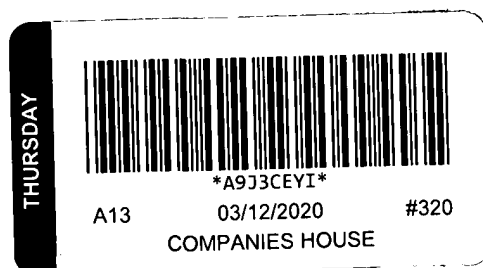


Company Registration No. 00949665 (England and Wales)

**AUTOMATIC DATA PROCESSING LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**



**AUTOMATIC DATA PROCESSING LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	L Wake J Phipps D Johnson D McGuire	(Appointed 11 November 2019) (Appointed 11 November 2019)
<b>Company number</b>	00949665	
<b>Registered office</b>	Syward Place Pycroft Road Chertsey Surrey United Kingdom KT16 9JT	
<b>Independent Auditor</b>	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ	
<b>Bankers</b>	Barclays Bank plc Multinational Corporate Team Level 28 No 1 Churchill Place London United Kingdom E14 5HP	

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# **AUTOMATIC DATA PROCESSING LIMITED**

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# **AUTOMATIC DATA PROCESSING LIMITED**

## **STRATEGIC REPORT**

### ***FOR THE YEAR ENDED 30 JUNE 2020***

The directors present the strategic report for Automatic Data Processing Limited ("The Company") for the year ended 30 June 2020.

#### **Results**

Turnover for the year was £73,063,000 (2019: £71,693,000). Operating profit in the year has also benefited from a gain of £7,238,000 (2019: nil) on the sale of money market investments sold during the year and the Company recognised £5,818,000 (2019: nil) of realised gain, arising from the waiver of loan notes issued to fellow group companies Vizual HR Limited and Vizual Business Tools Limited for the purchase consideration of net assets. Prior to the liquidation of both entities the loan note consideration was forgiven and waived. Administrative expenses for the current period are significantly lower than the previous period due to a general decrease in staff costs from reduced travel and entertainment as a result of COVID-19. Furthermore in the previous period the Company had a large consulting project that completed with no such costs in the current period. Profit for the financial year was £18,917,000 (2019: £3,899,000). Excluding the exceptional gains, underlying profit before tax has increased by £2,249,000.

#### **Review of financial position**

With the Brexit transition phase ending on 31 December 2020, the Company disposed its passporting rights for the European funds which resulted in the reduction of its current money market investments held at fair value to £418,973,000 for the year ended 30 June 2020. The corresponding client fund obligation reduced by the same amount as these related to European customers. The client fund assets and liabilities have also been impacted by the government scheme introduced as a result of COVID-19 to allow companies to defer timing of payroll tax payments.

During the year the Company further increased its investment in subsidiary ADP HR and Payroll Services Ireland Limited by £2,552,000.

Cash at bank and in hand of £20,228,000 is represented by the Company's own cash which has increased from the prior period due to government VAT payment deferral scheme. Client cash balances of £6,580,000 have decreased from the prior period due to customer making use of the deferral of payroll tax payments.

Creditors falling due within one year have decreased to £452,990,000 (2019: £815,277,000) primarily due to client obligations with the sale of the Euro money market investments which were sold due to ceasing the passporting activities for the European funds.

#### **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 enhancing its product offerings and maintaining its quality.

The Company's principal financial assets are cash, trade debtors, money market funds and corporate and government 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 its ultimate parent's Automatic Data Processing, Inc. ("ADP Inc") Groups treasury management function to manage liquidity risks should a need arise. Price risk is managed with an annual review in line with inflation and market trends.

A risk for the Company is its provision of payment services which is regulated by the Financial Conduct Authority ("FCA"). In particular, the United Kingdom's Payment Services Regulations impose potential liability on the Company for its conduct. There is a risk that failure by the Company to comply with regulatory requirements could adversely impact Automatic Data Processing Limited, through compensation to customers, settlements, penalties or other sanctions, or requirements to implement changes in the Company's business operations. Automatic Data Processing Limited, in line with the strategy of the ADP group of companies, employs a range of business management tools and processes for the effective management of the business.

# **AUTOMATIC DATA PROCESSING LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

### **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 \$14 billion in revenues and approximately 700,000 clients. Automatic Data Processing Limited is part of the Employer Services Division of ADP Inc. that 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).

KPI's relevant to the Company include turnover growth, operating profit margin and year-on-year movement of customer satisfaction measured via the Relationship Net Promoter Score (NPS).

	<b>2020</b>	<b>2019</b>
Turnover growth %	+2%	+5%
Operating profit margin %	8%	5%
Net Promoter Score (NPS) improvement	+16.8	+7.7

### **Brexit**

The UK has left the EU on the 31 January 2020, however we are in a transition phase where we currently remain subject to EU law until the 31st of December 2020. It is still unclear at this stage what the agreed deal will be and what impact this may have on the UK economy. In light of this uncertain environment, the Company has assessed its risks, based on any known and potential unknown impacts. The biggest known risk the Company faced with Brexit, was the passporting rights it held with the FCA, enabling the Company to provide payment services in the Netherlands. Operations regarding the European money movement services have ceased during the financial period to address this risk. The level of profit is not material and the net balance sheet impact is nil, as the investment is equal to the liability.

The Company has also assessed any potential impacts on our supply chain, people, technology, capital and future revenue generation. No substantial risks have been identified and the Company is taking steps to ensure that minimal disruption and impact is felt by its EU Nationals working in the UK. As the Company is predominantly UK centric, there is a potential impact on a decline in growth of the UK economy, particularly from any changes in the volume of its workforce. However, the opportunity will remain for the Company to continue to grow its market share.

