1,114	6,348	8,870
Additions	38	227	967	1,232
Disposals	-	(103)	(963)	(1,066)
At 30 June 2016	<u>1,446</u>	<u>1,238</u>	<u>6,352</u>	<u>9,036</u>
DEPRECIATION				
At 1 July 2015	1,209	594	5,427	7,230
Charge for year	92	123	642	857
Eliminated on disposal	-	(103)	(963)	(1,066)
At 30 June 2016	<u>1,301</u>	<u>614</u>	<u>5,106</u>	<u>7,021</u>
NET BOOK VALUE				
At 30 June 2016	<u>145</u>	<u>624</u>	<u>1,246</u>	<u>2,015</u>
At 30 June 2015	<u>199</u>	<u>520</u>	<u>921</u>	<u>1,640</u>

11. FIXED ASSET INVESTMENTS

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

	Marketable securities £'000
At fair value:	
At 1 July 2015	258,086
Acquisitions	214,292
Matured	(39,561)
Disposals	(13,660)
Revaluation	9,569
At 30 June 2016	<u>428,726</u>

Available for sale investments: funds held for clients

The historic cost of client funds held as at 30 June 2016 was £557,907,000 (2015: £479,099,000). 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	4,105	-	4,105
Funds due from clients	12	-	12
Outstanding amounts due for marketable securities	(6,806)	-	(6,806)
Short-term marketable securities	143,343	202	143,545
Long-term marketable securities	<u>417,253</u>	<u>11,473</u>	<u>428,726</u>
Total funds held for clients	<u>557,907</u>	<u>11,675</u>	<u>569,582</u>
Total client liability (Note 15)	<u>557,907</u>		

Notes to the Financial Statements - continued
for the Year Ended 30 June 201611. **FIXED ASSET INVESTMENTS – continued**

The marketable securities comprise:

	2016 £'000	2015 £'000
Money market funds	112,853	179,864
Corporate and government bonds	459,418	295,681
	<u>572,271</u>	<u>475,545</u>

Cumulative fair value gains of £11,675,000 (2015: £2,106,000) have been recognised directly in the statement of other comprehensive income on these investments.

Maturities of long-term marketable securities

	2016 £'000	2015 £'000
Due after one year up to two years	44,738	29,939
Due after two years up to three years	81,165	43,976
Due after three years up to four years	51,654	57,736
Due after four years	<u>251,169</u>	<u>126,435</u>
	<u>428,726</u>	<u>258,086</u>

12. **DEBTORS**

	2016 £'000	2015 £'000
Trade debtors	11,897	12,120
Amounts owed by group undertakings	4,243	8,728
Interest receivable	6,484	5,022
Other debtors	7,481	8,412
Corporation tax debtor	-	66
Deferred tax asset	-	627
Prepayments and accrued income	<u>1,851</u>	<u>2,235</u>
	<u>31,956</u>	<u>37,210</u>

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 2016, £2,005,000 (2015: £2,011,000) of deferred implementation costs were expected to be recovered in less than one year and £5,303,000 (2015: £5,647,000) in more than one year.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

12. **DEBTORS - continued**

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 39 days (2015: 44 days). No interest is charged on the debtors for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balance at 2% above Barclays Bank Base Rate. The Company has recognised an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances against doubtful debts are recognised against trade receivables between 90 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an assessment of the counterparty's current financial position.

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

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

Ageing of past due but not impaired trade debtors

	2016 £'000	2015 £'000
31-60 days	4,601	4,897
61-90 days	594	677
91-120 days	193	208
	<u>5,388</u>	<u>5,782</u>

Movement in the allowance for doubtful debts

	2016 £'000	2015 £'000
Opening balance	673	346
Impairment losses recognised	47	327
Impairment losses utilised	-	-
Closing balance	<u>720</u>	<u>673</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.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

12. DEBTORS - continued

Ageing of impaired trade debtors

	2016 £'000	2015 £'000
91-120 days	193	208
121-150 days	95	127
151-180 days	77	70
> 180 days	407	377
	<u>772</u>	<u>782</u>