# **AUTOMATIC DATA PROCESSING LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

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### **Section 172 Statement**

During the financial period, the senior management acted in a way, they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole based on information available at the time. The following disclosure describe how the Directors have had regard to the matters set out in section 172(1) (a) to (f):

### **Employees**

Engagement with employees is essential to ensure the Company fosters a work environment that the workforce is motivated to work in and that best supports their wellbeing. Employees are concerned with opportunities for personal development and career progression, a culture of inclusion and diversity, compensation and benefits, and the ability to make a difference within the ADP brand. The Company invests in its employees maintaining low turnover rates. Bonus schemes are in place and based on performance ratings to encourage productivity within the workforce. Employees are provided information that is of concern to them, including business and financial performance updates which are provided via fiscal quarter Town Hall gatherings. Employees are encouraged to share their views on all matters with senior management.

### **Suppliers**

The Company's suppliers are fundamental to ensuring it meets high standards of conduct that customers and other key stakeholders expect. Suppliers value operational stability ensuring predictable demand, transparency and integrity at all times in all business dealings and timely settlement avoiding liquidity challenges. The Directors receive updates regarding material developments in key supplier relationships.

### **Customers**

It is important for the Company to engage with its customers. If the Company is unable to meet the expectations of customers and does not engage effectively to maintain their attachment to the ADP brand then the brand will be eroded and market share lost. The Directors receive regular updates regarding customer relationships, development and engagement, including results of net promoter score and complaints data. Investment in refining and improving customer experience is a key consideration of the Company's strategy. The strategic report sets out the net promoter score and shows the quality service the Company has continued to deliver.

### **Community and the environment**

The communities in which the Company operates require it to operate in a socially responsible manner and protect the environment. Sustainability is crucial, and communities expect the Company to reduce carbon emissions. The Company continues to support charitable giving and volunteer days amongst the workforce.

### **Principal decisions**

Principal decisions are those that are material to the Company and significant to any of the key stakeholder groups. In making the principal decisions set out in the section 172 statement, the Directors considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company. Principal decisions taken during the year include:

#### *Sale of Euro money movement services*

With Brexit on the horizon, the Company disposed of its passporting rights for the European funds which resulted in the reduction of its current money market investments and corresponding client fund obligations. The outcome of this decision was to ensure we have mitigated against the risk of a no-deal Brexit outcome which would impact the FCA regulations around passporting rights.

#### *Vizual business wound up*

During the year, the Company recognised £5.8 million of realised gain, arising from the waiver of loan notes issued to fellow group companies Vizual HR Limited and Vizual Business Tools Limited for the purchase consideration of net assets. Prior to the liquidation of both entities the loan note consideration was forgiven and waived. This gain realised has been recognised as an exceptional gain in the financial statements. The outcome of this decision has resulted in all customers of the Vizual business entities being transferred to the Company.

## **AUTOMATIC DATA PROCESSING LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

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#### **Corona virus disease (COVID-19)**

As of the date of issuance of these financial statements, there were over 60 million confirmed cases of COVID-19 worldwide. There is significant impact anticipated for employers as this virus spreads in the workplace both from a humanitarian support and workplace compliance perspective. Global responses to the COVID-19 outbreak continue to rapidly evolve. The Company is taking guidance from the UK government as the matter evolves. The Company has informed its clients that business will operate as normal and that the business continuity operation has been planned, anticipated and tested and is currently in motion. The Company has also provided communication to all its stakeholders to ensure a consistent understanding of the direction to support working from home for all who support its clients. ADP business units and functions have developed and/or enhanced existing business continuity strategies, protocols, and procedures to ensure business continues as usual. This includes approaches such as accommodating an increase in associates who need to work from home by proactively increasing VPN session capacity and ensuring the availability of sufficient bandwidth, workload shifting across geographies and teams, cross-training associates and augmenting temporary or contingent staff, as applicable.

The Company did experience a decline in the value of client funds, and with that client fund obligations, as a result of customers making use of the government scheme of deferring payroll tax payments. However customers have now nearly all returned to normal funding arrangements. As at June 2020 the Company saw 73 clients in deferring their tax funding, down from 141 in May 2020. In September only 6 clients remained on this scheme, and client funds had returned to year on year growth. The Company has not seen a deterioration in cash collections and the Order to Cash team continue to keep weekly tracks of collections trends, status and mitigation actions. During the initial phase of the lockdown period instilled by the UK government, the Company did furlough staff for implementation projects as these were put on hold. However we have brought back these associates earlier than anticipated and since September 2020 all of these staff have returned from furlough as the pipeline of new implementation projects continued to grow. Of the new customer implementations that were put on hold due to COVID, only 1 client has decided not to proceed at all and as of September 2020, 70% are back on track and actively working towards go-live dates.

From the perspective of the Company, principal risks and uncertainties associated with financial instruments are integrated with the principal risks of the ADP Inc. Group and are not managed separately. Management continue to monitor the impact of COVID-19 on the business extremely carefully. During the last quarter of the financial period, New Business Bookings of best of breed solutions (latest product offering being iHCM) remained strong and outperformed the same period from the last three years. In addition, the last quarter turnover exceeded that of the previous financial period and our retention of business improved year-on-year for the quarter. ADP UK has a tested Business Continuity Programme and will continue to engage with and support clients, both current and prospective, and will continue to service our customers to our usual high standards.

Approved by the board and signed on its behalf

DocuSigned by:

*Lorna Wake*

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L. Wake

Director

**26 November 2020**

# **AUTOMATIC DATA PROCESSING LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 30 JUNE 2020***

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The directors present their annual report on the affairs of Automatic Data Processing Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 30 June 2020.

#### **Principal activities**

The principal activity of the Company continued to be the provision of employer services.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

L Wake	
J Phipps	
D Johnson	(Appointed 11 November 2019)
P Hadley	(Resigned 14 October 2019)
D McGuire	(Appointed 11 November 2019)

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

#### **Results and dividends**

The results for the year are set out on page 12.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### **Qualifying third party indemnity provisions**

The company has made no qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Political donations**

During the year the Company made no political donations (2019: nil), but charitable donations of £3,350 (2019: £4,911) were made.

#### **Financial instruments**

##### ***Liquidity Risk***

The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business.

The Company is not subject to any externally imposed capital requirements but is required to submit annual capital adequacy returns to the FCA. 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 Inc.'s group treasury management function to manage liquidity risks should the need arise.

##### ***Interest rate risk***

The Company has limited exposure to interest rate risk as the majority of its investments are in fixed rate bonds.



# **AUTOMATIC DATA PROCESSING LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 JUNE 2020***

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### ***Foreign currency Risk***

The Company's principal foreign currency exposures arise from trading with overseas ADP group companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. The Company does not make use of hedging instruments. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing as at the statement of financial position date. The gains and losses arising on translation are included in the income statement for the period.

The Company's exposure to foreign exchange risk is not significant due to netting arrangements with group companies via monthly settlement.

### ***Credit Risk***

Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary. Price risk is managed with an annual review in line with inflation and market trends.

### ***Risk Management***

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. 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 overdraft facilities) and equity of the Company (comprising issued capital, reserves and retained profit). For risk management responses to the coronavirus disease 2019 (COVID-19) outbreak refer to the Strategic Report.

### ***Disabled persons***

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. Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned.

### ***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 a few employees can participate to encourage employee involvement in the Group's performance.

### ***Future developments***

The Company continues to invest in developing products and services for the evolving needs of the payroll market. The directors do not anticipate any significant changes in the Company's activities in the forthcoming year.

### ***Auditor***

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### ***Statement of disclosure to auditor***

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

# AUTOMATIC DATA PROCESSING LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

### Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, and its risk management procedures are set out in the review of the business and risk management sections of the Strategic Report. This also considers the impact so far, with respect to COVID-19, by ADP UK. The latest management accounts prepared as of October 2020, the Company has continued to be profitable, and is in a net current asset position. The company has access to a bank overdraft facility of £5 million which is undrawn at the date of signing the accounts for the year ended 30 June 2020. However, even considering the Company's resilient performance to date and the overdraft facility available, we appreciate the full impact of COVID-19 on the Company and the economy is not yet known. Accordingly ADP Inc, the ultimate parent company, has committed to provide such financial support as necessary to enable the Company to meet its liabilities as they fall due for a minimum period of 12 months from the date of the approval of these financial statements. Accordingly, the directors, having considered the letter of financial support received from ADP Inc and the ability of ADP Inc to provide the financial support, consider it is appropriate to adopt the going concern basis in preparing the financial statements.

### Emissions and energy consumption

The Company performs annual emissions inventory and environmental data collection procedures for the calendar year. Data is taken directly from utilities billings. Measurements are in kWh and because the data is determined for a calendar year for the calendar period 2020 the last quarter has been determined on an average basis.

	2020	2019
Natural gas	668,457	955,872
Electricity	1,272,272	1,714,221
Average kWh usage per employee	3,032	4,238

The following data is compiled by the International Energy Agency (IEA) for each calendar year for all ADP entities across the globe. At the time of signing these financial statements the data for the calendar year 2020 was not yet available. The following represents ADP UK's emission factors for the period 1 January 2019 to 31 December 2019:

	2020/2019
CO2 (gCO2/kWh)	348.3
NH4 (gCO2e/kWh)	0.6
N2O (gCO2e/kWh)	1.7

Approved by the Board and signed on its behalf

DocuSigned by:  
Lorna Wake  
L. Wake

Director

26 November 2020

## **AUTOMATIC DATA PROCESSING LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

#### ***FOR THE YEAR ENDED 30 JUNE 2020***

---

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

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOMATIC DATA PROCESSING LIMITED**

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### **Opinion**

In our opinion the financial statements of Automatic Data Processing Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 24.

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

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF AUTOMATIC DATA PROCESSING LIMITED**

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#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

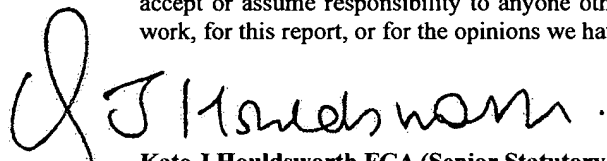
We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**  
**TO THE MEMBERS OF AUTOMATIC DATA PROCESSING LIMITED**

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**Use of our report**

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



**Kate J Houldsworth FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
London, United Kingdom  
26 November 2020

**AUTOMATIC DATA PROCESSING LIMITED****INCOME STATEMENT*****FOR THE YEAR ENDED 30 JUNE 2020***

	Notes	2020 £'000	2019 £'000
<b>Turnover</b>	<b>3</b>	73,063	71,693
Cost of sales		(40,480)	(31,021)
<b>Gross profit</b>		32,583	40,672
Other operating income		3,207	1,668
Distribution costs		(1,003)	(2,368)
Administrative expenses		(28,647)	(36,267)
<b>Operating profit</b>	<b>6</b>	6,140	3,705
Net finance income	<b>7</b>	56	242
Other gains and losses	<b>8</b>	13,056	-
<b>Profit before taxation</b>		19,252	3,947
Tax (expense)/credit on profit	<b>9</b>	(335)	(48)
<b>Profit for the financial year</b>		18,917	3,899

The income statement has been prepared on the basis that all operations are continuing operations.

**AUTOMATIC DATA PROCESSING LIMITED****STATEMENT OF COMPREHENSIVE INCOME*****FOR THE YEAR ENDED 30 JUNE 2020***

		<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
<b>Profit for the financial year</b>		<b>18,917</b>	<b>3,899</b>
<b>Other comprehensive income</b>			
Actuarial gain/(loss) on defined benefit pension schemes	<b>21</b>	1,265	(3,330)
Unrealised (losses)/gains on available for sale investments	<b>14</b>	(3,366)	4,642
Tax relating to other comprehensive income	<b>9</b>	(112)	202
<b>Other comprehensive income for the year</b>		<b>(2,213)</b>	<b>1,514</b>
<b>Total comprehensive income for the year</b>		<b>16,704</b>	<b>5,413</b>