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

13. CURRENT ASSET INVESTMENTS

	2016 £'000	2015 £'000
Marketable securities	<u>143,545</u>	<u>217,460</u>

14. CASH AT BANK

	2016 £'000	2015 £'000
Cash at bank - client funds	4,105	4,965
Cash at bank and in hand	<u>8,368</u>	<u>3,723</u>
	<u>12,473</u>	<u>8,688</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	2,814	2,634
Outstanding amounts due for marketable securities (Note 11)	6,806	-
Client obligations (Note 11)	557,907	479,099
Amounts owed to group undertakings	7,354	7,333
Social security and other taxes	2,077	1,991
VAT	1,686	738
Other creditors	92	208
Accruals and deferred income	<u>12,202</u>	<u>11,833</u>
	<u>590,938</u>	<u>503,836</u>

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2015: 44 days). For most suppliers no interest is charged on the trade payables. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value. The client obligations relate to amounts owed to third parties on behalf of clients (Note 11).

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
Accruals and deferred income	<u>5,303</u>	<u>5,647</u>

16. LEASING AGREEMENTS

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

	2016 £'000	2015 £'000
Within one year	1,467	1,187
Between one and five years	3,900	5,367
In more than five years	-	-
	<u>5,367</u>	<u>6,554</u>

17. PROVISIONS FOR LIABILITIES

	Deferred Tax £'000	Dilapidations £'000	NIC on share options £'000	Total £'000
At 1 July 2015	(627)	753	136	262
Charged to the income statement	(107)	124	12	29
Charged to other comprehensive income	<u>1,189</u>	<u>-</u>	<u>-</u>	<u>1,189</u>
At 30 June 2016	<u>455</u>	<u>877</u>	<u>148</u>	<u>1,480</u>

Included in the dilapidations provision is an amount of £735,975 (2015: £670,555) which relates to the dilapidations provision on a lease expiring March 2020, an amount of £125,787 (2015: £82,035) which relates to a lease expiring August 2023 and an amount of £15,501 (2015: £nil) 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 \$91.87 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.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £'000	2015 £'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.

19. RESERVES

	Retained earnings £'000	Revaluation reserve £'000	Other reserves £'000	Total £'000
At 1 July 2015	(12,191)	1,684	1,497	(9,010)
Profit for the year	1,193			1,193
Credit to equity for share-based payments	-	-	200	200
Actuarial loss	(2,630)	-	-	(2,630)
Deferred tax on actuarial loss	473	-	-	473
Deferred tax on pensions movements	135	-	-	135
Unrealised gains on available for sale investments, net of tax	-	7,772	-	7,772
At 30 June 2016	<u>(13,020)</u>	<u>9,456</u>	<u>1,697</u>	<u>(1,867)</u>

Options have been granted under the Company's share option scheme during the year. There were 7,824 shares granted (2015 – 7,955) and shares exercised were 20,061 (2015 – 18,126). The share price at the balance sheet date was \$91.87. 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 England & Wales. The parent company of the smallest and largest group which prepares consolidated financial statements that include the results of Automatic Data Processing Limited is Automatic Data Processing Inc. Copies of the group financial statements of Automatic Data Processing Inc. may be obtained from One ADP Boulevard, Roseland, New Jersey, USA.

21. RELATED PARTY DISCLOSURES

The company has taken advantage of 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 SHAREHOLDERS' FUNDS

	2016 £'000	2015 £'000
Profit for the financial year	1,193	1,623
Other comprehensive income/(loss) relating to the year	5,750	(147)
Credit to equity for share-based payments	200	134
Net addition to shareholders' funds	7,143	1,610
Opening shareholders' funds	11,490	9,880
Closing shareholders' funds	18,633	11,490

23. PENSION

ADP Pension and Life Assurance Plan**Defined contribution scheme**

The Company currently operates a money purchase defined contribution scheme.

The pension cost for the current year totalled £2,352,000 (2015: £2,334,000). As at the balance sheet date, there were outstanding pension contributions totalling £373,390 (2015: £535,850).

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.

Funding

Under the current Schedule of Contributions, which covers the period to 30 June 2020, the Company has agreed to make a fixed annual contribution to the pension scheme of £900,000.