**AUTOMATIC DATA PROCESSING LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2020**

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	10		1,803		2,045
Investments	11		13,361		10,809
			<u>15,164</u>		<u>12,854</u>
<b>Current assets</b>					
Debtors falling due after more than one year	13	20,436		4,946	
Debtors falling due within one year	13	33,990		47,267	
Available for sale investments	14	418,973		767,136	
Cash at bank and in hand	15	26,808		28,049	
		<u>500,207</u>		<u>847,398</u>	
<b>Creditors: amounts falling due within one year</b>	16	(452,990)		(815,277)	
<b>Net current assets</b>			<u>47,217</u>		<u>32,121</u>
<b>Total assets less current liabilities</b>			<u>62,381</u>		<u>44,975</u>
<b>Creditors: amounts falling due after more than one year</b>	17		(18,332)		(15,994)
<b>Provisions for liabilities</b>	19		(5,317)		(4,952)
<b>Net assets excluding pension surplus</b>			<u>38,732</u>		<u>24,029</u>
<b>Defined benefit pension surplus</b>	21		10,553		8,552
<b>Net assets</b>			<u><u>49,285</u></u>		<u><u>32,581</u></u>
<b>Capital and reserves</b>					
Called up share capital	22		20,500		20,500
Revaluation reserve			5,205		8,128
Profit and loss reserves			23,580		3,953
<b>Total equity</b>			<u><u>49,285</u></u>		<u><u>32,581</u></u>

The financial statements were approved by the board of directors and authorised for issue on 26 November 2020 and are signed on its behalf by:

DocuSigned by:  
  
 950F8B2DA1054D9...  
 L Wake  
 Director

Company Registration No. 00949665

# AUTOMATIC DATA PROCESSING LIMITED

## STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 30 JUNE 2020*

		Share capital	Revaluation reserve	Profit and loss reserves	Total
		£'000	£'000	£'000	£'000
<b>Balance at 1 July 2018</b>	<b>22</b>	20,500	4,275	2,393	27,168
<b>Year ended 30 June 2019:</b>					
Profit for the year		-	-	3,899	3,899
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	-	(3,330)	(3,330)
Adjustments to fair value of financial assets		-	4,642	-	4,642
Tax relating to other comprehensive income		-	(789)	991	202
Total comprehensive income for the year		-	3,853	1,560	5,413
<b>Balance at 30 June 2019</b>	<b>22</b>	20,500	8,128	3,953	32,581
<b>Year ended 30 June 2020:</b>					
Profit for the year		-	-	18,917	18,917
Other comprehensive income:					
Actuarial gains on defined benefit plans		-	-	1,265	1,265
Adjustments to fair value of financial assets		-	(3,366)	-	(3,366)
Tax relating to other comprehensive income		-	443	(555)	(112)
Total comprehensive income for the year		-	(2,923)	19,627	16,704
<b>Balance at 30 June 2020</b>	<b>22</b>	20,500	5,205	23,580	49,285

# **AUTOMATIC DATA PROCESSING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

***FOR THE YEAR ENDED 30 JUNE 2020***

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### **1 Accounting policies**

#### **Company information**

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

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### **Financial Reporting Standard 102 - reduced disclosure exemptions**

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including the Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements; and
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of Automatic Data Processing Inc. ("ADP Inc.") These consolidated financial statements are available from its registered office at One ADP Boulevard, Roseland, New Jersey, USA.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1 Accounting policies

(Continued)

##### 1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, and its risk management procedures are set out in the review of the business and risk management sections of the Strategic Report. This also considers the impact so far, with respect to COVID-19, by ADP UK. The latest management accounts prepared as of October 2020, the Company has continued to be profitable, and is in a net current asset position. The company has access to a bank overdraft facility of £5 million which is undrawn at the date of signing the accounts for the year ended 30 June 2020. However, even considering the Company's resilient performance to date and the overdraft facility available, we appreciate the full impact of COVID-19 on the Company and the economy is not yet known. Accordingly ADP Inc, the ultimate parent company, has committed to provide such financial support as necessary to enable the Company to meet its liabilities as they fall due for a minimum period of 12 months from the date of the approval of these financial statements. Accordingly, the directors, having considered the letter of financial support received from ADP Inc and the ability of ADP Inc to provide the financial support, consider it is appropriate to adopt the going concern basis in preparing the financial statements.

##### 1.3 Turnover

Revenue, which is stated net of Value Added Tax, is recognised for payslip processing revenue 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 implementation service fees are amortised to revenue over the expected customer life. Additionally, certain implementation costs in excess of fees charged 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.

Other operating income is derived from PDS (Payroll Distribution Service) whereby the entity receives funds from customers and holds these funds for a period of time before using them to pay the net payroll amounts due to those customers' employees. These funds are remitted to ADP Canada where they are pooled with global funds from other ADP businesses to take advantage of preferential foreign currency exchange rates and the benefit thereof is shared with members of the group in a pro-rata arrangement. The income is recognised when ADP group confirms the amount receivable for the period.

##### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation on the straight-line method is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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

##### 1.5 Investments

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1 Accounting policies

(Continued)

##### 1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held on call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities when in use.

##### 1.7 Financial instruments

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

##### *Fair value measurement of financial instruments*

Fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fair values for Available for Sale investments are determined using market data and as such all are classified as Level 2 in the fair value hierarchy.

##### *Basic 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. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss.

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.

##### *Other financial assets*

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### *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 (CONTINUED)**

### **FOR THE YEAR ENDED 30 JUNE 2020**

#### **1 Accounting policies**

**(Continued)**

##### ***Available for sale investments***

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

##### ***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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

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

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

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

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.

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1 Accounting policies

(Continued)

##### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### *Classification of financial liabilities*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### *Basic 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.

##### *Other financial liabilities*

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### *Derecognition of financial liabilities*

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

#### 1.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

#### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 1 Accounting policies

(Continued)

##### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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.

#### 1.10 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### 1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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. These defined benefit schemes have been closed for new employees. The net interest cost on the net defined benefit obligation is charged to the income statement and included within finance costs.

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

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Company, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting net 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.



# **AUTOMATIC DATA PROCESSING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 30 JUNE 2020**

#### **1 Accounting policies**

**(Continued)**

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

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

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

Share options are granted to employees at exercise prices equal to the fair market value of Automatic Data Processing Inc.'s common stock on the dates of grant. Share options are issued under a graded vesting schedule, generally vesting ratably 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**

On 1 January 2006 ADP Inc offered an employee share purchase scheme 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 an annual tranche vesting period over three years. 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, 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. Time-based restricted shares are settled in cash and cannot be transferred during the vesting period.

##### **1.13 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

##### **1.14 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

##### **1.15 Research and development**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

### 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 reviewed on an ongoing basis. There are no specific estimates for the entity. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### Critical judgements

There are no areas in which the directors are required to make estimates which involve a higher degree of critical accounting judgement.

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

#### 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 21 to the financial statements describes the principal discount rate, salary increase, inflation, mortality and pension payment increase assumptions that have been used to determine the pension and post-retirement charges. The calculation of any charge relating to pensions is dependent on the assumptions used, which reflects the exercise of judgement.

The assumptions adopted are based on advice of the Company's actuaries, on prior experience and market conditions. The overall surplus pension assets at 30 June 2020 is £10,553,000 (2019: £8,552,000).

### 3 Turnover and other revenue

An analysis of the Company's service turnover is as follows:

	2020	2019
	£'000	£'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	71,226	70,356
Europe	1,072	680
Rest of the World	765	657
	<u>73,063</u>	<u>71,693</u>

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 4 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2020 Number	2019 Number
Systems programmers	202	217
Production/operations	357	355
Customer support	23	20
Administration	58	38
	<u>640</u>	<u>630</u>

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	31,294	31,568
Social security costs	3,653	4,126
Pension costs - defined contribution scheme	2,593	2,304
	<u>37,540</u>	<u>37,998</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 139 (2019: 169).

As a result of the COVID-19 pandemic, the UK government introduced a furlough scheme whereby they would fund 80% of employees salaries for time not worked during the pandemic. ADP UK topped up the remaining 20%. For the financial period ended 30 June 2020 the Company will receive a total of £170,000 government funding (2019: nil). This funding had yet to be received as of 30 June 2020 and is included in other debtors. The furlough income receivable has been recorded within other operating income.

#### 5 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	<u>505</u>	<u>400</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to three (2019 - two).

**AUTOMATIC DATA PROCESSING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****5 Directors' remuneration (Continued)**

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £'000	2019 £'000
Remuneration for qualifying services	256	248

The directors' emoluments disclosed above include those of the highest paid director of £256,240 (2019: £247,578) of which £12,931 (2019: £12,587) relates to pension contributions. Three directors are members of a defined contribution pension scheme (2019: two). No directors are members of the defined benefit schemes (2019: none).

**6 Operating profit**

	2020 £'000	2019 £'000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	586	56
Auditor fees	453	182
Depreciation of owned tangible fixed assets	1,254	1,104
Impairment/(utilisation) on trade debtors	572	(366)
Operating lease charges	1,059	1,301

**7 Net finance income**

	2020 £'000	2019 £'000
Interest on reverse repurchase obligations	(111)	(96)
Interest payable to group undertakings	(33)	(1)
Net interest related to defined benefit pension scheme	200	339
	56	242

**8 Other gains and losses**

	2020 £'000	2019 £'000
Net gain arising on derecognition of available for sale financial assets	7,238	-
Waiver of loan notes due from fellow subsidiaries	5,818	-
	13,056	-

The gain on disposal of current assets investments for £7,238,000 is a result of the sale of money market available for sale investments made during the year as a result of the Euro passporting rights ceasing.

A gain of £5,818,000 was realised from the waiver of loan notes issued to fellow group companies Vizual HR Limited and Vizual Business Tools Limited for the purchase consideration of net assets. Prior to the liquidation of both entities the loan note consideration was forgiven and waived.

**AUTOMATIC DATA PROCESSING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****9 Taxation**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	166	370
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	169	(322)
	<u>          </u>	<u>          </u>
<b>Total tax charge</b>	<u>          335          </u>	<u>          48          </u>

UK corporation tax has been charged at 19% (2019 - 19%). In the Government's Budget on 11 March 2020, it was announced that the previously enacted reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment (17 March 2020) occurred during the current period, deferred tax balances as at 30 June 2020 have been measured at 19% with the exception of the deferred tax liability arising on defined benefit pension surplus which is recognised at 35%. This is due to the surplus being taxed by HMRC at 35% where the surplus is not expected to be recovered through a reduction in future contributions.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	19,252	3,947
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	3,658	750
Tax effect of expenses that are not deductible in determining taxable profit	116	30
Tax effect of income not taxable in determining taxable profit	(2,481)	-
Effect of change in corporation tax rate	(257)	6
Group relief	(2,173)	(1,030)
Tax adjustments in respect of prior years	83	310
Movement in short-term timing differences	-	(1)
Share options	14	(17)
Tax on other gains and losses	1,375	-
	<u>          </u>	<u>          </u>
<b>Taxation charge for the year</b>	<u>          335          </u>	<u>          48          </u>

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 9 Taxation

(Continued)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £'000	2019 £'000
Deferred tax arising on:		
Revaluation of investments	(443)	789
Actuarial differences recognised as other comprehensive income	555	(991)
	<u>112</u>	<u>(202)</u>

At 30 June 2020, the Company had a deferred tax liability of £3,022,000 (2019 - £2,741,000). Refer to note 20 for details on the deferred tax liability breakdown.