Date of the most recent comprehensive actuarial valuation

The most recent comprehensive actuarial valuation was carried out by the Trustee of the Plans as at 31 March 2014 for funding purposes. The Company has employed an independent actuary to appropriately update that actuarial valuation allowing for differences between the actuarial assumptions used by the Plan for funding purposes and those adopted by the Company to measure the defined benefit obligation, as well as adjusting for interest on the liabilities and benefits paid from the Plan between 31 March 2014 and 30 June 2016.

The amounts recognised in the balance sheet are as follows:

	2016 £'000	2015 £'000
Fair value of plan assets	11,395	10,512
Present value of funded obligations	(11,983)	(10,380)
Surplus/(deficit)	(588)	132

Amounts recognised in the income statement are as follows:

	2016 £'000	2015 £'000
Interest costs	389	430
Return on assets	(402)	(431)
Total income included in interest receivable and similar income	(13)	(1)

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

23. **PENSION - continued**

Change in the present value of scheme liabilities:

	2016	2015
	£'000	£'000
At beginning of the year	10,380	10,074
Interest cost	389	430
Actuarial loss	1,490	144
Gross benefits paid	(276)	(268)
At end of the year	11,983	10,380

Change in the fair value of assets:

	2016	2015
	£'000	£'000
At beginning of the year	10,512	9,926
Interest income	402	431
Employer contributions	551	529
Benefit payments from plan assets	(276)	(268)
Administrative expenses paid from plan assets	(149)	(207)
Return on plan assets (excluding interest income)	355	101
At end of the year	11,395	10,512

The Company expects to contribute £449,000 to the ADP Limited Pension & Life Assurance Plan in the year to 30 June 2017.

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

	2016	2015
Equities	46%	48%
Fixed Income Bonds	45%	40%
Property	4%	3%
Cash	5%	9%

Property amounts to £412,000 (2015: £368,000) of the total fair value of scheme assets.

Principal actuarial assumptions at the balance sheet date:

	2016	2015
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	2.80%	3.20%
Discount rate	2.90%	3.80%
Inflation assumptions	2.80%	3.30%
Rate of return on scheme assets	5.10%	5.75%

The actual rate of return on scheme assets was £757,000 (2015: £532,000).

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 2013 with 1.5% p.a. long-term improvements (2015: CMI 2013 with 1.5% p.a. long-term improvements).

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

23. **PENSION - continued**

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

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Scheme assets	11,395	10,512	9,926	9,271	8,224
Defined benefit obligations	(11,983)	(10,380)	(10,074)	(9,402)	(8,946)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus/(deficit)	(588)	132	(148)	(131)	(722)
Experience adjustments on scheme liabilities	-	(518)	-	-	273
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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 2016 totalled £1,160,000 (2015: £1,634,000).

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:

	2016 £'000	2015 £'000
Fair value of plan assets	48,107	43,013
Present value of funded obligations	<hr/> (47,616)	<hr/> (42,149)
Surplus	<hr/> 491	<hr/> 864

Amounts recognised in the income statement are as follows:

	2016 £'000	2015 £'000
Interest costs	1,586	1,625
Return on assets	<hr/> (1,638)	<hr/> (1,710)
Total income included in interest receivable and similar income	<hr/> (52)	<hr/> (85)

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

23. **PENSION - continued**

Change in the present value of scheme liabilities:

	2016	2015
	£'000	£'000
At beginning of the year	42,149	37,898
Interest cost	1,586	1,625
Actuarial loss	4,704	3,349
Gross benefits paid	(823)	(723)
	<hr/>	<hr/>
At end of the year	47,616	42,149

Change in the fair value of assets:

	2016	2015
	£'000	£'000
At beginning of the year	43,013	39,155
Interest income	1,638	1,710
Employer contributions	1,160	1,634
Benefit payments from plan assets	(823)	(723)
Administrative expenses paid from plan assets	(158)	(246)
Return on plan assets (excluding interest income)	3,277	1,483
	<hr/>	<hr/>
At end of the year	48,107	43,013

The Company expects to contribute £1,140,000 to the ADP Chessington Pension Scheme in the year to 30 June 2017.

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

	2016	2015
Equities	55%	54%
Fixed Income Bonds	45%	46%

Principal actuarial assumptions at the balance sheet date:

	2016	2015
Rate of increase in salaries	-	-
Rate of increase in pensions in payment	2.80%	3.20%
Discount rate	2.90%	3.80%
Inflation assumptions	2.80%	3.30%
Rate of return on scheme assets	5.10%	5.75%

The actual rate of return on scheme assets was £4,915,000 (2015: £3,193,000).