#### 10 Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
At 1 July 2019	2,715	1,101	8,501	12,317
Additions	13	-	1,005	1,018
Retirements	(655)	(398)	(2,219)	(3,272)
At 30 June 2020	<u>2,073</u>	<u>703</u>	<u>7,287</u>	<u>10,063</u>
<b>Depreciation and impairment</b>				
At 1 July 2019	2,144	675	7,453	10,272
Depreciation charged in the year	244	90	920	1,254
Eliminated in respect of retirements	(655)	(393)	(2,218)	(3,266)
At 30 June 2020	<u>1,733</u>	<u>372</u>	<u>6,155</u>	<u>8,260</u>
<b>Carrying amount</b>				
At 30 June 2020	<u>340</u>	<u>331</u>	<u>1,132</u>	<u>1,803</u>
At 30 June 2019	<u>571</u>	<u>426</u>	<u>1,048</u>	<u>2,045</u>

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

### 11 Investments

	Notes	2020 £'000	2019 £'000
Investments in subsidiaries	12	13,361	10,809

During the year, the Company further increased its investments in subsidiary ADP HR and Payroll Services Ireland Limited by £2,552,000.

#### Movements in investments

	Shares in group undertakings £'000
<b>Cost or valuation</b>	
At 1 July 2019	10,809
Additions	2,552
At 30 June 2020	13,361
<b>Carrying amount</b>	
At 30 June 2020	13,361
At 30 June 2019	10,809

### 12 Subsidiaries

Details of the Company's subsidiaries at 30 June 2020 are as follows:

Name of undertaking	Registered office
ADP HR and Payroll Services Ireland Limited	Unit 1, 42 Rosemount, Park Dr, Rosemount Business Park, Dublin, Ireland
Class of shares held	% directly held
Ordinary	100

On 14 June 2019, Automatic Data Processing Limited (ADP UK) acquired 100% shareholding of ADP HR and Payroll Services Ireland Limited (formerly known as Softcom (Ireland) Limited), for the purchase consideration of £10.8 million (€11.7 million).

Name of undertaking	Registered office
ADP Chessington Pensions Trustees Limited	Syward Place, Pyrcroft Road, Chertsey, Surrey, KT16 9JT
Class of shares held	% directly held
Ordinary	100

Name of undertaking	Registered office
Chessington Employee Benefit Trust Limited	Syward Place, Pyrcroft Road, Chertsey, Surrey, KT16 9JT
Class of shares held	% directly held
Ordinary	100

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

### 12 Subsidiaries

(Continued)

ADP Chessington Pensions Trustees Limited and Chessington Employee Benefit Trust Limited are dormant entities that ADP UK holds 100% shareholding at £1 each.

### 13 Debtors

	2020 £'000	2019 £'000
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	15,672	-
Other debtors - Deferred implementation costs	4,764	4,946
	<u>20,436</u>	<u>4,946</u>
	2020 £'000	2019 £'000
<b>Amounts falling due within one year:</b>		
Net trade debtors	12,776	13,355
Amounts owed by group undertakings	9,842	18,744
Other debtors	2,846	2,575
Interest receivable	5,980	10,056
Prepayments and accrued income	2,546	2,537
	<u>33,990</u>	<u>47,267</u>
	2020 £'000	2019 £'000
<b>Total debtors</b>	<u>54,426</u>	<u>52,213</u>



## **AUTOMATIC DATA PROCESSING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### ***FOR THE YEAR ENDED 30 JUNE 2020***

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#### **13 Debtors**

**(Continued)**

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

Amounts owed by group undertakings related to intercompany trading activities are settled via a monthly netting exercise through PNC (Royal Bank of Scotland). Included in amounts falling due after more than one year is a loan with OneClickHR Limited due for repayment in June 2022 bearing interest at 1.34%.

£5,818,000 of realised gain was arising from the waiver of loan notes issued to fellow group companies Vizual HR Limited and Vizual Business Tools Limited for the purchase consideration of net assets. Prior to the liquidation of both entities the loan note consideration was forgiven and waived.

Included in other debtors are certain implementation costs that are deferred until the client has gone live on the Company's payroll processing platforms and provision of service has commenced. Deferred implementation costs are then amortised over the expected customer life of seven years. At 30 June 2020, £1,720,000 (2019: £1,812,000) of deferred implementation costs were expected to be recovered in less than one year and £4,764,000 (2019: £4,946,000) after more than one year. Also included in other debtors is £295,000 (2019: nil) for withholding tax receivable.

As a result of the COVID-19 pandemic, the UK government introduced a furlough scheme whereby they would fund 80% of employees salaries for time not worked during the pandemic. ADP UK topped up the remaining 20% and for the financial period ended 30 June 2020 the Company will receive a total of £170,000 government funding (2019: nil). This funding has yet to be received as of 30 June 2020 and is included in other debtors. The furlough income receivable has been recorded within other operating income.

Trade debtors are measured at transaction price, less any impairment. The average credit period taken on provision of services is 40 days (2019: 37 days). No interest is charged on the trade debtors. The Company has recognised an allowance for doubtful debts of 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are not recoverable. Allowances against doubtful debts are recognised against trade receivables between 90 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an assessment of the counterparty's current financial position.

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

**AUTOMATIC DATA PROCESSING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****13 Debtors****(Continued)**

Aging of past due trade debtors:	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Less than 30 days	5,940	6,508
31 - 60 days	5,669	5,669
61 - 90 days	1,037	1,036
91 - 120 days	531	336
121-150 days	224	253
151-180 days	185	88
Greater than 180 days	929	848
	<u>14,515</u>	<u>14,738</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.

## Movement in allowance for doubtful debts:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	1,383	1,749
Impairment losses recognised	572	-
Impairment losses utilised	-	(366)
Closing balance	<u>1,955</u>	<u>1,383</u>

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 14 Available for sale investments

	2020 £'000	2019 £'000
Available for sale investments	418,973	767,136

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

The historic cost of client funds as at 30 June 2020 was £416,161,000 (2019: £781,598,000). 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 2 financial assets in the fair value hierarchy. The fair value loss recognised in other comprehensive income for the year was £3,366,000 (2019: £4,642,000 gain).

		Historic cost £'000	Cumulative unrealised gains £'000	Fair value £'000
Client cash and cash equivalents	15/17	5,163	-	5,163
Withholding tax receivable		296		296
Due to broker		(1,800)	-	(1,800)
Marketable securities		412,502	6,471	418,973
Total funds held for clients		416,161	6,471	422,632
Total client liability	16	416,161		

The marketable securities comprise:

	2020 £'000	2019 £'000
Money market funds	1,802	46,914
Corporate and government bonds	417,171	720,222
	418,973	767,136

The Company has an investment strategy and investment guidelines that have various maturities to level out the volatility of interest rates. Therefore, it is considered a strategic business decision not to withdraw the investments for daily liquidity needs. Funds held for clients represent assets that, based upon the Company's intent, are restricted for use solely for the purposes of satisfying the obligations to remit the fund relating to the Company's Money Movement Disbursement services, which are classified as client funds obligations with current liabilities.

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 15 Cash at bank and in hand

	2020	2019
	£'000	£'000
Cash at bank - client funds	6,580	24,302
Cash at bank and in hand	20,228	3,747
	<u>26,808</u>	<u>28,049</u>

#### 16 Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Client funds bank overdraft	1,416	-
Client obligations	416,161	781,598
Trade creditors	1,152	2,750
Amounts owed to group undertakings	18,485	7,035
Amounts owed to parent	-	5,000
Corporation tax	166	-
Other taxation and social security	2,290	2,445
VAT	2,771	1,789
Other creditors	1,803	-
Accruals and deferred income	8,746	14,660
	<u>452,990</u>	<u>815,277</u>

Included in amounts owed to group companies is an intercompany loan with ADP HR and Payroll Services Ireland Limited for £6,389,000 repayable by June 2021. Included in other creditors is £1,800,000 due to broker in relation to the money market investments (2019: nil).

Included in accruals is short term deferred income comprises implementation revenue of £1,720,000 (2019: £4,764,000).

#### 17 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Amounts owed to group undertakings	13,568	11,048
Deferred Income - Implementation revenue	4,764	4,946
	<u>18,332</u>	<u>15,994</u>

Deferred income comprises implementation revenue of £4,764,000 (2019: £4,946,000). Revenue relating to implementation services is deferred until the client has gone live on the Company's payroll processing platforms and services have commenced. The fees are amortised to revenue over the expected customer life. The intercompany loans are with ADP Nederland B.V. for £11,445,000 repayable on the 12th of June 2024 with an interest rate of 0.29% per year, and G.S.I. (U.K.) Limited for £2,123,000 which is a dormant entity.

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 18 Operating lease commitments

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£'000	£'000
Within one year	1,688	1,318
Between two and five years	2,913	4,326
	<u>4,601</u>	<u>5,644</u>

The Company has operating lease commitments for three properties. The lease for the Chertsey property ends in September 2022. The lease for the Cheadle property ends in August 2023 and has undergone a rent review. The lease for the Bristol property has been on a rolling monthly basis with renewal discussions still ongoing with the landlord.

#### 19 Provisions for liabilities

	2020	2019
	£'000	£'000
Dilapidations	1,583	1,996
NIC on share options	318	215
Deferred tax	3,022	2,741
Credit note provision	394	-
	<u>5,317</u>	<u>4,952</u>

Movements on provisions:

	Dilapidations	NIC on share options	Deferred Tax	Credit note provision	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2019	1,996	215	2,741	-	4,952
Reversal of provision	(413)	-	-	-	(413)
Increase in provision	-	103	281	394	778
	<u>1,583</u>	<u>318</u>	<u>3,022</u>	<u>394</u>	<u>5,317</u>

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 19 Provisions for liabilities

(Continued)

The dilapidations provision relates to three properties; the Chertsey lease expiring in September 2020, the Cheadle lease expiring in August 2023 and the Bristol lease which has been extended with renewal discussions ongoing. 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 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 £118.71 (\$147.45) and the assumption that 100% of eligible employees will exercise the share options and that the rate of NIC is 13.8%.

The credit note provision relates to credit notes raised during the financial period that related to revenue recorded in the previous financial period.

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.

#### 20 Deferred taxation

The following are the major deferred tax liabilities and (assets) recognised by the Company and movements thereon:

	2020 £'000	2019 £'000
Fixed asset timing differences	(964)	(1,139)
Short term timing differences - trading	3,986	3,880
	<u>3,022</u>	<u>2,741</u>
	<u>3,022</u>	<u>2,741</u>
	2020 £'000	2019 £'000
Defined benefit pensions	4,104	3,444
Revaluation reserve	1,230	1,673
Short term timing differences	(796)	(612)
Share based payments	(552)	(625)
Fixed asset timing differences	(964)	(1,139)
	<u>3,022</u>	<u>2,741</u>
	<u>3,022</u>	<u>2,741</u>

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 20 Deferred taxation

(Continued)

##### Movements in the year:

Liability at 1 July 2019	2,741
Charge to profit or loss	86
Charge to other comprehensive income	112
Adjustment in respect of prior years	83
Liability at 30 June 2020	<u>3,022</u>

#### 21 Retirement benefit schemes

	2020	2019
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>2,593</u>	<u>2,304</u>

The Company currently operates a money purchase defined contribution scheme. As at 30 June 2020 there was £349,000 accrued pension contributions.

##### Defined benefit schemes

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

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

The most recent triennial valuation was carried out as at 31st March 2017 by Bruce Watson, Fellow of the Institute of Actuaries. Therefore the annual valuation was required for this year's UK GAAP account to consider any potential changes to the assumptions for both assets and liabilities under FRS 102 at 30th June 2020. Both defined benefit schemes remain in a surplus position however, the surplus has increased from the prior year position which will be reflected accordingly in the profit and loss and the other comprehensive income.