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 2013 with 1.5% p.a. long-term improvements (2015: CMI 2013 with 1.5% p.a. long-term improvements).

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

23. **PENSION - continued**

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

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Scheme assets	48,107	43,013	39,155	35,128	30,694
Defined benefit obligations	(47,616)	(42,149)	(37,898)	(35,079)	(31,701)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus/(deficit)	491	864	1,257	49	(1,007)
Experience adjustments on scheme liabilities	-	577	-	-	(584)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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 2016 totalled £104,000 (2015: £102,000).

The movement in the liability for the annual compensation unfunded defined benefit scheme is presented below:

	2016	2015
	£'000	£'000
At beginning of the year	2,218	2,169
Employer contributions	(104)	(102)
Interest cost	82	92
Actuarial loss	68	59
	<hr/>	<hr/>
At end of the year	2,264	2,218
	<hr/>	<hr/>

Principal actuarial assumptions at the balance sheet date:

	2016	2015
Discount rate	2.90%	3.80%
Inflation assumptions	2.80%	3.30%

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 2013 with 1.5% p.a. long-term improvements (2015: CMI 2013 with 1.5% p.a. long-term improvements).

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

24. DEFERRED TAXATION

The Company has recognised a deferred tax liability of £455,000 (2015: £627,000 asset).

	2016 £'000	2015 £'000
Deferred tax assets/(liabilities)		
Accelerated capital allowances	585	490
Pension deficit / surplus	425	(199)
Other short-term timing differences	<u>(1,465)</u>	<u>336</u>
	<u>(455)</u>	<u>627</u>
Opening balance	627	778
Credit/(charge) to the income statement	107	389
(Debit)/credit to the statement of other comprehensive income	<u>(1,189)</u>	<u>(540)</u>
Closing balance	<u>(455)</u>	<u>627</u>

25. 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.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

26. TRANSITION TO FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 30 June 2015. The transition date was 1 July 2014. Certain accounting policies have been changed to comply with FRS 102.

Reconciliation of Equity at 1 July 2014

	Note	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
FIXED ASSETS				
Tangible assets		1,419	-	1,419
Investments		<u>115,073</u>	-	<u>115,073</u>
		<u>116,492</u>	-	<u>116,492</u>
CURRENT ASSETS				
Investments		105,092	-	105,092
Debtors: amounts falling due within one year	a, b	20,041	1,711	21,752
Debtors: amounts falling due after one year	a	-	5,095	5,095
Cash at bank		<u>12,965</u>	-	<u>12,965</u>
		<u>138,098</u>	<u>6,806</u>	<u>144,904</u>
CREDITORS				
Amounts falling due within one year	a	<u>(242,657)</u>	<u>(1,962)</u>	<u>(244,619)</u>
NET CURRENT LIABILITIES		<u>(104,559)</u>	<u>4,844</u>	<u>(99,715)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,933	4,844	16,777
CREDITORS				
Amounts falling due after more than one year	a	-	(5,095)	(5,095)
PROVISIONS FOR LIABILITIES		(773)	-	(773)
PENSION LIABILITY	b	<u>(2,286)</u>	<u>1,257</u>	<u>(1,029)</u>
NET ASSETS		<u>8,874</u>	<u>1,006</u>	<u>9,880</u>
CAPITAL AND RESERVES				
Called up share capital		20,500	-	20,500
Revaluation reserve		(205)	-	(205)
Other reserves		1,363	-	1,363
Retained earnings		<u>(12,784)</u>	<u>1,006</u>	<u>(11,778)</u>
SHAREHOLDERS' FUNDS		<u>8,874</u>	<u>1,006</u>	<u>9,880</u>

The notes form part of these financial statements

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

26. TRANSITION TO FRS 102 - continued

Reconciliation of Equity
30 June 2015

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
FIXED ASSETS				
Tangible assets		1,640	-	1,640
Investments		<u>258,086</u>	<u>-</u>	<u>258,086</u>
		<u>259,726</u>	<u>-</u>	<u>259,726</u>
CURRENT ASSETS				
Investments		217,460	-	217,460
Debtors: amounts falling due within one year	a, b	29,751	1,812	31,563
Debtors: amounts falling due after more than one year	a	-	5,647	5,647
Cash at bank		<u>8,688</u>	<u>-</u>	<u>8,688</u>
		<u>255,899</u>	<u>7,459</u>	<u>263,358</u>
CREDITORS				
Amounts falling due within one year	a	<u>(501,825)</u>	<u>(2,011)</u>	<u>(503,836)</u>
NET CURRENT LIABILITIES		<u>(245,926)</u>	<u>5,448</u>	<u>(240,478)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		13,800	5,448	19,248
CREDITORS				
Amounts falling due after more than one year	a	-	(5,647)	(5,647)
PROVISIONS FOR LIABILITIES		(889)	-	(889)
PENSION (LIABILITY)/ASSET	b	<u>(2,218)</u>	<u>996</u>	<u>(1,222)</u>
NET ASSETS		<u>10,693</u>	<u>797</u>	<u>11,490</u>
CAPITAL AND RESERVES				
Called up share capital		20,500	-	20,500
Revaluation reserve		1,684	-	1,684
Other reserves		1,497	-	1,497
Retained earnings		<u>(12,988)</u>	<u>797</u>	<u>(12,191)</u>
SHAREHOLDERS' FUNDS		<u>10,693</u>	<u>797</u>	<u>11,490</u>

The notes form part of these financial statements

Notes to the Financial Statements - continued
for the Year Ended 30 June 2016

26. TRANSITION TO FRS 102 - continued

Reconciliation of Profit
For the Year Ended 30 June 2015

	Notes	UK GAAP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
TURNOVER	a	56,731	(601)	56,130
Cost of sales	a	(20,964)	601	(20,363)
GROSS PROFIT		35,767	-	35,767
Distribution costs		(2,569)	-	(2,569)
Administrative expenses	b	(33,270)	(453)	(33,723)
Other operating income		1,544	-	1,544
OPERATING PROFIT		1,472	(453)	1,019
Interest receivable and similar income	b	148	(56)	92
Interest payable and similar expenses	b	(26)	(6)	(32)
PROFIT BEFORE TAXATION		1,594	(515)	1,079
Tax on profit	b	441	103	544
PROFIT FOR THE FINANCIAL YEAR		2,035	(412)	1,623

The following changes have been made to the Company's accounting policies as a result of adoption of FRS 102:

a) Implementation revenues and costs

Under previous UK GAAP, the Company recognised revenue from implementation services at the time the implementation services were performed and the services of the Company had gone live. Implementation costs were expensed as incurred.

Under FRS 102, 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. The amount of implementation costs deferred is capped at the amount which is assessed to be recoverable under the terms of the contract.

The impact of this change in policy has been to reduce revenue for the year ended 30 June 2015 by £601,000 and reduce cost of sales by the same amount. At 1 July 2014 and 30 June 2015, the impact on the balance sheet has been to increase other debtors by £7,057,000 and £7,658,000 respectively. Deferred income has increased by the same amount.

The notes form part of these financial statements

26. TRANSITION TO FRS 102 - continued

b) Pensions

Section 28 of FRS 102 requires the net interest cost to be derived by multiplying the net defined benefit obligation by the discount rate. Previous UK GAAP under FRS 17 Retirement Benefits required the application of the discount rate only to pension liabilities and an expected return to the plan assets. The impact has been to increase interest costs by £62,000 for the year ended 30 June 2015.

Pension administration costs of £453,000 for the year ended 30 June 2015 which were previously allowed for as part of experience gains and losses under previous UK GAAP and recorded in other comprehensive income have now been presented as an expense in profit and loss.

A tax credit of £103,000 for the year ended 30 June 2015 has been recorded on the above adjustments.

The requirements for the recognition of pension scheme surpluses have changed under FRS102 compared to previous UK GAAP. On restatement for adoption of FRS102, the Company has recognised the surpluses for schemes in surplus at each balance sheet date with a corresponding credit to the Statement of Comprehensive Income. The amount of surplus recognised was £1,257,000 at 1 July 2014 and £996,000 at 30 June 2015. The Company has recognised a deferred tax liability of £251,000 and £199,000 at each of these dates.