	2020	2019
	£'000	£'000
Actuarial gain/(loss) on defined benefit pension schemes	<u>1,265</u>	<u>(3,330)</u>
Net interest income related to defined benefit pension scheme	<u>200</u>	<u>339</u>
Overall surplus pension assets	<u>10,553</u>	<u>8,552</u>

**AUTOMATIC DATA PROCESSING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****21 Retirement benefit schemes****(Continued)****ADP Pension and Life Assurance Plan**

The amounts recognised in the balance sheet are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of plan assets	15,890	14,184
Present value of funded obligations	(13,523)	(12,393)
	<u>          </u>	<u>          </u>
Surplus	2,367	1,791
	<u>          </u>	<u>          </u>

Amounts recognised in the income statement are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest costs	281	322
Interest income on plan assets	(322)	(384)
	<u>          </u>	<u>          </u>
	(41)	(62)
	<u>          </u>	<u>          </u>

Change in the present value of scheme liabilities:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At the beginning of the year	12,393	11,262
Loss on curtailments/changes/introductions	-	123
Interest cost	281	322
Actuarial loss/(gain)	1,218	1,033
Gross benefits paid	(369)	(347)
	<u>          </u>	<u>          </u>
At the end of the year	13,523	12,393
	<u>          </u>	<u>          </u>

Change in the fair value of assets:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At the beginning of the year	14,184	13,370
Interest income	322	384
Employer contributions	180	249
Benefit payments from plan assets	(369)	(347)
Administrative expenses paid from plan assets	(143)	(183)
Return on plan assets (excluding interest income)	1,716	711
	<u>          </u>	<u>          </u>
At the end of the year	15,890	14,184
	<u>          </u>	<u>          </u>



# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 21 Retirement benefit schemes

(Continued)

The Company expects to contribute £180,000 to the ADP Limited Pension & Life Assurance Plan in the year to 30 June 2021.

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

	2020	2019
Cash and cash equivalents	0%	0%
Equity instruments	20%	21%
Debt instruments	80%	79%

Principal actuarial assumptions at the balance sheet date:

	2020	2019
Rate of increase in pension payments	2.80%	2.90%
Discount rate	1.60%	2.30%
Inflation assumptions	2.90%	3.20%

The actual rate of return on scheme assets was £2,038,000 (2019: £1,095,000).

The mortality assumption is made up of two components: the underlying base table and the allowance for future improvements in life expectancy. The base tables adopted are the S2PA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2016 with 1.5% p.a. long-term improvements (2019: CMI 2013 with 1.5% p.a. long-term improvements).

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

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Scheme assets	15,890	14,184	13,370	12,786	11,395
Defined benefit obligations	(13,523)	(12,393)	(11,262)	(12,845)	(11,983)
Surplus/(deficit)	2,367	1,791	2,108	(59)	(588)

#### ADP Chessington Pension scheme

The amounts recognised in the balance sheet are as follows:

	2020 £'000	2019 £'000
Fair value of plan assets	66,683	60,308
Present value of funded obligations	(55,934)	(51,042)
Surplus	10,749	9,266

Amounts recognised in the income statement are as follows:

	2020 £'000	2019 £'000
Interest costs	1,160	1,279
Interest income on plan assets	(1,375)	(1,622)
	(215)	(343)

**AUTOMATIC DATA PROCESSING LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 30 JUNE 2020****21 Retirement benefit schemes****(Continued)**

## Change in the present value of scheme liabilities:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At the beginning of the year	51,042	44,705
Loss on curtailments/changes/introductions	-	505
Interest cost	1,160	1,279
Actuarial loss/(gain)	4,930	5,737
Gross benefits paid	(1,198)	(1,184)
At the end of the year	<u>55,934</u>	<u>51,042</u>

## Change in the fair value of assets:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At the beginning of the year	60,308	56,501
Interest income	1,375	1,622
Employer contributions	240	240
Benefit payments from plan assets	(1,198)	(1,184)
Administrative expenses paid from plan assets	(135)	(203)
Return on plan assets (excluding interest income)	6,093	3,332
At the end of the year	<u>66,683</u>	<u>60,308</u>

The Company expects to contribute £240,000 to the ADP Chessington Pension scheme in the year to 30 June 2021.

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

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	0%	0%
Equity instruments	20%	20%
Debt instruments	80%	80%

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 21 Retirement benefit schemes

(Continued)

Principal actuarial assumptions at the balance sheet date:

	2020	2019
Rate of increase in pensions in payment	2.8%	3.0%
Discount rate	1.60%	2.30%
Inflation assumptions	2.90%	3.20%

The actual rate of return on scheme assets was £7,468,000 (2019: £4,954,000).

The mortality assumption is made up of two components: the underlying base table and the allowance for future improvements in life expectancy. The base tables adopted are the S2PA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2016 with 1.5% p.a. long-term improvements (2019: CMI 2013 with 1.5% p.a. long-term improvements).

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

	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
Scheme assets	66,683	60,308	56,501	54,192	48,107
Defined benefit obligations	(55,934)	(51,042)	(44,705)	(55,481)	(47,616)
Surplus/(deficit)	10,749	9,266	11,796	(1,289)	491

#### ADP Annual Compensation Payments

Contributions made in respect of the year ended 30 June 2020 totalled £116,000 (2019: £112,000).

	2020	2019
	£'000	£'000
Deficit at the beginning of the year	(2,505)	(2,334)
Employer contributions	116	112
Interest cost	(56)	(66)
Actuarial (loss)/gain	(118)	(217)
Deficit at the end of the year	(2,563)	(2,505)

Principal actuarial assumptions at the balance sheet date:

	2020	2019
Inflation assumptions	2.90%	3.20%
Discount rate	1.60%	2.30%

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 S2PA light mortality tables, based on members' years of birth for both the current and last financial year. Future improvements in life expectancy have been made in line with CMI 2016 with 1.5% p.a. long-term improvements (2019: CMI 2013 with 1.5% p.a. long-term improvements).

# AUTOMATIC DATA PROCESSING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 JUNE 2020**

### 22 Share capital

	2020	2019
	£'000	£'000
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
20,500,000 Ordinary of £1 each	20,500	20,500
	<u>20,500</u>	<u>20,500</u>

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

### 23 Related party transactions

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

### 24 Ultimate controlling party

The ultimate parent company and controlling party is Automatic Data Processing Inc., which is incorporated in the United States of America. The immediate parent company is ADP Network Services Limited, a company incorporated in the United Kingdom and registered in England and Wales. Its registered office is as for the Company and is stated on the Company information page.

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